**Mecklenburg County
Department of Internal Audit**

Community Support Services Department
Veterans Services Division Claims Submission Audit
Report 1965

June 24, 2020

MECKLENBURG COUNTY
Department of Internal Audit

To: Stacy Lowry, Director
            Community Support Services Department

From: Joanne Prakapas, Director
            Department of Internal Audit

Date: June 24, 2020

Subject: Community Support Services Veterans Services Division Claims Submission
            Audit Report 1965

The Department of Internal Audit has completed its audit of the Community Support Services Veterans Services Division claims submission process. This audit objective was to determine whether internal controls effectively manage key business risks inherent to this activity. Internal Audit interviewed key personnel; reviewed and evaluated policies, procedures, and other documents; observed operations; and tested various claims submission activities from July 1, 2015 through April 30, 2019.

This audit was conducted in conformance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. These 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 our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

OVERALL EVALUATION

Overall, key risks inherent to the claims submission process were managed to an acceptable level.

RISK OBSERVATION SUMMARY

The table below summarizes the risk observations identified during the audit, grouped by the associated risk factor, and defined in Appendix A. The criticality or significance of each risk factor, as well as Internal Audit's assessment of the design and operation of key controls to effectively mitigate the risks, are indicated by the color codes described in Appendix B.

RISK OBSERVATION SUMMARY			
Risk Factors and Observations	**Criticality**	**Design**	**Operation**
1. Policies and Procedures Risk	🔴	🟡	🟡
1.1 Formal Documentation			
2. Claims Submission Risk	🔴	🟢	🟢
No risk observations noted			
3. Compliance Risk	🔴	🟢	🟢
No risk observations noted			
4. Documentation Risk	🟡	🟢	🟢
No risk observations noted			
5. Communication Risk	🟡	🟢	🟢
No risk observations noted			
6. Human Resources Risk	🟡	🟢	🟢
No risk observations noted			
7. Segregation of Duty Risk	🟡	🟢	🟢
No risk observations noted			

The risk observations and management's risk mitigation strategy defined in Appendix C are discussed in detail in the attached document. Internal Audit will conduct a follow-up review to verify management's action plan has been implemented and is working as expected.

We appreciate the cooperation you and your staff provided during this audit. Please feel free to contact me at 980-314-2889 if you have any questions or concerns.

c: County Manager   Deputy County Attorney
Assistant County Managers   Board of County Commissioners
County Attorney   Audit Review Committee

BACKGROUND

The mission of the Community Support Services Veterans Services Division (Veterans Services) of Mecklenburg County is to help eligible military veterans and their families (claimants) develop and file benefit claims, primarily to the U.S. Department of Veterans Affairs (VA). Veterans Services staff does not have the authority to approve benefit claims; rather, they assist eligible veterans and their families to determine their eligible benefits and file applicable benefit claims.

Benefits include items such as:
- Military service-related disability compensation
- Pensions for veterans and eligible dependents
- Death benefits
- Medical care

Veterans Services staff organizes and actively participates in community outreach activities to inform veterans and their families about benefits and services that may be available to them. Veterans Services is the largest veterans benefit assistance provider in North Carolina to serve the County's veteran population. The Veterans Services staff includes a team of 14 Veterans Services Officers (VSOs), who are accredited by the North Carolina Department of Military and Veterans Affairs.

The following chart shows the number of claim-related visits to Veterans Services and claims submitted by the VSOs during the period of July 1, 2015 through April 30, 2019[1].
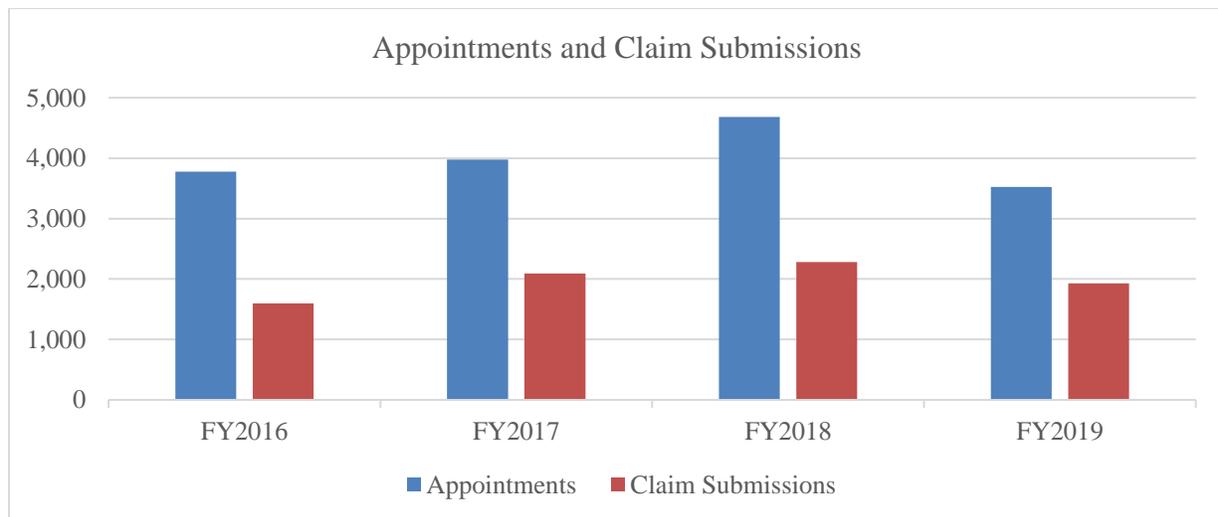
Source: Department provided data, unaudited

Information Systems

Veterans Services uses a case management system to collect general demographic and specific veteran service information necessary to process claims. In addition, VSOs use the system to record claim-related notes and updates on clients served.

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[1] Fiscal Year 2019 data is for the period July 1, 2018 through April 30, 2019.

The Veterans Benefits Management System (VBMS) is the VA's online claims information depository.

Claims Submission Process

To initiate a claim, a Veterans Services staff person enters the claimant's information into the Division's case management system and assigns them a VSO, who acts as the claimant's advocate. The VSO verifies the qualifying military service, helps file claims, and captures claim information into the case management system. The VA enters the claimant's information into the VBMS and reviews it for approval.

The following chart shows the County claim submissions by type for July 1, 2015 through April 30, 2019.[2]
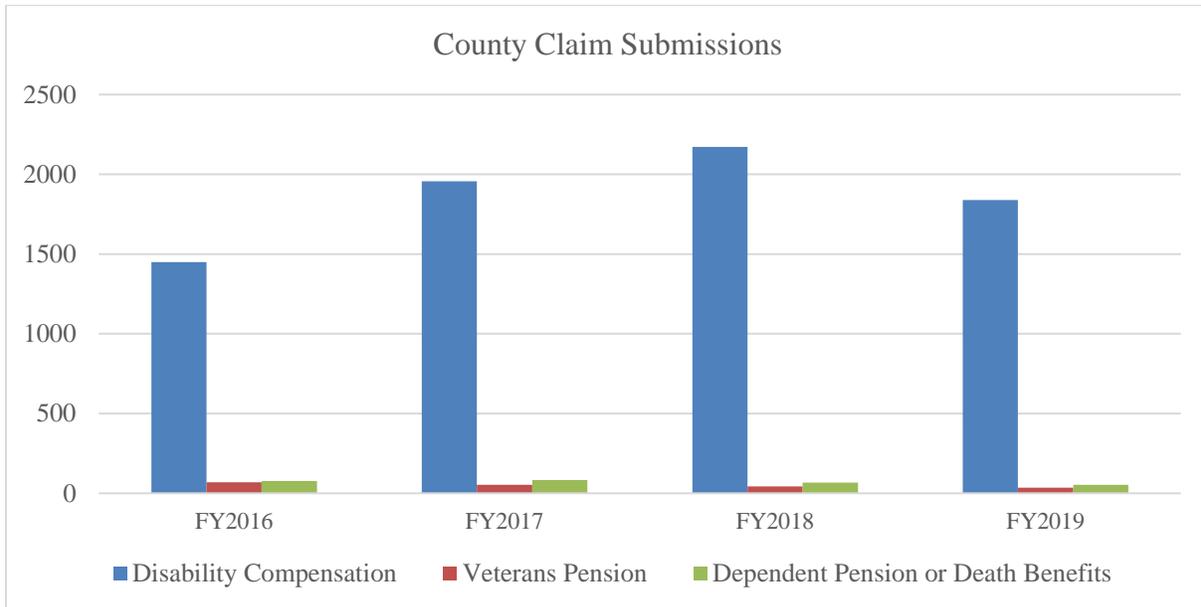
Source: Department provided data, unaudited

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[2] Fiscal Year 2019 data is for the period July 1, 2018 through April 30, 2019.

COUNTY MANAGER'S OVERALL RESPONSE

The County Manager concurs with the risk mitigation strategy and timeframe for implementation.

RISK OBSERVATIONS AND MITIGATION STRATEGIES

Risk Factor	Criticality	Design	Operation
1. Policies and Procedures Risk	🔴	🟡	🟡

Risk Observation

1.1   Formal Documentation—While Veterans Services had claim submission policies and procedures, they did not always reflect current and/or best practices, e.g., frequency of policy and procedure reviews and updates. Yet, policies and procedures are important control activities to help management ensure its directives are carried out while mitigating risks that may prevent the organization from achieving its objectives.

Recommendation

1.1   Internal Audit recommends that Veterans Services update its claim submission policies and procedures and train staff accordingly. Policies and procedures should include, at a minimum:

- Frequency of policy and procedure reviews and updates
- Communication of policy and procedure updates
- Supervisory oversight and monitoring
- Document retention requirements

Management's Response

1.1   **Risk Mitigation Strategy:** Reduce   **Implementation Date:** September 2020

Action Plan: The Department agrees with the feedback to implement a process to ensure the program's claim submission policies and procedures are periodically reviewed to implement needed updates and that staff is trained accordingly. The program will establish and implement a process to ensure program communication of policy and procedures are periodically reviewed. The Program Supervisor and Senior Q & T Specialist will work together to update any policies and procedures that are older than one year or have recent changes to ensure they are current by September 2020. The Program Supervisor will review and update referenced policies and procedures after attending the North Carolina Association of County Veterans' conference in order to conform with guidance from the Department of Veterans Affairs. The program will create a document to discuss the Standard Operating Procedure (SOP). Veterans Services policies and procedures will be reviewed annually or more often if needed, i.e., if any changes per Department of Veterans Affairs or County policy needs to be incorporated by the Community Support Services' Performance Improvement Council. This committee meets monthly and reviews policies and procedures across the Department to make recommendations of any updates that need to be made. The Performance Improvement Council will also follow up with the program to ensure the updates are implemented.

APPENDIX A—Risk Factor Definitions

Risk Factor	Definition
Claims Submission Risk	Failure to properly follow required claims submission procedures may result in the denial of benefits.
Communication Risk	Failure to foster consistent and effective communication may result in misunderstandings regarding service delivery and/or customer expectations.
Compliance Risk	Failure to comply with established policies, procedures, and/or statutory requirements may result in unacceptable performance that impacts financial, operational, or customer objectives.
Documentation Risk	Failure to adequately collect, file, and retain key documentation may result in lack of accountability and/or evidence to support transactions and events.
Human Resources Risk	Failure to attract, train, develop, deploy, and/or empower competent personnel may inhibit the organization's ability to execute, manage, and monitor key business activities.
Policies and Procedures Risk	Failure to provide staff with formal, documented, clearly stated, and updated policies and procedures may result in poorly executed processes and/or increased operating costs.
Segregation of Duties Risk	Failure to adequately segregate duties may allow an employee or group of employees to perpetrate and conceal errors or irregularities without timely detection.

APPENDIX B—Color Code Definitions

The criticality of a risk factor represents the level of potential exposure to the organization and/or to the achievement of process-level objectives before consideration of any controls in place (inherent risk).

Criticality	Significance and Priority of Action
🔴	The inherent risk poses or could pose a significant level of exposure to the organization and/or to the achievement of process level objectives. Therefore, management should take immediate action to address risk observations related to this risk factor.
🟡	The inherent risk poses or could pose a moderate level of exposure to the organization and/or to the achievement of process level objectives. Therefore, management should take prompt action to address risk observations related to this risk factor.
🟢	The inherent risk poses or could pose a minimal level of exposure to the organization and/or to the achievement of process level objectives. Risk observations related to this risk factor, however, may provide opportunities to further reduce the risk to a more desirable level.

The assessment of the design and operation of key controls indicates Internal Audit's judgment of the process and system design to mitigate risks to an acceptable level.

Assessment	Design of Key Controls	Operation of Key Controls
🔴	The process and system design do not appear to be adequate to manage the risk to an acceptable level.	The operation of the process' risk management capabilities is not consistently effective to manage the risk to an acceptable level.
🟡	The process and system design appear to be adequate to manage the risk to an acceptable level. Failure to consistently perform key risk management activities may, however, result in some exposure even if other tasks are completed as designed.	The operation of the process' risk management capabilities is only partially sufficient to manage the risk to an acceptable level.
🟢	The process and system design appear to be adequate to manage the risk to an acceptable level.	The operation of the process' risk management capabilities appears to be sufficient to manage the risk to an acceptable level.

APPENDIX C—Risk Mitigation Strategy Definitions

Risk Mitigation Strategy	Definition
Reduce	Risk response where actions are taken to reduce a risk or its consequences.
Accept	Risk response where no action is taken to affect the risk.
Transfer	Risk response where a portion of the risk is transferred to other parties.
Avoid	Risk response to eliminate the risk by avoiding or withdrawing from the activity giving rise to the risk.