



Department of  
Veterans Affairs

# Office of Inspector General

## REVIEW OF WAIVER DECISIONS FOR COMPENSATION AND PENSION DEBTS

*VBA can improve the quality and  
uniformity of waiver decisions.*

**Report No.: 7R1-B01-047**

**Date: February 21, 1997**

Office of Inspector General  
Washington DC 20420



**DEPARTMENT OF VETERANS AFFAIRS**  
**Office of Inspector General**  
**Washington DC 20420**

**Memorandum to the Acting Under Secretary for Benefits (20)**

**Review of Waiver Decisions for Compensation and Pension Debts**

1. The Office of Inspector General conducted a review of the Department of Veterans Affairs (VA) Veterans Benefits Administration's (VBA) waiver decisions for compensation and pension (C&P) debts. The purpose of the review was to evaluate the quality of decisions to waive the collection of C&P debts and to assess Committee on Waivers and Compromises (COWC) program policies and operating procedures at individual VA regional offices (VAROs). This review is one of a series of reviews evaluating VA debt management.
2. Public Law 92-328 (June 30, 1972) gives VA the authority to waive recovery of erroneous payments made in the C&P program. The law established a single standard of equity and good conscience to determine whether collection of a debt should be waived. Current law precludes waiver if any indication of fraud, misrepresentation, or bad faith is found in the creation of the debt. Implementation guidance for COWC operations is contained in VA Manual MP-4, Part 1, Chapter 8 and VBA Training Guide Supplement to MP-4, Part 1, Chapter 8.
3. Beneficiary requests for waivers of C&P debts are considered by VBA's Debt Management Center (DMC) in St. Paul, MN and by COWC staff established at 57 VAROs. During Fiscal Year (FY) 1995, VBA waived 31,128 debts or 53 percent, of the 58,453 debts processed for waiver decisions. The total value of C&P debts waived in FY 1995 was about \$67 million.
4. The review covered COWC operations during FY 1995 and the first half of FY 1996. We analyzed VBA's FY 1995 COWC statistics and found a wide variance in decision results among the VAROs, with individual VAROs granting from 27 percent to 85 percent of waiver requests. We found 11 VAROs granted waivers in over 70 percent of the cases, while 7 VAROs granted waivers in under 40 percent of the cases. This variance demonstrates a difference in the application of waiver criteria and results in unequal treatment of similarly situated beneficiaries who submit waiver requests. We also conducted a stratified statistical sample of waiver decisions made during FY 1996 on 2,643 debts valued at nearly \$11.6 million. We found that the waiver decision in 30 percent of the cases reviewed was not supported by the evidence of record. Based on our sample results, we estimated that decisions to waive debts valued at \$3.4 million were questionable.

5. We concluded that greater management attention was needed in the areas of guidance and training, VARO program supervision, and VA Central Office (VACO) oversight in order to improve the quality of waiver decisions. The Training Guide needs to include examples which demonstrate to COWC staff when a finding of fraud, misrepresentation or bad faith can be found for C&P debts. Additionally, the Training Guide needs to provide guidance on actions to be taken when the claimant fails to furnish the required Financial Status Report, and better guidance for evaluating financial hardship. VBA can improve the quality of waiver decisions by enhancing guidance and training provided to COWC staff, strengthening supervision by conducting more thorough quality reviews of waiver cases, and increasing VACO program oversight.

6. We recommended that you improve the quality of waiver decisions by:

a. Enhancing guidance in the Training Guide Supplement to MP-4, Part I, Chapter 8, Committee on Waivers and Compromises (TG-20-90-2 Revised) to provide: (1) illustrations of fraud, misrepresentation, or bad faith; (2) greater emphasis on the necessity to obtain financial status reports; and (3) better guidance on how to apply the financial hardship and beneficiary fault standards in the decision to waive debts.

b. Conducting training for COWC personnel on waiver guidelines.

c. Requiring the COWC Chairpersons to conduct more thorough quality reviews of waiver cases.

d. Increasing VACO oversight of the COWC program by initiating case reviews with emphasis on decisions made by VAROs whose percentage of cases granted are outliers, (e.g., fall above 70 percent or below 40 percent).

7. You concurred with the findings and recommendations and provided acceptable implementation plans. We consider all issues resolved. However, we will follow up on implementation of planned actions until they have been completed. You did not comment on our estimate of monetary benefits, or provide an alternative estimate. Our estimate of monetary impact is based on a statistical sample, and we consider it to be reasonable and reliable.

For The Assistant Inspector General for Auditing

[Signed]

THOMAS L. CARGILL, JR.

Director, Bedford Audit Operations Division

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## **RESULTS AND RECOMMENDATIONS**

### **VBA Can Improve the Quality and Uniformity of Waiver Decisions**

Our review of the Department of Veterans Affairs (VA) Veterans Benefits Administration's (VBA) Committee on Waivers and Compromises (COWC) decisions for Compensation and Pension (C&P) debts showed that significant variations in decision results among VA Regional Offices (VARO) could be reduced and the quality of decisions could be improved. Analysis of VBA's Fiscal Year (FY) 1995 COWC statistics showed a wide variance in decision results among the VAROs with individual VAROs granting from 27 percent to 85 percent of waiver requests. A stratified statistical sample of 2,643 debts, valued at nearly \$11.6 million, found that the waiver decisions in 30 percent of the cases reviewed were not supported by the evidence of record. Based on our sample results, we estimate that decisions to waive debts valued at \$3.4 million were questionable. VBA can improve the quality and uniformity of waiver decisions by enhancing guidance furnished VARO COWC staff, conducting training for COWC staff on waiver guidelines, strengthening supervision by conducting more thorough quality reviews of waiver cases, and increasing VA Central Office (VACO) program oversight.

#### **Background**

Public Law 92-328 (June 30, 1972) gives VA the authority to waive recovery of erroneous payments made in the C&P program. The law established a single standard of equity and good conscience to determine whether collection of a debt should be waived. Current law precludes waiver if any indication of fraud, misrepresentation, or bad faith is found in the creation of the debt. After determining that a debtor who is requesting waiver is free from fraud, misrepresentation, or bad faith, the COWC must next apply the standard of equity and good conscience to determine whether the waiver should be granted. To apply the equity and good conscience standard, the COWC must consider the following:

- The debtor's (and also VA's) degree of fault in the creation of the debt.
- Any unjust enrichment to the debtor as a result of the debt.
- The detriment that the collection of the debt will cause the debtor (undue financial hardship/defeat the purpose of the benefit program).
- The detriment already incurred by the debtor (changed position) in reliance on the VA overpayment or erroneous advice.

Implementation guidance for COWC operations is contained in VA Manual MP-4, Part 1, Chapter 8 and VBA Training Guide Supplement to MP-4, Part 1, Chapter 8, Committee on Waivers and Compromises (TG-20-90-2, Revised).

Beneficiary requests for waivers of C&P debts are considered by VBA's Debt Management Center (DMC) in St. Paul, MN, and by COWC staff established at

57 VAROs. During FY 1995, VBA waived 31,128 debts or 53 percent, of the 58,453 debts processed for waiver. The total value of C&P debts waived in FY 1995 was about \$67 million.

### **Decision Results Vary Widely Among VAROs**

Our analysis of VBA's FY 1995 COWC statistics showed a wide variance in decision results among the 57 VAROs with individual VAROs granting from 27 percent to 85 percent of waiver requests. We found 11 VAROs granted waivers in over 70 percent of the cases, while 7 VAROs granted waivers in under 40 percent of the cases. This variance in waiver decisions results in unequal treatment of similarly situated beneficiaries who submit waiver requests. (*See Appendix III on page 9 for a listing of VAROs stratified by percentage of waivers granted.*) Based on questionnaires sent to 56 VAROs (VARO Manila, PI, was excluded) we also found that there was no standard organizational structure for processing waiver cases. At 30 VAROs, the COWC function was decentralized and was staffed by an average of 12.5 individuals who were assigned waiver cases intermittently. At 26 VAROs, the COWC function was centralized with an average of 2.6 individuals assigned COWC case work. VBA management informed us that a task force was reviewing COWC operations and had concluded that centralizing COWC activities at all VAROs would increase the accuracy and consistency of waiver decisions within and between VAROs. At the time of our review VBA management was in the process of mandating a centralized structure at all VAROs.

### **Decisions to Waive Debts Were Not Supported by Evidence of Record**

We conducted a stratified statistical sample of waiver decisions for 2,643 C&P debts valued at nearly \$11.6 million. We reviewed 230 of these waiver cases, which were valued at a total of \$1,253,647. We identified 70 cases (30 percent), where the waiver decisions were not supported by the evidence of record. Based on our sample results, we estimate that the 2,643 case population contained 894 cases with debts totaling nearly \$3.4 million in which decisions to grant waivers were questionable based on evidence of record (*See Appendix IV on page 11 for more details regarding our statistical sampling plan and results*).

- In 37 cases, valued at \$226,344, VARO staff found claimants were free from fraud, misrepresentation, or bad faith even though claimants were overpaid directly based on their signed Eligibility Verification Reports (EVRs) incorrectly stating they were not working and had no earnings and/or other income. For example:

A veteran received pension overpayments totaling \$3,675, based on his signed EVRs for 1992, 1993, and 1994, incorrectly stating he had no retirement income. VA's Income Verification Match (IVM) program confirmed that the veteran's actual retirement income was \$11,864 in 1992, \$12,289 in 1993, and \$12,725 in 1994. The VARO COWC waived the entire debt of \$3,675 finding that the veteran was free from fraud, misrepresentation, or bad faith.

- In 11 cases, VARO staff found claimants were free from fraud, misrepresentation, or bad faith and waived the entire overpayment even though the claimants were at fault by accepting monthly benefit overpayments totaling \$4,970, after being put on notice that they were being overpaid. For example:

A veteran received pension overpayments totaling \$996 based on the failure to report receipt of Social Security benefits. On May 3, 1995, VA was advised by the Social Security Administration (SSA) that the veteran was in receipt of Social Security payments starting in March 1995. On May 19, 1995, the veteran was notified by VA of the amount of income SSA reported he was receiving and the proposed reduction of \$332 in his monthly VA pension effective April 1, 1995. The veteran was advised the adjustment would result in an overpayment. The veteran was further advised that VA would wait 60 days before reducing his benefits in order to allow time for him to submit evidence showing the reduction should not take place. The letter specifically advised the veteran: "You may not be due the full amount paid for the next 60 days. If you accept the payments and we decide to take the proposed action, you will have to repay all or part of the benefits you receive during the 60 days. We can reduce the potential overpayment by adjusting your benefits before the 60-day period ends. If you would like us to take this action, send us a statement asking that we adjust your payments beginning with your next check." The veteran did not submit any evidence and accepted checks of \$332 each for May (received June 1, 1995) and June (received July 1, 1995). In this case it would have been appropriate to grant a partial waiver of \$332, as provided by VA policy, and deny waiver of the \$664 representing payments received after receiving notice of the overpayment on May 19, 1995.

- In 11 cases totaling \$37,441, VARO staff waived debts when Financial Status Reports submitted by the claimants indicated the ability to pay the debt. For example:

A veteran received overpayment of compensation totaling \$1,994, resulting from an amended apportionment decision retroactively awarding a portion of his benefits to support his dependents. The COWC correctly determined the veteran was free from fraud, misrepresentation, or bad faith in the creation of the overpayment. However, the COWC's decision to waive the debt based on financial hardship was not supported by evidence shown on the veteran's Financial Status Report. Analysis of the Financial Status Report showed the veteran had monthly income of \$3,922 and monthly expenses of \$3,042, providing a balance of \$880 with which to pay his VA debt without incurring financial hardship.

- In 11 cases totaling \$16,946, VARO staff waived the debts based on financial hardship when claimants had failed to furnish requested Financial Status Reports which would disclose the claimant's income, assets, and financial obligations. For example:

A veteran received overpayment of pension totaling \$558 based on a retroactive reduction of benefits due to not reporting Social Security income in a timely

manner. The COWC correctly determined the veteran was free from fraud, misrepresentation, or bad faith. However, the decision to waive the \$558 debt based on financial hardship was made without receiving a Financial Status Report which was requested from the veteran. VA policy provides that when a Financial Status Report is requested and not provided by the debtor, the COWC has no other alternative but to find that collection of the debt will not create a financial hardship.

## **Factors Contributing to Variations in Decision Results and Improper Decisions**

Greater management attention is needed to reduce significant variations in waiver decisions among VAROs and improve the quality of waiver decisions. Management emphasis is needed in:

- Staff Guidance and Training
- VARO Program Supervision
- VACO Program Oversight

Staff Guidance and Training - Key waiver case processing guidance used by VARO staff includes the Training Guide Supplement to MP-4, Part I, Chapter 8 - Committee on Waivers and Compromises (TG-20-90-2 Revised). The Training Guide should have case illustrations to demonstrate to COWC staff when a finding of fraud or misrepresentation or bad faith could be made. Additionally, the Training Guide needs to provide better case illustrations for evaluating financial hardship or guidance on actions to be taken when the claimant fails to furnish the required Financial Status Report. We noted during our site visits that COWC chairpersons and members applied different interpretations of waiver policy and criteria.

For example, current law precludes waiver if any indication of fraud, misrepresentation, or bad faith on the part of the debtor is found. Some COWC chairpersons and members told us fraud, misrepresentation or bad faith should never be found or could only be found when supported by evidence beyond a reasonable doubt (a legal standard applicable to criminal trials). However, other COWC chairpersons and staff told us that they could deny waivers based on fraud, misrepresentation, or bad faith in cases where the claimants submitted false income statements.

If the COWC determines a debtor is free from fraud, misrepresentation, or bad faith, the COWC must then apply the standard of equity and good conscience to determine whether a waiver should be granted. Key considerations in applying the standard of equity and good conscience are whether the debtor would be unjustly enriched by not repaying the debt or suffer financial hardship if required to repay. To reach a decision to waive a debt the COWC needs to analyze the claimants' income, assets, and financial obligations. However, some COWC chairpersons and members told us that obtaining financial data from claimants was not essential or if the claimant was free of fraud, misrepresentation, or bad faith, the waiver should generally be granted regardless of ability to repay the debt.

By contrast, other COWC chairpersons and staff told us they deny waiver requests when claimants do not submit required financial information.

Responses to our questionnaire from 56 VAROs also support the need for enhanced guidance and training. We found that of 445 individuals working on COWC cases nearly 25 percent had less than 2 years tenure (as of March 31, 1996). VA policy requires training for newly assigned COWC members and training for all COWC members at least once per year. However 23 (41 percent) of 56 VAROs reported that newly assigned staff received only on the job training and 26 (46 percent) VAROs reported less than 1 hour of training was provided, with 4 VAROs reporting that no training was given during FY 1995. The quality of waiver decisions will be improved if COWC staff are provided better written guidance and more training. VBA management also agreed with the need to enhance guidance and training on waiver cases.

VARO Program Supervision - COWC Chairpersons are required by VA policy to conduct quarterly quality reviews of waiver decisions. Most VARO COWC Chairpersons (64 percent) did not identify waiver case processing deficiencies through local quality reviews conducted during FY 1995 and the first 6 months of FY 1996. Our analysis of quarterly quality review reports, involving about 2,800 waiver case decisions, showed that Chairpersons identified only 98 (3.5 percent) of the cases as having decision deficiencies. By contrast, our statistical sample found a deficiency error rate of 30 percent. Chairpersons can improve the quality of waiver decisions by conducting more thorough quality reviews of waiver decisions.

VACO Program Oversight - Management advised us that because of staffing constraints waiver case decisions were not reviewed at VACO. Our analysis of COWC decisions showed significant variations among VAROs. We believe management should initiate reviews of waiver decisions by VAROs whose percentage of cases granted are outliers, (e.g. fall above 70 percent or below 40 percent). VBA management could not provide an explanation for the significant variances. However, VBA management believes that, based on a recent task force study that one explanation for variation was the lack of a centralized COWC structure (*See Management Advisory on page 13 for more details*).

## **Conclusion**

VBA can improve the quality and uniformity of waiver decisions by enhancing guidance furnished VARO COWC staff, conducting training for COWC staff on waiver guidelines, requiring more thorough quality reviews of waiver cases and increasing VACO program oversight.

## **Recommendations**

We recommend that the Acting Under Secretary for Benefits improve the quality of waiver decisions by:

- a. Enhancing guidance in the Training Guide Supplement to MP-4, Part I, Chapter 8, Committee on Waivers and Compromises (TG-20-90-2 Revised) to provide: (1) illustrations of fraud, misrepresentation, or bad faith; (2) greater emphasis on the necessity to obtain financial status reports; and (3) better guidance on how to apply the financial hardship and beneficiary fault standards in the decision to waive debts.
- b. Conducting training for COWC personnel on waiver guidelines.
- c. Requiring the COWC Chairperson to conduct more thorough quality reviews of waiver cases.
- d. Increasing VACO oversight of the COWC program by initiating case reviews with emphasis on decisions made by VAROs whose percentage of cases granted are outliers, (e.g., fall above 70 percent or below 40 percent).

*Monetary impact associated with the recommendation is shown in Appendix V on page 12.*

## **Acting Under Secretary for Benefits Comments**

The Acting Under Secretary for Benefits concurred with the findings and recommendations, and offered no comment on the estimated monetary impact.

## **Implementation Plan**

The Acting Under Secretary's implementation plan addressed all recommendations and corrective actions are to be fully implemented by July 1998. *(See Appendix VII on page 14 for the full text of the Acting Under Secretary for Benefits comments.)*

## **Office of Inspector General Comments**

The implementation plan is acceptable and we consider all issues resolved. However, we will follow up on the implementation of planned actions until they have been completed. The Acting Under Secretary did not comment on our estimate of monetary impact or provide an alternative estimate. Our estimate of monetary impact is based on a statistical sample, and we consider it to be reasonable and reliable.

## **BACKGROUND**

Public Law 92-328 (June 30, 1972) consolidated authority for waiver of Department of Veterans Affairs (VA) benefit debts. The legislation also established a single standard of equity and good conscience to determine whether the collection of a debt should be waived. Waiver was precluded if any indication of fraud, misrepresentation, material fault, or lack of good faith was found in creation of the debt. Public Law 101-237 (December 18, 1989) removed the elements of material fault and lack of good faith and replaced them with the element of bad faith. VA program officials indicate that congressional intent was to liberalize the waiver program by waiving more debts.

Authority to make waiver determinations is delegated to the St. Paul Debt Management Center and to the Committee on Waivers and Compromises (COWC) established at each of the 57 Veterans Benefits Administration (VBA) Regional Offices (VAROs). The regional office Director appoints the Committee chairperson, members, and alternate members from station employees, who may perform their functions as full time or as an adjunct duty. The COWCs have independent decision making authority in waiver decisions. Recovery of all or part of an erroneous payment of any VA administered benefit can be waived provided that the beneficiary requests a waiver within the allowable time limit, that there is no indication of fraud, misrepresentation or bad faith, and that a determination is made that collection of the debt would be against equity and good conscience. Implementing guidance for COWC staff is contained in VA Manual MP-4, Part I, Chapter 8 and Training Guide Supplement to MP-4, Part I, Chapter 8 - Committee on Waivers and Compromises (TG-20-90-2 Revised).

During Fiscal Year (FY) 1995, VBA waived beneficiary debts owed to the VA valued at about \$67 million. The VBA's COWC completed a total of 58,453 cases submitted for waiver decisions, with 31,128 (53 percent) having waivers of debt granted in full or in part. VBA statistics for FY 1995 COWC decisions show that individual VAROs granted from 27 percent to 85 percent of waiver requests processed.

## **OBJECTIVES, SCOPE and METHODOLOGY**

### **Objectives**

The purpose of the review of Committee on Waivers and Compromises (COWC) decisions for Compensation and Pension (C&P) debts was to evaluate the quality of decisions to waive the collection of debts and to assess COWC program policies and operating procedures at individual regional offices.

### **Scope and Methodology**

The review focused on COWC decisions made during FY 1995 and the first half of FY 1996. During FY 1995 Veterans Benefits Administration (VBA) waived beneficiary debts valued at about \$67 million. As of September 30, 1995 there were 2,643 debts, valued at about \$11.6 million pending waiver decisions. Our review methodology included the following:

1. Reviewed the applicable VBA policy and procedures for COWC operations.
2. Discussed the scope and objectives of our review with VBA and Assistant Secretary for Management officials.
3. Reviewed and analyzed FY 1995 waiver decisions made by each VARO.
4. Statistically sampled 230 of the 2,643 cases pending waiver decisions as of September 30, 1995.
5. Reviewed waiver decision cases between April and July 1996, after COWCs had completed waiver decisions.
6. Visited four VBA Regional Offices (VAROs) to test policies and procedures.
7. Analyzed results of questionnaires sent to 56 VAROs regarding VARO COWC policies, operating procedures, functions, organizational structures and staff training.
8. Briefed VBA program officials during the review process to discuss findings and proposed recommendations.

The review was conducted in accordance with government auditing standards for qualifications, independence, and due professional care.

**FY 1995 WAIVER DECISIONS**  
**STRATIFIED BY PERCENTAGE GRANTED**

Strata	Station	Station Number	Processed	Waived	Percentage
<b>UNDER 40%</b>	Columbia	319	1203	323	27
	Jackson	323	984	284	29
	Little Rock	350	1035	319	31
	St. Petersburg	317	3020	1057	35
	Cleveland	325	1530	551	36
	Buffalo	307	1255	465	37
	Seattle	346	437	166	38
	<b>40% - 69%</b>	San Juan	355	427	173
Newark		309	673	284	42
St. Paul		335	496	207	42
Albuquerque		340	265	114	43
Manila		358	162	69	43
Atlanta		316	1886	832	44
St. Paul DMC		389	5175	2278	44
Salt Lake City		341	316	142	45
Des Moines		333	484	228	47
Togus		402	217	101	47
Fort Harrison		436	309	146	47
Philadelphia		310	1132	542	48
Louisville		327	719	343	48
Phoenix		345	793	383	48
Portland		348	663	322	49
Boston		301	3020	1554	51
St. Louis		331	1606	821	51
Detroit		329	1496	796	53
Lincoln		334	346	183	53
San Diego		377	374	200	53
Houston		362	1916	1049	55
White River Jct.		405	73	40	55
Fargo		437	178	98	55
Wichita	452	348	192	55	
Indianapolis	326	475	268	56	
New York	306	2280	1323	58	

Strata	Station	Station Number	Processed	Waived	Percentage
<b>40% - 69%</b>					
<b>Cont'd</b>					
	Pittsburgh	311	783	452	58
	Huntington	315	389	227	58
	Chicago	328	1705	986	58
	Los Angeles	344	1942	1134	58
	Montgomery	322	891	525	59
	San Francisco	343	1989	1182	59
	Washington	372	615	364	59
	Nashville	320	985	592	60
	Reno	354	303	185	61
	Providence	304	176	109	62
	Muskogee	351	3013	1862	62
	Honolulu	459	506	312	62
	Denver	339	1029	663	64
	Wilmington	460	61	40	66
<b>70% +</b>					
	Milwaukee	330	658	461	70
	Anchorage	463	73	51	70
	Manchester	373	278	196	71
	Baltimore	313	1177	852	72
	Roanoke	314	992	711	72
	Boise	347	250	188	75
	New Orleans	321	1572	1210	77
	Waco	349	2056	1579	77
	Sioux Falls	438	195	152	78
	Winston-Salem	318	1311	1062	81
	Hartford	308	<u>211</u>	<u>180</u>	85
<b>TOTALS</b>			<u>58,453</u>	<u>31,128</u>	

**DETAILS OF REVIEW****Sampling Plan and Results****Review Universe**

We identified C&P accounts receivable which had a waiver request pending Committee on Waivers and Compromises (COWC) decision as of September 30, 1995. The population consisted of 2,643 records valued at about \$11.6 million.

**Sample Design**

The statistical sample included 230 randomly selected cases based on a stratified sampling design at a 95 percent confidence level. The 2,643 case population was divided into three strata: (1) cases with debts exceeding \$19,999, (2) cases pending at VAROs Columbia, Little Rock, New Orleans and Winston-Salem, and (3) cases in the remaining 53 VAROs with debts under \$19,999

**Sample Results**

Our review of 230 waiver decisions, with debts totaling \$1,253,647, identified 70 cases (30 percent) with debts totaling \$285,701, where the waiver decisions were not supported by the evidence of record. Based on our sample results, we estimate that the 2,643 case population contained 894 cases with debts totaling nearly \$3.4 million in which decisions to grant waivers were questionable. The sample results and projections are limited to the 2,643 cases in our review and do not necessarily reflect conditions in untested populations. The stratified sampling and projections analysis at a 95 percent confidence level is as follows:

Population Size	Sample Size	Number Excepted	Projected Number of Cases	Questioned Amount	Dollar Estimate
102	15	4	27	\$98,829	\$672,037
343	124	34	94	\$83,666	\$231,430
<u>2198</u>	<u>91</u>	<u>32</u>	<u>773</u>	<u>\$103,206</u>	<u>\$2,492,821</u>
<u>2,643</u>	<u>230</u>	<u>70</u>	<u>894</u>	<u>\$285,701</u>	<u>\$3,396,288</u>

**MONETARY BENEFITS**  
**IN ACCORDANCE WITH IG ACT AMENDMENTS**

**REPORT TITLE:** Review of Waiver Decisions for Compensation and Pension Debts

**PROJECT NUMBER:** 6R1-059

<b><u>Recommendation Number</u></b>	<b><u>Category/Explanation of Benefits</u></b>	<b><u>Better use of Funds</u></b>
a - d	Better Use Of Funds Improve the Quality of Waiver Decisions	\$3,396,288

## **MANAGEMENT ADVISORY**

### **COWC Structure**

VBA management believes that, based on a recent task force study, one explanation for the variation in waiver decision results was the lack of a centralized COWC structure. We found COWCs were structured in one of two ways at individual VAROs. At 30 VAROs, the COWC function was decentralized and was staffed by an average of 12.5 individuals who were assigned COWC cases intermittently during the month. These individuals performed COWC case reviews as an additional duty to their primary assignments. The COWC chairperson did not have direct supervision of COWC members except for COWC case processing. At 26 VAROs, COWC members were centralized with an average of 2.6 individuals who were assigned COWC case work as a principal duty under the supervision of the COWC chairperson. We contacted COWC chairpersons at 10 VAROs which had changed to the centralized structure and were advised that, based on their experience, they would recommend that other VAROs convert to the centralized system. The COWC chairpersons cited improvements in efficiency, file control, timeliness, and supervision as reasons for operating under a centralized system. The COWC chairpersons also felt the quality and consistency of the waiver decisions improved because staff were assigned cases as a principal duty and took more care in working the cases.

Discussions with COWC staff at some of the VAROs visited indicated that many staff regard COWC case work as an added burden to their regular duties. For example, when adjudicators work COWC cases, they see themselves as being taken off their normal adjudicative case work. Adjudicators are chiefly evaluated based on the number of adjudicative benefit cases they complete. When performing COWC case work, adjudicators are working cases for the COWC chairperson who is generally not one of their immediate supervisors. VBA management believes that by centralizing the COWC structure some negative aspects of a decentralized structure would be eliminated and there would be more opportunities to further improve COWC operations. VBA management informed us that they are in the process of mandating a centralized COWC structure at all VAROs.

**MEMORANDUM FROM THE ACTING UNDER SECRETARY FOR  
BENEFITS DATED FEBRUARY 4, 1997**

Department of  
Veterans Affairs

## Memorandum

Date: February 4, 1997

From: Acting Under Secretary for Benefits (20)

Subj: Draft Report - Review of Waiver Decisions for Compensation and Pension Debts

To: Assistant Inspector General for Auditing (52)

1. We have reviewed the revised draft report received January 28, 1997. Based upon our own independent audits and reviews of Committee on Waiver and Compromise processing at our Regional Offices, we concur with all four recommendations in the report.
2. Our implementation plan for the recommendations in your draft report is as follows:
  - a. Enhance guidance in the Training Guide Supplement to MP-4, Part I, Chapter 8, Committee on Waivers and Compromises, by September 1997.
  - b. Conduct training for COWC personnel on waiver guidelines, by July 1998.
  - c. Require the COWC Chairperson to conduct more thorough quality reviews of decisions, by December 1997.
  - d. Increase VACO oversight of the COWC program by initiating case reviews, by March 1998.
3. We greatly appreciate your effort in conducting this review and your recommendations, confirming that additional resources are needed for this veterans' program.

[Signed]  
Stephen L. Lemons

**FINAL REPORT DISTRIBUTION**

**VA Distribution**

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General Counsel (02)  
Deputy Assistant Secretary for Congressional Affairs (60)  
Deputy Assistant Secretary for Public Affairs (80)  
Director, Office of Management Controls (004B)  
Chief Financial Officer (24)

**Non-VA Distribution**

Office of Management and Budget  
U.S. General Accounting Office  
Congressional Committees:  
Chairperson, Senate Committee on Governmental Affairs  
Senate Ranking Minority Member, Committee on Governmental Affairs  
Chairperson, Senate Committee on Veterans Affairs  
Senate Ranking Minority Member, Committee on Governmental Affairs  
Chairperson, Senate Committee on Appropriations  
Senate Ranking Minority Member, Committee on Appropriations  
Chairperson, Subcommittee on VA, HUD, and Independent Agencies, Senate  
Committee on Appropriations  
Senate Ranking Member, Subcommittee on VA, HUD, and Independent Agencies,  
Committee on Appropriations  
Chairperson, House Committee on Government Reform and Oversight  
House Ranking Minority Member, Committee on Government Reform and Oversight  
Chairperson, House Committee on Veterans' Affairs  
House Ranking Minority Member, Committee on Veterans' Affairs  
Chairperson, House Committee on Appropriations