



Veterans Affairs  
Canada

Anciens Combattants  
Canada

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# AUDIT OF PROGRAM OF CHOICE 13 - SPECIAL EQUIPMENT

Audit and Evaluation Division

Canada 

### **Acknowledgements**

The audit team would like to gratefully acknowledge Veterans Affairs staff in the Area Offices as well as staff in Health Care Programs and Finance Division. Their contributions were essential to the success of this audit.

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### **APPENDIX A - AUDIT CRITERIA**

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## EXECUTIVE SUMMARY

The Veterans Affairs Canada Health Care Benefits Program provides eligible Veterans and other qualified individuals with benefits and services, such as medical, surgical and dental care, prosthetic devices and home adaptations, through 14 Programs of Choice. Program of Choice 13 – Special Equipment – includes any device or aid which is designed to enable the user to cope with the effects of a disease, disorder or injury, by facilitating medical stabilization, assisting in the performance of activities of daily living and restoring their function. Examples include emergency call devices, wheelchairs, walkers, power mobility devices, transfer/lift devices, and ergonomic equipment.

The objective of this audit was to assess Veterans Affairs Canada's management control framework and compliance with applicable policies and processes. The scope covered April 1, 2012, to March 31, 2013.

The audit team observed that the roles and responsibilities had been clearly established and staff were supported with clear policies and procedures. However, there is a need to improve key monitoring processes relating to quality assurance, performance measurement, and post payment verification. File review results identified a high degree of compliance with key requirements and confirmed that decisions were supported with appropriate documentation. It was also noted that Veterans Affairs staff carry out their duties efficiently and exercise appropriate judgement in urgent situations to expedite the requests "as quickly as possible". Overall, the audit team determined the results to be "*Generally Acceptable*".

### Chief Audit Executive's Signature

Kim Andrews  
Kim Andrews  
Acting Chief Audit Executive

March 18, 2014  
Date

## 1.0 BACKGROUND

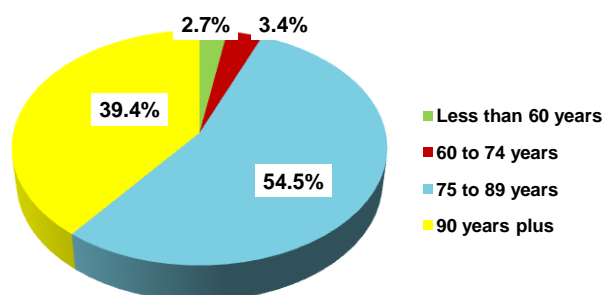
The Veterans Affairs Canada (VAC) Health Care Benefits Program, provides eligible Veterans and other qualified individuals with a variety of benefits. Program recipients are entitled to these benefits under the *Veterans Health Care Regulations* and the *Canadian Forces Members and Veterans Re-establishment and Compensation Act*. These benefits include medical care; surgical and dental care; prosthetic devices; home adaptations; and supplementary benefits such as travel costs to get to appointments for examinations or treatment, and other health care services and benefits available in the community. Health Care benefits are provided through fourteen Programs of Choice (POC) of which POC 13 – Special Equipment is one.

POC 13 – Special Equipment – includes any device or aid which is designed to enable the user to cope with the effects of a disease, disorder or injury, by facilitating medical stabilization, assisting in the performance of activities of daily living and restoring their function. Examples include emergency call devices, wheelchairs, walkers, power mobility devices, transfer/lift devices, and ergonomic equipment.

The Service Delivery and Program Management Division, within Head Office, is responsible for the overall management and oversight of the Program. Client Service Agents (CSAs) who work in Area Offices are primarily responsible for the delivery of POC 13. This structure has been in place since delegated decision-making authority levels were expanded in June 2011 in an effort to improve service delivery and reduce complexity.

In 2012-13, POC 13 represented 12% of the total treatment expenditures within the Health Care Benefits Program. During this time, the total number of Veterans in receipt of POC 13 was 21,155 with expenditures totalling \$28.4 million. Figure 1 shows that during the period examined for this audit, April 1 to October 31, 2012, the majority of Veterans who were approved for POC 13 were 75 years of age or older (93.9%).

**Figure 1: Age of Veterans approved for POC 13 between April 1 and October 31, 2012**



Source: Federal Health Claims Processing System POC 13 transactions:  
April 1 - October 31, 2012

## **2.0 ABOUT THE AUDIT**

### **2.1 Audit Scope and Objectives**

The scope of this audit covered all POC 13 processes and expenditures from April 1, 2012 to March 31, 2013. The time taken to make decisions was measured for a seven-month period from April 1, 2012, to October 31, 2012. The objectives of this audit were as follows:

1. To assess the adequacy of the management control framework;
2. To assess compliance with applicable policies and processes; and
3. To determine the current amount of time taken to make decisions and identify any potential opportunities to improve.

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 aligned with the Internal Audit Policy for the Government of Canada, as supported by the results of the Quality Assurance and Improvement Program.

Interviews were conducted with staff in Head Office and eight Area Offices to gain an understanding of and to assess delivery of the program including the authorization and payment processes. Information collected also supported the assessment of governance and internal controls.

Direct observations of processes were completed with Client Service Agents (CSAs) in four of the eight Area Offices to obtain an understanding of POC 13 processing using the Client Service Delivery Network (CSDN) and the Federal Health Claims Processing System (FHCPS).

A documentation review was conducted to verify that policies and procedures were current and aligned with regulations.

A file review was conducted to assess compliance with applicable policies and procedures, as well as to assess the time taken to make decisions. The sample population containing all POC 13 transactions processed between April 1 and October 31, 2012, was utilized. From this population of 38,387, two samples were drawn. The first was a statistical sample of 138 purchase transactions, providing a 95% confidence level with a maximum error rate of 10%. The second was a judgemental sample of 60 rental transactions. Results from the two samples were similar which validates the results.

## 3.0 AUDIT RESULTS

### 3.1 Management Control Framework

The audit team found that roles and responsibilities were clear with appropriate segregation of duties among Client Service Team Managers (CSTMs), Case Managers (CMs) and CSAs. Additionally, staff reported that they had received excellent training on POC 13 policy and processes as well as delegated decision-making. It should also be noted that POC 13 has been in existence since 1989 and has not had any major changes; therefore, staff were quite knowledgeable about the delivery of the program.

In general, policies and procedures were up-to-date and available on-line for staff. Policies and directives for all POCs are further clarified in the *Benefit Grids*<sup>1</sup> to allow automated system payments within parameters related to dollar maximums, frequencies, prescribers required, quotes required, etc.

Quality assurance is a continuous process to monitor the quality, consistency and timeliness of activities completed within the Department. For POC 13, this would relate to the decisions made by CSAs. At the time of the audit, CSTMs were responsible for conducting random reviews of POC 13 decisions. While some CSTMs indicated that they were performing these reviews, there was no evidence to support that this was actually occurring. As noted in Table 1 on page 5, despite the absence of a quality assurance process, overall there was a high degree of compliance with applicable policies and business processes. An effective quality assurance process would also:

- identify and correct individual errors;
- provide CSAs with regular feedback on their performance;
- highlight any individual or national training needs;
- identify potential updates to policy or business process;
- monitor the timeliness of decisions; and
- promote consistency of services to Veterans.

Performance Measurement is the process of collecting, analyzing and reporting in order to monitor the efficiency and effectiveness of a program or activity. This information can then be used to improve the delivery of a program. The audit team noted a Performance Measurement Plan existed for the Health Care Benefits Program. However, it did not have specific indicators for POC 13 and lacked targets to measure performance.

Additionally, this information was not being shared with senior management to support informed decision making.

An account verification process ensures sound stewardship of public money. As part of an account verification process, transactions are reviewed for accuracy to confirm that the payment is not a duplicate, that all charges are payable and that the amount has

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<sup>1</sup> The Benefit Grids describe the benefits which are available to eligible Veterans and prescribe the limits for dollar amounts and frequency with which any specific benefit can be approved.

been calculated correctly. For regular low risk transactions, reviewing a sample of transactions post payment is acceptable. Finance Division within VAC have determined POC 13 transactions to be regular low risk transactions and therefore only require sample reviews post payment. The audit team noted that for the previous three years, financial officers were completing these reviews; however, the results of these reviews were never finalized, nor were they shared. The *Directive on Account Verification* requires departments to monitor and report on the performance of account verification which was not occurring.

#### **Recommendation 1**

**It is recommended that the Director General, Service Delivery and Program Management Division, implements a quality assurance process for Program of Choice 13. (Essential)**

#### **Management Response**

*Management agrees with this recommendation. Work is currently underway to implement a quality assurance process for Program of Choice 13 by June 2014.*

#### **Recommendation 2**

**It is recommended that the Director General, Service Delivery and Program Management Division, amends the current Performance Measurement Plan for Health Care Benefits Program to include specific performance measures for Program of Choice 13 and periodically report the results to senior management. (Essential)**

#### **Management Response**

*Management agrees with this recommendation. Work is currently underway to revise the Health Care Benefits Program Performance Measurement Plan to include specific performance measures for all Programs of Choice. This enhanced plan will be fully implemented with results shared to senior management by June 2014.*

#### **Recommendation 3**

**It is recommended that the Director General, Finance Division, ensures that post payment verification reviews are finalized and that results are distributed. (Essential)**

#### **Management Response**

*Management agrees with this recommendation. The Finance Division is currently revising the post payment verification review process. Quarterly reports will be prepared and distributed by June 2014.*



## 3.2 Compliance

Both interviews with staff and the file review results indicated that there was a high degree of compliance with authorities, policies and financial management laws. Table 1 below, presents a summary of file review results for the two samples of transactions that were tested (138 purchase transactions and 60 rental transactions).

Table 1 – Compliance with Key Policies and Business Processes	
Key Requirements Tested	Percentage
The file contained evidence of the appropriate application of decision-making authority	97%
The file was within limits outlined in the <i>Benefit Grids</i>	98%
The file contained the documents required by the policy	96%
The decisions contained in the file were supported by a health professional	90%
The decisions were appropriately coded in the Federal Health Claims Processing System	90%
The payments to providers were made within 15 days	86%
A copy of the decision letter was retained in the file or in the Client Service Delivery Network	60%
The file contained a copy of the Veteran's signature acknowledging receipt of Special Equipment	52%

Source: Analysis from files reviewed by the audit team

Clear communication of decisions is important to ensure that Veterans understand the rationale for the decision and, if applicable, their appeal rights. For most Programs of Choice, the Department utilizes templates to support consistent communication with Veterans. For POC 13, templates had not been created and traditionally CSAs developed the rationale by using the wording found in the Veterans Program Policy Manual<sup>2</sup> (VPPM). Recently, the policies formerly found in the VPPM were restructured into the *VS Toolbox*. Staff reported that this change created a challenge to locate the information they needed making it more difficult to develop these decision letters. The creation of template letters for POC 13 would improve the consistency of communication and reduce the administrative time for staff to develop letters. In addition, results, from the file review identified that overall 60% of files contained a decision letter. Some staff sent letters for all decisions, while other staff only sent letters for denials. As a result, there is a need for more direction regarding when a letter should be sent to a Veteran.

<sup>2</sup> The Veterans Program Policy Manual contained detailed information on all programs and included legislation references.

A Veteran's signature was identified as necessary supporting documentation to confirm that the special equipment was received from the provider. File review results identified that only 52% of files contained a copy of the Veteran's signature confirming receipt of the special equipment. During interviews, staff identified other methods used to confirm receipt of special equipment. First, in some cases, Case Managers or Occupational Therapists visit the Veteran to ensure that the Special Equipment was functioning properly and the Veteran knew how to use it. Second, if there was a problem with the equipment or delay, the Veteran would contact the Department. As a result, payments were being approved by both program and finance staff without a Veterans signature. During briefings this was discussed with program management and finance who will reassess the need for obtaining the Veteran's signature.

#### **Recommendation 4**

**It is recommended that the Director General, Service Delivery and Program Management Division, clarifies when a letter to a Veteran is required, and establishes decision letter templates. (Essential)**

#### **Management Response**

*Management agrees with this recommendation. Service Delivery and Program Management Division has provided field staff with plain language POC 13 decision letter templates to ensure that Veterans receive decision letters that clearly identify the rationale for the given decision. In addition, POC 13 business processes are being updated and will include direction on when decision letters are required. All changes will be fully implemented by June 2014.*

### **3.3 Time taken to make decisions**

The time standard for decision making defined in the policy for POCs is 30 days (i.e., one month). Given the variety of special equipment available in POC 13, from inexpensive walkers, which require no consultation, to power mobility equipment, which requires extensive consultation, this general standard does not apply nor would it be reasonable to impose a single standard.

Below, Table 3 presents the time required to render a decision for purchase transactions. For these types of decisions, the audit team noted that the time varied depending on the complexity of the assessment, the urgency of the request and the availability of a health professional to complete the assessment. All of these factors are outside the control of the CSA. The audit team did note that staff carried out their duties efficiently and exercised appropriate judgement in urgent situations to expedite requests "as quickly as possible".

For rental decisions, 96% of the transactions are for electronic call devices. These decisions are straightforward and were generally rendered within two weeks. The time required to render a decision for the remaining 4% of rental transactions

(e.g., wheelchair, pressure relief mattress) is consistent with the timelines presented in the table below with most decisions rendered within one to two months.

Table 2 – Timing of Purchase Decisions			
First Contact with VAC to Decision Date of Purchase			
No of Days	Files Completed		Sample Composition Purchase
< 1 month	63 files	46%	Repairs and maintenance, wheeled walker, wheelchair cushion
1 to 2 months	30 files	22%	Lift chair, repairs & maintenance, wheeled walker
2 to 3 months	21 files	15%	Lift chair, repairs & maintenance, wheeled walker
3 to 4 months	10 files	7%	Lift chair, wheeled walker, manual wheelchair
>4 months	14 files	10%	Electric wheelchair, exercise equipment, lift chair, transfer lift device, scooter
	<b>138 files</b>	<b>100%</b>	

Source: Analysis from files reviewed by the audit team

For 88% (69/78) of the POC 13 benefits, a prescription or an assessment was required prior to approval. This included benefits such as dehumidifiers, humidifiers, wheelchair accessories and air conditioners. If the requirement for a prescription or an assessment was removed for these types of benefits, the time required to make a decision would be reduced.

For expensive or complex requests, such as a lift chair, two quotes were required to assess the fair market value of the price paid. The policy identified ten items that required two quotes without exception. However, many rural communities do not have multiple providers in the local area. In some cases, this created a delay in obtaining a second quote. In addition, normally the lowest quote came from the local provider because of reduced travel costs. As a result, in these situations consideration should be given to utilizing a single one quote, provided that the CSA determined the quote to be reasonable.

### **Recommendation 5**

**It is recommended that the Director General, Service Delivery and Program Management Division, remove the need for prescriptions or assessments for some benefits and, when appropriate, utilize one quote. (Essential)**

### **Management Response**

*Management agrees with this recommendation. Service Delivery and Program Management Division will review benefits to identify items where a single quote is acceptable and to ensure that a prescription and/or assessment is requested only where appropriate. This review and subsequent revisions will be done in consultation*

*with Departmental health professionals and Finance Division. Any changes resulting from this review will be communicated to staff and fully implemented by June 2014.*

### **3.4 Audit Opinion**

The audit team observed that the roles and responsibilities had been clearly established and staff were supported with clear policies and procedures. However, there is a need to improve key monitoring processes relating to performance measurement, quality assurance and post payment verification. File review results identified a high degree of compliance with key requirements and confirmed that decisions were supported with appropriate documentation. It was also noted that Veterans Affairs staff carry out their duties efficiently and exercise appropriate judgement in urgent situations to expedite the 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	Policies and procedures are up-to-date.
	Policies and procedures are available online.
	Employees acknowledge that their authority, responsibility, and accountability are clear and well understood.
	Staff responsible for committing money, approving purchases and certifying receipt of goods and services is not the same person as the one making payments.
	Processes and practices are in place to ensure change initiatives are properly implemented.
	Employees have access to sufficient tools, such as software, equipment, work methodologies and standard operating procedures.
	An information-sharing process exists to support the efficient and targeted dissemination of relevant and reliable information to those that need it.
	Risk-based planning tools exist and are consistently applied in support of strategic and operational planning processes.
	Risk information is used to support business continuity planning.
	Active monitoring is demonstrated.
	Financial and non-financial information is provided to management in a timely manner to review and take necessary action.
	Information presented to management on POC 13 is accurate.
	Responsibility for monitoring and updating performance measures is clear and communicated.
	Results of performance measurement are documented, reported to required authority levels (according to established reporting requirements) and factor into decision making.
	VAC has a rigorous approval and review process in place to ensure that decisions and reimbursements made under POC 13 are in compliance with applicable laws, policies and procedures.

Objective	Criteria
To assess compliance with applicable policies and processes	Decisions are rendered according to the delegated authorities for POC 13. Decisions made under POC 13 are supported by an assessment of needs and a formal prescription from a recognized health professional.
	Decisions made for POC 13 are appropriate, fully documented and supported.
	Decisions made for POC 13 are made in a timely manner and properly communicated to the Veterans.
	The certification for the reception of the goods and services of POC 13 related elements is done appropriately and well documented.
	Payments for POC 13 benefits are made in a timely manner.
	All information concerning the decisions and payments made under POC 13 are kept and maintained in accordance with laws and regulations.
	POC 13 transactions are coded and recorded accurately and in a timely manner to support accurate and timely information processing and payments to service and/or goods providers.
To determine the amount of time taken to make decisions and identify any potential opportunities to improve efficiency	The Department has clearly defined and documented standards for the amount of time required to make decisions and to complete payment of POC13 benefits.
	Responsibility for monitoring actual performance against planned results are clearly documented, communicated and understood.
	Program Managers and Managers in the AOs receive reports on time taken to make decisions on a regular basis and any delays are actioned promptly.

## **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**

- |                  |  |
|------------------|--|
| <b>Critical</b>  | Relates to one or more significant weaknesses for which no adequate compensating controls exist. The weakness results in a high level of risk.     |
| <b>Essential</b> | 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**

- |                             |  |
|-----------------------------|--|
| <b>Well Controlled</b>      | Only insignificant weaknesses relating to the control objectives or sound management of the audited activity are identified.   |
| <b>Generally Acceptable</b> | Identified weaknesses when taken individually or together are not significant or compensating mechanisms are in place. The control objectives or sound management of the audited activity are not compromised. |
| <b>Requires Improvement</b> | Identified weaknesses, when taken individually or together, are significant and may compromise the control objectives or sound management of the audited activity.   |
| <b>Unsatisfactory</b>       | The resources allocated to the audited activity are managed without due regard to most of the criteria for efficiency, effectiveness and economy.  |