



Veterans Affairs
Canada

Anciens Combattants
Canada

July 2021

AUDIT OF DISABILITY BENEFITS - SURVIVORS

Audit and Evaluation Division
Protected B

Canada 

Acknowledgements

The audit team gratefully acknowledges Veterans Affairs staff in the Centralized Operations Division as well as staff in Area Offices across the country. Their contributions were essential to the success of this audit.

TABLE OF CONTENTS

1.0	BACKGROUND	1
2.0	ABOUT THE AUDIT	3
2.1	AUDIT SCOPE AND OBJECTIVES	3
2.2	METHODOLOGY.....	3
3.0	AUDIT RESULTS	4
3.1	MANAGEMENT CONTROL FRAMEWORK	4
3.2	COMPLIANCE WITH APPLICABLE POLICIES AND PROCESSES.....	6
3.3	AUDIT RECOMMENDATIONS.....	7
3.4	AUDIT OPINION.....	8
	APPENDIX A - AUDIT CRITERIA	A-1
	APPENDIX B - AUDIT OPINION	B-1

1.0 BACKGROUND

Disability benefits

Veteran Affairs Canada (VAC) disability benefits are financial payments to individuals who have a service-related disability:

- **Disability pension (DP):** The *Pension Act* of 1919 provides the framework for the DP, which is a tax-free monthly payment. The amount is based on the assessment (i.e. medical impairment and impact on quality of life) and the degree to which the disability is related to service.
- **Disability award (DA):** established in 2006 as part of the *Veterans Well-being Act* (formerly called the *Canadian Forces Members and Veterans Reestablishment and Compensation Act*), provides a tax-free payment for a disability resulting from military service.
- **Pain and Suffering Compensation (PSC):** in April 2019, the DA was replaced with the PSC, a tax-free life-time monthly or lump sum benefit. The amount is based on the assessment (i.e. medical impairment and impact on quality of life) and the degree to which the disability is related to service.

Disability benefits also provide financial support or compensation for the survivors of deceased Veterans and members who died in service or as a result of a service-related illness or injury. A survivor is a spouse, common-law partner, or dependent child of a deceased Veteran or serving member. Survivors may receive a DP and/or a PSC up to 100%.

VAC also administers the RCMP disability benefits granted under the *RCMP Superannuation Act*, in accordance with the *Pension Act*. These include compensation for the survivors of deceased RCMP members who died in service or as a result of a service-related illness or injury. RCMP members and former members are not eligible for benefits under the *Veterans Well-being Act*.

Communicating with the survivor after the Veteran passes away

When a Veteran or client in receipt of a benefit or service dies, VAC promptly communicates with the family or authorized contact¹. Within two days of receiving a notification of death, VAC sends a Condolence Letter expressing sympathy and indicating to contact VAC if they have any questions. It does not contain information about VAC benefits and services. Five days later, VAC sends the Benefit Information Letter², with information on what services and benefits will change, continue or discontinue.

¹ Business Process – Notification of Death

² Business Process Condolence and Benefit Information Process

Calculation of the survivor's pension

Survivor benefits decisions are usually a complex process involving a vulnerable population. Delivery of these benefits requires input from many areas of the Department.

In straightforward cases where an individual was married and in receipt of a DP, the survivor will continue to receive the same DP in full for the first year. After this, the survivors will receive:

- a full survivor's pension, if the DP was 48% or greater; or
- one-half of the DP if the pensioner was receiving a DP between 5% and 47%.

Where the member/Veteran was in receipt of a DA/PSC, and the member/Veteran elected for a lump sum payment, there is no remaining amount to be disbursed to the survivor. If the member/Veteran was receiving monthly PSC at the time of their death, the remaining amount of what the member/Veteran would have received if they had chosen a lump sum, less the monthly amount already paid, is paid as a lump sum to the survivor/dependents. Eligible survivors may also apply for posthumous award of disability benefits, or reassessment of entitled conditions where updated medical info is available.

Adjudication

In complex cases, such as determining eligibility, posthumous applications³ or an additional/increased disability benefit in respect of an entitled condition, adjudication decisions are made by: the Veteran Benefit Teams (VBT) and Benefits Adjudication and Processing Unit (BAPU)⁴:

- **VBT:** a multi-disciplinary team that can rapidly process an application from intake to adjudication. Consists of Disability Services Assistants, Benefits Program Officers, and Disability Adjudicators.
- **BAPU:** processes disability benefits claims and financial benefits for Veterans, RCMP, CAF members and their families. Also responsible for survivor eligibility, DP continuation and Survivor pension, and payment processing. Consists of Benefits Program Officers and Payment Officers.

Area Office role

Area Offices assist in processing disability benefits claims and financial benefits for survivors. Case Managers and Veteran Service Agents are responsible for the Condolence Letter and Benefit Information Letter processes and provide guidance to survivors throughout the disability benefits application process.

Of the 5,460 Veterans who passed away in 2019, 1,775 (33%) had survivors who subsequently received disability benefits from VAC⁵.

³ Cases where a survivor applies for a disability benefit with respect to a new condition for which the member/Veteran did not apply prior to his /her death

⁴ How to Process Disability Benefit Applications for Survivors and Dependents – 17-June-2019

⁵ Data extracted from CSDN on January 5, 2021

2.0 ABOUT THE AUDIT

2.1 Audit Scope and Objectives

The objective of the audit is to provide assurance to senior management on the adequacy of the management control framework and to assess compliance with applicable policies and processes in the delivery of disability benefits to Survivors.

Scope

The scope of the audit includes Survivor benefit decisions (DP, DA or PSC) related to Veterans who passed away between January 1, 2019 and December 31, 2020 with Survivors in pay as of January 5, 2021.

The audit excluded:

- The quality of the decisions for service relation, entitlement and assessment for the Veteran; and
- Timeliness of Survivor benefit decisions⁶.

The audit criteria are provided in Appendix A.

2.2 Methodology

Methodology	Purpose
Interviews	Interviews were conducted with VAC staff and senior management to assess governance and controls, assess compliance with relevant guidelines and processes and to identify any potential opportunities to improve efficiency related to Survivor benefits processing.
Direct Observation	Direct observation of processes was conducted with selected VAC staff to obtain an understanding of the Survivor benefits processing, to assess the effectiveness and adequacy of the controls and compliance with policies, guidelines and processes.
Documentation Review	Documentation reviews were conducted to determine whether VAC employees have access to the appropriate tools and training (guidance, methodologies, and procedures) for processing Survivor benefits. Review of departmental legislation was also conducted to ensure that VAC policies, guidelines and processes are aligned.
File Review	Review of a sample of deceased Veterans files was conducted to assess compliance with applicable policies and procedures and whether controls are in place for processing Survivor benefits.

⁶ At the time of the audit Veterans Affairs Canada was conducting extensive work to address the disability benefits application backlog and timeliness.

3.0 AUDIT RESULTS

3.1 Management Control Framework

A management control framework is made up of key management controls that are reasonably expected to be in place in any department or agency to enable the achievement of objectives. Management controls are practices and procedures established to create business value and minimize risk. They include policies, procedures, business processes, roles and responsibilities, objectives and/or performance measures, monitoring and reporting.

An effective system of internal control is integral to an organization's ability to manage risks and to achieve objectives related to operational effectiveness, reliable reporting and compliance. Controls contribute to the proactive and intelligent management of risk, which, if left unmanaged, can prevent key performance objectives in these areas from being achieved. When the organization's system of internal control is effective, losses are minimized and performance is optimized.

It is important to note that the organization's control framework does not guarantee that risks will be prevented, detected and managed, nor that the organization will achieve its goals. It does, however, greatly increase the likelihood that organizational objectives will be achieved⁷. Management controls also support compliance with applicable legislation, policies, and guidelines.

3.1.1 Roles and Responsibilities

Why it's important

At the outset of the audit, the audit team expected to find that roles and responsibilities, key deliverables, resources, and timelines were clearly defined in an integrated framework supporting overall planning and delivery. Defined roles and responsibilities provides clarity, alignment, and expectations to those executing the work and delivering services and benefits. When roles and responsibilities are clearly defined, team members look beyond their own individual positions and learn to understand, respect, and value the unique contributions of one another, and they recognize that the overall success of the team is a function of shared responsibility and ownership.

What we found

VETERAN BENEFIT TEAM:

- The VBT consists of Disability Services Assistants, Benefits Program Officers, and Disability Adjudicators. Roles and responsibilities for all members of the VBT were

⁷ Internal Audit Sector of the Office of the Comptroller General: Core Management Controls, A Guide for Internal Auditors (2007).

clearly defined and communicated.

BENEFITS ADJUDICATION AND PROCESSING UNIT:

- This team consists of Benefits Program Officers and Payment Officers. While employees indicated that roles and responsibilities were understood, there was no official documentation that identified clear individual roles and responsibilities.

AREA OFFICES:

- This team consists of Case Managers and Veterans Service Agents. Roles and responsibilities related to the condolence letter and benefit information letter were clearly defined and communicated in the related business process.

What is the effect/impact?

When roles and responsibilities are not clearly defined and communicated, there may be a risk of duplication of effort; confusion, disappointment, and frustration; which may negatively impact productivity.

3.1.2 Monitoring and Reporting

Why it's important

Effective planning and risk management are supported by sound monitoring and reporting tools and processes. Monitoring is the process of systematically tracking key indicators to assess progress made in achieving goals and objectives. Ongoing monitoring also assists with decision-making and risk management.

Quality assurance comprises administrative and procedural activities implemented in a quality system so that requirements and goals for a service or activity will be fulfilled. It focuses on improving work processes so that services and benefits are delivered more efficiently by tracking key indicators to assess progress made in achieving goals and objectives. Workload management allows for efficient distribution and management of work across teams. When successfully done, team members will feel confident about their work volume and maximize performance.

Disability benefit for survivors workload is primarily generated by applications for disability benefits for survivors. Work is directed by work items generated in Client Service Delivery Network (CSDN) or emails created by staff. Tracking work items measure the time elapsed between steps. Since April 2019, VAC has a new system of record called GCCase, however this system does not yet include disability benefits for survivors.

What we found

VETERAN BENEFIT TEAM:

- There was a lack of performance monitoring and quality assurance/review of

workload related to disability benefit for Survivors. Reporting data was limited to CSDN. GCCase was launched in April, 2019 and to date, the functionality to generate reports which would provide for high level fulsome reviews of performance has not been implemented. Since staff used both systems to complete work, detailed workload reporting was inaccurate and monitoring was ineffective.

BENEFITS ADJUDICATION AND PROCESSING UNIT:

- Workload performance was monitored and feedback was provided during the periodic performance review process. Staff's performance appraisals included workload goals and expectations and discussions were held verbally on their results.

AREA OFFICES:

- Interviews indicated that there was no monitoring or quality assurance/review of workload related to the condolence letter and benefit information letter.

What is the effect/impact?

Inadequate or nonexistent quality assurance may create risks in quality, noncompliance and delays in service delivery, that may otherwise not be detected. Without workload management in place to distribute work and promote balance, the feeling of overwork among staff increases and contributes to low morale and/or stress/burnout.

3.2 Compliance with Applicable Policies and Processes

Why it's important

Documented business processes serve as a means for the direction of actions and/or activities into a defined and consistent process which creates structure, supports timely decision-making and promotes compliance with policies. Without documented and formalized procedures, there is increased risk of error in processing disability benefits for Survivors, particularly for new staff.

Having a trained workforce creates an overall knowledgeable staff who can perform their duties independently. Without adequate, complete and current business processes and training, there is an increased likelihood of non-compliance and confusion related to roles and responsibilities.

What we found

VETERAN BENEFIT TEAM:

- Staff relied on outdated reference material, that did not reflect the current organizational structure and lacked an overarching framework or business process to provide direction. Additionally, existing business processes provided high level instructions however, did not provide the level of detail that would ensure staff properly/consistently performed required duties.

- There was no formal training related to disability benefits for survivors. Staff relied on co-workers to obtain guidance.

BENEFITS ADJUDICATION AND PROCESSING UNIT:

- There was no official business processes or guidance on how to process disability benefits for survivors.
- There was no formal training related to disability benefits for survivors. Staff relied on co-workers to obtain guidance.
- A review of a random sample of 235 Survivor files indicated that decisions were appropriate, fully documented and supported in 99.6% of the cases (234/235).

AREA OFFICES:

- The existing business process for preparing and sending the BIL did not provide sufficient level of detail to properly perform/conduct their responsibilities.
- While standardized letter templates for CL and BIL ensured consistency by limiting the information it contained to a selection of optional paragraphs, the lack of flexibility may have created risks of misinformation in certain scenarios.
- Training provided on the process for creating and sending the BIL did not provide sufficient guidance to support staff in determining potential eligibility to the various VAC benefits and services.
- A review of a random sample of 181 Survivor files indicate that CLs were sent in 96% of the cases (173 of 181). Of the CLs that were sent, only 55% (95 of 173) were sent within 2 working days.
- Of the 181 Survivor files reviewed, only 60% (104 of 181) of BILs were sent. Of the 104 BILs that were sent, only 43% (45 of 104) were sent within 5 working days of notification of death.

What is the potential effect/impact?

Due to the lack of clear business processes for the VBT and BAPU, the audit team was unable to assess compliance with applicable business processes. Identified gaps in business processes, letter templates and training as outlined above may have contributed to lack of compliance in regards to the condolence and benefit information letter process. Delay or failure in sending a CL and BIL to a vulnerable population may result in reputational loss for the Department. Failure to send a benefit information letter may also increase the risk of delays in Survivors applying for and/or being informed of VAC's disability benefits and support services.

3.3 Audit Recommendations

Recommendation 1

It is recommended that the Assistant Deputy Minister, Service Delivery improve the management control framework related to the processing of disability benefits for Survivors by:

- clearly defining roles and responsibilities; and
- developing and implementing comprehensive business processes and guidance.

Management Response

The Service Delivery Branch of Veterans Affairs Canada will review and update the roles and responsibilities for employees involved with processing disability benefits for survivors. There will also be development and implementation of a comprehensive business process for the same. The Centralized Operations Division's Training and Development team will create online curriculum that provides end-to-end guidance on the survivor process for Veteran Benefits Teams and Benefits Adjudication and Processing. To further support guidance, we will also update the disability benefits survivor chapter in the Adjudication Manual and post it on the VS Toolbox.

Target Date: September 30, 2022.

Recommendation 2

It is recommended that the Assistant Deputy Minister, Service Delivery implement a performance monitoring and a quality assurance program related to the processing of disability benefits for Survivors.

Management Response

The Service Delivery Branch of Veterans Affairs Canada will implement a performance monitoring and quality assurance program related to the processing of disability benefits for survivors.

Target Date: July 31, 2022.

3.4 Audit Opinion

Based on the findings above, the audit team determined that the processing of disability benefits for survivors requires improvement. Although staff generally understood their roles and responsibilities, several opportunities for improvements were noted with respect to business processes, performance monitoring and quality assurance.

Appendix A - Audit Criteria

Objective	Criteria <i>(Audit criteria must be sourced)</i>
1. Provide assurance to senior management on the adequacy of the management control framework in the delivery of disability benefits to Survivors.	<p>A. The organization provides employees with the necessary training, tools, resources and information to support the discharge of their responsibilities.</p> <p>B. Oversight exists to monitor and provide assurance on the quality and due diligence in decision-making.</p> <p>C. Authority, responsibility and accountability are clear and communicated.</p>
2. Assess compliance with applicable policies and processes in the delivery of disability benefits to Survivors.	<p>A. Policies and procedures in place aligned with legislation</p> <p>B. Decisions are appropriate, fully documented and supported.</p>

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

Appendix B – Audit Opinion

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

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.