



Veterans Affairs
Canada

Anciens Combattants
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AUDIT OF THE VETERANS INDEPENDENCE PROGRAM ANNUAL FOLLOW-UP

Audit and Evaluation Division

Canada 

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Table of Contents

EXECUTIVE SUMMARY	I
1.0 BACKGROUND	1
2.0 ABOUT THE AUDIT	2
2.1 AUDIT SCOPE AND OBJECTIVES	2
2.2 METHODOLOGY	2
3.0 AUDIT RESULTS.....	3
3.1 BUSINESS PROCESSES	3
3.2 COMPLIANCE AND POLICY ALIGNMENT	5
3.3 MANAGEMENT CONTROL FRAMEWORK	6
3.4 AUDIT OPINION.....	8
APPENDIX A - AUDIT CRITERIA	A-1
APPENDIX B – RISK RANKING OF RECOMMENDATIONS AND AUDIT OPINION.....	B-1

EXECUTIVE SUMMARY

The purpose of the Veterans Independence Program (VIP) is to assist recipients in maintaining their independence through the provision of home and community care. As per the VIP Terms and Conditions, Veterans and other recipients in receipt of funding for VIP services must be contacted at least once annually to confirm the benefits are meeting the recipient's needs. In January 2013, Canada Post, Public Works and Government Services Canada (PWGSC) and a third-party contractor became part of the Annual Follow-up and Survivor Renewal process.

The objective of the audit was to assess the management control framework, the compliance with applicable policies and processes, and determine performance against the Annual Follow Up and Survivor Renewal service standard. The scope of this audit included all VIP Veterans and survivors due for follow-up or renewal between May 1, 2014 and September 30, 2014.

The audit team observed that the relevant policies and procedures were generally clear and up-to-date. The following areas require action be taken to address outstanding issues and improve service to recipients:

- 1) file review results indicated that of the 41 Annual Follow-up forms that identified additional health needs, 39% (16/41) were not referred to an Area Office for review. The business process requires that in addition to identifying additional health needs, Veterans must also have a change in their Housekeeping and/or Grounds Maintenance requirements to be referred.
- 2) current Privacy Impact Assessment does not include the third-party contractor's expanded role in the Annual Follow-up and Survivor Renewal processes.
- 3) even though the service standard is measurable it is not relevant to the recipient as completion of the recipient's Annual Follow-up and Survivor Renewal is not reported. A more relevant service standard would measure the successful completion of the Annual Follow-up and Survivor Renewal for each recipient.

Overall, the audit team determined the results to be "*Generally Acceptable*".

Chief Audit Executive's Signature

Kim Andrews
Chief Audit Executive

October 2015
Date

1.0 BACKGROUND

The Veterans Independence Program, hereinafter referred to as the “Program”, is designed to assist qualified Veterans¹ and survivors in maintaining their independence through the provision of home and community care. As of March 31, 2014, the Program supported 101,595 Veterans and survivors and primary caregivers. The overall Program cost for 2013-2014 was \$429.6 million. There were 61,829 Veterans and 39,766 survivors in receipt of benefits.²

As per the Program Terms and Conditions, recipients must be contacted at least once annually to confirm benefits are meeting their needs. The contact method used to fulfill this obligation was the mail out of the Annual Follow-up or Survivor Renewal response form.³ As per the Survivors – Veterans Independence Program (VIP) policy, survivors must re-apply on an annual basis to satisfy the survivor status criteria.⁴ Recipients could also identify unmet health needs on the Annual Follow-up form. A referral to the appropriate Area Office for actioning is required when unmet needs are identified. The Service Delivery and Program Management Division, within Head Office, is responsible for the overall management and oversight of the Program.

In January 2013, Canada Post, Public Works and Government Services Canada (PWGSC) and a third-party contractor became part of the Annual Follow-up and Survivor Renewal process. At that time, the Housekeeping and Grounds Maintenance elements of the Program were converted from reimbursement to a grant. The Annual Follow-up and Survivor Renewal forms were mailed on behalf of Veterans Affairs Canada (VAC) by Canada Post. Completed forms were returned to the PWGSC scanning facility to be scanned into the recipient’s Client Service Delivery Network (CSDN)⁵ notebook. The third-party contractor reviewed the completed forms and updated CSDN and the Federal Health Claims Processing System (FHPCS) accordingly, based on the Annual Follow-up and Survivor Renewal business processes. If a recipient did not return the form within 30 days before the end date of the Benefit Arrangement (BA), the third-party contractor would attempt to contact the recipient by telephone and, if attempts were unsuccessful, through issuance of a letter.

In February 2015, the then Minister of Veterans Affairs issued a communiqué regarding the frequency of the VIP Annual Follow-up. The Department discontinued the mail-out of Annual Follow-up forms and subsequently began contacting recipients by telephone in order to improve communication with Veterans.

¹ In this report, unless otherwise specified, the term “Veteran” includes all eligible Veterans, as well as spouses and primary caregivers.

² Facts & Figures Book, September 2014 Edition

³ Policy: Benefit Arrangement (Veterans Independence Program), November 12, 2014

⁴ Eligibility criteria: Proof of receiving the Disability Tax Credit (DTC) or Guaranteed Income Supplement annually. Recipients of Lifetime DTC only submit proof once, no further documentation required.

⁵ Client Service Delivery Network (CSDN) is the VAC system of record.

2.0 ABOUT THE AUDIT

2.1 Audit Scope and Objectives

The scope of this audit included all Program recipients due for follow-up or renewal between May 1, 2014 and September 30, 2014. The objectives of this audit were:

- To assess the adequacy of the management control framework;
- To assess compliance with applicable policies and processes; and
- To determine performance against the service standard.

The Ministerial communication in February 2015 regarding the frequency of the VIP Annual Follow-up was made subsequent to the audit's fieldwork being conducted, and was not considered in the scope of the audit.

The audit criteria are provided in Appendix A.

2.2 Methodology

This audit was conducted in conformance with the Internal Audit standards as outlined by the Institute for Internal Auditors, and is in line with the Internal Audit Policy for the Government of Canada, as supported by the results of the Quality Assurance and Improvement Program.

Interviews and direct observation sessions were conducted with staff at VAC Head Office and the third-party contractor to obtain an understanding of Annual Follow-up and Survivor Renewal processes and to assess compliance with relevant policies, guidelines and processes. A documentation review of regulations, policies, guidelines and business processes was also completed.

A file review was completed to assess compliance with applicable policies and procedures, as well as assess the time taken to complete the annual follow-up and renewal activities. A statistically valid random sample⁶ of 202 Annual Follow-up transactions and a random sample of 35 Survivor Renewal transactions from a population of 37,588 were tested. Sample data incorporated transactional information from various sources such as Client Screenings, Grant Determination Tool, BA and FHCPs. The period of the files reviewed was May 1, 2014, to September 30, 2014.

⁶ Confidence level of 95% with a margin of error of $\pm 2.5\%$

3.0 AUDIT RESULTS

3.1 Business Processes

The audit team assessed business processes for Annual Follow-up and Survivor Renewal. The business process documents received by the audit team were reviewed and found to be relevant and current. Overall, Annual Follow-up and Survivor Renewal decisions were appropriate and supported. The system tools were effective and supported appropriate decision making.

3.1.1 Referrals

Annual Follow-up forms were sent to Veterans on an annual basis to gather information on potential changes in Housekeeping and Grounds Maintenance needs and to identify additional health care needs. The forms were mailed to Veterans three months prior to the expiration of the recipient's BA.

Veterans had the opportunity to identify additional health needs on the Annual Follow-up form (in addition to Housekeeping and/or Grounds Maintenance) and as a result a referral to VAC Area Office may have been required. The goal is to ensure key Veteran health information is forwarded to an Area Office to be actioned on a timely basis. However, certain criteria were required on the Annual Follow-up form in order for a referral to be completed by the third party contractor. The business process outlined that a referral by the third-party contractor to the Veteran's VAC Area Office was required⁷ when the following three conditions were met:

- Veteran indicates that their health is fair or poor; and
- Veteran also indicates that health is worse compared to a year ago; and
- a change in Housekeeping and/or Grounds Maintenance needs is identified.

Since a referral by the third party contractor was not required unless a change in Housekeeping and/or Grounds Maintenance need was identified, a risk then existed where identified health needs have remained unmet. File review results indicated that of the 41 Annual Follow-up forms identifying additional health needs, 39% (16/41) were not referred to an Area Office.

Following the February 2015 Ministerial communication regarding the VIP Annual Follow-up, the Department discontinued the mail-out of Annual Follow-up forms and began contacting recipients by telephone.

3.1.2 Response Form Mail Out

Validation of recipient mailing information was applied during the monthly batch mailing process. To ensure the Annual Follow-up and Survivor Renewal process was completed prior to the end of the BA, a timely review and action of the exceptions was essential. If the Forms were not completed and returned by recipients prior to end of the BA, benefits would be suspended until the process was completed.

⁷ Area Office referrals are not required for survivor renewals.

During the fieldwork phase, documentation and file review results identified a lack of business process to direct corrective action for exceptions. In the period of review, there were 73 exceptions, amongst the over 37,000 required mail outs. Of the 73 exceptions, 23 recipients' Housekeeping and Grounds Maintenance benefits were suspended due to the lack of timely corrective action by VAC. The remaining 50 recipients:

- were in contact with the third-party contractor to complete the AFU/Survivor Renewal process or;
- had their Housekeeping and Grounds Maintenance suspended because the completed form was not received prior to end of the BA; or
- had their benefits terminated for not meeting eligibility criteria.

Following the February 2015 Ministerial communication regarding the VIP Annual Follow-up, the Department discontinued the mail-out of Annual Follow-up forms and developed a new business process for obtaining information from recipients.

3.1.3 Decision Letters

Clear communication of Annual Follow-up and Survivor Renewal decisions is important to ensure that VIP recipients are advised of current benefit start and end dates, grant amount(s) and availability of appeal rights. Letters to recipients form part of VAC's supporting documentation of the decision for Program benefits and are required as per the *Veterans Health Care Regulations*. During fieldwork, the audit team observed that the current business process for processing Annual Follow-ups did not include the requirement to send a decision letter when there was no change to the VIP Housekeeping and Grounds Maintenance grant amounts. The file review identified that 93% (186/201) of completed Annual Follow-ups included a decision letter.

The Annual Follow-up Business Process has since been revised to ensure all recipients receive a decision letter after completion of the Annual Follow-up and Survivor Renewal.

Recommendation 1

It is recommended that the Director General, Service Delivery and Program Management Division, revise the VIP Follow-up business process to ensure all identified health needs are sent for actioning to an Area Office for review regardless of change in Housekeeping and/or Grounds Maintenance. (Critical)

Management Response

Management agrees with this recommendation. Work is currently underway to revise referral cues to the Area Offices by August 2015 based on consultation with field staff.

Note: At the time of approval of this report, business processes and guidelines have been updated to reflect the new VIP follow-up process that was put in place on July 30, 2015. These updates include ensuring that all identified health needs were sent for action to an Area Office for review regardless of change in Housekeeping and/or Grounds Maintenance.

3.2 Compliance and Policy Alignment

3.2.1 Compliance with Policy

VAC Policies indicate Program recipients must access provincial and community programs first before receiving Program benefits.⁸ Program benefits may only be authorized to the extent that such services or care are not available under a provincial health care system. During fieldwork, the audit team observed provincial/municipal services were not being considered in determining grant amounts. Direction was given to the third-party contractor to not consider provincial/municipal services during the first year after Program benefits changed from a reimbursement (contribution) to a grant program. The direction was valid during the conversion from reimbursement to grant, since contribution amounts reflected actual recipient expenditures. The conversion period has passed but during fieldwork, the team observed that the direction had not been rescinded. As a result, Program recipients may have received funding for Housekeeping and/or Grounds Maintenance benefits from provincial/municipal sources and received funding for the same services through the Program.

As of March 6, 2015, the third-party contractor was directed to follow the Grant Determination Tool Guideline, which describes the process to follow in considering the provincial/municipal services during the Annual Follow-up and Survivor Renewal process.

3.2.2 Policy and Guideline Alignment

The BA was the official record of decision for Program benefits. It set out the dollar amount to be paid toward the required Program benefits, and the length of time during which the funding would be provided. The Benefit Arrangement Policy required that a BA must be completed for every new applicant and when an Annual Follow-up and Renewal is completed, even if there was no change in benefits. Conversely, the Guideline for completing the BA form states that a BA must be completed when the recipient initially applies for the Program, and subsequently each time there is a change in a recipient's BA. The Policy did not align with the Guideline as the Guideline indicates a BA is not required when there is no change in Program benefits. The results of the file review revealed BA forms were not on file for 91% (184/201) of the Annual Follow-ups and 23% (7/31) of Survivor Renewals.

The BA policy has since been revised to remove the requirement for completion of a BA form when there is no change in Program Benefits. Upon completion of the Annual Follow-up or Survivor Renewal, all recipients receive a decision letter (i.e., official record of decision) that states the dollar amount and the length of time during which funding will be provided once the Annual Follow-up or Survivor Renewal is completed.

⁸ Requirement to Access Provincial Programs Policy, January 1, 2013

3.2.3 Privacy Impact Assessment

A Privacy Impact Assessment (PIA) provides decision makers with a logical framework to identify potential:

- privacy issues by assessing compliance with privacy protection legislation, policies, and principles;
- probable impacts associated with issues of non-compliance; and
- actions and strategies to eliminate or reduce privacy risks.

There are current approved PIA's in place for the batch mail-out at Canada Post and for the PWGSC scanning process. An approved PIA exists for the current contract with the third-party contractor. The approved PIA does not reference the third-party contractor's changed role in Annual Follow-ups and Survivor Renewals. A draft PIA that incorporates the third-party contractor's expanded role in the Annual Follow-up and Survivor Renewal processes is in progress. It was not approved at the time of the audit.

Recommendation 2

It is recommended that the Director General, Service Delivery and Program Management Division, finalize and approve a PIA to reflect the current Annual Follow-up and Survivor Renewal process with the third-party contractor. (Critical)

Management Response

Management agrees with this recommendation. Work is currently underway to reflect all third-party contractor activities in the new FHCPs PIA by November 2015.

3.3 Management Control Framework

3.3.1 Quality assurance and performance monitoring

As part of the assessment of the management control framework, key monitoring activities and quality assurance (QA) processes for Annual Follow-up and Survivor Renewal were reviewed by the audit team.

Responsibility for Annual Follow-up and Survivor Renewal reporting is clear. VAC is responsible to review the actions completed by VAC staff in regards to Annual Follow-up, while the third-party contractor is responsible to review those completed by the Annual Follow-up Unit.

The Annual Follow-up and Survivor Renewal QA strategy and workflow framework were received from VAC Program Management along with QA reports from April 1 – September 30, 2014. During fieldwork, the audit team reviewed the criteria and controls monitored within the QA Framework, and identified a need for additional criteria related to timeliness. As noted in section 3.1.2, Housekeeping and Grounds Maintenance benefits were suspended if the Annual Follow-up or Renewal process was not completed prior to the Benefit Arrangement end date. Suspension of these benefits remained in place until contact with the recipient was made to review annual Program

benefit needs. Termination of benefits occurred after 120 days of no recipient contact for Annual Follow-up and after 90 days for Survivor Renewal.

Additional monitoring criteria to add to the QA Framework include:

- completion of the Annual Follow-up prior to BA end date;
- completion of three attempts to contact in the 2-3 week period prior to BA end date for non-contact with recipient by telephone or through issuance of a letter;
- suspension of all Program benefits 60 days after initial suspension of Housekeeping and Grounds Maintenance; and
- termination of all Program benefits after 120 days of no contact for Annual Follow-up or 90 days for Survivor Renewal.

Monitoring and initiating corrective actions for these key controls will help to ensure recipients maintain benefits as required, prevent unnecessary suspensions and/or terminations, and reduce the number of overpayments that occur when benefits are paid when the recipient should have been suspended and/or terminated from the Program.

Following the February 2015 Ministerial communication regarding the VIP Annual Follow-up, the Department discontinued the mail-out of Annual Follow-up forms and began contacting recipients by telephone. This is expected to result in more timely contact with recipients, increase administrative efficiencies and reduce incidence of unnecessary suspensions. In addition, the Department has developed appropriate monitoring criteria which have been defined and added to the QA Framework.

3.3.2 Service Standard

VAC service standards must be relevant to the recipient, measurable and linked to monitoring activities.⁹ Standards must address the aspects of VAC's services that are most valued and meaningful to the recipients of the service.

The current service standard for Annual Follow-up is defined as "You will be contacted at least once per year to ensure VIP is meeting your needs. Non-respondents receive a follow-up phone call."¹⁰ The service standard was deemed to be met when the electronic transfer of Annual Follow-up and Survivor Renewal response form information was sent to Canada Post for mail out. The service standard result for Annual Follow-up in 2012-2013 was 85%. The goal for 2014-2015 is 100%. Even though the service standard is measurable it is not relevant to the recipient. A more appropriate service standard is to measure the successful actioning of the VIP Follow-up or Survivor Renewal process for each recipient.

⁹ Guideline on Service Standards, Treasury Board Secretariat

¹⁰ Source: VAC 2012-2013 Service Standards

Recommendation 3

It is recommended that the Director General, Service Delivery and Program Management Division, implement a revised VIP Follow-up and Survivor Renewal service standard, relevant to the recipient. (Essential)

Management Response

Management agrees with this recommendation. Work is currently underway to include tracking changes to CSDN and establish reasonable service standards by March 2016.

3.4 Audit Opinion

The audit team observed that the relevant policies and procedures were generally clear and up-to-date with only a few areas requiring further action. It was also noted that key monitoring activities such as quality assurance were in development. File review results identified a high degree of compliance with key requirements and that staff carry out their duties efficiently and exercise appropriate judgement to process requests as quickly as possible. Overall, the audit team determined the results to be "*Generally Acceptable*".

APPENDIX A - AUDIT CRITERIA

Objective	Criteria*
To assess the adequacy of the management control framework.	The organization provides employees with the necessary training, tools, resources and information to support the discharge of their responsibilities.
	Oversight exists to monitor and provide assurance on the quality and due diligence in decision-making.
	Appropriate system application controls exist.
	Authority, responsibility and accountability are clear and communicated.
	Information shared with the third-party contractors is properly secured and in compliance with appropriate privacy rules.
To assess compliance with applicable policies and processes.	Records and information are maintained in accordance with policies and processes.
	Annual follow-up and Survivor Renewal forms are mailed to recipients three months prior to end of Benefit Arrangement.
	Attempts to contact recipient or representative by phone 30 days prior to end of Benefit Arrangement if form not received.
	Terminate/suspend recipient if unsuccessful in contacting recipient/representative.
To determine performance against the service standard.	Management has identified appropriate performance measures linked to planned results.
	Management monitors actual performance against planned results and adjusts course as needed.
	VIP recipients will be contacted at least once per year to ensure VIP is meeting their needs.

* Audit recommendations have been developed to address the gaps identified by the audit team. All other audit criteria were determined to be fully met or partially met with only minor deficiencies.

Appendix B – RISK RANKING OF RECOMMENDATIONS AND AUDIT OPINION

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

Audit Recommendations

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

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

Audit Opinion

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

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

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

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