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AUDIT OF DISABILITY BENEFITS DATA

Audit and Evaluation Division

Canada

Acknowledgements

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1.0   BACKGROUND

Disability benefits are financial payments provided to individuals who have a service-related disability. Disability benefits consist of both disability pensions and disability awards[1]. The *Pension Act* of 1919 provides the framework for the disability pension which is a tax-free monthly payment, with the amount of the payment based on the extent to which the Veteran's diagnosed medical disability is related to their service. The disability award, established in 2006 as part of the *Veterans Well-being Act*, provides members and Veterans with a tax-free monetary award for an injury or illness resulting from military service. The amount of the award will depend on the degree the disability is related to service and the severity of the disability.

Disability benefit workload is generated by work items in Client Service Delivery Network (CSDN), and work items are either generated by the system or created by staff. Tracking work items measure the time elapsed between steps.
The four main steps in the processing of disability benefits applications include the following:

1.   Intake: Applications for disability benefits are sent via My VAC Account or are mailed and scanned at a central facility. Staff in the field register the application in CSDN. They verify the applications are complete and then forward, via a work item, to the next step, "claims preparation".

2.   Claims preparation: Staff review the claims and flag pertinent information for the adjudicators. If additional information is required, follow up is done. Once the application is ready, it is forwarded via work item to the next step, "adjudication".

3.   Adjudication: Staff review the claim and make a determination on the application. Once a decision is made, the application is forwarded via work item to the next step, "processing and payment".

4.   Processing and Payment: The decision is entered into CSDN. If the decision is favourable, the application is forwarded for payment. If the application is unfavourable, then the decision is communicated to the applicant.

Data is entered by staff in CSDN, the operational database. The data is then transferred from CSDN into a separate reporting database at scheduled intervals. Reports are generated from the reporting database. Having a separate reporting database allows queries to be run without taxing the system resources of the operational database.

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[1]   As of April 1, 2019, the lump sum disability award will be replaced by a non-taxable pain and suffering compensation benefit.

2.0   ABOUT THE AUDIT

2.1   Rationale

Disability benefits is being audited because:
- they are a gateway to access other VAC benefits and services;
- they are the highest dollar value benefits delivered by VAC (total expenditures of $2,031.1 million for the fiscal 2016-2017, representing 60% of total program spending by VAC that year);
- there is a processing backlog of applications and service standards are not being met;
- they reach the most clients (over 90% of individuals being served by the Department are receiving disability benefits); and,
- they have not been subject to an internal audit in more than five years.

Data integrity and performance data was identified as a key area of focus as prior studies pointed to a need for improvements in this regard, interviews with key stakeholders identified the availability of performance data as a risk, and observations by the audit team pointed to some data integrity issues. It is essential to have reliable data to manage programs and make improvements in performance.

2.2   Audit Scope and Objectives

The scope of the audit includes operational performance data and data integrity related to first applications for disability pensions and disability awards. The audit included a review of CSDN [2], My VAC Account [3] and the VAC Enterprise Data Report Portal [4] to ensure integrity of data and appropriateness of performance data. Data gathered at the intake, claims preparation and adjudication steps were included in the audit. The audit covered data integrity and performance data for the 2017-18 fiscal year. The audit excluded the payment processing due to favourable results over that process from previous quality assurance exercises.

The audit objectives include:

- To provide assurance on the integrity of the data related to the Disability Benefits
- To assess the relevance of operational performance data related to the Disability Benefits

The audit criteria are provided in Appendix A.

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[2]   The Client Service Delivery Network (CSDN) is an information system used by VAC staff to assist in the delivery of services to Veterans, including Veteran's benefits and case management.

[3]   My VAC Account is an e-service that provides Veterans, Canadian Armed Forces members, Royal Canadian Mounted Police and family members directly in receipt of VAC benefits with a secure online way to do business with VAC.

[4]   This is VAC's reporting database.

2.3   Methodology

The audit findings and conclusions contained in this report are based on sufficient and appropriate audit evidence gathered in accordance with procedures that meet the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing as supported by the results of the quality assurance and improvement program. The opinions expressed in this report are based on conditions as they existed at the time of the audit and apply only to the entity examined.

Methodology	Purpose
Direct Observation	Direct observation was conducted at all regional Disability Benefits Units (DBU) and VAC head office. Observation was done on how reports are generated, how data is entered and how information flows throughout the system. Direct observation was also used to test system controls.
File Review	A file review using a sequential sampling method[5] was completed on a randomly selected sample of 73 first applications to assess the accuracy and completeness of data; the reasons for errors; the impact of incomplete/inaccurate data.
Data Analysis	Data from CSDN system was analysed to test system controls, identify any data integrity and performance data weaknesses.
Documentation Review	A review of business documents and performance reports was undertaken to determine the relevance of performance data and data integrity.
Interviews	Interviews were completed with 29 staff and managers responsible for disability benefits and information technology specialists to determine data integrity issues, the rationale for errors and if current performance data meets the needs of identified users.
Questionnaire	A questionnaire was sent to managers to determine if the current performance data meets their needs and where data gaps exist.

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[5]   Sequential sampling is a non-probability sampling technique wherein the researcher picks a single or a group of subjects in a given time interval, conducts the study, analyzes the results then picks another group of subjects if needed and so on.

3.0   AUDIT RESULTS

3.1 Data Integrity and Automation

Improved system controls and automation would improve data integrity and result in efficiencies.

The audit team identified a number of opportunities where the system could provide additional control to improve data integrity when processing first applications. Staff often manually transcribe key dates from one screen in the system to another screen. If the system automatically populated the dates, transcription errors[6] would be eliminated. In addition, some data is entered manually from drop down lists when the system could perform the function automatically. For example, an application is defined as favourable if one or more of the conditions being claimed on the application are deemed favourable. Staff must enter a favourable/unfavourable decision for each condition on one screen and then manually enter the decision for the overall application on another screen, which can lead to data entry errors. Staff who generate the reports on favourable rates have identified the inaccurate data field and have developed work arounds to ensure reporting is accurate; therefore, staff time is being used to manually enter information that is not being used.

My VAC Account ensures that applications submitted electronically through that system have all the key fields filled in. This ensures a more complete application and staff do not have to contact the applicant to gather additional information which is often missing from paper applications (such as a signature). However, once the application is received through My VAC Account, staff must manually create applications in CSDN and enter the information into CSDN from the application. More functionality in the system where fields could automatically populate from the My VAC Account system would reduce the likelihood of errors and free staff time to complete other tasks.

The audit looked at the integrity of key data fields used for generating performance information. The main data fields in CSDN used for reporting include the following:
- Application Form Received Date (AFRD) – the date VAC received the application;
- Service Standard Start Date (SSSD) – the date VAC received all the documentation to support the application (i.e., the date an application package was deemed complete);
- Decision Docket Decision Date (DDDD) – the date the adjudicator made a decision on the claimed conditions on the application.

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[6]   A transcription error is a specific type of data entry error that is commonly made by human operators or by optical character recognition programs (OCR).

The AFRD, SSSD and the DDDD are manually entered into the system and are determined by staff in accordance with a business process. The audit team observed VAC staff conducting data entry and noted control weakness for AFRD and SSSD. A file review to determine the accuracy of these dates found errors in the AFRD and the SSSD. The errors resulted in inaccurate calculations of turnaround times, however these inaccuracies did not significantly affect the accuracy of overall reported turnaround times. It is not always clear what the correct AFRD and SSSD should be and these dates are determined based largely on processing staff's judgment. It would benefit data integrity if these dates were determined by the system thereby reducing manual entry and judgment errors. The audit team identified no significant errors in the DDDD.

There are some system controls over key date fields in CSDN (e.g. SSSD cannot be greater than the current date, SSSD must be greater than or equal to the date of application). The audit team tested these controls and found them to be working. While these controls are working, they do not prevent all errors. When data errors are noted by staff who generate reports, there is no official process by which these errors may be corrected, no one is tasked with identifying and correcting errors. Exception reports were generated in the past to identify errors but they were discontinued as the reports did not result in any corrections to the system data. The audit team identified instances of errors, for example future dated decisions and illogical age and military service combinations, made years prior to the date the audit team identified them. These errors did not result in any errors in reporting and therefore were not material, as the issues are known to staff who generate reports. In addition, it is important to note that these errors had no impact on clients.

A review of claims pending pointed to applications which, according to policy, should have been withdrawn. Currently, when the Department is awaiting additional information from the applicant, a reminder is mailed to the applicant reminding the client that we are awaiting information from them. Follow-up calls may also occur. The policy allows for 90 days for the client to provide the information and if the documentation is not received within that timeframe, the application is to be withdrawn. As it stands, staff must identify these cases and manually withdraw them. The volume of applications pending in the cue which should be withdrawn is overstating the workload and contributing to the backlog. Withdrawing claims takes effort on the part of staff in terms of having to send letters, make phone calls and answer client's questions. This process could be automated in the system. Also, consideration should be given to changing the terminology. The client can come back to the Department at any time with the additional information and from that perspective the application is not withdrawn, but rather is on hold awaiting information.

Recommendation 1:

It is recommended that Director General, Centralized Operations Division, in collaboration with the Director General, Information Technology, Information Management, Administration and Privacy Division and the Director General, Service Delivery and Program Management, strengthen controls over key data fields in CSDN. (Essential)

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Management Response

Management agrees with the need for strengthened controls over key data fields. Currently, VAC is developing a new CRM system, GC Case, for the administration of Disability Benefits. This new system will be in place April 1, 2019.

As part of the systems development, processes are being re-engineered and issues with data integrity addressed; for example, the reduction of open data fields and the use of drop-down menus will allow better data integrity and reporting capabilities. Data will also be increasingly sourced through automated information exchange. GC Case is replacing CSDN and no further system updates will be made in CSDN for Disability Benefits administration.

Target completion date: April 1, 2020

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Recommendation 2:

It is recommended that the Director General, Information Technology, Information Management, Administration and Privacy Division in consultation with the Director General, Centralized Operations Division, establish the governance (i.e., processes and accountabilities) for ensuring integrity of data over disability benefits. (Essential)

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Management Response

Management agrees with the need to establish the governance for ensuring integrity of data for disability benefits. VAC is currently developing a new data strategy which will include governance for Disability Benefits data. The plan will be completed in 2019, with implementation accomplished by January 1, 2020.

Target completion date: January 1, 2020

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3.2 Relevance of performance data

> Performance data improvements would result in better information for decision making and workload distribution.

Reporting at VAC is done through the reporting system. Data is transferred from the live system (CSDN) to the reporting system approximately every two days and is two days in arrears. Raw data is compiled into report formats using a reporting application. A data dictionary exists which provides the name of the data field and a description of its contents, but it does not identify the location of the corresponding field in CSDN. As a result, given the complexities of the data, those running reports need to have a good understanding of the data they are querying.

Currently, reports are generated in three different parts of the Department for various purposes. The Statistics Directorate in the Finance Division under Assistant Deputy Minister, Chief Financial Officer and Corporate Services, is the official data reporting group who are responsible for public reporting and approving statistics prior to release. Service Delivery and Program Management Division under Assistant Deputy Minister Service Delivery generates reports for programs and workload statistics related to all VAC programs. Centralized Operations Division under Assistant Deputy Minister, Service Delivery, also generates workload and program reports which are specific to the programs administered or managed by that division.

The business goals of disability benefits are that Veterans receive timely adjudication of claims and Veterans feel that the disability benefits program is effectively managed to meet their current and future needs. A review of current performance data showed alignment with these business goals. Performance data consists primarily of turnaround times (TATs) and completion rates (% within 16 week service standard). Lack of additional performance data such as cost per unit and workload forecasts were identified as data gaps. Analysing changes in cost per unit would provide senior management with information to determine the cost-benefit outcome of program changes, for instance, increasing or decreasing staff, reallocating duties or streamlining processes. Workload forecasts would enable senior management to make informed decisions regarding future staffing and budget requirements. Currently, TATs are reported on a per application basis and this data is available for applications for one claimed condition. When multiple conditions are claimed on an application, the Department is unable to determine how long individual conditions take to adjudicate or which conditions have been referred for medical consultation. In 2016-17 the Department adjudicated 18,687 applications, representing 30,848 conditions, indicating that there are often multiple conditions on each application.

There are a large volume of reports issued weekly and some managers receive as many as fifteen reports per week. The reports do not provide a description of their

content, the reason it was generated, or who is responsible for taking action. They also display different data but use the same terminology to label the data. For example, a report on completed applications generated by one unit draws the information at the point the decision is complete, as opposed to another unit reporting on completed applications drawn at the point the claim was paid. The reports would benefit from a description of the methodology used to create the report and what the report contains. The reports are issued in read-only format and are not interactive. Managers indicated they would like to be able to analyze the data in spreadsheet format rather than the current read-only format.

Recommendation 3:

It is recommended that the Director General, Centralized Operations Division, in collaboration with the Director General, Service Delivery and Program Management and the Director General, Finance, improve reporting by providing managers with interactive reports and to clearly describe content, methodology and importance of reports. (Critical)

Management Response

Management agrees with the need to improve reporting through interactive reports with clear definition of content and methodology and the importance of each identified. The new CRM system GC Case includes customizable and robust functionality for operational reporting.

The Department is developing a new data strategy which includes a reporting strategy within scope of that initiative. VAC will also be developing a modernized data warehouse that will enable reporting using unstructured data and a reduction in custom reporting.

Concurrently, VAC is completing a review of all performance reports, data sources, and methodologies to improve operational analysis/interpretation.

Target completion date: March 31, 2020

Managers further indicated they had the information they needed, but that the reports are not in real time, given the delay in uploading data from the live database to the reporting database. As a result, the reports do not identify workload assignment that occurred during the two day lapse while managers assign tasks in real time. To accomplish real time assignments, managers in the field use a series of filters and search parameters in CSDN in order to determine workload and assign priorities. This is a manual process and is specific to the geographic region for which the manager is responsible. Staff then employ a similar system of filters and search parameters to select the claims they will work on. Generally, staff select the oldest claim first, but if they are training on a particular type of claim, they will select it. Based on interviews and prior internal reports, filtering and searching to prioritize and select workload tasks can take from 1 to 2.5 hours per day per person. There is no national workload distribution tool that would provide current workloads, identify where the workload is building up and

assign claims to staff based on their availability and which claims they are being trained on.

Recommendation 4:

It is recommended that the Director General, Centralized Operations Division, in collaboration with the Director General, Service Delivery and Program Management, and the Director General, Information Technology and Information Management and Administration, develop and implement a national workload distribution tool. (Critical)

Management Response

Management agrees with the need to develop and implement a national workload distribution tool. The new CRM system GC Case being developed for Disability Benefits adjudication includes the capacity for workload assignment and tracking at the individual, unit and organizational level, etc., in addition to enhanced capacity for operational reporting.

Target completion date: April 1, 2020

3.3   Audit Opinion

The objectives of the audit were to assess the adequacy of performance data and data integrity in regards to disability benefits. The audit team identified weaknesses in system controls, and although the data remained uncorrected, mitigating factors were established to ensure accurate reporting. The audit team further identified areas of inefficiency in terms of the withdrawal process, manual assignment and selection of workload, manual transcription of electronic data fields and additional work arounds required to ensure accurate reporting. Given that these issues are significant enough to compromise the sound management of the disability benefits programs the audit team determined the overall audit opinion to be "Requires Improvement".

Appendix A - Audit Criteria

Objective	Criteria
1. To provide assurance on the integrity of the data related to the disability benefits.	A. Data is accurate (free from material error) B. Data is consistent (yields same results repeatedly) C. Data is complete (includes all elements - relevant records are present and the fields are populated appropriately)

2. To assess the relevance of performance data related to the disability benefits.	A. Performance data are aligned with the business goals
	
	B. Performance data meet the needs of users
	    a. Timely and understandable
	    b. Contain necessary information for decision making and reporting

* The audit team confirmed that all of the above criteria were met unless otherwise stated in this audit report.

Appendix B – Risk Ranking of Recommendations and Audit Opinion

The following definitions are used to classify the ranking of recommendations and the audit opinion presented in this report.

Audit Recommendations

Critical   Relates to one or more significant weaknesses for which no adequate compensating controls exist. The weakness results in a high level of risk.

Essential   Relates to one or more significant weaknesses for which no adequate compensating controls exist. The weakness results in a moderate level of risk.

Audit Opinion

Well Controlled   Only insignificant weaknesses relating to the control objectives or sound management of the audited activity are identified.

Generally Acceptable   Identified weaknesses when taken individually or together are not significant or compensating mechanisms are in place. The control objectives or sound management of the audited activity are not compromised.

Requires Improvement   Identified weaknesses, when taken individually or together, are significant and may compromise the control objectives or sound management of the audited activity.

Unsatisfactory   The resources allocated to the audited activity are managed without due regard to most of the criteria for efficiency, effectiveness and economy.