

Reports of the Auditor General of Canada  
to the Parliament of Canada

# Processing Disability Benefits for Veterans

## Report 2



**Independent Auditor's  
Report | 2022**



Office of the  
Auditor General  
of Canada

Bureau du  
vérificateur général  
du Canada





**2022**

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Independent Auditor's Report

**REPORT 2**

Processing Disability Benefits for Veterans



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# Introduction

## Background

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### Veterans Affairs Canada Disability Benefits program

2.1 The objective of the Veterans Affairs Canada Disability Benefits program is to provide compensation for the effects of service-related injuries or illnesses on the lives of **veterans** and their families. A veteran who has a permanent medical condition or disability resulting from or aggravated by their service is eligible for a disability benefit, which is a tax-free payment to support their well-being. To receive the benefit, veterans must submit an application to Veterans Affairs Canada and obtain confirmation that they are eligible for benefits for a service-related injury or illness.

2.2 In the 2020–21 fiscal year, the department paid out \$2.2 billion in disability benefits to more than 131,000 veterans. Whether a veteran is entitled to benefits depends on the degree to which their condition is related to their service. The amount a veteran receives depends on the severity of the condition and its impact on quality of life. These are determined through the department's assessment of medical information. Depending on the circumstances, 2 different types of benefits are available:

- **Pain and suffering compensation**—This benefit came into effect on 1 April 2019, replacing the Disability Award established in 2006 under the New Veterans Charter. This tax-free benefit can be a lifetime monthly payment or 1 lump sum payment. It applies to current or former members of the Canadian Armed Forces with service after 1 April 1947 and excludes Korean War veterans.
- **Disability pension**—This is a lifetime, tax-free monthly payment. The amount is based on the extent of the veteran's diagnosed medical disability and whether it is related to their service. The monthly amount is increased if the veteran has any dependents. It applies to Second World War veterans, Korean War veterans up to the Korean Armistice in 1953, current or former members of the RCMP, and current or former members of the Canadian Armed Forces who applied for disability benefits before 1 April 2006.

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**Veteran**—A current or former member of the Canadian Armed Forces or the RCMP, according to the scope of the audit for this report.

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Wait times for  
eligibility decisions  
on applications for  
disability benefits

2.3 For years, the Disability Benefits program has been the subject of attention of parliamentarians, media, and veterans' organizations because of the long wait times for decisions on applications and the large number of applications pending a decision. The department's service-standard target for processing an application is to make a decision within 16 weeks of receiving all of the information required to process the application, in 80% of cases. Processing an application refers to the steps the department takes to determine whether an applicant is eligible for benefits, and if so, the type and amount of benefits the applicant is entitled to. In this report, this sequence of steps is called the **adjudication** process.

2.4 According to public departmental data, a total of 43,227 disability benefit applications were awaiting a decision, including first applications, **reassessments**, and **departmental reviews**, as of 31 March 2021 (Exhibit 2.1). This included 15,214 backlogged applications—completed applications that were awaiting a decision for longer than the 16-week service standard. The backlog dropped by about one third from the year before, in part because the number of incoming applications decreased during the **coronavirus disease (COVID-19)** pandemic.

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**Adjudication**—The process that begins when a veteran contacts Veterans Affairs Canada to apply for disability benefits. A Veterans Affairs Canada staff member assesses and makes a decision on a disability benefits application. The process concludes after a decision has been communicated to the veteran and the benefit payment has been processed.

**Reassessment**—The process that veterans can request if the disability for which a veteran is receiving benefits worsens and medical evidence can support that there has been a change in the condition. If the reassessment confirms that the condition has worsened, the disability benefit is adjusted accordingly.

**Departmental review**—The process that veterans can request if the veteran disagrees with the decision from their first application or reassessment and has new evidence to present. If there is an error in fact or law, a departmental review may be conducted.

**Coronavirus disease (COVID-19)**—The disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2).



## Exhibit 2.1—Number of disability benefit applications waiting for a decision (2019 to 2021)

| As of March 31 | Incomplete applications that needed more information* | Complete applications waiting to be assigned to an adjudicator | Complete applications waiting for a decision within the service standard of 16 weeks | Backlogged applications | Total  |
|----------------|---|--|--|-------------------------|--------|
| 2019           | 13,564  | Not available**  | 9,862  | 16,879                  | 40,305 |
| 2020           | 22,545  | Not available**  | 4,533  | 22,138                  | 49,216 |
| 2021           | 13,933  | 10,290   | 3,790  | 15,214                  | 43,227 |

\* Veterans Affairs Canada follows up with the veteran to request the missing information.

\*\* In 2019 and 2020, data for complete applications waiting to be assigned to an adjudicator was not available. Statistical reporting was available only in 2021 for complete applications waiting to be assigned to an adjudicator.

Source: Based on unaudited information provided by Veterans Affairs Canada

2.5 In the last decade, several oversight bodies have recommended measures to the department that might help improve application processing and reduce wait times for veterans. For example, in our 2014 report, *Mental Health Services for Veterans*, we recommended that the department analyze the disability benefits adjudication process, quantify and document barriers to timeliness, and take corrective action. At that time, the department responded that it was exploring ways to support faster decisions by simplifying the adjudication process of certain disability claims. It was also allowing more experienced staff members to focus on the more complex applications.

## Focus of the audit

2.6 This audit focused on whether Veterans Affairs Canada was taking appropriate actions to reduce wait times for veterans to receive the disability benefits they were entitled to in order to support their well-being.

2.7 This audit is important because delays in obtaining disability benefits can significantly affect veterans' and their families' well-being. Delays in receiving benefits may delay some veterans' treatments, inhibit their access to other programs and services administered by the department, and cause them to feel a lack of respect for their service.

2.8 More details about the audit objective, scope, approach, and criteria are in **About the Audit** at the end of this report.

# Findings, Recommendations, and Responses

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## Overall message

2.9 Overall, we found that despite Veterans Affairs Canada's initiatives to speed up the processing of applications for disability benefits, veterans were still waiting a long time to receive compensation for injuries sustained in their service to Canada. Veterans applying for disability benefits for the first time waited a **median** of 39 weeks for a decision, which is a long way from the department's service standard of 16 weeks in 80% of cases.

2.10 The department's data on how it processes benefits applications—and the organization of this data—was poor. As a result, the department did not know if its initiatives sped up application processing or even if any of its initiatives slowed down processing. We also found that the department did not always calculate wait times consistently, which meant that veterans waited longer than the department reported publicly.

2.11 The department lacked a long-term staffing plan to help address the long wait times. The department hired term employees to help process the backlog of applications. However, some of them left the department before the end of their term to take jobs that offered more security. The department needs a stable workforce to process disability benefits. The department also needs an improved data management system to help ensure that veterans do not wait months or even years to receive benefits to support their physical and mental health.

## Making decisions about applications

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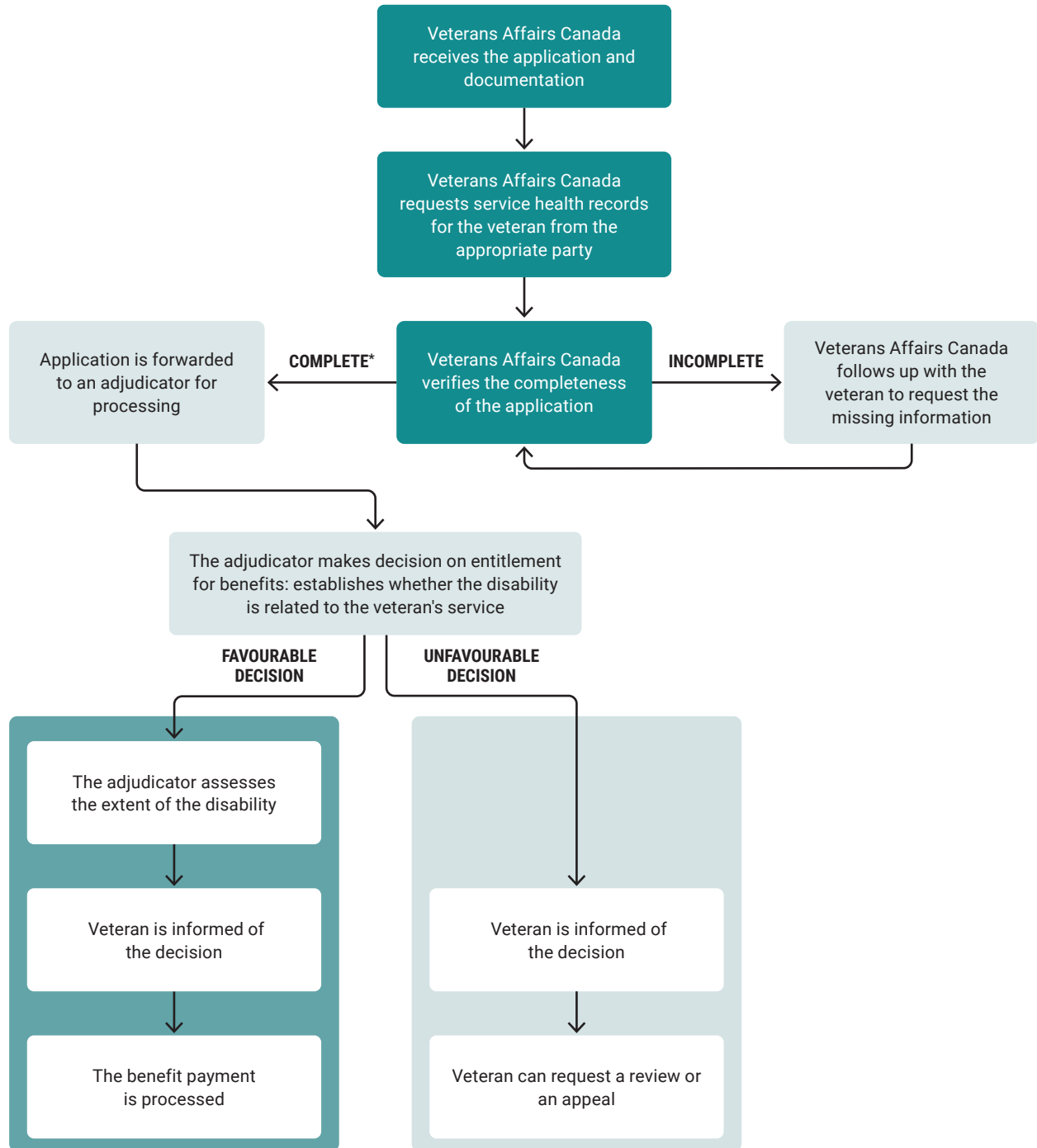
### Context

2.12 The adjudication process for disability benefits involves multiple steps (Exhibit 2.2). Veterans Affairs Canada's Centralized Operations Division is responsible for, among other things, processing disability benefit applications. It has 933 full-time employees, which include 201 health professionals, such as nurses. Almost half of the full-time employees in this division are term employees.

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**Median**—The value at the midpoint of a group of values. For disability benefit application times, it represents the point at which half the applications took less time and half took more time.

**Exhibit 2.2—Overview of the decision process of the Disability Benefits program**



\* Note: The Veterans Affairs Canada service standard for making a decision is 16 weeks starting when an application is complete.

Source: Based on the documents provided by Veterans Affairs Canada

## Veterans Affairs Canada did not make decisions about veterans' disability benefit applications in a timely manner

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### What we found

2.13 We found that Veterans Affairs Canada did not process veterans' disability benefit applications in a timely manner. Veterans were waiting about 39 weeks for a decision on a first application, which is much longer than the department's service standard of 16 weeks for most applications. We found that francophones, women, and RCMP veterans had to wait longer than others. Also, the service standard, which is published on the Veterans Affairs Canada website, was not a useful measure for veterans to know how long they would have to wait for a decision, because this standard had not been met for 7 years.

2.14 The analysis supporting this finding discusses the following topics:

- Long wait times for decisions on disability benefit applications
- Longer wait times for certain groups
- Current service standard for processing applications not useful waiting-time information for veterans

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### Why this finding matters

2.15 Timely access to benefits directly affects the well-being of veterans and their families. This finding matters because the department's mandate is to support the well-being of veterans and their families by providing financial recognition for the effect of service-related injuries or illnesses on veterans' lives.

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### Recommendations

2.16 Our recommendations in this area of examination appear at paragraphs 2.31 and 2.36.

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### Analysis to support this finding

#### **Long wait times for decisions on disability benefit applications**

2.17 We analyzed data on first applications and reassessments to determine the median time elapsed between key recorded milestones, such as the date the application was received by Veterans Affairs Canada and the date the benefits decision was made. We used median instead of average to eliminate the possible influence of outliers, which make the averages much higher or lower and result in averages that

do not reflect the typical situation for most applicants. We analyzed files for which a decision was made during the 18-month period from 1 April 2020 to 30 September 2021.

2.18 Our analysis showed that the department took a median of 39 weeks to process a first application for disability benefits. This did not include several weeks from the first date the department recorded an application in its system to the date that the department began processing the application. In some cases, the department had to follow up with the veteran to get more information or contact other parties to obtain medical records before the application was complete and it could begin to process it. As a result, veterans who submitted their first application had to wait a median of 48 weeks—or approximately 11 months—before receiving a decision. We also found that veterans who requested a reassessment had to wait a median of 22 weeks—or approximately 5 months—before receiving a decision.

2.19 The department’s service standard was to process applications within 16 weeks of receiving all of the information required to process them, for 80% of the applications. Our analysis showed that in the 2020–21 fiscal year, the department met its service-standard target 39% of the time.

2.20 In 2014, we published the audit report *Mental Health Services for Veterans*. We found that in a 1-year period, 75% (2,160 of 2,893) of decisions on first applications for mental health conditions were processed within 16 weeks. For this current audit, also in a 1-year period from 1 October 2020 to 30 September 2021, we found that about 41% (3,802 of 9,277) of decisions on first applications for mental health conditions were processed within 16 weeks. This represented a significant deterioration in processing time for these conditions. The department processed nearly twice as many applications in the 2020–21 fiscal year compared to the 2013–14 fiscal year, but applications submitted tripled over the same period. Decisions for 5,475 conditions were therefore not made within the 16-week service standard.

2.21 To identify bottlenecks in the adjudication process and determine why they occurred, we reviewed application files that took longer to process. We selected 33 files that had been delayed at particular steps of the process for a significant period of time (our sample was not a representative sample of the applications). We found that bottlenecks occurred for several reasons and that some files were delayed for multiple reasons:

- In some cases, applications were delayed when the applicant did not submit all the required information and did not respond in a timely manner to the department’s requests for information.
- In other cases, applications were delayed because of a shortage of staff available to process the applications.

- In still other cases, applications were mismanaged and file processing was delayed because of human error. For example, an application was not tracked properly and not included in the appropriate processing queue for several months.

2.22 The department had to obtain medical information on applicants from National Defence and the RCMP. Both organizations had agreed to provide Veterans Affairs Canada with the requested medical information within 30 days. We found that in the 2020–21 fiscal year, the department had difficulty obtaining this information, in part because of the COVID-19 pandemic. According to departmental data, the time it took to obtain this information was improving in the 2021–22 fiscal year. However, we found that the RCMP still was not meeting the standard that it had agreed on. For RCMP applicants, Veterans Affairs Canada received medical information in 85 days in the 2020–21 fiscal year and in 35 days from 1 April to 30 September 2021. On average, Veterans Affairs Canada received medical information for Canadian Armed Forces applicants in 67 days in the 2020–21 fiscal year and 23 days from 1 April to 30 September 2021.

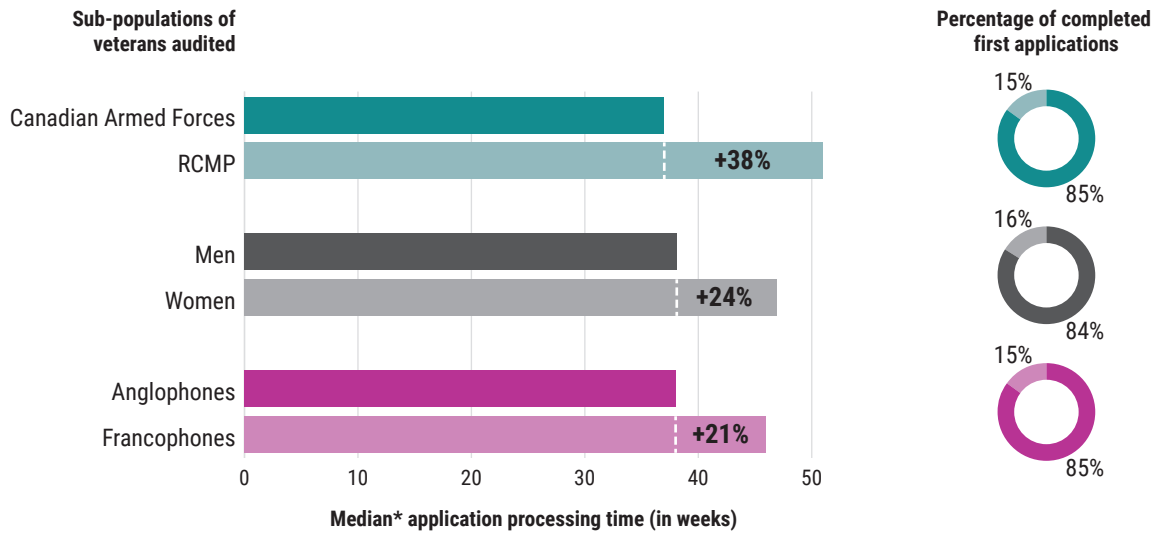
### Longer wait times for certain groups

2.23 We looked at how long different groups of veterans, such as francophones, women, and RCMP veterans, had to wait for a decision about first applications for benefits (Exhibit 2.3) because of Veterans Affairs Canada’s commitment to consider the way that changes in its processing of applications for benefits would affect different groups of recipients. The department’s commitment was also aligned with the United Nations’ Sustainable Development Goal 10, which is to reduce inequality for different groups of people within and among countries.



Reduce inequality within and among countries  
Source: United Nations

**Exhibit 2.3—Veterans Affairs Canada took longer to process first applications from RCMP members, women, and francophones (1 April 2020 to 30 September 2021)**



\* Median: The value at the midpoint of a group of values. For disability benefit application times, it represents the point at which half of the applications took less time and half took more time.

Source: Based on data provided by Veterans Affairs Canada

2.24 We found that first applications from francophones were processed in 46 weeks, while those from anglophones took 38 weeks. Comparing this data with data in the 2018 Office of the Veterans Ombudsman report, Meeting Expectations: Timely and Transparent Decisions for Canada’s Ill and Injured Veterans, we found that this represented an improvement for francophones but a deterioration for anglophones. The improvement was a result of Veterans Affairs Canada’s actions to address a discrepancy in wait times for French applications, noted in the Ombudsman’s report. At that time, francophones waited 52 weeks for a decision and anglophones waited 19 weeks. To address this discrepancy, the department established a dedicated unit in Montréal in November 2018 to process French applications. In fall 2020, bilingual teams were also established to focus primarily on French applications.

2.25 The deterioration in wait times for anglophones reflected the department’s inability to keep pace with the increased number of incoming applications. From the 2015–16 fiscal year to the 2019–20 fiscal year, the number of applications it received per year grew by 40%. This included an increase in first applications of more than 75%. During the same 5-year period, the number of applications that the department processed increased by only 35%. While this ratio has improved more recently (see paragraphs 2.48 and 2.49), the change was not yet enough to improve wait times overall.

2.26 We found that women waited longer than men for a benefits decision on a first application—47 weeks for women compared with 38 weeks for men. This also represented an overall deterioration for both groups from the results of the Ombudsman’s report, which reported that women waited 31 weeks for decisions, while men waited 23 weeks.

2.27 We noted that the department was in the early stages of applying **gender-based analysis plus** to its application processing. In 2019, the department launched a sex-and-gender-based analysis of its adjudication process for disability benefits. It identified evidence of unintended gender biases in tools that supported decision making and application processing, and it was working to eliminate these. For example, gender bias was evident in its proof of identification requirements. Veterans who had changed their names had to provide proof of identity, which could create an additional burden for women, who are more likely than men to have changed their surname when they entered or left a marriage. The department planned to update the disability benefit application form to correct this issue by asking applicants for “any previous names” or “names used while in service” to allow for more accurate requests and faster retrieval of required documents. Furthermore, in 2020, the department expanded its commitment beyond sex-and-gender-based analysis to applying gender-based analysis plus to all current practices and to the design of new initiatives for reducing wait times.

2.28 We found that RCMP veterans had to wait significantly longer for benefits decisions for first applications (51 weeks) than Canadian Armed Forces veterans did (37 weeks).

2.29 Benefits for RCMP veterans are taken from a grant that funds the RCMP disability benefits pension. The funds are transferred from the RCMP to Veterans Affairs Canada to pay RCMP veterans who are eligible for a disability benefit. According to a memorandum of understanding, the RCMP also transfers administrative funds to Veterans Affairs Canada to cover the costs of processing these applications.

2.30 The memorandum of understanding was last updated by the RCMP and Veterans Affairs Canada in 2020. We found that, at this time, the organizations did not determine the cost to process applications from RCMP veterans. We found that the amount that the RCMP was paying Veterans Affairs Canada to process applications was not consistent with the number of applications, which could have affected their processing times. Veterans Affairs Canada told us that a costing

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**Gender-based analysis plus**—An analytical process that provides a rigorous method for the assessment of systemic inequalities, as well as a means to assess how diverse groups of women, men, and gender-diverse people may experience policies, programs, and initiatives. The “plus” acknowledges that gender-based analysis goes beyond biological (sex) and socio-cultural (gender) differences and considers many other identity factors, such as race, ethnicity, religion, age, and mental or physical ability.

Source: Adapted from Women and Gender Equality Canada



exercise would be done when the memorandum of understanding was next reviewed in 2023. This step would allow the RCMP and Veterans Affairs Canada to establish a level of funding proportionate to the number of RCMP applications the department had to process.

2.31 **Recommendation.** Veterans Affairs Canada and the RCMP should work together to establish a formal costing process and determine the right level of funding needed for processing applications from RCMP veterans in a timely manner.

**Response of each entity.** *Agreed.*

See the **List of Recommendations** at the end of this report for detailed responses.

### **Current service standard for processing applications not useful waiting-time information for veterans**

2.32 Veterans Affairs Canada's service standard was to process a disability benefit application within 16 weeks of receiving all information in support of the application, in 80% of cases. This standard was published on the department's website; however, the department has not achieved this target since the 2014–15 fiscal year. As a result, we found that this service standard did not help veterans to understand how long they would have to wait for their applications to be processed. In addition, the department provided on its website the current average wait time only for the most common types of applications.

2.33 In 2017, the department commissioned an external review of its service standard. The review recommended that in the department's documentation, it report publicly its service standards related to "red zone" applications—those for applicants with critical medical conditions or financial distress. The review also recommended that it consider establishing 2 new service standards for eligibility decisions for first applications. However, the department rejected the recommendations, kept its 16-week service standard, and focused on improving wait times.

2.34 At the time of our audit, the department was reviewing all of its service standards, including the one for disability benefits, to align them with the Treasury Board's Policy on Service and Digital. Completion of the service-standard review and full implementation of the Treasury Board policy requirements were scheduled for 30 April 2024.

2.35 We also found that Veterans Affairs Canada did not always calculate its performance against its service standard consistently and accurately. For the end date, the department used the date that the benefits decision was made. We found that in some cases, this date did not include the assessment step that followed the benefits decision. This step determined the severity of the condition, including its impact on the veteran's quality of life. The end date also did not include the time it took for the veteran to receive the first benefits payment. This meant that veterans were waiting longer than the department had reported publicly.

2.36 **Recommendation.** To provide useful waiting-time information for veterans, Veterans Affairs Canada should review the end date it uses to calculate the period under its service standard so that it can report consistently and accurately on its performance against this standard.

*The department's response.* Agreed.

See the **List of Recommendations** at the end of this report for detailed responses.

## Reducing wait times for veterans

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### Context

2.37 Veterans Affairs Canada has taken several actions to try to reduce wait times by improving its efficiency in processing applications. For example, in 2017, the department commissioned an external firm to review its system for processing applications to identify areas for improvement. In 2018, the department received funding to hire 168 term employees for 21 months to work on processing applications. It later received additional funding to extend these employees' contracts to March 2022 to focus on processing the more complex applications.

2.38 In June 2020, the department issued a document, *Timely Disability Benefits Decisions: Strategic Direction for Improving Wait Times*. This strategic direction document was the department's public response to requests from stakeholders and recommendations by oversight bodies, such as the Standing Committee on Veterans Affairs. The strategic direction was supported by activities such as training, reporting, and gender-based analysis plus. It outlined 16 initiatives under the following 4 areas of focus for improving wait times:

- **Public service capacity.** This area involved the Spike Teams initiative, in which the department used new funding for the 2020–21 and 2021–22 fiscal years to hire more than 350 additional term employees for 2 years. These employees would focus on the most common types of applications. The first cohort of new employees began making adjudication decisions in January 2021.

- **Integration.** This area included the Veteran Benefit Teams initiative, in which multidisciplinary teams processed applications from receipt to finalization.
- **Process innovation.** This area included, among other things, 2 initiatives—reviewing the Entitlement Eligibility Guidelines and modernizing the Table of Disabilities to update them with best practices. The guidelines provide adjudicators with information on what clinical criteria are required to meet a diagnosis that a veteran claimed as a disability. The Table of Disabilities considers the relative importance of a certain body part or system to assess the level of impairment and the impact it has on the applicant’s quality of life.
- **Digital solutions and automation.** This area involved automation initiatives, such as automated search tools and evidence bundling. It also involved an initiative in which the online My VAC Account would become the main channel for applications within 2 years.

The department expected to complete most of these initiatives by March 2024.

## Although Veterans Affairs Canada made some improvements, overall wait times did not improve

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### What we found

2.39 We found that, toward the end of the audit period, Veterans Affairs Canada was processing some applications more quickly. However, because of the poor quality of the department’s data, neither we nor the department could determine to what extent the department’s initiatives contributed to the improvement. We also found that, overall, the department had not improved its performance against its service standard and that more work is needed to reduce wait times for veterans. Finally, we found that hiring term employees did not significantly reduce the backlog.

2.40 The analysis supporting this finding discusses the following topics:

- Difficulty determining reasons for processing improvements because of poor data quality and organization
- Expected outcomes from hiring temporary employees not fully achieved

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## Why this finding matters

2.41 This finding matters because if the department cannot determine the effects of its efforts, it cannot know whether its efforts are improving wait times. According to the Veterans Bill of Rights, veterans have the right to receive benefits and services in accordance with the department's published service standards.

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## Recommendations

2.42 Our recommendations in this area of examination appear at paragraphs 2.52 and 2.57.

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## Analysis to support this finding

### **Difficulty determining reasons for processing improvements because of poor data quality and organization**

2.43 We found that Veterans Affairs Canada implemented several initiatives in recent years to try to make application processing more efficient. However, because of the poor quality and organization of its data, neither we nor the department were able to measure whether and to what extent each initiative improved efficiency and helped reduce wait times for veterans.

2.44 In May 2017, the department hired an external firm to review its application adjudication process and identify opportunities for improvement. Of the 20 opportunities that the firm identified, we reviewed the 8 that we considered most important and relevant to our audit. We found that the department had implemented 7 of these 8 opportunities and that the remaining one was in progress. For example, the department implemented rapid decision-making models that adjudicators could use to speed up processing times for the most common medical conditions identified in the applications. This allowed nurse adjudicators to focus on the more complex applications that required more expertise. This decision-model initiative was also mentioned in the department's response to a recommendation we made in our 2014 report, *Mental Health Services for Veterans*.

2.45 At the time of this audit, the department had implemented some initiatives from its 2020 strategic direction document, *Timely Disability Benefits Decisions: Strategic Direction for Improving Wait Times*. Also, the department engaged in other activities to try to help improve application processing efficiency. For example, senior management held regular meetings with stakeholders and partners to coordinate information sharing. The department also used historical data in its forecasts to predict future application volume.

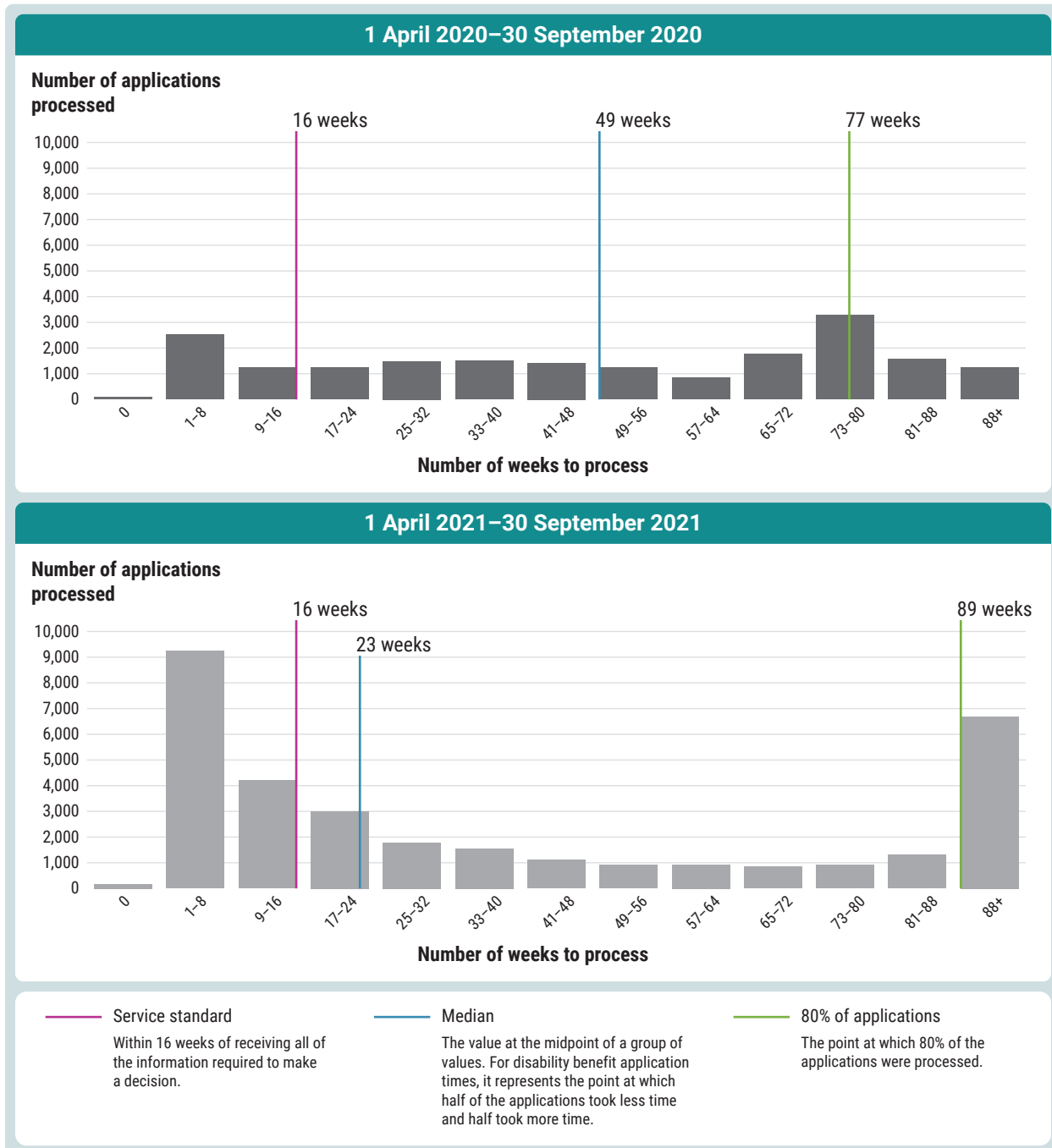
2.46 We found that the department had performance indicators and targets to measure progress for only 2 of the 16 initiatives in its strategic direction document. In addition, the department did not have indicators or targets to measure how its efforts in these areas affected wait times.

2.47 For the 2 initiatives for which performance indicators and targets had been established, we found that the department could not conclude whether they had been as successful as expected. For the Spike Teams initiative, the department was not on track to reduce the backlog as quickly as intended. For the Veteran Benefit Teams initiative, because of data reporting limitations, the department was unable to determine to what extent the initiative had increased the number of completed applications by March 2021.

2.48 We performed data analyses to assess the department's performance in processing applications. When we divided the 18-month period of the audit into 6-month periods (1 April to 30 September 2020, 1 October 2020 to 31 March 2021, and 1 April to 30 September 2021), we found that the department had increased the number of first applications that it had processed by 68%—from 19,445 applications in the first period to 32,638 applications in the third period.

2.49 We found that the department improved the processing time from a median of 49 weeks for the 6-month period from 1 April to 30 September 2020 to a median of 23 weeks for the same period in 2021. However, this time still exceeded the department's service standard of processing 80% of the applications within 16 weeks. In fact, 80% of first applications were processed within 89 weeks in the period from 1 April to 30 September 2021 compared with 77 weeks in the same period in 2020. This time was slightly longer than the earlier period, because even though simple applications were being processed more quickly, complicated ones were taking even longer (Exhibit 2.4).

**Exhibit 2.4—The department took 12 weeks longer to process 80% of the applications in the 6-month period in 2021 compared with the same period in 2020**



Source: Based on data provided by Veterans Affairs Canada

2.50 Because of the poor quality and organization of the department’s data, neither we nor the department were able to determine how the initiatives that the department had implemented contributed to the change in wait time for some applications. With better quality and organization of data, the department could identify where and why

bottlenecks in application processing occurred and could implement solutions. The department used a dashboard that allowed managers to monitor how many applications were at a particular stage of processing. However, this monitoring needed improvements, such as a tool that would allow managers to see how long a single benefits application had been at a particular stage of processing.

2.51 The department stated that it might extend the terms of some of its employees if it did not gain efficiencies from its process improvements by 2022. In light of this, it is critical that the department have the appropriate data to determine whether its actions have improved efficiency and reduced wait times. Department officials informed us that they had begun work to improve data reporting capacity.

2.52 **Recommendation.** Veterans Affairs Canada should address weaknesses in the quality and organization of its data. This would allow the department to better monitor the Disability Benefits program and use the data to inform decision making about efficiency improvements.

**The department's response.** *Agreed.*

See the **List of Recommendations** at the end of this report for detailed responses.

### **Expected outcomes from hiring temporary employees not fully achieved**

2.53 Using funding from Budget 2018, Veterans Affairs Canada hired 168 term employees to address its growing backlog of disability benefit applications. In July 2020, funding was approved to extend these employees' terms and to hire and train another 350 term employees until March 2022 to process the most common application types. The department's goal was to reduce the backlog to approximately 5,000 applications by 31 March 2022. The backlog included 16,307 disability benefit applications as of 29 September 2021. The department expected that efficiencies from process improvements and digital enhancements would significantly reduce the backlog after that date.

2.54 Budget 2021 provided \$29 million that, among other things, allowed the department to retain 168 of these 518 term employees until March 2023. No additional funding was approved past this date. At the same time, initiatives from the 2020 strategic direction document were not expected to be fully implemented before March 2024.

2.55 However, we found that the number of processed applications was under the target for the 2020–21 fiscal year, with 52,619 applications processed and a target of more than 70,000. According to the department, this missed target was due to the COVID-19 pandemic. In addition, the department received the funding for new hires only in July 2020, and these employees had to be fully trained before they could begin making adjudication decisions. Nonetheless, according to

departmental data, because the department received fewer applications in 2020–21, the backlog reached a low of about 15,000 applications by 31 March 2021. The backlog increased again after that time.

2.56 Although the new funding allowed the department to retain its term employees, many of them were actively searching for other jobs with more security, and the department lost 43 of them between November 2020 and September 2021. The department estimated that these departures resulted in approximately 5,000 fewer applications being processed during this period.

2.57 **Recommendation.** Veterans Affairs Canada should work with central government agencies to establish a sustainable long-term resourcing plan for processing disability benefit applications in a timely manner. This plan should consider the number of applications the department expects to receive and the efficiency it expects to gain from its process improvement initiatives.

*The department's response.* Agreed.

See the **List of Recommendations** at the end of this report for detailed responses.

## Conclusion

2.58 We concluded that although Veterans Affairs Canada implemented initiatives to improve the processing of disability benefit applications, its actions did not reduce overall wait times for eligible veterans. The department was still a long way from meeting its service standard. Implementation of initiatives was slow. Data to measure improvements was lacking. Both the funding and almost half of the employees on the team responsible for processing applications were temporary. As a result, veterans waited too long to receive benefits to support their physical and mental health and their families' overall well-being.



## About the Audit

This independent assurance report was prepared by the Office of the Auditor General of Canada on the Veterans Affairs Canada Disability Benefits program. Our responsibility was to provide objective information, advice, and assurance to assist Parliament in its scrutiny of the government's management of resources and programs, and to conclude on whether the Disability Benefits program complied in all significant respects with the applicable criteria.

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001—Direct Engagements, set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook—Assurance.

The Office of the Auditor General of Canada applies the Canadian Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the audit work, we complied with the independence and other ethical requirements of the relevant rules of professional conduct applicable to the practice of public accounting in Canada, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

In accordance with our regular audit process, we obtained the following from entity management:

- confirmation of management's responsibility for the subject under audit
- acknowledgement of the suitability of the criteria used in the audit
- confirmation that all known information that has been requested, or that could affect the findings or audit conclusion, has been provided
- confirmation that the audit report is factually accurate

### Audit objective

The objective of this audit was to determine whether Veterans Affairs Canada was taking appropriate actions to reduce wait times for veterans to receive the disability benefits they were entitled to in order to support their well-being.

Appropriate actions are those that ensure that disability applications are processed in an efficient and timely way.

Supporting veterans' well-being means that they receive the disability benefits to which they are entitled in a timely way to support their mental health and to permit them access to services to maintain their physical and mental health.

## Scope and approach

This audit focused on Veterans Affairs Canada’s efficiency of processing disability benefit applications, including the factors that contribute to inefficiencies, the impact on veterans, and the recent efforts made by the department to improve application processing and wait times. The audit scope included the first applications for and reassessments of disability benefits for current and former members of the Canadian Armed Forces and the RCMP that were processed by Veterans Affairs Canada during the period covered by the audit.

Evidence was obtained primarily through both analysis of documents collected from Veterans Affairs Canada, National Defence, the Canadian Armed Forces, and the RCMP and analysis of data contained in the Veterans Affairs Canada Disability Benefits program systems. Our audit examination work included interviews of department officials.

The term “application” was used in this report to refer to processing an application for a single health condition. Veterans may receive benefits for multiple conditions.

We did not examine the quality of decisions made by the department’s adjudicators or the quality of medical documentation for individual applications. In addition, we did not examine the following:

- processing disability benefits for the survivors of deceased veterans and members who died in service or as a result of a service-related illness or injury
- the Veterans Affairs Canada departmental review process
- the review and appeal process for veterans administered by the Veterans Review and Appeal Board
- the Office of the Veterans Ombudsman

## Criteria

| Criteria  | Sources  |
|---|--|
| <p><b>We used the following criteria to determine whether Veterans Affairs Canada was taking appropriate actions to reduce wait times for veterans to receive the disability benefits they were entitled to in order to support their well-being:</b></p> |  |
| <p>Veterans Affairs Canada processes first applications and reassessments for disability benefits efficiently and in a timely manner.</p>   | <ul style="list-style-type: none"> <li>• <i>Pension Act</i></li> <li>• <i>Veterans Well-being Act</i></li> <li>• <i>Royal Canadian Mounted Police Superannuation Act</i></li> <li>• <i>Royal Canadian Mounted Police Pension Continuation Act</i></li> <li>• Memorandum of Understanding between the Royal Canadian Mounted Police and Veterans Affairs Canada for the Provision of Services and Programs Offered to RCMP Clients Entitled to Awards and Health Care Benefits in Relation to Service-Related Disabilities and Death, 2018</li> </ul> |

| Criteria  | Sources   |
|---|---|
| <p><b>We used the following criteria to determine whether Veterans Affairs Canada was taking appropriate actions to reduce wait times for veterans to receive the disability benefits they were entitled to in order to support their well-being:</b></p> |   |
|   | <ul style="list-style-type: none"> <li>• Veterans Bill of Rights</li> <li>• 2019–20 Service Standards Results, Veterans Affairs Canada</li> <li>• Veterans Affairs Canada Strategic Plan: 2015–2020</li> <li>• Directive on Transfer Payments, Treasury Board</li> </ul>  |
| <p>Veterans Affairs Canada’s recent efforts to reduce wait times for veterans to receive disability benefits are driven by a robust, comprehensive plan.</p>  | <ul style="list-style-type: none"> <li>• Policy on Results, Treasury Board</li> <li>• Framework for the Management of Risk, Treasury Board</li> <li>• Directive on the Management of Projects and Programmes, Treasury Board</li> <li>• Directive on Transfer Payments, Treasury Board</li> </ul>   |
| <p>Veterans Affairs Canada’s recent efforts to reduce wait times for veterans to receive disability benefits have reduced the backlog and sped decisions.</p>   | <ul style="list-style-type: none"> <li>• Veterans Bill of Rights</li> <li>• Policy on Results, Treasury Board</li> <li>• Timely Disability Benefits Decisions: Strategic Direction for Improving Wait Times, Veterans Affairs Canada, 2020</li> <li>• Departmental Plan 2021–22, Veterans Affairs Canada</li> <li>• Veterans Affairs Canada Strategic Plan: 2015–2020</li> <li>• Transforming Our World: The 2030 Agenda for Sustainable Development, United Nations, 2015</li> </ul> |

**Period covered by the audit**

The audit covered the period from 1 April 2020 to 30 September 2021. This is the period to which the audit conclusion applies. However, to gain a more complete understanding of the subject matter of the audit, we also examined certain matters that preceded the start date of this period.

**Date of the report**

We obtained sufficient and appropriate audit evidence on which to base our conclusion on 31 January 2022, in Ottawa, Canada.

## Audit team

This audit was completed by a multidisciplinary team from across the Office of the Auditor General of Canada led by Nicholas Swales, Principal. The principal has overall responsibility for audit quality, including conducting the audit in accordance with professional standards, applicable legal and regulatory requirements, and the office's policies and system of quality management.

## List of Recommendations

The following table lists the recommendations and responses found in this report. The paragraph number preceding the recommendation indicates the location of the recommendation in the report.

| Recommendation  | Response   |
|---|--|
| <p><b>2.31</b> Veterans Affairs Canada and the RCMP should work together to establish a formal costing process and determine the right level of funding needed for processing applications from RCMP veterans in a timely manner.</p>   | <p><b>Response of each entity.</b> Agreed. Over the last two years, the RCMP and Veterans Affairs Canada have been working closely together to improve governance and put more robust processes in place to support the forecasting of financial requirements related to disability benefits. These processes will be expanded to include a specific costing framework related to the processing of applications.</p>  |
| <p><b>2.36</b> To provide useful waiting-time information for veterans, Veterans Affairs Canada should review the end date it uses to calculate the period under its service standard so that it can report consistently and accurately on its performance against this standard.</p> | <p>Agreed. Veterans Affairs Canada will clarify how it calculates the service standard for Disability Pension/Pain and Suffering Compensation. This update will take effect in the 2022–23 fiscal year.</p> <p>We are updating our Service Inventory and reviewing our service standards to focus on the client service experience and ensure that our operations are improved through digital approaches.</p>   |
| <p><b>2.52</b> Veterans Affairs Canada should address weaknesses in the quality and organization of its data. This would allow the department to better monitor the Disability Benefits program and use the data to inform decision making about efficiency improvements.</p>         | <p>Agreed. Currently, Veterans Affairs Canada collects Disability Benefits data from two systems, one of which is still being built. This makes it challenging to collect and align data, which in turn makes it more difficult to effectively forecast productivity and resourcing requirements.</p> <p>While Veterans Affairs Canada has improved its data identification/collection over the last year—resulting in better monitoring of applications through the decision-making process—further improvements are needed.</p> <p>In 2019, Veterans Affairs Canada created an Information and Data Strategy. During implementation, an assessment found our data governance (including disability benefits) to be in the early stages of maturity. To improve data governance, we have established an Executive Data Stewards Committee, developed a data dictionary, and improved data quality.</p> <p>Veterans Affairs Canada has identified the outstanding data requirements and going forward will create an action plan to resolve the remaining items. It also continues to work on transitioning program functionality from our electronic systems—Client Service Delivery Network (CSDN) to GCCase—and is working on plans to decommission CSDN in five years.</p> |

| Recommendation   | Response   |
|--|--|
| <p><b>2.57</b> Veterans Affairs Canada should work with central government agencies to establish a sustainable long-term resourcing plan for processing disability benefit applications in a timely manner. This plan should consider the number of applications the department expects to receive and the efficiency it expects to gain from its process improvement initiatives.</p> | <p>Agreed. Between 2015–16 and 2019–20, Veterans Affairs Canada experienced a significant increase in disability benefits applications (40% overall, including 75% more first applications). We also began to see the number of applications over our service standard grow (that is, the backlog).</p> <p>During this time, we received temporary funding on a number of occasions to hire staff to address the growing number of pending applications. However, the Department was not able to fully assess the impact that would result from the introduction of new programs and other commitments. As a result, even with the additional staff, the Department was not able to keep up with the increase in applications.</p> <p>The additional resources hired in summer/fall of 2020 have made a big impact. These new team members began making decisions in January 2021. To maintain this momentum, on February 23, 2022, the Government announced funding of \$139.6 million over two years to extend the temporary positions as part of the action to reduce processing times for disability benefit applications at Veterans Affairs Canada. The Department is also developing more efficient application and decision-making processes using digital technologies.</p> <p>By the end of March 2022, the Department expects to have cut the number of applications waiting longer than our service standard in half (from about 23,000 to 11,500) and to about 4,000 by January 2023.</p> <p>Our efforts remain focused on maintaining the resourcing we have in place to make timely decisions and continue our progress to permanently solve the issue.</p> |



