

**STATEMENT OF
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VETERANS BENEFITS ADMINISTRATION
DEPARTMENT OF VETERANS AFFAIRS
BEFORE THE
HOUSE COMMITTEE ON VETERANS' AFFAIRS
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Chairman Miller, Ranking Member Brown, and Distinguished Members of the Committee, thank you for the opportunity to discuss the Veterans Benefits Administration's (VBA) operations and progress made at the Philadelphia and Oakland Regional Offices (RO). I am accompanied today by Ms. Diana Rubens, Director of the Philadelphia RO; Ms. Lucy Filipov, Assistant Director of the Philadelphia RO; Ms. Julianna Boor, Director of the Oakland RO; and Ms. Michele Kwok, Assistant Director of the Oakland RO.

Progress and Results

First, I would like to provide an update on the tremendous progress we have made in transforming the claims process at the national level. VBA has reduced the disability claims backlog by almost 70 percent, from the peak of 611,000 in March 2013 to approximately 188,000 today. Last year, VBA completed a record 1.32 million disability rating claims, and we are on track to meet or beat that record this fiscal year. Approximately 95 percent of the claims in our inventory are now being processed electronically in our new digital environment, the Veterans Benefits Management System (VBMS). The average age of the pending claims in the inventory is now 132 days, down 150 days from the peak of 282 days in February 2013. Similarly, the average time to decide a claim has improved by 176 days, from a peak of 348 days to 172 days. The reduction in the disability rating claims backlog and our increased production have not come at the expense of quality, which has also improved significantly. We have increased our claim-based accuracy from 86 percent in 2011 to 91 percent today. When we measure accuracy at the issue level within each claim, our accuracy level is 96 percent. At the same time, we remain focused on all of the other workload components of the wide range of benefit programs we are privileged to administer.

VBA has the incredibly important mission of effectively delivering the benefits our Nation's Veterans and their families have earned and deserve. In carrying out its mission, VBA employees have adopted and embraced the Department's core values of Integrity, Commitment, Advocacy, Respect, and Excellence – appropriately captured in the phrase "I CARE." Our workforce includes over 21,000 employees, 53 percent of whom are Veterans themselves. VBA's progress in reducing the claims backlog would not be possible without our dedicated workforce and leadership throughout the organization.

Employee Engagement

VBA needs the talents of each and every one of our employees to succeed in reaching our goals. Our employees demonstrate every day that they are motivated to make a difference in the organizations where they work and in the lives of those they serve. They are dedicated to our unique mission of service to America's Veterans, their families, and Survivors.

We recognize our responsibility for developing, sustaining, and nurturing our employees – highlighting their accomplishments, addressing their concerns, and giving them the training and tools they need to deliver quality benefits and services. Our Directors use a number of innovative methods to facilitate communication, identify and address issues of concern, and help employees understand the importance of the work that they do. Many Directors have invited Veterans to their RO to meet and speak with employees so they gain a better understanding of the daily challenges disabled Veterans face. Town hall meetings are held to improve communication with management, and many managers also hold recurring team meetings. VBA established Change Management Agents at every RO to plan for and oversee the implementation of VBA's transformation initiatives at their local facility and facilitate communications between employees and managers. The Agents create awareness and understanding of VBA's Transformation goals and plans, offer training, seek employees' input, and listen to their feedback on our Transformation efforts.

VBA also utilizes the Under Secretary for Benefits (USB) pulse checks to engage employees. Pulse checks provide an open dialogue between front-line employees – supervisory employees are directly precluded from participating – and the USB. This open, honest, and transparent dialogue allows employees to directly communicate concerns, issues, and suggestions to the USB on topics ranging from VBMS, to mandatory overtime and new performance standards. The purpose of these events is to improve communication and encourage employees to raise all issues to VBA leadership, while ensuring no retaliation for frank assessments of initiatives.

VBA encourages all employees to participate in the annual All Employee Survey, the results of which are carefully assessed and analyzed to focus on areas needing improvement to promote a healthy and motivated workforce. RO Directors are required to select and seek improvement in two measures where they have influence. These measures are evaluated by their Area Director at the end of the performance period.

Whistleblower Protection

The Department of Veterans Affairs (VA) is committed to consistently improving processes and programs and to ensuring fair treatment for whistleblowers who identify areas for improvement. Secretary McDonald talks frequently about his vision of “sustainable accountability,” which he describes as a workplace culture in which VA leaders provide the guidance and resources employees need to successfully serve Veterans, and employees freely and safely inform leaders when challenges hinder their ability to succeed. We need a work environment in which all participants – from front-line staff through lower-level supervisors to senior managers and top VA officials – feel safe sharing information and observations for the benefit of Veterans and as good stewards of the taxpayers’ money.

In recent months, VA has taken several important steps to improve the way we address opportunities for operational improvement and to ensure that those who identify those areas are protected from retaliation. Last summer, the Secretary established the Office of Accountability Review, or OAR, to ensure leadership accountability for whistleblower retaliation and other serious misconduct. VA has also improved its

collaboration with the Office of Special Counsel (OSC), which is the independent office responsible for overseeing whistleblower disclosures and investigating whistleblower retaliation across the Federal Government. VA has negotiated with OSC an expedited process to speed corrective action for employees who have been subject to retaliation. That process is working well, and we are now beginning a collaborative effort with OSC's Director of Training and Outreach to create a robust new training program to ensure all VA supervisors understand their roles and responsibilities in protecting whistleblowers.

Leadership Accountability and Coordination

VBA holds employees at all levels of the organization accountable for performance as we continuously strive to fulfill our commitment to providing timely and accurate benefit decisions. Objective measures and performance standards are used to make basic determinations that our managers and employees are meeting or exceeding their job requirements. Procedures are in place to reward our best performers and to work with employees who need additional training to improve performance.

All VBA senior managers of ROs are held accountable for effective workload management and the resulting performance of their offices. Performance is evaluated against national and RO-specific targets that are based on our strategic goals. The targets are established at the beginning of each fiscal year and account for a variety of measures, including timeliness, production, and inventory. Performance expectations are established based on the previous year's performance, giving consideration to current staffing and anticipated receipts at each RO. There are several layers of oversight including VBA's Office of Field Operations and the Area Offices that routinely review the performance of ROs and their leadership teams. The performance is measured against established targets, workload, and staff turnover.

VBA aggressively monitors RO workload trends and performance, and as negative trends develop, Area Directors establish and monitor performance improvement plans for RO Directors to ensure appropriate attention is given to problem

areas. Performance improvement plans identify areas for improvement such as production capacity, quality, or timeliness. Often, a challenged RO will engage a high-performing station to share best practices.

VBA's Stat Reviews are a performance technique and tool using statistical data and visual displays of those data to monitor progress and improve performance. This monthly process involves in-depth performance metric reviews with the USB and other top VA leaders, as well as VBA's Office of Field Operations and other members of the VBA leadership team, to analyze and manage performance more effectively. Every RO participates in the Stat Reviews to ensure alignment across ROs on transformation initiatives and that best practices and lessons learned are shared quickly across leadership teams.

VBA's Stat Reviews are based on highly successful performance management programs conducted Government-wide. The USB sits with RO Directors in the half-day meeting to discuss challenges and successes, using extensive data-driven performance measures for accountability. This allows VBA leadership to more easily identify what improvements are needed to produce desired performance results. Stat Reviews also help VBA leadership understand what is or is not working, while motivating RO managers and employees to focus their energy and creativity on achieving specific results. The Stat Review process encourages focus on accountability to achieve workload performance metrics and sharing of best practices throughout VBA.

Improvements at the Philadelphia RO

The dedicated employees of the Philadelphia RO have demonstrated commitment to improving the delivery of benefits to Veterans and their families. The Philadelphia RO asked every employee to recommit to the I CARE values last month, putting Veterans and their needs first. The employees of the Philadelphia RO take this commitment to heart, and many of our employees in Philadelphia are Veterans themselves.

Overview of the Philadelphia RO

In July 2014, Ms. Diana Rubens was appointed as the Director of the Philadelphia RO. As the Director, Ms. Rubens is responsible for administering a range of VA benefits to over 1 million Veterans and their families living in eastern Pennsylvania, southern New Jersey, and Delaware. These services include administration of compensation and pension benefits, national call center services, and vocational rehabilitation and employment benefits, which total approximately \$4.1 billion in annual payments.

Upon her arrival in Philadelphia, Ms. Rubens immediately began building and strengthening working relationships with RO employees and local stakeholders by expanding and improving communication and focusing on creating a culture that puts Veterans and their eligible beneficiaries first. A number of initiatives were launched in her first several months at the RO and continue now, including:

- Expanding avenues for communication with employees, to discuss issues, ideas, and ways to improve the RO;
- Conducting training for all supervisors to increase communication and provide tools for supervisors to build trust and improve interactions with employees;
- Improving the physical appearance of RO space, including the public contact area, to enhance the environment for both Veterans and employees; and
- Improving communication and relationships with external-VBA stakeholders.

Our transformation efforts have improved performance at the Philadelphia RO. The backlog of Veterans' claims in eastern Pennsylvania has been reduced from its peak of 13,000 claims in December 2011 to 5,400 claims today, an improvement of 58 percent. Veterans there are also waiting less time for decisions. The average number of days pending has been reduced from a peak of 264 days in April 2013 to 159 days today. The progress is not at the expense of quality, which remains high at 91 percent at the claim level and 98 percent at the issue level.

The Philadelphia Pension Management Center (PMC) has also made tremendous strides in improving performance. The PMC oversees Veterans pension

and all Survivors' claims for the Eastern United States, Puerto Rico, and most foreign countries. The PMC's backlog was reduced by 94 percent, from its peak of 13,300 claims in July 2013 to 763 claims today. Timeliness has also improved from a peak of 196 days in November 2012 to approximately 60 days today. Accuracy is currently at 100 percent. While there is more work to do, improvements have been initiated or achieved amidst various challenges since Ms. Ruben's arrival in July 2014.

Leadership and Employee Morale

First, let me assure you that since Ms. Rubens assumed her new duties as the Director of the Philadelphia RO in July 2014, she is committed to fostering an environment and culture where employees feel safe to raise issues. Protecting whistleblowers from retaliation is a key component of carrying out VA's core mission in accordance with its institutional I CARE values. Veterans expect VA leadership to cultivate an environment that empowers employees and demands accountability in service to our Veterans. The RO is making progress by participating in mandatory whistleblower training to ensure every supervisor at the RO understands retaliation is not tolerated and adheres to the I CARE values. Ms. Rubens is working to ensure every employee feels safe in raising concerns and is protected from any retaliation.

In addition to these efforts, the Philadelphia RO's management team has taken a multitude of steps to engage employees, such as:

- Inviting all employees to meet with Ms. Rubens in one of the 40 town hall meetings that she had held/led since August 2014 so she can directly hear their concerns, respond, and take action on issues raised;
- Reenergizing the RO's Collaborations Strategies Group comprised of employees who have volunteered to lead committees to help improve the Philadelphia RO;
- Establishing monthly Listening Post sessions in November 2014 for employees to brainstorm ideas and develop ways to improve processes;
- Placing suggestion boxes in the Veterans Service Center (VSC) in January 2015 to obtain feedback from employees; and

- Creating a workgroup in November 2014 to analyze the VA All Employee Survey 2014 results for the Philadelphia RO and develop action plans to address areas for immediate improvement.

Ms. Rubens continues to strengthen her leadership team, creating a more inclusive environment for the entire workforce. The Philadelphia RO conducted training for all supervisors to improve communications and develop ways for supervisors to build trust and improve interactions with employees. A 2-day team building and emotional intelligence training was held in December 2014. The training focused on developing skills through which supervisors can lead with a Veteran-centric focus. An additional training session was provided by VBA's Office of Employee Development and Training on February 5, 2015. This has improved communications between RO leadership and all employees with more clear and consistent messages, feedback, and team outcomes.

Ms. Rubens and her management team are enhancing relationships with stakeholders through Veteran town halls and claims clinics, semiannual Congressional seminars, quarterly meetings with Veterans Service Organizations (VSO), and weekly meetings with our local American Federation of Government Employees president. They implemented a VSC advocacy team in December 2014 to better manage Congressional inquiries, and they are instituting a new way to track and monitor inquiries regarding pending appeals and non-rating claims. Local media have been invited to all Veteran town halls. In addition, the Philadelphia RO has supported the Veterans Health Administration at all of its local Veteran town halls at VA medical centers. In March, the RO supported the American Legion Veteran town hall and local Veteran engagement events. Although there is more work to do, the Philadelphia RO is committed to improving operations and communications to better serve its Veterans.

Issues Raised by OIG

Leadership within VBA and management at the Philadelphia RO take recommendations from VA's Office of Inspector General (OIG) very seriously. The RO actively and quickly worked to address issues that were raised and implemented action plans to ensure these issues do not occur again.

OIG Report Published April 15, 2015

VA's OIG began an investigation at the Philadelphia RO on June 19, 2014, based on allegations of mismanagement made through the VA OIG hotline. The investigation began 3 weeks prior to Ms. Rubens' arrival on July 10, 2014. Upon her arrival, she engaged with management and immediately began implementing solutions to issues raised by OIG while they were on-site. , VBA had already remedied many of the findings when the final report was published on April 15, 2015. VBA continues work to resolve the remainder of the findings based on the recommendations in the report. VBA is also conducting an Administrative Investigation Board to determine if further actions are appropriate.

OIG Management Advisory

On June 20, 2014, OIG issued a Management Advisory. Four recommendations were included in this advisory. The first recommendation was related to the allegation that staff at the Philadelphia RO misapplied VBA Fast Letter (FL) 13-10, Guidance on Date of Claim Issues. OIG found instances in which the Philadelphia RO did not enter the correct date of claim in some Veterans' records and recommended that VBA discontinue use of FL 13-10. On June 27, 2014, VBA suspended FL 13-10, pending a thorough review of its implementation. The Philadelphia RO complied immediately with VBA's discontinuation of Fast Letter 13-10. Ms. Rubens charged the leadership of the VSC and PMC to ensure the earliest date of receipt of claim was consistently used to establish claims. Employees were immediately engaged and informed to comply with this direction.

The second recommendation was related to scanning completed pension claims. OIG found 68 mail bins containing completed pension claims and associated evidence that had not been scanned into VA's electronic records. These claims were completed in 2011, and it is important to note that no Veterans were waiting for the resolution of these pension claims. In addition, the most relevant information related to these claims was available within VBA's electronic systems. Should the original documents be needed for processing subsequent claims, PMC employees would access those

documents in the paper records. Prior to the OIG investigation, the Philadelphia PMC's processes had been adjusted to incorporate up-front scanning of documents, and resources had been dedicated to scanning the completed claims. Although the work had not been completed at the time of OIG's arrival, it was underway and subsequently completed in August 2014. VBA is transitioning all claims processing to a fully electronic system, VBMS. VBA has a contract with a private scanning vendor to convert paper documents into digital format and upload them into VBMS. VBA is examining the use of the contract scan vendor for the PMC scanning to enable more rapid uploading to VBMS.

The June 20, 2014, OIG Management Advisory also reported on several instances in which Veterans or their dependents received duplicate payments resulting from duplicate records in VA's electronic system. Resolution of duplicate records continues to be a top priority of the Philadelphia RO. VA's Hines Information Technology Center generates monthly reports identifying potential duplicate payments in VBA's corporate database for resolution. Ms. Rubens personally engaged with the employees who brought this issue forward and members of the Philadelphia RO management team to form a workgroup to develop and implement procedures to prevent establishment of duplicate records and improper payments. As a result of the workgroup, the RO provided training on searching VBA systems to identify existing records before establishing a new record for a claimant. Additionally, VBA developed standardized training for field personnel on how to avoid creating duplicate records and how to correct the system when duplicate records are identified.

The fourth recommendation in the Management Advisory was to limit employees' access to electronic date stamps. To address OIG's recommendation, the Philadelphia RO changed its procedures on July 11, 2014, and moved date stamping into a secure mailroom. A small number of exceptions were permitted for the public contact staff and other front office employees. Employees continue to be assigned to specific machines so the RO can audit use of date stamps. All unassigned machines remain secured by the RO's Records Management Officer.

OIG Management Implication Notification – Occupational Safety and Health

On July 23, 2014, OIG sent a Management Implication Notification Letter – Occupational Safety and Health to address facility conditions at the RO's leased space located at 4700 Wissahickon Avenue. The 150 employees of the National Call Center and National Pension Call Center reside in this space. Ms. Rubens took immediate action to engage with the General Services Administration (GSA), which manages this lease, and secured contracts with GSA to begin immediate construction at the main RO building, at 5000 Wissahickon Avenue, to house these operations. VBA anticipates employees will move into new space by the end of May 2015.

Improvements at the Oakland RO

The dedicated employees of the Oakland RO share a similar commitment to providing the best service possible to Veterans and their families, who deserve nothing less.

Overview of the Oakland RO

In May 2014, Ms. Julianna Boor was appointed as the Director of the Oakland RO. In this role, Ms. Boor is responsible for administering approximately \$1.9 billion in annual payments to over 137,000 Veterans and their dependents in Northern California. The Oakland RO administers the full range of compensation and vocational rehabilitation and employment benefits. Ms. Boor promotes development opportunities for all employees through both local and national programs. She promoted and supported the 2014 All-Employee Survey, which resulted in a high participation rate of 70 percent. Ms. Boor carefully assessed and analyzed the results of the survey and continues to work collaboratively with her labor partners to focus on areas needing improvement to promote a healthy and motivated workforce.

Ms. Boor also continues to build effective relationships with Congressional stakeholders, VSOs, and the Veteran communities. She has participated in multiple town hall and Veterans advisory committee events. She holds monthly meetings with VSOs and Congressional Staffers. Ms. Boor partnered with the California Department of Veterans Affairs (CDVA) in implementing a Strike Force Team, utilizing 12 CDVA

employees to assist in obtaining information on claims and submitting more fully developed claims. The team's assistance continues to assist in reducing the number of claims in the backlog.

The backlog of northern California Veterans' claims has been reduced by 73 percent, from its peak of 30,000 claims in June 2012 to 8,000 claims today. The average age of pending claims was reduced from 467 days at its peak in March 2013 to 161 days today – a 306-day improvement. Quality remains high at the RO – claim-level quality is at 96 percent and issue-level quality is at 98 percent.

Employee Morale and Engagement

The Oakland RO's leadership team takes seriously its responsibility in developing and nurturing employees, as well as ensuring they have the training and tools they need to do the job. They also focus on providing a safe workplace, not only in terms of physical safety, but safety from harassment, discrimination, and retaliation. Ms. Boor encourages candid disclosure of information about problems and understands that retaliation is not tolerated and adheres to the I CARE values. She promotes developmental opportunities for all employees through both local and national training programs and tries to find as many ways possible to have an open dialogue with employees - from all-employee meetings to daily meetings for teams. Her leadership team actively solicits suggestions on ways to improve, which has resulted in ideas implemented locally and shared with other ROs.

In addition, a special communication mechanism was established in Oakland that has become quite popular with employees. Every week, the RO celebrates special instances of exceptional customer service in the form of "Friday Shout-Outs." These instances range from helping a homeless Veteran find shelter close to the treating hospital, to helping a young family with five children in financial hardship obtain a down-payment for a new home with the grant of service-connected disability compensation.

Ms. Boor and the RO's management team aggressively promoted and supported the 2014 All-Employee Survey, which resulted in a 70 percent participation rate. RO

management carefully assessed and analyzed the results of the survey and continues to collaborate with labor partners to focus on areas needing improvement to develop a more healthy and motivated workforce. Oakland employees have faced and overcome many challenges over the past few years and continue to demonstrate each day that they are motivated to make a difference in the lives of Veterans and their families.

Documents Found in 2012

To address performance challenges, a special support team was sent to Oakland in October 2012. In November 2012, a member of the support team found a file cabinet of duplicate copies of approximately 13,000 documents. VBA initiated an immediate review to determine if a formal claim had subsequently been received, and if so, was the correct effective date used for any benefits awarded as a result of the informal claim. Oakland employees completed the initial review of all of the documents in December 2012, with the exception of 2,155 documents requiring a review of the associated claim folders housed at off-site storage facilities.

In May 2014, before the Oakland RO had completed all of the 2,155 claim folder reviews, allegations of unprocessed claims were made by former employees on a radio talk show. The documents were re-reviewed in June 2014 to see if further action was needed on any of the documents, and then the copies were filed in the Veterans' records. In hindsight, a record of all documents reviewed should have been kept to validate the review process.

To further investigate the allegations, VBA requested the assistance of OIG. Unfortunately, OIG was unable to confirm the actions taken by the Oakland RO on the majority of the 13,000 documents, as only 537 documents were remaining to be reviewed at the time the OIG investigation was initiated. The copies of all of the other reviewed documents had been filed in each individual Veterans' claims folder.

In total, 403 documents, or approximately 3 percent of the original 13,000 documents, were identified as requiring additional claims processing actions, primarily

granting an earlier effective date. These corrective actions were completed in September 2014.

In February 2015, OIG issued the findings from its July 2014 investigation, noting the Oakland RO's inadequate maintenance of records on the review. In the report, OIG acknowledged that neither VA nor OIG can determine entitlement to disability benefits without the Veteran submitting a formal application for benefits. As such, OIG recommended the Oakland RO complete a review of the remaining 537 documents, provide training on proper procedures for processing informal claims, and implement a plan to ensure oversight of those staff assigned to process the informal claims.

Corrective Actions

VBA fully concurred with the OIG recommendations to improve operations and implemented all recommendations. The Oakland RO also recently implemented the national centralized mail initiative in January 2015, which significantly reduces the potential for delayed handling of paper documents. All of the Oakland RO's claim-related mail is now directed to a centralized scanning facility in Janesville, Wisconsin, for conversion from paper to electronic digital format.

Additionally, on March 24, 2015, VA implemented an important regulatory change to require use of standardized claim and appeal forms. This change includes a new *intent to file* process that replaces the informal claim process for applicants who need additional time to gather all of the information and evidence needed to submit their formal application for benefits. This new process protects the earliest possible effective date if the applicant is determined eligible for benefits and helps to ensure anyone wishing to file a claim receives the information and assistance they need.

Closing

The progress made at both ROs could not have been accomplished without the dedicated leadership of the officials present today. Ms. Rubens and Ms. Boor, supported by their Assistant Directors, have both led significant progress towards reaching VA's goals. Both have shown great leadership, dedication, and commitment to

employee engagement. This concludes my remarks. My colleagues and I are happy to respond to any questions from you or other Members of the Committee.