



Follow-Up— California Department of Veterans Affairs

Better Collection and Use of Data Would Improve
Its Outreach Efforts, and It Needs to Strengthen Its
Oversight of County Veterans Service Officer Programs

Report 2015-505

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July 7, 2015

2015-505

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

Dear Governor and Legislative Leaders:

This report presents the results of a follow-up audit of the California Department of Veterans Affairs (CalVet) related to certain recommendations made in 2009 by the California State Auditor (state auditor). In October 2009 the state auditor issued a report titled *California Department of Veterans Affairs: Although It Has Begun to Increase Its Outreach Efforts and to Coordinate With Other Entities, It Needs to Improve Its Strategic Planning Process, and Its CalVet Home Loan Program Is Not Designed to Address the Housing Needs of Some Veterans* (Report 2009-108). The 2009 report included recommendations for CalVet's Veterans Services Division (Veterans Services) aimed at improving its collection and analysis of data to inform its outreach efforts, ensuring it meets legal requirements regarding the auditing of workload activity reports submitted by County Veterans Service Officer programs (CVSOs), and verifying the appropriateness of college fee waivers as required by state law.

This report concludes that Veterans Services' efforts have fallen short of fully addressing these issues. More than five years later Veterans Services has not fully implemented any of the three recommendations in our prior report. Specifically, Veterans Services has yet to fully use available data that could help it to better focus its outreach efforts. A new feature on CalVet's website—myCalVet—has been operational for over a year and contains a variety of information about veterans who register to use it; however, Veterans Services has not used information collected by myCalVet to develop outreach strategies or to identify how veterans connect with myCalVet. In addition, inadequacies in its auditing of the CVSOs' workload activity reports hinder Veterans Services' ability to demonstrate that the funding it distributes to the CVSOs is consistent with their actual workloads. Further, Veterans Services lacks adequate oversight of the College Fee Waiver Program as it does not have a process to ensure that the CVSOs, which approve college fee waivers for veterans' dependents, are not erroneously approving these waivers. As a result of the weaknesses we identified in our 2009 report, and that we determined during this follow-up audit still continue, Veterans Services' outreach to veterans could be improved and it could better ensure that its allocations to the CVSOs accurately reflect their workloads.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

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Summary

Results in Brief

The California Department of Veterans Affairs' (CalVet) Veterans Services Division (Veterans Services) is responsible for helping California's veterans and their families receive the benefits and services they need. To meet this responsibility, Veterans Services largely works with local County Veterans Service Officer programs (CVSOs) that are funded in part with state money. In October 2009 the California State Auditor issued a report that highlighted shortcomings in the information CalVet required the CVSOs to report to Veterans Services, particularly as it relates to the number of claims filed for federal disability compensation and pension benefits and information on the CVSOs' outreach activities.¹ Further, the 2009 report concluded that Veterans Services was not performing audits of the CVSOs' workload activity reports, which contain data that are the basis for the funding CalVet disburses to the CVSOs, or verifying the appropriateness of college fee waivers, as required by state law.

In this audit, we followed up on key issues included in our 2009 report and found that Veterans Services' efforts have fallen short of fully addressing these issues, which we identified more than five years ago. For example, Veterans Services still does not fully use available data that would help it focus its outreach efforts, such as outreach data from the CVSOs and data collected from veterans through a new feature on its website called myCalVet. Although myCalVet has been operational for over a year and contains a variety of information about veterans who registered on it, such as their age, physical location, and how they learned about the website, Veterans Services has not used information collected by myCalVet to develop targeted outreach campaigns or to identify how veterans connect with myCalVet.

Further, additional inadequacies in its auditing of workload activity reports hinder Veterans Services' ability to demonstrate that the funding it distributes to the CVSOs is consistent with their actual workloads. For example, the process Veterans Services uses to audit the workload activity reports does not generally identify errors that can be found only by reviewing the records that are the basis of the reports. In addition, Veterans Services does not have documented procedures for conducting the audits, thereby reducing assurance that its staff will conduct the audits correctly and completely.

¹ *California Department of Veterans Affairs: Although It Has Begun to Increase Its Outreach Efforts and to Coordinate With Other Entities, It Needs to Improve Its Strategic Planning Process, and Its CalVet Home Loan Program Is Not Designed to Address the Housing Needs of Some Veterans (Report 2009-108, October 2009).*

Audit Highlights . . .

Our follow-up audit of the California Department of Veterans Affairs' (CalVet) progress in addressing issues we raised in our 2009 report revealed the following:

- » *It still does not fully use available data that would help it focus its outreach efforts, such as outreach data from County Veterans Service Officer programs (CVSOs) and data collected from veterans through a new feature on its website called myCalVet.*
- » *Its auditing of workload activity reports is inadequate and hinders its ability to demonstrate that the funding it distributes to the CVSOs is consistent with their actual workloads.*
 - *Its auditing process does not generally identify errors that can be found only by reviewing the records that are the basis of the reports.*
 - *Its procedures for conducting audits are not documented, thereby reducing assurance that audits are conducted correctly and completely.*
- » *It does not have a process to ensure that the CVSOs are accurately approving applications for the College Fee Waiver Program, which places the State at risk of waiving college fees erroneously.*

Finally, Veterans Services still lacks adequate oversight of the College Fee Waiver Program, through which veterans' dependents who meet eligibility requirements may have some fees waived if they attend California public postsecondary education institutions. Although state regulation specifies that Veterans Services is to review and determine the eligibility and qualifications for each applicant for this educational benefit, according to the CalVet deputy secretary for Veterans Services, the primary responsibility for making these determinations for applicants has been delegated to the CVSOs. However, Veterans Services does not have a process to ensure that the CVSOs are accurately approving these applications. As we noted in our 2009 report, such weak oversight places the State at risk of waiving college fees erroneously.

By fully implementing the recommendations from our 2009 report and the additional recommendations we present in this report, Veterans Services' outreach to veterans would be improved and it would better ensure that its allocations to the CVSOs accurately reflect their workloads.

Recommendations

CalVet should fully implement the recommendations from our 2009 report.

Veterans Services should develop and implement a plan by December 31, 2015, to routinely analyze and use myCalVet data to identify trends in the services veterans and their families indicate they are most interested in and incorporate the results of such analyses into its outreach efforts.

To determine the most successful methods for informing veterans and their families about the myCalVet website, and to increase the number of registered users, Veterans Services should evaluate myCalVet data to identify which marketing methods were most effective in informing registered users about the website. Veterans Services should complete this analysis on an annual basis, beginning no later than December 31, 2015.

To ensure that the funding it distributes to the CVSOs is consistent with their actual workloads, Veterans Services should, by December 31, 2015, develop and implement procedures to more thoroughly review the accuracy of the data in the CVSOs' workload activity reports by reviewing the records that are the basis of the reports.

To ensure correctness, completeness, and consistency in its audits of the CVSOs' workload activity reports, Veterans Services should formalize and document its audit procedures for reviewing these reports by December 31, 2015.

To improve its oversight of the College Fee Waiver Program and ensure that the CVSOs are not erroneously waiving college fees, Veterans Services should develop and implement a review process for college fee waivers by December 31, 2015.

Agency Comments

CalVet states that it recognizes the audit recommendations and is dedicated to achieving their implementation, and it outlined certain actions it has taken, or plans to take, to implement them.

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Introduction

Background

More veterans live in California than in any other state. As of September 2014 the U.S. Department of Veterans Affairs (VA) estimated that approximately 1.9 million veterans resided in the State, representing approximately 8 percent of the total estimated national veteran population. State law authorizes the California Department of Veterans Affairs (CalVet) to assist these veterans and their families in presenting their claims for federal benefits to the VA. The lead entity in CalVet for connecting veterans with the services they need is the Veterans Services Division (Veterans Services). In addition, CalVet relies on eight regional local interagency network coordinators (LINC)s and County Veterans Service Officer programs (CVSO)s to reach veterans and assist them with their claims. According to a 2013 CalVet report to the Legislature, LINC)s work with the CVSO)s to contact, connect with, and communicate with veterans, and they play an integral role in many aspects of helping veterans apply for and receive benefits and services.² The CVSO)s play a key role in ensuring that veterans and their families are aware of the benefits they are eligible for, and that they apply for and receive them, including federal disability compensation and veterans pension benefits (C&P benefits), which are defined in the text box.

Compensation and Pension Benefits

Disability compensation: A monetary benefit the U.S. Department of Veterans Affairs (VA) pays to veterans it determines to be disabled by an injury or illness that was incurred or aggravated during active military service.

Veterans pension: A monetary benefit the VA pays to low-income wartime veterans who meet one or more of the following criteria:

- Age 65 or older
- Permanently and totally disabled
- Patient in a nursing home receiving skilled nursing care
- Receiving Social Security Disability Insurance or Supplemental Security Income.

Sources: The VA's website, *Federal Benefits for Veterans, Dependents, and Survivors*, Chapter 2: Service-Connected Disabilities and Chapter 4: VA Pensions.

As authorized by state law, CalVet compensates the CVSO)s for some costs associated with presenting and pursuing veterans' claims for benefits, including C&P benefits. Approximately \$2.6 million from the State's General Fund was budgeted for this purpose in fiscal year 2013–14. In order for a CVSO to receive its share of these funds from CalVet, it must submit a workload activity report biannually that includes the number of claims it filed that have a reasonable chance of obtaining a monetary or medical benefit for veterans or their families. State regulation requires CalVet to authenticate the CVSO)s' reported workload activities through audits and use the audit findings to allocate funding to the CVSO)s.

² Report to: State Assembly Budget Subcommittee No. 4, *CalVet and County Veterans Service Officers Strategic Partnership and Best Practices*, June 2013.

Partly due to a concern that the rate at which California's veterans participated in C&P benefits was lower than the national average, the Joint Legislative Audit Committee requested in 2009 that the California State Auditor (state auditor) review CalVet's efforts to address the needs of the State's veterans. In October 2009 the state auditor reported that although CalVet has the requisite authority, it did not require the CVSOs to provide Veterans Services with information about the number of claims veterans filed for C&P benefits or a description of their outreach activities.³ In addition, we recommended that Veterans Services use veterans' demographic data, such as the data available from the U.S. Census Bureau, and the information it planned to obtain from the CVSOs through its electronic case management system, to focus its outreach and coordination efforts on those CVSOs with the highest potential for increasing the State's rate of participation in C&P benefits. Without this information, we concluded that Veterans Services was hindered in its efforts to increase veterans' participation in obtaining these benefits. Further, we noted in the 2009 report that Veterans Services was not auditing the CVSOs' workload activity reports in accordance with state law. To address these shortcomings, we made three recommendations to CalVet; these recommendations are presented in Table 2 on page 8 in the Scope and Methodology section of this report. Additionally, in our 2009 report we identified several other areas for improvement, such as CalVet's Home Loan program, and made another 11 recommendations to CalVet that we determined were fully implemented by July 2013.

Since the issuance of our 2009 report, CalVet has taken steps to increase veterans' participation in C&P benefits. For example, according to the manager of field operations for Veterans Services, CalVet received funding in 2010 to establish the regional LINC's that, as described previously, help connect veterans with available benefits and services. The manager of field operations indicated that LINC's report their activities to CalVet on a monthly basis, including meetings with veterans and outreach activities, and Veterans Services analyzes this information to determine the areas of interest to veterans that may require additional outreach. Further, to better connect with veterans, CalVet has entered into formal agreements with other state entities, including the California Department of Motor Vehicles (DMV) and the California Department of Corrections and Rehabilitation (Corrections). Specifically, in 2010 CalVet entered an agreement with DMV to obtain contact information for its customers who self-identified as veterans. According to Veterans Services' chief of operations, in 2014 DMV provided CalVet with contact information for roughly 60,000 veterans.

³ *California Department of Veterans Affairs: Although It Has Begun to Increase Its Outreach Efforts and to Coordinate With Other Entities, It Needs to Improve Its Strategic Planning Process, and Its CalVet Home Loan Program Is Not Designed to Address the Housing Needs of Some Veterans (Report 2009-108, October 2009).*

Further, through CalVet’s recent agreement with Corrections, that agency is to identify veterans in its correctional facilities and provide CalVet with access to this information so that CalVet can provide assistance and support to newly released and paroled veterans. CalVet will refer these veterans to their local CVSO in order to help them receive their VA benefits, including C&P benefits. As of June 2015 Corrections had provided CalVet with information for nearly 6,000 veterans incarcerated in the State’s correctional facilities.

Although California’s veteran population decreased from 2004 to 2013, the proportion of veterans receiving C&P benefits has steadily increased—from a low of 10.5 percent in 2004 to a high of 17.5 percent in 2013, as shown in Table 1. Further, California’s veteran participation rate nearly aligned with the national average of 17.6 percent in 2013, while in 2004 it was less than the national average of 11.7 percent. However, California’s participation rate is significantly lower than that of some other states with large veteran populations, such as Texas and Florida, which in 2013 had participation rates of 21.7 percent and 19.4 percent, respectively. CalVet officials told us that one factor contributing to this disparity is that both Texas and Florida have more veterans service representatives, which include state employees and CVSO staff, relative to their veteran populations than does California.

Table 1
California Veterans That Received U.S. Department of Veterans Affairs’ Disability Compensation and Veterans Pension Benefits in Federal Fiscal Years 2004 Through 2013

FEDERAL FISCAL YEAR	ESTIMATED VETERAN POPULATION	VETERANS RECEIVING COMPENSATION AND PENSION BENEFITS (C&P BENEFITS)*	ESTIMATED C&P BENEFITS PAID TO VETERANS*	VETERANS’ RATE OF PARTICIPATION IN C&P BENEFITS
2004	2,310,968	243,097	\$1,899,522,530	10.5%
2005	2,257,130	247,760	2,137,836,347	11.0
2006†	2,203,727	251,547	2,282,215,728	11.4
2007†	2,203,727	259,447	2,454,772,368	11.8
2008	2,078,267	267,318	2,631,871,547	12.9
2009	2,025,934	276,373	2,935,632,330	13.6
2010	1,971,959	288,970	3,132,419,928	14.7
2011	1,918,073	300,290	3,338,121,689	15.7
2012	1,844,803	315,368	3,741,766,309	17.1
2013	1,942,775	339,747	4,297,363,616	17.5

Sources: The U.S. Department of Veterans Affairs’ Veterans Benefits Administration’s Annual Benefits reports, federal fiscal years 2004 through 2013.

Note: We did not assess the reliability of the background data presented in this table.

* Amounts are presented as of the end of each respective federal fiscal year, which runs from October 1 through September 30.

† The Veterans Benefits Administration reported the same estimated veteran population in its 2006 and 2007 Annual Benefits reports.

Scope and Methodology

Table 2 presents the status of selected recommendations from our 2009 report that we followed up on during this audit. In its responses regarding the status of its implementation of the three recommendations after the 2009 report was published, CalVet asserted that it had fully implemented all three. Based on our review of documentation provided by CalVet at that time—such as reports from CalVet’s electronic case management system demonstrating that the CVSOs were reporting the number of veterans’ C&P benefits claims to CalVet, documents demonstrating CalVet’s efforts to launch a function on its website to provide veterans with easier access to information about benefits, evidence that CalVet was using demographic data to inform outreach, and documents regarding CalVet’s audit of CVSO workload activity reports—we assessed the recommendations as fully implemented. However, during this follow-up audit, which entailed a more in-depth review of actions CalVet has taken to address these recommendations, we found that CalVet has not fully implemented them.

Table 2
Status of Actions Taken in Response to Selected Recommendations in the California State Auditor’s Report 2009-108 and the Methods Used to Assess Their Status

RECOMMENDATION	METHOD	STATUS OF RECOMMENDATION
1 To ensure that it has the information necessary to track progress in increasing veterans’ participation in federal disability compensation and pension benefits (C&P benefits), and to identify where and how best to focus its outreach and coordination efforts, the Veterans Services Division (Veterans Services) should require the County Veterans Service Officer programs (CVSOs) to submit information on the number of claims filed for C&P benefits and information on their outreach activities.	<ul style="list-style-type: none"> • Reviewed Veterans Services’ procedure manual and applicable laws and regulations regarding the funding process for the CVSOs. • Reviewed a selection of reports generated by the California Department of Veterans Affairs’ (CalVet) electronic case management system, VetPro, during 2013 and 2014. • Interviewed key officials from Veterans Services. 	Partially Implemented
2 As Veterans Services expands its efforts to increase veterans’ participation in C&P benefits, it should use veterans’ demographic information, such as that available through the U.S. Census Bureau, and the information it plans to obtain from the CVSOs using its electronic case management system, to focus its outreach and coordination efforts on those counties with the highest potential for increasing the State’s rate of participation in C&P benefits.	<ul style="list-style-type: none"> • Interviewed key staff regarding Veterans Services’ use of demographic information and information from VetPro, and obtained related supporting documentation. • Reviewed demographic and other information about veterans that they provide CalVet through its website to identify data that may be useful to aid Veterans Services in focusing its outreach activities. • Interviewed the deputy secretary for the CalVet Women Veterans Affairs Division to identify how it has used myCalVet to inform its outreach activities. 	Partially Implemented
3 Veterans Services should continue its efforts to pursue its electronic case management system to enable it to monitor the quantity and quality of claims processed by the CVSOs, and ensure it meets legal requirements regarding auditing CVSO workload reports and verifying the appropriateness of college fee waivers.	<ul style="list-style-type: none"> • Interviewed key staff regarding Veterans Services’ implementation and use of VetPro, including how Veterans Services uses it to audit the CVSOs’ workload activity reports and college fee waivers. • Assessed its process for conducting audits of workload activity reports. 	Partially Implemented

Sources: Selected recommendations made in the report by the California State Auditor (state auditor) titled *California Department of Veterans Affairs: Although It Has Begun to Increase Its Outreach Efforts and to Coordinate With Other Entities, It Needs to Improve Its Strategic Planning Process, and Its CalVet Home Loan Program Is Not Designed to Address the Housing Needs of Some Veterans* (Report 2009-108, October 2009); analysis of information and documentation identified in the table column titled *Method*; and the state auditor’s analysis of CalVet’s actions related to the recommendations.

Audit Results

Better Collection and Use of Data Would Enhance the Veterans Services Division's Outreach Efforts

The California Department of Veterans Affairs' (CalVet) Veterans Services Division (Veterans Services) has enhanced its outreach efforts to veterans and increased its use of certain data to identify gaps in service to veterans; however, it does not use all of the data at its disposal, and it does not collect other data that would help it focus its outreach efforts. In our October 2009 report, we recommended that Veterans Services use demographic data, such as the data available through the U.S. Census Bureau, as well as information that it planned to obtain from the County Veterans Service Officer programs (CVSOs) using its new electronic case management system—VetPro—to help plan its outreach efforts. Using these data, CalVet could focus its outreach and coordination efforts on counties with the highest potential for increasing veterans' participation in federal disability compensation and pension benefits (C&P benefits). According to the manager of field operations in Veterans Services, CalVet now uses federal demographic data for veterans as a starting point for outreach. For example, Veterans Services uses data on veteran homelessness from the federal Department of Housing and Urban Development's 2014 *Annual Homeless Assessment Report to Congress* to help identify the best times and places to hold stand down events for veterans. Although these efforts have merit, Veterans Services has not fully used other data available from VetPro and a new website feature we describe below that would allow it to improve targeted outreach to veterans.

In April 2014 CalVet established a feature known as myCalVet on its website, in an effort to make it easier for veterans and their families to access a variety of information, including information about state and federal benefits for veterans, advocacy providers, and employment and health care. Veterans and their family members may register and create a profile in myCalVet. These profiles can contain a variety of information about veterans, such as their age, physical location, disability rating, era of service, and whether they have dependents. Using this information, the myCalVet function provides the veteran with resources and service options based on his or her profile and expressed interests. Consequently, myCalVet is a potentially rich source of information about the attributes and needs of registered veterans.

However, more than a year after launching myCalVet, which as of May 2015 had approximately 26,000 registered users, Veterans Services' chief of operations (chief of operations) indicated that Veterans Services has not used information collected by myCalVet

to develop targeted outreach campaigns. Rather, she indicated that CalVet would prefer to have at least 50,000 registered users before Veterans Services analyzes the data and considers using them with other data for targeted outreach. Although the chief of operations noted that Veterans Services wants to use myCalVet data to evaluate the needs of veterans regionally based on their demographics and level of participation in myCalVet, she indicated that as of May 2015, Veterans Services does not have a formal plan for how it will evaluate the data in myCalVet. She stated that Veterans Services intends to finalize a plan by December 2015.

We noted that another division within CalVet has already planned to evaluate data from myCalVet to inform its outreach efforts, using data from a smaller population of registered users. Specifically, the deputy secretary of CalVet's Division of Women Veterans Affairs (Women Veterans Affairs) indicated that as of April 2015 there were just over 2,200 women users of myCalVet, and Women Veterans Affairs is collecting demographic data on these users to help inform new strategies for targeted outreach. For example, according to the deputy secretary, Women Veterans Affairs is currently gathering demographic information on women veterans from myCalVet and other sources to redesign the content of the Women Veterans Affairs' website by the end of the summer of 2015 in an effort to make it more relevant to registered users. In addition, the deputy secretary indicated that Women Veterans Affairs wants to use myCalVet data, among other sources, to help determine the best way to provide outreach to women veterans outside of CalVet's Internet presence, such as social media and email. She stated that Women Veterans Affairs is considering producing a new outreach publication for women veterans, which it plans to launch by November 2015. Similarly, with a larger set of data to work with, we believe Veterans Services could use the information it has already collected from the approximately 26,000 users of myCalVet to better focus its outreach efforts. Without using existing myCalVet data, Veterans Services may miss opportunities to better target its outreach efforts to groups of veterans with similar needs that could result in more California veterans receiving available benefits.

Without using existing myCalVet data, Veterans Services may miss opportunities to better target its outreach efforts to groups of veterans with similar needs that could result in more California veterans receiving available benefits.

Moreover, Veterans Services has not taken steps to evaluate how well its efforts to get veterans connected with myCalVet are working. According to the chief of operations, Veterans Services has promoted myCalVet to veterans in a variety of ways, including supplying veteran service outreach partners with postcards advertising the benefits of myCalVet to give to interested veterans, emailing veterans subscribed to its electronic mailing list about myCalVet, attempting to register veterans at events, and broadcasting a video on the CalVet website and at public events that identifies the benefits of myCalVet.

However, according to the chief of operations, Veterans Services has not analyzed the effectiveness of its outreach activities for myCalVet to determine what methods are resulting in more people registering with myCalVet, or which outreach efforts could be improved to generate more registrations. For example, veterans are required to identify how they learned about myCalVet when creating their user profiles. With such a potentially rich source of information, we expected to see that Veterans Services evaluated these data to identify trends about how the approximately 26,000 currently registered users first connected with myCalVet, and was developing strategies based on that analysis to focus its outreach to the many veterans in the State who have yet to register. However, according to the chief of operations, as of June 2015 Veterans Services has not evaluated these data to identify trends in how new users became connected with myCalVet. The chief of operations indicated that Veterans Services anticipates that it will evaluate the effectiveness of its outreach activities for myCalVet by the end of 2015 to determine what methods are resulting in more registered users. Without such an analysis, Veterans Services cannot identify the most effective processes for getting veterans registered with myCalVet and better connect them with the services they need.

We also found in our 2009 report that CalVet did not require the CVSOs to inform it of their outreach activities, limiting CalVet's ability to identify where and how to best focus its outreach and coordination efforts. As of May 2015 CalVet still did not require the CVSOs to report information on their outreach activities, according to the chief of operations. As a result, although a statewide CVSO organization has provided CalVet with some information regarding the CVSOs' activities, this information lacks details that could be useful to CalVet. Veterans Services could require the CVSOs to report, through VetPro, more detailed information such as how and where contacts with veterans and their families occurred; a summary of services provided; special events and activities in which the CVSOs participated; and the number of referrals the CVSOs received from local organizations or businesses, such as faith-based organizations. Veterans Services could use this information to assess the extent to which the CVSOs are performing outreach to veterans and to help determine where and how it could better target its own outreach efforts. For example, this information could help CalVet identify counties with greater needs—such as those lacking resources to conduct adequate outreach—and position CalVet to work with the CVSOs and local interagency network coordinators in those counties to increase veterans' awareness of available benefits and potentially increase their awards of these benefits.

According to the chief of operations, CalVet does not have the authority to require the CVSOs to report their outreach activities in such a manner because they serve the county governments.

Without an analysis of the effectiveness of its outreach activities for myCalVet, Veterans Services cannot identify the most effective processes for getting veterans registered with myCalVet and better connect them with the services they need.

She stated that although Veterans Services wants all CVSOs to report their outreach activities in VetPro, not all CVSOs are willing to do so. Our legal counsel believes that CalVet has had the authority since at least 2009 to issue a regulation that requires the CVSOs to report information on their outreach activities to Veterans Services. Specifically, according to state law, Veterans Services may require the CVSOs to submit information, including information pertaining to their outreach activities, which CalVet needs to prepare an annual report of the CVSOs' activities. As a result, CalVet could develop a regulation to require the CVSOs to report all data regarding their respective outreach activities through VetPro. After we shared our perspective on this issue with the chief of operations, she began working with CalVet's Legislation and Government Relations Division and informed us that she had contacted the Office of Administrative Law about the possibility of developing a regulation requiring the CVSOs to report their outreach activities to CalVet. If adopted, such a requirement will help ensure that Veterans Services has complete information regarding the CVSOs' outreach activities.

Veterans Services Does Not Adequately Audit the Data Used to Determine the CVSOs' Funding, and It Lacks Procedures for Conducting These Audits

In our 2009 report we found that Veterans Services did not require the CVSOs to provide it with information about the number of claims the CVSOs filed for C&P benefits, and we recommended that it do so. In reviewing Veterans Services' process for auditing workload activity reports, we determined that the CVSOs now report the total number of claims to Veterans Services through VetPro. However, although state regulation requires CalVet to perform audits to authenticate each county's reported workload activities, Veterans Services does not adequately fulfill this responsibility. Veterans Services recently recognized this shortcoming and hired an employee in September 2014 to conduct audits of workload units, which are claims processed by CVSOs that have a reasonable chance of obtaining a monetary or medical benefit for veterans, their dependents, or their survivors. The chief of operations indicated that Veterans Services currently reviews the CVSOs' workload activity reports to identify deviations from CalVet policies that specify what activities may be claimed for reimbursement and for other errors typically found during an audit, such as a CVSO reporting the same claim as a workload unit more than once.

Although Veterans Services' review process reveals some errors and inaccuracies in the workload activity reports, it does not detect errors that can be identified only by reviewing the records that are the basis of the reports.

Although this process reveals some errors and inaccuracies in the workload activity reports, it does not detect errors that can be identified only by reviewing the records that are the basis of the reports. For example, Veterans Services' current audit process

generally does not identify claims processed by the CVSOs that did not include all required documentation, such as all of the required forms necessary for a college fee waiver. By reviewing a selection of claims processed by CVSOs to ensure that they include the appropriate documentation, Veterans Services would gain increased assurance that the CVSOs' reported claims are valid for reimbursement. Veterans Services also compares the total number of claims the CVSOs' report in their daily workload activity reports to the total number of claims they report on a summary form to ensure that the two totals match. This approach is not sufficient to verify the accuracy of the total number of workload claims, as the source for both numbers is the same. Because of the deficiencies in Veterans Services' approach to verifying the accuracy of the workload activity reports and because the total number of workload units claimed by the CVSOs is the basis for the funding they receive, Veterans Services is not adequately ensuring that the funding it distributes to the CVSOs is consistent with their actual workloads.

To achieve a higher degree of assurance that the number of claims the CVSOs report in their workload activity reports is accurate, the chief of operations indicated that she intends to implement a review of selected claims, which would include selecting a number of claims, reviewing the source documentation for the claims submitted by the CVSOs, and verifying that the claims are being processed by the U.S. Department of Veterans Affairs. However, as of April 2015, Veterans Services had not formalized or implemented this additional review. The chief of operations indicated that this review will commence in the fall of 2015.

Although Veterans Services now conducts reviews of the CVSOs' workload activity reports, it does not have documented audit procedures for doing so. The chief of operations explained that, as of April 2015, a consultant who oversees the auditing of the claims submitted by the CVSOs is in the process of training a newly hired staff person on the steps the consultant uses to conduct such audits using Veterans Services' *Procedure Manual for Subvention and Medi-Cal Cost Avoidance Documentation* as a guide. However, due to the lack of documented audit procedures, Veterans Services lacks assurance that its staff will consistently conduct workload audits correctly and completely because the processes to do so are not defined. Because the audits are an important part of the process for ensuring that funding for the CVSOs accurately reflects their workload, it is critical that they are conducted correctly, completely, and consistently. The chief of operations explained that Veterans Services intends to document its audit procedures as soon as the newly hired staff person becomes fully trained, which she anticipates will occur by the fall of 2015.

Veterans Services is not adequately ensuring that the funding it distributes to the CVSOs is consistent with their actual workloads.

Furthermore, in part due to the fact that Veterans Services lacks documented procedures to provide guidance to staff when auditing workload activity reports, our review of selected audit files found inconsistent documentation of its audit results. Specifically, we reviewed 10 files for audits that Veterans Services conducted during 2013 and 2014 and noted that eight contained an email to the respective CVSOS communicating the audit findings; the remaining two files lacked documentation regarding Veterans Services' findings or lack thereof in the related audits. Thus, the audit findings for these two CVSOS were unclear. The chief of operations indicated that, while the missing emails were most likely sent to the CVSOS, they were inadvertently left out of the audit files. Nevertheless, not maintaining a documented record of audits could be problematic if Veterans Services were asked questions by the CVSOS regarding undocumented audits. In addition, by not maintaining such documentation, Veterans Services may miss opportunities to use information from completed audits to aid in its planning for future audits.

Veterans Services Needs to Strengthen Its Reviews of College Fee Waivers

CalVet lacks adequate oversight of the College Fee Waiver Program. Under this program, veterans' dependents who meet the eligibility requirements may have their college tuition and mandatory fees waived if they attend California public postsecondary education institutions. According to state regulation, Veterans Services is to review and determine the eligibility and qualifications for each applicant for educational benefit. According to the CalVet deputy secretary for Veterans Services, the primary responsibility for determining whether applicants are eligible for waivers has been delegated to the CVSOS. According to the chief of operations, in fiscal year 2013–14 the CVSOS approved nearly 21,000 fee waiver applications. However, Veterans Services does not have a process to ensure that the CVSOS are accurately approving these applications. The chief of operations indicated that, as part of its audits of workload activity reports, Veterans Services determines only whether CVSOS have claimed too many workload units for the waivers; CVSOS may be reimbursed for only one college fee waiver per student per academic year.

As we noted in our 2009 report, such weak oversight places the State at risk of waiving college fees erroneously.

As we noted in our 2009 report, such weak oversight places the State at risk of waiving college fees erroneously, and thus we recommended that Veterans Services take steps to meet legal requirements regarding verifying the appropriateness of college fee waivers. The chief of operations indicated that Veterans Services has only recently begun to develop procedures to perform this verification, as previously it had neither the staff nor the resources

to do so. She stated that in order to provide assurance that the CVSOs are not waiving college fees inappropriately, Veterans Services' audit staff is currently working to develop procedures for reviewing a selection of college fee waivers for each county for appropriateness. However, according to the chief of operations, Veterans Services has hired an auditor who is currently in training and will be fully functioning in the fall of 2015. By then, she explained, Veterans Services expects the procedures for reviewing college fee waivers to be documented and for reviews of fee waivers to commence and be performed on a regular basis.

Recommendations

CalVet should fully implement the recommendations from our 2009 report.

Veterans Services should develop and implement a plan by December 31, 2015, to routinely analyze and use myCalVet data to identify trends in the services veterans and their families indicate they are most interested in and incorporate the results of such analyses into its outreach efforts.

To determine the most successful methods for informing veterans and their families about the myCalVet website, and to increase the number of registered users, Veterans Services should evaluate myCalVet data to identify which marketing methods were most effective in informing registered users about the website. Veterans Services should complete this analysis on an annual basis, beginning no later than December 31, 2015.

To enhance the effectiveness of its outreach activities, CalVet should initiate, by October 31, 2015, steps to establish a regulation, in accordance with state law, that will require the CVSOs to report information on their outreach activities to CalVet.

To ensure that the funding it distributes to the CVSOs is consistent with their actual workloads, Veterans Services should, by December 31, 2015, develop and implement procedures to more thoroughly review the accuracy of the data in the CVSOs' workload activity reports by reviewing the records that are the basis of the reports.

To ensure correctness, completeness, and consistency in its audits of the CVSOs' workload activity reports, Veterans Services should formalize and document its audit procedures for reviewing these reports by December 31, 2015.

To improve its oversight of the College Fee Waiver Program and ensure that the CVSOs are not erroneously waiving college fees, Veterans Services should develop and implement a review process for college fee waivers by December 31, 2015.

We conducted this audit under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. 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 the information specified in the Scope and Methodology section of the report. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

Date: July 7, 2015

Staff: John Billington, Audit Principal
Laura G. Kearney
Ryan Grossi, JD
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Legal Counsel: Scott A. Baxter, Sr. Staff Counsel

For questions regarding the contents of this report, please contact Margarita Fernández, Chief of Public Affairs, at 916.445.0255.

781,701 users, resulting in more than 5,000,000 pages viewed. The average session duration is 4:10 minutes which demonstrates that users not only visit the site, but spend a considerable amount of time accessing its information which is a notable period of time by industry standards.

CalVet concurs with the recommendation to routinely analyze the registered users' information and is committed to do so moving forward. However, given there are more than 1.8 million veterans in the state, it is important to recognize that information pulled from 26,000 registered users is only a small piece of the representative population and statewide outreach efforts should include the use of additional data, tools, and strategies.

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Ideally, all veterans in the state will become registered users of the myCalVet portal, but until that occurs CalVet will continue to gather demographic information and conduct needs assessments through a variety of channels in which we are currently engaged, while continuing to connect veterans and their families with services and benefits through ongoing strategies and partnerships.

Several of the partnerships you touched on briefly in your report have resulted in a substantial increase in connectivity between CalVet, Veterans, and their earned benefits. A report produced by the Senate Advisory Commission on Cost Control published on May 2, 2014 showed CalVet currently has more than 640,000 veterans contact information in its database. This is an 800% increase from 2012 and is the result of numerous efforts, including that of the myCalVet launch.

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CalVet entered into a partnership with the Department of Motor Vehicles which provides on average current contact information for 60,000 veterans each year. CalVet then reaches out to these veterans by providing a summary of benefits and services available along with an insert they can remit identifying areas of interest where they would like additional information. Over the past three years, CalVet has reached nearly 10% of the veteran population in the state through this effort alone. In November 2015, the veteran designation on California Driver's License will go into effect which will significantly enhance the number of veterans contacted and connected to their benefits through this partnership.

CalVet entered into a partnership with the California State Libraries in 2013 to begin an effort called "Veterans Connect at the Library". This effort was based on identifying the barriers of some of the state's most disadvantaged veterans through the United States Department of Veterans Affairs Homeless Point in Time Count and understanding that the library offers safety and shelter along with opportunity for veterans to connect with resources. Thus far, the program has been strategically implemented at 23 libraries throughout the state spanning from Redding to San Diego with a focus on serving traditionally underserved veterans in their communities. Two Los Angeles branches were recently honored with the National Medal for Museum and Library Service in large part because of their excellent veteran service center operations.

CalVet's Local Interagency Network Coordinators (LINC) serve as the "boots on the ground" component of our outreach team and coordinate the efforts of service providers in their assigned regions. As demographics and needs assessments vary so dramatically throughout a state like California, it is vital that the LINC network work closely with its local community system of care to identify and incorporate outreach strategies specific to their region. The Geographic Distribution of Expenditures report, CVSO Subvention Reports, and USDVA VetPop Data all play a significant role as to what methods the LINC use to contact, connect, and communicate with veterans. Additionally, the LINC have provided direct outreach at 1,120 events throughout the state last year with attendance ranging from 30 veterans to 1,000 per event. Additionally, CalVet distributed more than 250,000 copies of the CalVet Veterans Resource Book and made over 392,000 referrals for supportive services.

In addition to our efforts to connect veterans with the services and benefits available through their service, CalVet partners with other state and federal agencies to assist veterans in accessing any and all potential benefits available. In 2014, CalVet partnered with the State Controller's Office to identify veterans or their heirs that may be entitled to unclaimed property. After cross-referencing the SCO database with CalVet's, CalVet identified more than 95,000 veterans who were entitled to unclaimed property with a value of more than \$36 million. CalVet then reached out to these veterans with instructions on how to reclaim that property.

CalVet understands the significance of the myCalVet site and its potential to supply information statewide in a ongoing and cost effective way. CalVet also thanks you for acknowledging our success in its development and implementation. The site has become a model for state veteran service departments throughout the country and has already been replicated in Massachusetts. As we move forward we will increasingly incorporate the site into a larger outreach plan, but it was important to note that the Veterans Services Division continues to move forward on a variety of fronts that at this time more effectively represent the larger veteran population. ③

Recommendation 2 – “To determine the most successful methods for informing veterans and their families about the myCalVet website, and to increase the number of registered users, Veterans Services should evaluate myCalVet data to identify which marketing methods were most effective in informing registered users about the website. Veterans Services should complete this analysis on an annual basis beginning no later than December 31, 2015.”

CalVet is committed to the increase marketing of the myCalVet website, as well as, identifying the most effective methods of informing potential users about the site. It is important to note that all outreach efforts and materials currently produced by CalVet highlight the new site and its functionality. CalVet will engage in new marketing efforts to increase awareness of the myCalVet portal as funds are made available. ④

Recommendation 3 – “To ensure that the funding it distributes to the CVSOs is consistent with their actual workloads, Veterans Services should, by December 31, 2015, develop and implement procedures to more thoroughly review the accuracy of the data in the CVSOs' workload activity reports by reviewing the records that are the basis of the reports.”

In early 2013, CalVet acknowledged that the part time contractor who performed the audit functions for the CVSO subvention program was not comprehensive due to very limited time constraints. In recognizing the urgency for change within the oversight responsibilities for CVSO work, we submitted a proposal through the state budget process in fiscal year 2013-2014. A full time position was approved for hire in July 2014. We hired the full time auditor in September 2014 and immediately started the lengthy U.S. Department of Veterans Affairs accreditation and audit training process. The CalVet Auditor is now fully accredited and developing the procedures for the audit functions to include periodic reviews of CVSO claims activities submitted in the claims case management system. CalVet has worked for almost 2.5 years to increase the manpower needed to develop desk procedures and add functions such as reviewing samples of claims from CVSOs to verify the proper documents were completed for the claim.

In addition to the auditing of workload units for subvention funding distribution, CalVet District Offices throughout the state review CVSO claims for quality prior to submitting them to the U.S. Department of Veterans Affairs to ensure forms and documents are complete. District Office staff provide regular training and feedback to CVSOs including feedback on corrections made to incoming claims on a monthly

basis, and at three CalVet-sponsored training conferences annually. As partners, CVSOs and District Office staff work together to ensure high quality claims are submitted.

Recommendation 4 – “To ensure the correctness, completeness, and consistency in its audits of the CVSOs’ workload activity reports, Veterans Services should formalize and document its audit procedures for reviewing these reports by December 31, 2015.”

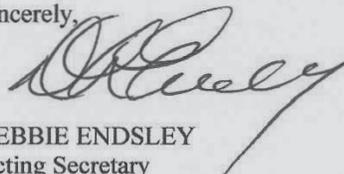
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Recommendation 5 – “To improve its oversight of the College Fee Waiver Program, Veterans Services should develop and implement a review process for college fee waivers by December 31, 2015, to ensure that the CVSOs are not erroneously waiving college fees.”

CalVet agrees that proper oversight of this vital program for veterans and their families is the only way to ensure that these substantial benefits will be available for future generations. In early 2013, CalVet acknowledged that the part time contractor who performed the audit functions for the CVSO subvention program was not able to also provide oversight for the college fee waiver program. In recognizing the urgency for change within the oversight responsibilities for CVSO work, we submitted a proposal through the state budget process in fiscal year 2013-2014. A full time position was approved for hire in July 2014. We hired the full time auditor in September 2014 and immediately started the lengthy U.S. Department of Veterans Affairs accreditation and audit training process. The CalVet Auditor is now fully accredited and developing the procedures for the audit functions to include periodic reviews of CVSO college fee waiver approvals submitted in the claims case management system. CalVet has worked for almost 2.5 years to increase the manpower needed to develop desk procedures and add functions such as reviewing samples of college fee waivers and claims from CVSOs to verify the proper documents were completed for the waiver.

CalVet is committed to improving the lives of veterans and their families through programs such as the CalVet website, CVSO Subvention, and College Fee Waiver programs. We appreciate the efforts the California State Auditor made in an effort to improve the oversight of these invaluable programs that enhance the lives of veterans and their dependents.

Sincerely,



DEBBIE ENDSLEY
Acting Secretary

Comments

CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS

To provide clarity and perspective, we are commenting on the response to our report from the California Department of Veterans Affairs (CalVet). The numbers below correspond to the numbers we placed in the margin of CalVet's response.

CalVet appears to misunderstand the key point of our analysis that led to this recommendation. While we do recognize on pages 6 and 7 that CalVet has taken steps unrelated to myCalVet since we issued our 2009 report to increase veterans participation in benefits, it is clear as we explain on pages 9 through 11 that in not using information in myCalVet to enhance its outreach efforts, CalVet is missing an opportunity. Specifically, as stated on page 9, myCalVet is a potentially rich source of information about veterans who register with myCalVet because these veterans create profiles containing key demographic information about themselves, such as their age, location, era of service, and whether they have dependents. Thus, while myCalVet currently contains information for only 26,000 California veterans, the information could be very useful in enriching CalVet's outreach efforts and better connecting veterans with their benefits. We would also point out that a key element related to our third recommendation on page 15 is that CalVet needs to take steps to increase the number of registered users in myCalVet.

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During the course of our audit and in numerous interviews with CalVet officials, CalVet never provided us with a May 2014 report by the Senate Advisory Commission on Cost Control that it references in its response or informed us about a CalVet database containing contact information for more than 640,000 veterans. Further, it is not clear from CalVet's response whether or how it uses the contact information for these veterans to enhance its outreach efforts and better connect veterans with benefits they need, which is the key point related to this recommendation.

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CalVet appears to suggest that we do not describe other outreach efforts it has undertaken to connect with veterans in our report. We disagree. Specifically, on page 6 we describe the integral role its eight regional local interagency network coordinators play to connect veterans with available benefits and services. Additionally, on pages 6 and 7 we describe two formal agreements CalVet has with the California Department of Motor Vehicles and the California Department of Corrections and Rehabilitation to better identify and connect with veterans. Nonetheless, as we indicate

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on page 9, we believe that myCalVet is a potentially rich source of information about the attributes and needs of registered veterans and CalVet should use this information to enhance its outreach to veterans.

- ④ CalVet's response indicates it will be implementing this recommendation by identifying the most effective methods of informing potential users about myCalVet. Although it goes on to discuss engaging in new marketing efforts that it believes will require additional funds, this was not part of our recommendation.