



# US DEPARTMENT OF VETERANS AFFAIRS OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

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## VETERANS BENEFITS ADMINISTRATION

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### **VBA Needs to Improve the Accuracy of Decisions for Total Disability Based on Individual Unemployability**

Review

23-01772-162

July 17, 2024

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## Executive Summary

The Veterans Benefits Administration's (VBA) compensation program provides monthly payments to veterans for the effects of disabilities caused by diseases, events, or injuries incurred or aggravated during active military service. VBA assigns each condition a rating from 0 percent to 100 percent to quantify the degree of the disability and how much it impairs the veteran's health and ability to function. VBA determines the amount of compensation based on the rating percentage.

When a veteran is unable to secure and follow a substantially gainful occupation because of service-connected disabilities, VA policy states that the veteran should be rated totally disabled—also referred to as total disability based on individual unemployability. Therefore, a rating of 100 percent for compensation may be assigned where the overall rating is less than 100 percent but the disabled person is, in the judgment of the decision maker, unable to secure or maintain a substantially gainful occupation resulting from service-connected disabilities.<sup>1</sup> In addition, the veteran must meet one of the following schedular requirements:

- One service-connected disability at 60 percent
- Two or more service-connected disabilities combined at 70 percent or more, with at least one rated at 40 percent or more

The VA Office of Inspector General (OIG) conducted this review to determine if claims processors were following policies and procedures and accurately deciding claims for individual unemployability. Individual unemployability claims are complex and require processors to have knowledge of regulations, policies, and procedures to correctly decide the claim and provide all required information in the rating decision.

## What the Review Found

The OIG team reviewed two statistical samples of individual unemployability claims (granted and denied claims, respectively).<sup>2</sup> Using the results from the review, the team found claims processors did not consistently follow policies and procedures when processing these claims, resulting in at least \$100 million in improper payments (underpayments and overpayments) to veterans.<sup>3</sup>

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<sup>1</sup> 38 C.F.R. § 4.1 This regulation contains VA's Schedule for Rating Disabilities. Disabilities and conditions that result from all types of diseases and injuries encountered as a result of military service are referred to as service connected.

<sup>2</sup> See appendix A for more on the scope and methodology of the review. See appendix B for the statistical sampling methodology.

<sup>3</sup> See appendix C for an explanation of monetary benefits and questioned costs.

## Processing Errors in Most Individual Unemployability Claims

The review team estimated that 74 percent of granted total disability based on individual unemployability claims and 76 percent of denied total disability based on individual unemployability claims completed during the review period had at least one claims processing error. These errors are in three categories: monetary impact errors, potential impact errors, and procedural deficiencies.

Monetary impact errors can occur when rating veterans service representatives (RVSRs) improperly grant or deny a claim, improperly grant or deny a related benefit, or assign an incorrect effective date.<sup>4</sup> The review team estimated 5,452 of claims that granted individual unemployability entitlement (26 percent), and 2,174 of claims that denied these benefits (10 percent), had monetary impact errors. The team projected that these claims processing errors resulted in at least \$84.7 million in underpayments and at least \$9.8 million in overpayments during the 12-month review period.

Potential impact errors occur when a violation of regulations or other directives could affect the veteran's benefits but did not result in an improper payment. The review team estimated 6,155 claims that granted individual unemployability entitlement (29 percent), and 6,521 claims that denied these benefits (30 percent), had potential impact errors.

Procedural deficiencies occur when a claims processor did not follow policies or procedures, but these errors do not directly affect the veteran's benefits. The review team estimated that 10,552 claims that granted individual unemployability entitlement (50 percent), and 12,498 claims that denied these benefits (58 percent), had procedural deficiencies.

These errors occurred because of inadequate system controls, inconsistent interpretations of VBA's procedures manual by VBA staff, and claims processors' limited exposure to individual unemployability claims.

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<sup>4</sup> One related benefit is special monthly compensation, which is an additional level of compensation to veterans (above the basic levels of compensation payable based on disability ratings of 0 to 100 percent) for various types of anatomical losses or levels of impairment due solely to service-connected disabilities. VA Manual 21-1, "Definition: SMC," sec. VIII.iv.4.A.1.a, September 22, 2020, in *Adjudication Procedures Manual*. A total disability evaluation based on individual unemployability, which is in turn awarded based on one disability, satisfies the regulatory requirement of "a single disability rated as 100 percent" for purposes of awarding special monthly compensation housebound benefits if the veteran has additional disabilities combining to at least 60 percent. VA Manual 21-1, "Defining a Single Disability for Housebound Purposes," sec. VIII.iv.4.A.10.b, September 9, 2019, in *Adjudication Procedures Manual*. Assigning an effective date is an integral part of the decision-making process as it establishes the date from which entitlement to benefits begins. Effective date determinations are made based on facts during review of the evidence. VA Manual 21-1, "Gathering Evidence for Effective Date Determinations," sec. V.ii.4.A.1.a, March 31, 2023, in *Adjudication Procedures Manual*.

## Improvements Needed in VBA’s Web-Based Systems

The team found that the following weaknesses in VBA’s web-based systems—including the Veterans Benefits Management System (VBMS), which RVSRs use to complete and manage claims—contributed to deficiencies in effective dates, rating decision narratives, and competency decisions:<sup>5</sup>

- VBA created an individual unemployability “effective date builder” tool. This tool is not embedded in VBMS, and RVSRs are not required to use it. Additionally, VBMS does not prompt RVSRs to consider earlier effective dates for granted individual unemployability claims.
- Proposed VBMS enhancements prompting RVSRs to provide analysis of how impairment from identified disabilities supports entitlement and discuss all relevant economic and noneconomic factors when denying were not implemented during the review.
- The VBMS functionality that populates any conditions rendering the veteran unemployable into the decision narrative was not working properly.<sup>6</sup>
- While VBMS prompts RVSRs to address veterans’ competency when a mental condition is evaluated at 100 percent, it does not do so when individual unemployability benefits are granted because of a single mental health disability. Addressing competency is required to help reduce the risk of veterans mishandling their funds.

## Inconsistent Interpretation of VBA Procedures

VBA’s Consistency and Oversight Review team conducts site visits to regional offices as part of its quality review process. In fiscal year 2023, the VBA site visit staff reviewed 200 individual unemployability claims at 20 regional offices and found 88 claims-specific errors. Of these 88 errors, 43 (48.9 percent) were due to insufficient rating narratives.<sup>7</sup> The OIG team found similar deficiencies with grant narratives and estimated that 39 percent of individual

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<sup>5</sup> VBMS is a web-based application designed to support end-to-end claims processing through a consolidated portal. Rather than passing paper from person to person, claims are electronically transferred via the VBMS application throughout the claims-processing life cycle. RVSRs analyze claims and prepare rating decisions. “Rating Veterans Service Rep. (RVSR)” (web page), VA, Veterans Benefits Administration, Careers at VBA, accessed November 21, 2023, <https://benefits.va.gov/BENEFITS/jobs/index.asp>.

<sup>6</sup> The VBMS prompt for the RVSR to select the conditions that render the veteran unemployable was fixed in the VBMS 32.3 release on December 3, 2023.

<sup>7</sup> VBA’s “Annual Site Visit Report–Fiscal Year 2023 Findings” reviewed individual unemployability claim grants and denials and found 48.9 percent of claims-specific errors were due to insufficient rating narratives. This section addresses inconsistencies the OIG team found in individual unemployability grant narratives.

unemployability decisions during the 12-month OIG review period failed to provide the required information needed to support the granting of these benefits.

When VBA's Quality Assurance Office was notified of the OIG's findings, they initially disagreed with the OIG and the Consistency and Oversight Review staff. Furthermore, the Quality Assurance Office stated that the automated language populated by VBA systems into rating narratives is sufficient to explain how impairment from service-connected disabilities supports the decision to grant individual unemployability benefits. However, the Quality Assurance Office later told the OIG team that VBA's procedures manual should be revised to ensure consistency within rating decision narratives when granting entitlement to these benefits.

### **Limited Exposure to Individual Unemployability Claims**

The OIG review team found the errors in individual unemployability claims development and decisions were made by VBA employees at all experience levels. During the review period, VBA used two different training programs to increase claims processors' knowledge of the individual unemployability claims process: the Virtual and In-Person Progression (VIP) program, which is required for newly hired employees, and the Competency-Based Training System, which fully trained, experienced employees are required to complete annually.<sup>8</sup> The team found the VIP program does not require veterans service representatives (VSRs) or RVSRs to complete a certain number of individual unemployability claims to show claims processing competency. Although the VIP training for VSRs contains two mock training cases to test participants' knowledge of individual unemployability, the training for RVSRs does not include any cases. The team also found that during the review period, the Competency-Based Training assessment provided by VBA for experienced employees was missing key components and questions that would result in RVSRs not having to take the individual unemployability training. In sum, individual unemployability claims exposure was limited within these two VSR and RVSR training programs, and only a small number of these claims are available to be assigned to claims processors because of limited claims inventory.

### **What the OIG Recommended**

The OIG made seven recommendations to the under secretary for benefits to help VBA improve the accuracy of individual unemployability claims decisions. These recommendations included updating guidance, enhancing information systems, improving training, and evaluating workload distribution.

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<sup>8</sup> Newly hired claims processors have been in the position for 0–12 months. Fully trained claims processors have been in the position for over 12 months.

## VA Management Comments and OIG Response

The under secretary for benefits concurred in principle with the first three recommendations, concurred fully with recommendations 4–7, and provided action plans for each recommendation. The OIG determined the planned actions for recommendations 4–7 are responsive to their intent.

However, the actions plans for recommendations 1–3 include target completion dates that extend into 2025 and 2026. While the OIG acknowledges that agency needs, resources, and priorities may prevent the more timely implementation of these recommendations, VBA needs to develop interim guidance and additional process improvements to ensure the near-term correction of the related issues.

The OIG will monitor VBA’s progress and will close each recommendation when adequate documentation has been provided showing sufficient progress on implementation. The full text of VA’s management comments appears in appendix D.



LARRY M. REINKEMEYER  
Assistant Inspector General  
for Audits and Evaluations

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## Abbreviations

OIG	Office of Inspector General
RVSR	rating veterans service representative
VBA	Veterans Benefits Administration
VBMS	Veterans Benefits Management System
VIP	Virtual and In-Person Progression
VSR	veterans service representative



## Introduction

Approximately 377,000 veterans receive benefits for total disability based on individual unemployability from VA's disability compensation program.<sup>9</sup> To be eligible for individual unemployability benefits, the claimant must be a veteran who is unable to hold a job (in other words, unable to maintain substantially gainful employment) as a result of service-connected disabilities.<sup>10</sup> Individual unemployability allows VA to pay certain veterans compensation at the 100 percent rate even if VA has not rated their service-connected disabilities at that level. The veteran must meet one of the following evaluation criteria to be eligible for these benefits:

- One service-connected disability rated at 60 percent
- Two or more service-connected disabilities with a combined rating of 70 percent or more, with at least one rated at 40 percent or more<sup>11</sup>

Service connection is found when the facts, supported by evidence, show that a particular injury or disease resulting in disability was due to service in the military or was aggravated by that service.<sup>12</sup> The Veterans Benefits Administration (VBA) assigns a disability rating based on the severity of the disability and how much it diminishes the veteran's health and ability to function. The amount of compensation depends on the degree of disability and is rated on a scale from 0 percent to 100 percent.

To grant entitlement to individual unemployability benefits, VBA staff must have evidence of at least one service-connected disability that meets the above requirements, and the evidence must prove the service-connected disability or disabilities alone prevented the veteran from obtaining or keeping substantially gainful employment (for example, a veteran who is unable to perform either mental or physical tasks).

Individual unemployability claims are complex and require claims processors to know numerous regulations, policies, and procedures to correctly decide the claim and provide all required information in the rating decision. The VA Office of Inspector General (OIG) conducted this review to determine if claims processors were following policies and procedures and accurately deciding claims for individual unemployability.

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<sup>9</sup> National Center for Veterans Analysis and Statistics, "VA Benefits & Health Care Utilization," April 28, 2023.

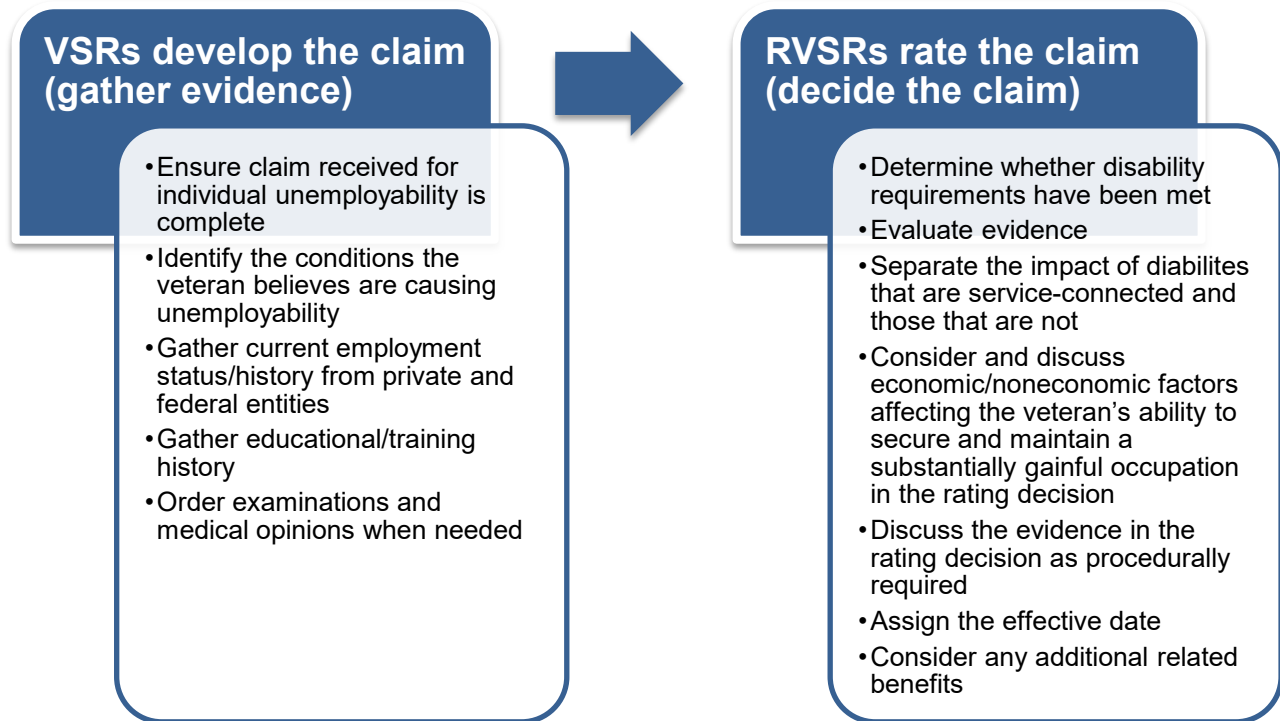
<sup>10</sup> 38 C.F.R. § 4.1. This regulation contains VA's Schedule for Rating Disabilities. Conditions that result from all types of diseases and injuries encountered as a result of military service are referred to as service connected.

<sup>11</sup> 38 C.F.R. § 4.16. Total disability ratings for compensation are based on unemployability of the individual.

<sup>12</sup> 38 C.F.R. § 3.303.

## VBA Rating Process

Individual unemployability claims are reviewed by two types of claims processors: veterans service representatives (VSRs), and rating veterans service representatives (RVSRs) (figure 1).<sup>13</sup>



**Figure 1.** Processing a claim for individual unemployability.

*Source: VA OIG analysis of documents related to VBA claim processing.*

Once the VSR completes the development process, the RVSR must evaluate the evidence and prepare a decision either granting or denying individual unemployability benefits. These formal determinations are called rating decisions. The rating decision is a record detailing the decisions made and provides an explanation supporting each one. These decisions are completed and managed within the Veterans Benefits Management System (VBMS).<sup>14</sup> When deciding a claim for entitlement to individual unemployability benefits, RVSRs must consider the relevant economic and noneconomic factors affecting a veteran's ability to secure and follow a

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<sup>13</sup> "Veterans Service Representatives (VSR)" and "Rating Veterans Service Rep. (RVSR)" (web page), VA, Veterans Benefits Administration, Careers at VBA, accessed November 21, 2023, <https://benefits.va.gov/BENEFITS/jobs/index.asp>.

<sup>14</sup> VBMS is a web-based application designed to support end-to-end claims processing through a consolidated portal. Rather than passing paper from person to person, claims are electronically transferred via the VBMS application throughout the claims processing life cycle.

substantially gainful occupation and whether the disability meets the individual unemployability disability evaluation criteria.<sup>15</sup>

When entitlement to total disability based on individual unemployability is granted, the RVSR must decide the effective date, which is the date of claim or the date on which the facts show that the evaluation criteria were met.<sup>16</sup> The RVSR also must consider entitlement to additional benefits related to a grant of individual unemployability, such as special monthly compensation.<sup>17</sup> Individual unemployability awarded based on one disability satisfies the regulatory requirement of “a single disability rated as 100 percent” for purposes of awarding special monthly compensation housebound benefits if the veteran has additional disabilities combining to 60 percent or more. Lastly, the RVSR must address competency in cases where individual unemployability is granted based solely on a mental condition.<sup>18</sup>

## Oversight of Individual Unemployability Claims

Several offices within VBA share oversight responsibilities for processing individual unemployability claims. Figure 2 illustrates an overview of these offices.

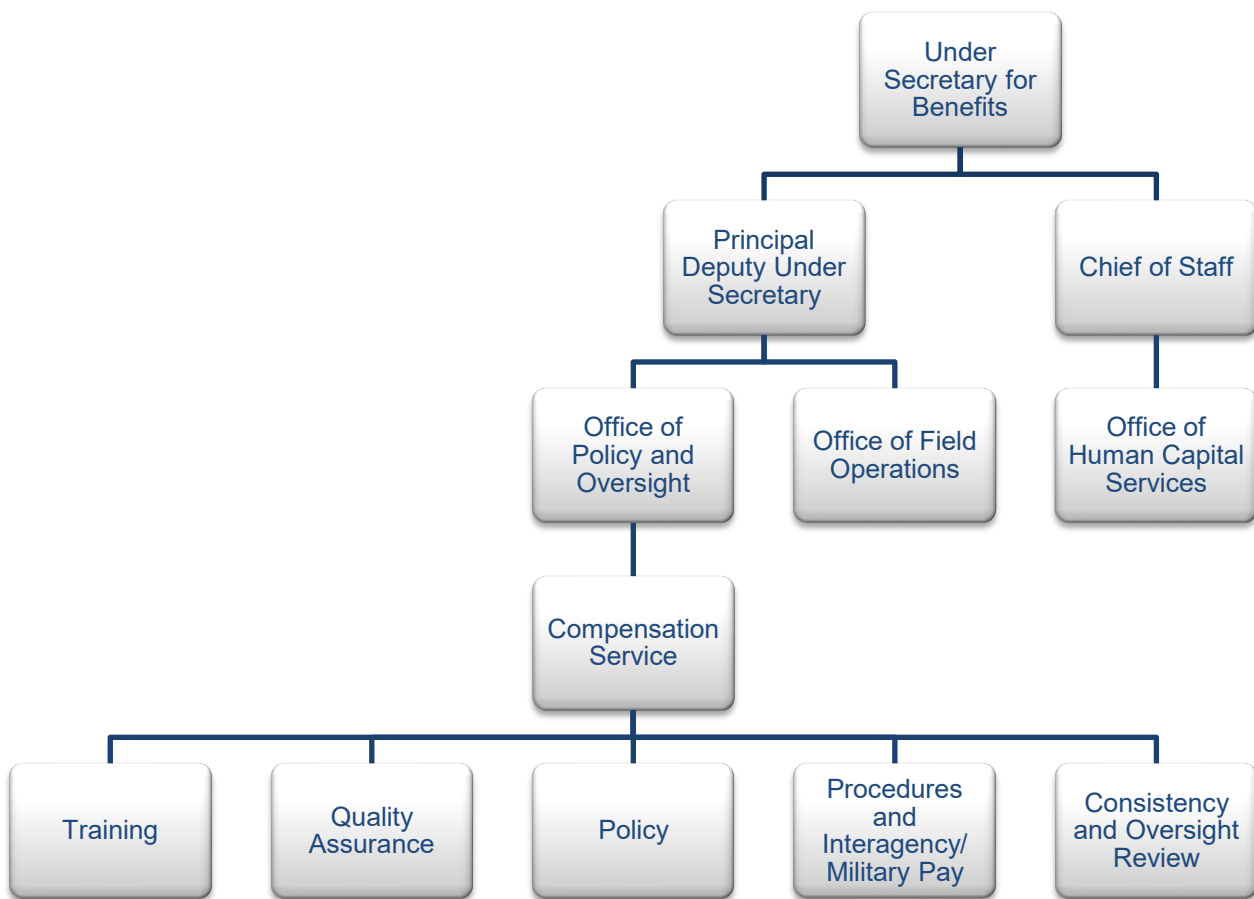
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<sup>15</sup> VA Manual 21-1, “Economic Component of an IU Determination,” sec. VIII.iv.3.A.2.a, July 29, 2021, in *Adjudication Procedures Manual*; VA Manual 21-1, “Non-economic Component of an IU Determination,” in sec. VIII.iv.3.A.3.a, July 29, 2021, in *Adjudication Procedures Manual*; 38 C.F.R. § 4.16.

<sup>16</sup> VA Manual 21-1, “Gathering Evidence for Effective Date Determinations,” sec. V.ii.4.A.1.a, March 31, 2023, in *Adjudication Procedures Manual*. The assignment of an effective date is an integral part of the decision-making process as it establishes the date from which entitlement to benefits begins. Effective date determinations are made based on facts gathered during review of the evidence.

<sup>17</sup> Special monthly compensation is an additional level of compensation to veterans (above the basic levels of compensation payable based on disability ratings of 0 to 100 percent) for various types of anatomical losses or levels of impairment due solely to service-connected disabilities. VA Manual 21-1, “Definition: SMC,” sec. VIII.iv.4.A.1.a, September 22, 2020, in *Adjudication Procedures Manual*. VA Manual 21-1, “Defining a Single Disability for Housebound Purposes,” sec. VIII.iv.4.A.10.b, September 9, 2019, in *Adjudication Procedures Manual*. Assigning an effective date is an integral part of the decision-making process as it establishes the date from which entitlement to benefits begins. Effective date determinations are made based on facts during review of the evidence. VA Manual 21-1, “Gathering Evidence for Effective Date Determinations.”

<sup>18</sup> VA Manual 21-1, “Considering Whether to Address Competency of a Veteran,” sec. X.ii.6.A.2.a, December 15, 2021, in *Adjudication Procedures Manual*. In this context, competency means the veteran has the mental capacity to contract or to manage their own affairs, including disbursement of funds without limitation.



**Figure 2.** Overview of VBA's organizational chart of the offices involved in processing individual unemployability claims.

Source: VA OIG analysis of documents related to VBA's organizational chart, accessed November 30, 2023.

The Office of Policy and Oversight oversees the administration of benefits and services to veterans, service members, their family members, and survivors. This office aligns policies and strategic priorities and develops partnerships and interagency agreements to promote economic opportunities for veterans by providing access to disability compensation and other benefits.

The Office of Field Operations oversees 56 regional offices and ensures that regional offices deliver benefits and services to veterans, service members, their families, and survivors effectively and efficiently.

According to the mission statement at the time of review, the Compensation Service guides and supports VBA's claims processing offices in delivering monthly payments to veterans in recognition of the effects of disabilities incurred or aggravated from diseases, injuries, or events during active military service. The Compensation Service develops rulemaking and policy requirements in support of the compensation benefit program.

The Office of Human Capital Services, in cooperation with Compensation Service and the Office of Field Operations, is responsible for developing and facilitating initial and ongoing training and development for claims processing staff. Virtual and In-Person Progression (VIP) training is provided to newly hired claims processors as part of their onboarding process.

Competency-based training is an annual assessment that identifies claims processors' training needs and adds lessons to each individual's required learning plan.

The quality assurance staff assess claims processing accuracy both locally and nationwide. The quality review system is intended to assist managers in monitoring the level of service to claimants. This system requires that quality observations and reviews be performed on a continuing basis for the disability compensation program.

The policy staff are responsible for policy and procedures related to the disability claim process through statutes, regulations, prescribed forms, and agency guidance.

The procedures manual staff, which fall under the procedures and interagency/military pay office, are responsible for maintaining and updating procedural guidance found in the M21-1 *Adjudication Procedures Manual*.<sup>19</sup>

The Consistency and Oversight Review staff conduct site visits to ensure that VBA policies, procedures, and systems pertaining to the disability compensation program are followed consistently nationwide. In addition, site visits promote collaboration with other offices to identify process improvements and implement changes.

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<sup>19</sup> The M21-1 is VA's *Adjudication Procedures Manual*, available electronically through [https://www.knowva.ebenefits.va.gov/system/templates/selfservice/va\\_ssnew/help/customer/locale/en-US/portal/554400000001018/topic/554400000004049/M21-1-Adjudication-Procedures-Manual](https://www.knowva.ebenefits.va.gov/system/templates/selfservice/va_ssnew/help/customer/locale/en-US/portal/554400000001018/topic/554400000004049/M21-1-Adjudication-Procedures-Manual).

## Results and Recommendations

### Finding: VBA Did Not Always Follow Policies and Procedures When Processing Claims for Individual Unemployability

The OIG team reviewed two random samples (granted and denied individual unemployability claims) and determined claims processors did not consistently follow policies and procedures when processing these claims.<sup>20</sup> The team found some errors that resulted in improper payments to veterans, some errors that had the potential to affect veterans' benefits but did not result in improper payments, and some errors that involved instances when policies or procedures were not followed but did not directly affect veterans' benefits. These errors occurred because of inadequate system controls, inconsistent interpretations of VBA's procedures manual among VBA staff, and claims processors' limited exposure to individual unemployability claims. In total, the team identified errors that resulted in at least \$100 million in improper payments (underpayments and overpayments) to veterans.<sup>21</sup>

The following determinations formed the basis for this finding and led to the OIG's recommendations:

- Individual unemployability claims had processing errors resulting in improper payments.
- Improvements in VBA's web-based systems should be prioritized to reduce processing errors in individual unemployability claims.
- VBA's Quality Assurance Office and oversight staff are inconsistent when interpreting VBA's procedures manual.
- Claims processors have limited exposure to individual unemployability claims.

### What the OIG Did

The OIG team reviewed a random sample of 120 granted individual unemployability claims and 80 denied claims that were completed from May 1, 2022, to April 30, 2023. After considering laws, regulations, policies, procedures, and guidelines applicable to individual unemployability processing, the team reviewed the two samples to determine if claims processors followed policies and procedures and accurately decided claims for individual unemployability. The team provided the sample review results to VBA, and VBA concurred with the majority of the team's findings.

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<sup>20</sup> For more on the review's scope and methodology, see appendix A. To learn more about the review's statistical sampling methodology, see appendix B.

<sup>21</sup> See appendix C for details regarding monetary benefits and questioned costs.

## Individual Unemployability Claims Had Processing Errors Resulting in Improper Payments

The team determined that the following three types of errors can occur if a claims processor takes an action that violates current regulations or other directives:

- **Monetary impact errors** result in an improper payment to the veteran.
- **Potential impact errors** could affect the veteran's benefits but did not result in an improper payment.
- **Procedural deficiencies** do not directly affect the veteran's benefits.

The review team estimated that 74 percent of granted individual unemployability claims and 76 percent of denied individual unemployability claims completed during the review period had at least one claims processing error.

### Monetary Impact Errors

Using results from the sample analysis, the review team estimated 5,452 claims that granted individual unemployability entitlement (26 percent), and 2,174 claims that denied these benefits (10 percent), had monetary impact errors. The team estimated that claims processing errors resulted in at least \$84.7 million in underpayments and at least \$9.8 million in overpayments during the 12-month review period.<sup>22</sup>

Monetary impact errors can occur when RVSRs

- improperly grant or deny a claim;
- improperly grant or deny a related benefit, such as special monthly compensation; or
- assign an incorrect effective date.<sup>23</sup>

The team found monetary impact errors occurred because of incorrect entitlement determinations that resulted in questioned costs.<sup>24</sup>

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<sup>22</sup> The estimated underpayments of at least \$84.7 million and overpayments of at least \$9.8 million will not sum to the total of at least \$100 million in improper payments (underpayments and overpayments). Confidence interval bounds cannot be summed together to get a total. See appendix B for additional information on the team's statistical sampling methodology.

<sup>23</sup> Assigning an effective date is an integral part of the decision-making process as it establishes the date from which entitlement to benefits begins. Effective date determinations are made based on facts during review of the evidence. VA Manual 21-1, "Gathering Evidence for Effective Date Determinations."

<sup>24</sup> The OIG questions costs when VA action or inaction (such as overcompensating or failing to fully compensate eligible beneficiaries) is determined by the OIG to violate a provision of law or regulation.



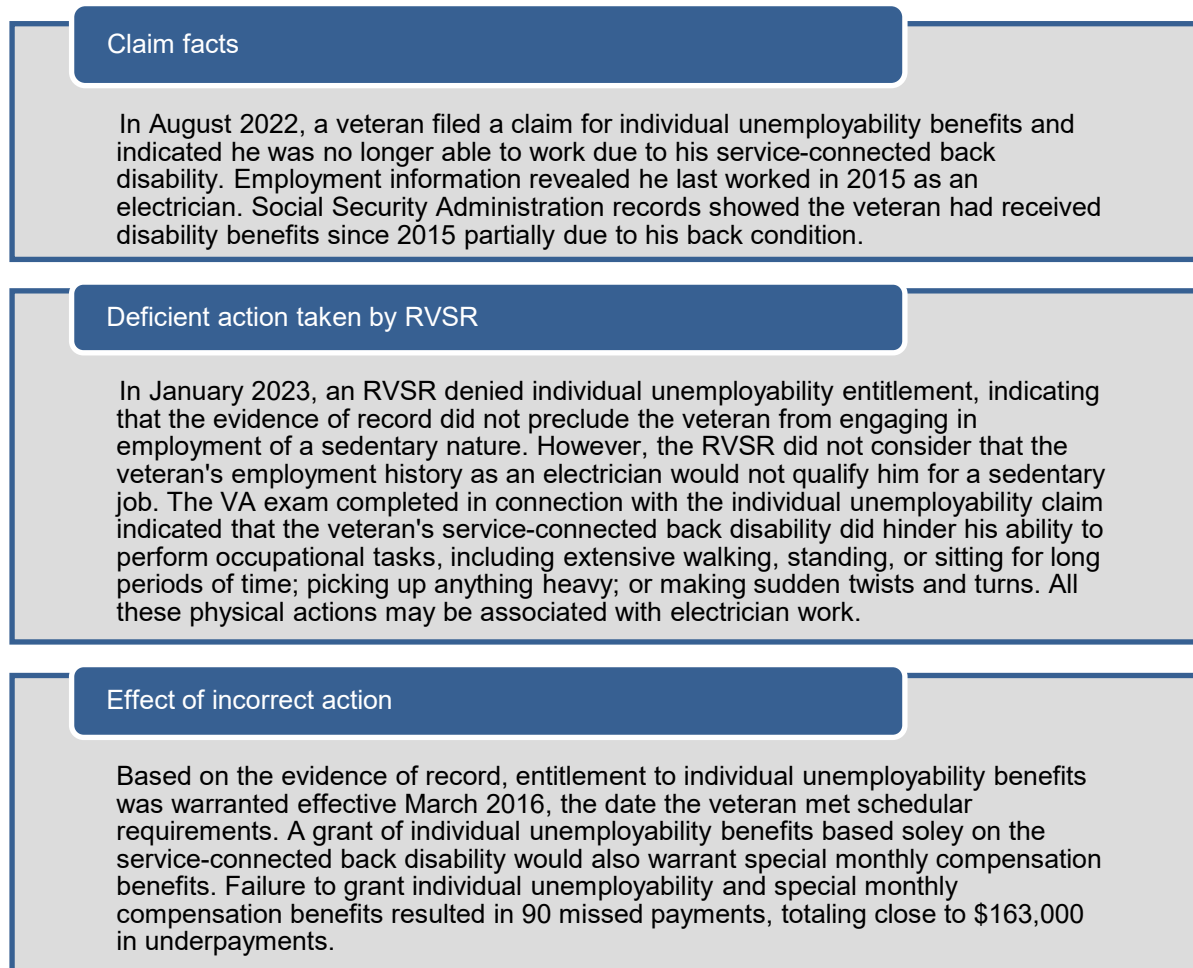
Figure 3 provides an example of a granted individual unemployability claim containing two monetary impact errors that resulted in underpayments—assigning an incorrect effective date and failing to grant special monthly compensation—as well as a procedural deficiency that places the veteran at risk. As previously noted, the team estimated that 26 percent of claims that granted individual unemployability entitlement had monetary impact errors.

<b>Claim facts</b>
An RVSR granted service connection for a mental disorder at 70 percent disabling with an effective date of November 2019. The veteran was notified of the decision in February 2022. Within one year of being notified of the decision, in July 2022, the veteran applied for individual unemployability benefits. The evidence showed the veteran was unable to maintain substantially gainful employment solely due to the mental disorder.
<b>Deficient action taken by RVSR</b>
<p>In a rating decision dated March 2023, the RVSR granted entitlement to individual unemployability, based solely on the mental disorder, from July 2022, the date of application. The correct effective date is November 2019 because VBA received the individual unemployability application within one year of notifying the veteran that he met the requirements for individual unemployability, and he was not working at that time due to his service-connected disability.</p> <p>Furthermore, because the RVSR granted individual unemployability based solely on the mental disorder and the veteran also had additional disabilities that combined to 60 percent or more, the veteran was entitled to special monthly compensation. However, the RVSR failed to grant the additional benefit and to address the competency of the veteran.</p> <p>Lastly, the RVSR failed to address the competency of the veteran to handle funds, which VBA procedures require for all veterans whose individual unemployability entitlement was based solely on a mental disorder.</p>
<b>Effect of incorrect action</b>
Assignment of the incorrect effective date and failure to grant special monthly compensation resulted in 45 months of underpayments to the veteran, totaling more than \$58,300. Failure to address competency potentially put the veteran at risk for the mishandling of funds.

**Figure 3.** Individual unemployability grant that resulted in underpayments to a veteran.

Source: VA OIG claim review analysis.

Figure 4 provides details of underpayments to a veteran due to VBA improperly denying individual unemployability entitlement. The team estimated that about 10 percent of claims that denied individual unemployability benefits had monetary impact errors.



**Figure 4.** Individual unemployability denial that resulted in underpayments to a veteran.

Source: VA OIG claim review analysis.

## Potential Impact Errors

Using results from the sample analysis, the review team estimated 6,155 claims that granted individual unemployability entitlement (29 percent), and 6,521 claims that denied these benefits (30 percent), had potential impact errors.

Examples of potential impact errors included

- monetary impact errors found and subsequently corrected by VBA (despite having been corrected, these types of errors continue to have a potential impact because the veteran may not have been awarded all the monetary benefits to which they were entitled on time);
- failure to gather all evidence, which may have led to improperly denied claims or incorrect effective dates in granted claims; and

- failure to consider all disabilities deemed to be associated with the individual unemployability claim, which could have led to not identifying and granting additional benefits, such as special monthly compensation.

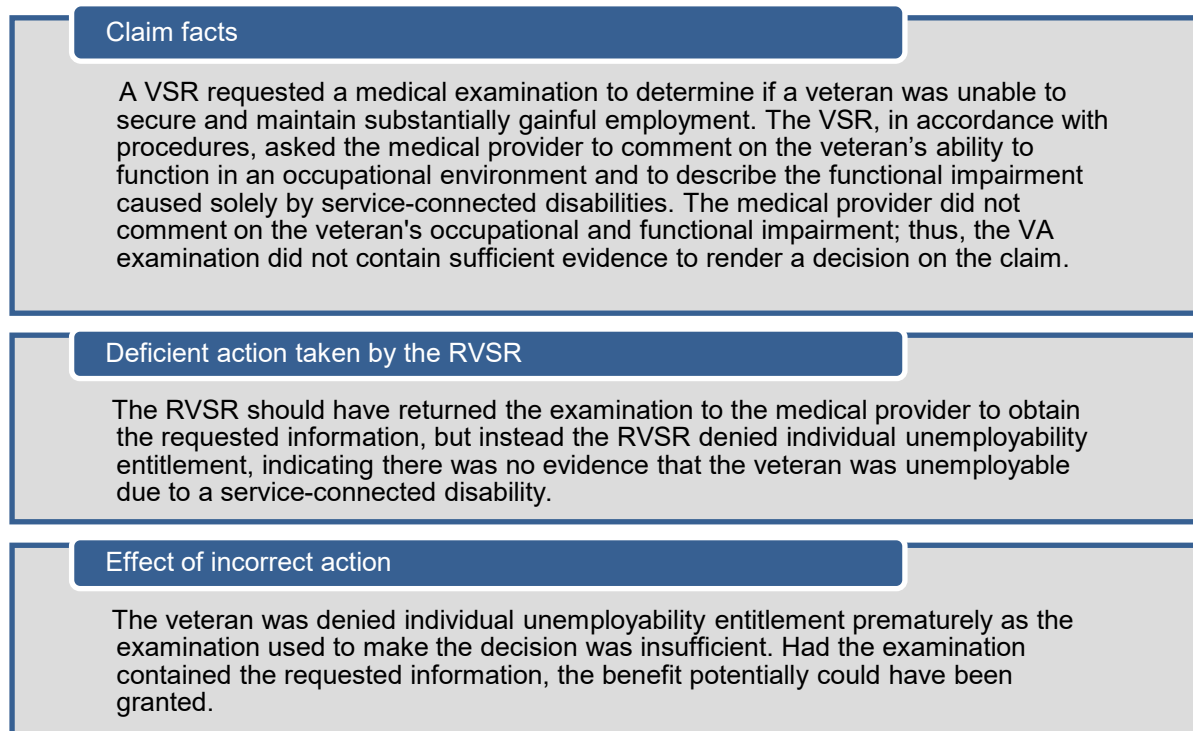
Figure 5 shows an example of a potential impact error in a granted individual unemployability claim. However, this error, which would have resulted in a monetary impact, was corrected by VBA in a subsequent rating decision. Therefore, this error was categorized as a potential impact error. The team estimated 29 percent of claims that granted individual unemployability entitlement had potential impact errors.

Claim facts	A veteran filed a claim for individual unemployability benefits in December 2020, but the claim was not processed and no decision was made. In April 2022, the veteran once again filed an individual unemployability claim, which was granted.
Deficient action taken by the RVSR	The RVSR granted individual unemployability benefits effective April 2022, the date the second claim was received. This was incorrect; the effective date should have been December 2020, the date of the original claim, because the veteran met all requirements for individual unemployability benefits at that time.
Effect of incorrect action	The incorrect effective date caused an underpayment to the veteran, but this error was identified and corrected in a subsequent rating decision in March 2023, providing retroactive payment. However, this unnecessary delay had a potential impact because the veteran was not awarded all the monetary benefits to which they were entitled on time.

**Figure 5.** Individual unemployability grant that resulted in potential impact to a veteran.

Source: VA OIG claim review analysis.

Figure 6 shows an example of a potential impact error in a denial of individual unemployability benefits that did not cause an improper payment. The team estimated 30 percent of claims that denied individual unemployability benefits had potential impact errors.



**Figure 6.** Individual unemployability denial that resulted in potential impact to a veteran.

Source: VA OIG claim review analysis.

## Procedural Deficiencies

Using results from the sample analysis, the review team estimated that procedural deficiencies occurred in 10,552 claims that granted individual unemployability entitlement (50 percent) and 12,498 claims that denied these benefits (58 percent).

Procedural deficiencies included failing to

- discuss all relevant economic and noneconomic factors of a veteran's history in the rating decision narrative for denied claims;
- include an explanation or analysis of how impairment from service-connected disabilities support the decision to grant individual unemployability benefits;
- address the competency of a veteran when a claim is granted based solely on a mental disability; and
- gather evidence for claims that granted individual unemployability benefits with Social Security records, medical records, or vocational rehabilitation records.

Although procedural deficiencies do not have an immediate impact on veterans' benefits, failure to clearly document or discuss all relevant evidence in the rating, including documenting the disabilities used to award unemployability benefits, can result in premature decisions or appeals,

potentially creating downstream issues that may prevent veterans from receiving the maximum amount of benefits to which they are entitled.

## **Improvements in VBA’s Web-Based Systems Should Be Prioritized to Reduce Processing Errors in Individual Unemployability Claims**

Some of the errors in processing individual unemployability claims—including incorrect effective dates, incomplete claim decision explanations, and failure to address the veteran’s competency—were partially due to weaknesses in VBA’s web-based systems.

### **Incorrect Effective Dates**

To assist RVSRs with determining the correct effective date for individual unemployability claims, VBA created an individual unemployability “effective date builder” tool. This tool is not embedded in VBMS, and RVSRs are not required to use it. Further, VBMS does not prompt RVSRs to consider earlier effective dates for granted individual unemployability claims. Claims processing staff interviewed by the team were not always aware of the criteria for an earlier effective date for individual unemployability benefits, and they stated that embedding an individual unemployability effective date builder into VBMS or providing a system prompt to consider an earlier effective date would be helpful. Using results from the sample analysis, the review team estimated that 34 percent of granted individual unemployability claims during the review period had an incorrect effective date.

The team spoke with members of VBA’s Consistency and Oversight Review staff who were aware of the types of errors found in individual unemployability claims during the OIG review. Staff from that team proposed enhancements to VBMS to assist claims processors. If accepted, these enhancements may be implemented based on agency priority. The staff further stated that in November 2023, they proposed a VBMS enhancement to assist RVSRs with determining the correct effective date when granting entitlement to individual unemployability. Updating guidance to mandate use of an effective date builder for RVSRs to consider earlier effective dates when granting entitlement to individual unemployability could reduce incorrect effective dates.

### **Required Information Lacking in Claims Decisions**

When an RVSR determines that a veteran is entitled to individual unemployability benefits, the decision must specify the disabilities that render the veteran unemployable and include an explanation or analysis of how impairment from those disabilities supports the decision.<sup>25</sup> VBMS

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<sup>25</sup> VA Manual 21-1, “Preparing a Rating Decision Addressing IU,” sec. VIII.iv.3.C, updated July 29, 2021, in *Adjudication Procedures Manual*. A conclusory statement alone that the criteria for a total evaluation based on individual unemployability are met does not satisfy the requirement to state the basis for the decision.

prompts the RVSR to select the conditions that render the veteran unemployable and populates those conditions into the decision narrative. However, during the review, the team found that this functionality was not working properly. When RVSRs selected multiple conditions that render the veteran unemployable, VBMS did not apply the conditions or duplicated them in the decision narrative. The team brought this matter to VBA staff's attention during the review, and the internal controls and risk management officer stated that this issue was fixed in the December 3, 2023, VBMS update.<sup>26</sup> Using the sample analysis results, the team estimated that 39 percent of cases during the review period did not include an explanation or analysis of how impairment from identified disabilities supported the decision, and 11 percent did not specify which disabilities rendered the veteran unemployable.

When an RVSR denies entitlement to individual unemployability, the decision must explain the facts that are pertinent to that conclusion and discuss all economic and noneconomic factors that are relevant to the claim. Thus, when denying entitlement, the RVSR must consider the veteran's earning capacity in employment or potential employment scenarios, including whether such employment would be substantially gainful or marginal and whether the veteran has the ability to perform the type of activities required by the occupation at issue.<sup>27</sup> Using the sample analysis results, the team estimated that 50 percent of cases during the review period did not discuss all relevant factors.

Because RVSRs may process only a few individual unemployability claims annually, if at all, some stated they were unaware of the information required to be included in an individual unemployability determination. In November 2023, VBA's Consistency and Oversight Review proposed a VBMS enhancement to prompt RVSRs to provide an explanation or analysis of how impairment from identified disabilities supports entitlement and to discuss all economic and noneconomic factors that are relevant to the claim when entitlement is denied. However, the enhancement was not implemented during the OIG review. Additional prompts in VBMS could strengthen the individual unemployability claims decision process.

## **Mental Competency to Handle Funds Not Addressed**

When an individual unemployability claim is granted because of a single mental health disability, RVSRs must address whether the veteran is competent to manage his or her own

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<sup>26</sup> The VBMS prompt for the RVSR to select the conditions that render the veteran unemployable was fixed in the VBMS 32.3 release on December 3, 2023.

<sup>27</sup> VA Manual 21-1, "Economic Component of IU Determinations," sec. VIII.iv.3.A.2b-c, updated July 29, 2021, in *Adjudication Procedures Manual*. Substantially gainful employment is defined as employment at which nondisabled individuals earn their livelihood with earnings comparable to the particular occupation in the community where the veteran resides. Marginal employment exists when a veteran's earned annual income does not exceed the amount established by the US Department of Commerce, US Census Bureau, as the poverty threshold for one person, or employment in a protected environment, such as a family business or sheltered workshop, when earned annual income exceeds the poverty threshold.

affairs, including disbursement of funds without limitation. This step is important because many of the symptoms of mental health disabilities warranting a total disability evaluation could render the veteran unable to manage benefits. Using the sample analysis, the team estimated that RVSRs granted individual unemployability benefits because of a single mental health disability but did not address competency in 46 percent of cases during the review period. Not addressing the issue of competency could put veterans at risk for the mishandling of funds.

Currently, VBMS prompts RVSRs to address competency when a mental condition is evaluated at 100 percent. However, there is no prompt when an RVSR grants individual unemployability benefits because of a single mental health disability. Claims processing staff interviewed by the review team stated that having a VBMS prompt to address competency when individual unemployability entitlement is established because of a single mental health disability would remind RVSRs of this important step. In November 2023, staff from VBA's Consistency and Oversight Review proposed a VBMS enhancement to prompt RVSRs to address competency in these situations. VBA could strengthen the individual unemployability claims decision process by adding this prompt in VBMS.

Recommendations 1–3 address the need to improve VBA's web-based systems to help reduce processing errors in assigning the correct effective date, addressing competency when required, and including all required information in individual unemployability claims decisions.

## **VBA's Quality Assurance Office and Oversight Staff Are Inconsistent When Interpreting VBA's Procedures Manual**

As discussed above, when entitlement to individual unemployability benefits is established, RVSRs must include an explanation or analysis of how impairment from service-connected disabilities supports the decision. VBA's Consistency and Oversight Review team is responsible for quality site visits to regional offices and considers any rating narrative that fails to provide the required information in error. In fiscal year 2023, the VBA site visit staff reviewed 200 individual unemployability claims at 20 regional offices and found 88 claims-specific errors. Of these 88 errors, 43 (48.9 percent) were due to insufficient rating narratives.<sup>28</sup> The OIG team found similar deficiencies with grant narratives and estimated that during the 12-month OIG review period, 39 percent of individual unemployability decisions granting the benefit failed to provide the required explanation or analysis.

VBA's Quality Assurance Office initially disagreed with the OIG and the Consistency and Oversight Review staff when these issues were brought to its attention. The office contended automated language populated by VBA systems is sufficient to explain how impairment from

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<sup>28</sup> VBA's "Annual Site Visit Report–Fiscal Year 2023 Findings" reviewed individual unemployability claim grants and denials and found 48.9 percent of claims-specific errors were due to insufficient rating narratives. This section addresses inconsistencies the OIG team found in individual unemployability grant narratives.



service-connected disabilities support the decision to grant individual unemployability benefits. This automated language states, “Entitlement to individual unemployability is granted because you are unable to secure or follow a substantially gainful occupation as a result of your {insert service-connected disability(ies)}.”

The OIG team asked VBA’s assistant director of policy and the chief of the procedures manual staff if this automated language satisfies the requirement to explain how impairment from service-connected disabilities supports a decision to grant individual unemployability benefits. Both leaders indicated the automated language alone was not sufficient because this language does not provide any analysis.

Ultimately, the Quality Assurance Office told the OIG team that VBA’s procedures manual should be revised to ensure consistency within rating decision narratives among RVSRs when granting entitlement to individual unemployability benefits.

Recommendation 4 addresses the need to update VBA’s procedures manual to ensure consistency among VBA staff and to clarify the language needed to satisfy the analysis requirement when granting entitlement to individual unemployability benefits.

## **Claims Processors Have Limited Exposure to Individual Unemployability Claims**

The OIG review team found that VBA employees at all experience levels made errors in individual unemployability claims development and decisions, with no specific experience level showing a significantly higher error rate. During the review period, VBA used two different training programs to increase claims processors’ knowledge of the individual unemployability claims process: newly hired employees are required to complete the VIP training program, and fully VIP trained, experienced employees complete competency-based training annually.<sup>29</sup> The review team found that VSRs and RVSRs had limited exposure to individual unemployability claims not only within these two training programs but also within the claims inventory.

### **VIP Training**

Newly hired claims processors receive VIP training in three phases: an instructor-led, web-based training phase delivered by Compensation Service training staff; a classroom phase where students receive live training at their regional office; and an informal assessment phase where students receive hands-on experience working actual claims under an experienced mentor. The team found training provided in the first two phases sufficiently introduced the individual unemployability subject matter. Although, as reported by the assistant director of training, VIP

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<sup>29</sup> Newly hired claims processors become fully trained claims processors once they have been in the position for over 12 months.



training for VSRs contains two mock training cases to test participants' knowledge of individual unemployability, the training for RVSRs does not include any cases.

During the final "informal assessment phase" of VIP training, VSRs and RVSRs work on actual veterans' claims and are assigned a mentor who reviews and gives feedback on the trainees' work. The review team found that the VIP program does not require trainees to complete a certain number of individual unemployability claims to show claims processing competency. During interviews with the team, regional office staff stated that a trainee could be released to complete individual unemployability claims without ever working an actual veteran's individual unemployability claim during training.

Overall, newly hired claims processors are not required to demonstrate competency by working individual unemployability claims as part of the claims completion requirements in VIP training. Failure to provide new claims processors the opportunity to show development or decision competency for individual unemployability claims increases the risk of incorrect claims decisions that affect veterans' benefits compensation.

## **Annual Competency-Based Training Assessment**

Fully trained claims processors complete the competency-based training assessment annually to determine their competency level in claims processing, to include individual unemployability claims. Based on the assessment results, competency levels are identified and training needs are determined based on the identified competency of individual claims processors. Claims processors receive training on individual unemployability claims if they do not meet the set 80-percent competency assessment score.

The team found that during the review period, the competency-based training assessment VBA provided for experienced employees was missing key components and questions that would result in RVSRs not having to take the individual unemployability training. The most frequent errors and deficiencies identified by the review team would not be addressed with the existing competency-based training assessment for RVSRs. The team informed the training certification chief of these and other deficiencies found by the review team. The competency-based training staff have since added several new components to both the VSR and RVSR assessments, which will be used in the next assessment for all claims processors.

The review team found these changes to be sufficient to assess processors' competency in individual unemployability claims, and as a result the OIG made no recommendation regarding VBA's competency-based training.

## **Limited Exposure to Individual Unemployability Cases**

Over a 12-month period, only a small number of individual unemployability claims are available to be assigned to claims processors. For example, during the review period, approximately

43,500 individual unemployability claims were completed. As of January 2023, approximately 7,500 VSRs and 5,400 RVSRs processed disability claims.<sup>30</sup> The review team concluded that this limited exposure to individual unemployability claims could hinder claims processors' ability to retain the knowledge needed to accurately process these claims.

During interviews with the team, claims processors and VIP training staff confirmed that it would be difficult for claims processors to retain this knowledge with such limited exposure to individual unemployability claims, which are complex. Claims processors also said they work individual unemployability cases infrequently and do not have time to review the many requirements to remember how to process the claim.

Due to the number of errors and deficiencies found in individual unemployability claims during the review period and the complexity of these claims, the team determined it is important for claims processors to have frequent exposure to these claims to gain experience and competency. VBA's current workload for individual unemployability claims does not fulfill this need. Failure to improve the workload distribution increases the risk of incorrect claims decisions that affect veterans' benefits.

Recommendations 5, 6, and 7 address the need for claims processors to have exposure to individual unemployability claims development and decision making so that they can show individual competency in this area.

## Conclusion

VBA needs to improve the accuracy of individual unemployability claims processing and ensure claims processors are following policies and procedures. Claims for individual unemployability are complex and challenging to process, requiring VBA employees to carefully consider numerous rules and regulations. The review team found the systems designed to assist claims processors could be improved, the procedures manual could be revised to clarify the required individual unemployability decision language, and training and the workload distribution could be improved to ensure claims processors have sufficient exposure to these claims. These issues contributed to the errors identified in individual unemployability claims, including claim processors failing to determine the proper effective date for benefits, not addressing all claimed issues, not awarding all benefits related to the grant of individual unemployability entitlement, and submitting incomplete decision narratives. Failing to resolve these issues could result in veterans and their families not receiving all benefits to which they are entitled.

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<sup>30</sup> The team calculated that this would amount to about six cases per VSR and about eight per RVSR when dividing 43,500 total cases by the number of VSRs and RVSRs in the review period.

## Recommendations 1–7

The OIG made the following recommendations to the under secretary for benefits:

1. Update guidance mandating use of an effective date builder for rating veterans service representatives to consider earlier effective dates when granting entitlement to individual unemployability.
2. Develop standardized language and prioritize incorporation into the Veterans Benefits Management System to assist rating veterans service representatives in addressing all required information/elements within an individual unemployability rating narrative.
3. Establish additional system controls to ensure rating veterans service representatives address competency when individual unemployability has been awarded based solely on a mental condition.
4. Update the Veterans Benefits Administration’s procedures manual to ensure consistency among staff and clarify the language needed to satisfy the analysis requirement when granting entitlement to individual unemployability benefits.
5. Develop practical learning exercises for rating veterans service representatives related to individual unemployability for Virtual and In-Person Progression training.
6. Require rating veterans service representatives and veterans service representatives to process and demonstrate individual unemployability claim competency on veterans’ claims.
7. Evaluate the workload distribution methods for individual unemployability claims to increase claims processing consistency and knowledge retention.

## VA Management Comments

The under secretary for benefits concurred in principle with the first three recommendations and concurred fully with recommendations 4–7. A summary of VBA’s response to each recommendation follows (with full remarks in appendix D):

**Recommendation 1.** Before updating the guidance mandating use of an effective date builder for RVSRs, VBA plans to first develop systems functionality to create a tool that will consider effective dates when granting entitlement to individual unemployability. VBA will ensure that claims processors receive the appropriate instructional guidance once this tool is developed and deployed. This guidance will also be made available on the intranet for claims processors to reference. VBA’s target completion date for all corrective actions is September 30, 2026.

**Recommendation 2.** To help RVSRs address all required information within an individual unemployability narrative, VBA will submit requirements for a systems enhancement to update

VBMS. Since the prioritization and incorporation of the system requirements for this effort depend on agency needs and Congressional inputs, VBA established a target completion date of September 30, 2025, for this recommendation.

**Recommendation 3.** VBA noted that system controls can help employees take the correct steps; however, controls cannot ensure that RVSRs address any topic fully. Therefore, VBA plans to develop requirements to support additional systems enhancements to address competency decisions, which are anticipated to be implemented by September 30, 2025.

**Recommendation 4.** VBA will update the M21-1, *Adjudication Procedures Manual* for consistency and clarity so that all staff understand the language needed to satisfy the analysis requirement when granting entitlement to individual unemployability benefits. These corrective actions have a target completion date of September 30, 2024.

**Recommendation 5.** VBA will develop practical learning exercises for RVSRs related to individual unemployability for Virtual and In-Person Progression training. VBA's target completion date for this recommendation is December 31, 2024.

**Recommendation 6.** The process to require RVSRs and VSRs to process and demonstrate individual unemployability competency on claims is being evaluated by VBA. VBA will determine the target completion date once a path forward is finalized.

**Recommendation 7.** VBA plans to evaluate the workload distribution methods for individual unemployability claims by July 31, 2024.

## OIG Response

The action plans for recommendations 1–3 include target completion dates that extend into 2025 and 2026. While the OIG acknowledges that agency needs, resources, and priorities may prevent the more timely implementation of these recommendations, VBA needs to develop interim guidance and additional process improvements to ensure the near-term correction of the related issues. The OIG determined the under secretary for benefit's planned actions for recommendations 4–7 are responsive to their intent. The OIG will monitor VBA's progress and will close each recommendation when adequate documentation of sufficient progress on implementation has been received.

## Appendix A: Scope and Methodology

### Scope

The VA Office of Inspector General (OIG) team conducted its work from July 2023 through April 2024. The review included 120 granted individual unemployability claims and 80 denied claims that were completed from May 1, 2022, to April 30, 2023.

### Methodology

To accomplish the review objectives, the team considered applicable laws, regulations, policies, procedures, and guidelines related to the processing of individual unemployability claims. The team also interviewed Veterans Benefits Administration (VBA) central office leaders and managers/staff at the Boston, Massachusetts; Los Angeles, California; St. Petersburg, Florida; and Philadelphia, Pennsylvania, regional offices.

The VBA claims processing manual references cited in this report were in effect during the review period; however, VA may have since revised some of these passages.

### Internal Controls

The team assessed VBA's internal controls significant to the objective. This included an assessment of the five internal control components to include control environment, risk assessment, control activities, information and communication, and monitoring.<sup>31</sup> In addition, the team reviewed the principles of internal controls as associated with the objective. The team identified the following three components and four principles as significant to the objective:<sup>32</sup>

- Component: Control Environment
  - Principle 4: Management should demonstrate a commitment to recruit, develop, and retain competent individuals.
- Component: Control Activities
  - Principle 10: Management should design control activities to achieve objectives and respond to risks.
  - Principle 11: Management should design the entity's information system and related control activities to achieve objectives and respond to risks.

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<sup>31</sup> Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014.

<sup>32</sup> Since the review was limited to the internal control components and underlying principles identified, it may not have disclosed all internal control deficiencies that may have existed at the time of this review.

- Component: Information & Communication
  - Principle 13: Management should use quality information to achieve the entity's objectives.

The team identified internal control weaknesses during this review and proposed recommendations to address control deficiencies found in the components and principles listed above.

## Fraud Assessment

The team assessed the risk that fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, significant within the context of the review objectives, could occur during this review. The team exercised due diligence in staying alert to any fraud indicators by completing the Fraud Indicators and Assessment Checklist.

The team did not identify any instances of fraud or potential fraud during this review.

## Data Reliability

The team relied upon computer-processed data from the Veterans Benefits Management System (VBMS), which the team validated by comparing automation sample data to VBA file numbers, beneficiary names, claim dates, and claim types. These comparisons were used to identify any discrepancies. Testing of the data disclosed that they were sufficiently reliable for the review objectives. Comparison of the data with information contained in the VBMS claims folders did not disclose any problems with data reliability, and the team did not find any discrepancies in the fields in any of the datasets.

## Government Standards

The OIG conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.<sup>33</sup>

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<sup>33</sup> Council of the Inspectors General on Integrity and Efficiency (CIGIE), *Quality Standards for Inspection and Evaluation*, December 2020.

## **Appendix B: Statistical Sampling Methodology**

### **Approach**

To accomplish the objective, the review team reviewed a statistical sample of veterans' records of individual unemployability claims that were completed from May 1, 2022, to April 30, 2023 (review period). The team used statistical sampling to quantify the extent of records where VA employees did not follow policies or procedures when processing claims for individual unemployability.

### **Population**

The review population for completed individual unemployability decisions granting entitlement to the benefit included 21,280 veterans' records during the review period. For the purposes of the review, the team estimated the population to be 21,104 veterans. The difference between the review population and the estimated population occurred when the team excluded one record because it did not contain a decision granting entitlement to individual unemployability. Since the excluded sample record represents others in the original review population that may also be out of scope, the team estimates the population eligible for this review is about 21,104.

The review population for completed individual unemployability decisions denying entitlement to the benefit included 22,279 veterans' records during the review period. For the purposes of the review, the team estimated the population to be 21,736 veterans. The difference between the review population and the estimated population occurred when the team excluded two records because they did not contain a decision denying entitlement to individual unemployability. Since the excluded sample records represented others in the original review population that may also be out of scope, the team estimated the population eligible for this review to be 21,736.

### **Sampling Design**

The team selected a statistical sample of 121 records; one was not in scope, resulting in a sample of 120 cases that granted entitlement to individual unemployability. The population was not stratified.

The team selected a statistical sample of 82 records; two were not in scope, resulting in a sample of 80 cases that denied entitlement to individual unemployability. The population was not stratified.

### **Weights**

Samples were weighted to represent the population from which they were drawn, and the weights were used in the estimate calculations. For example, the team calculated the error rate

estimates by first summing the sampling weights for all sample records that contained the given error, then dividing that value by the sum of the weights for all sample records.

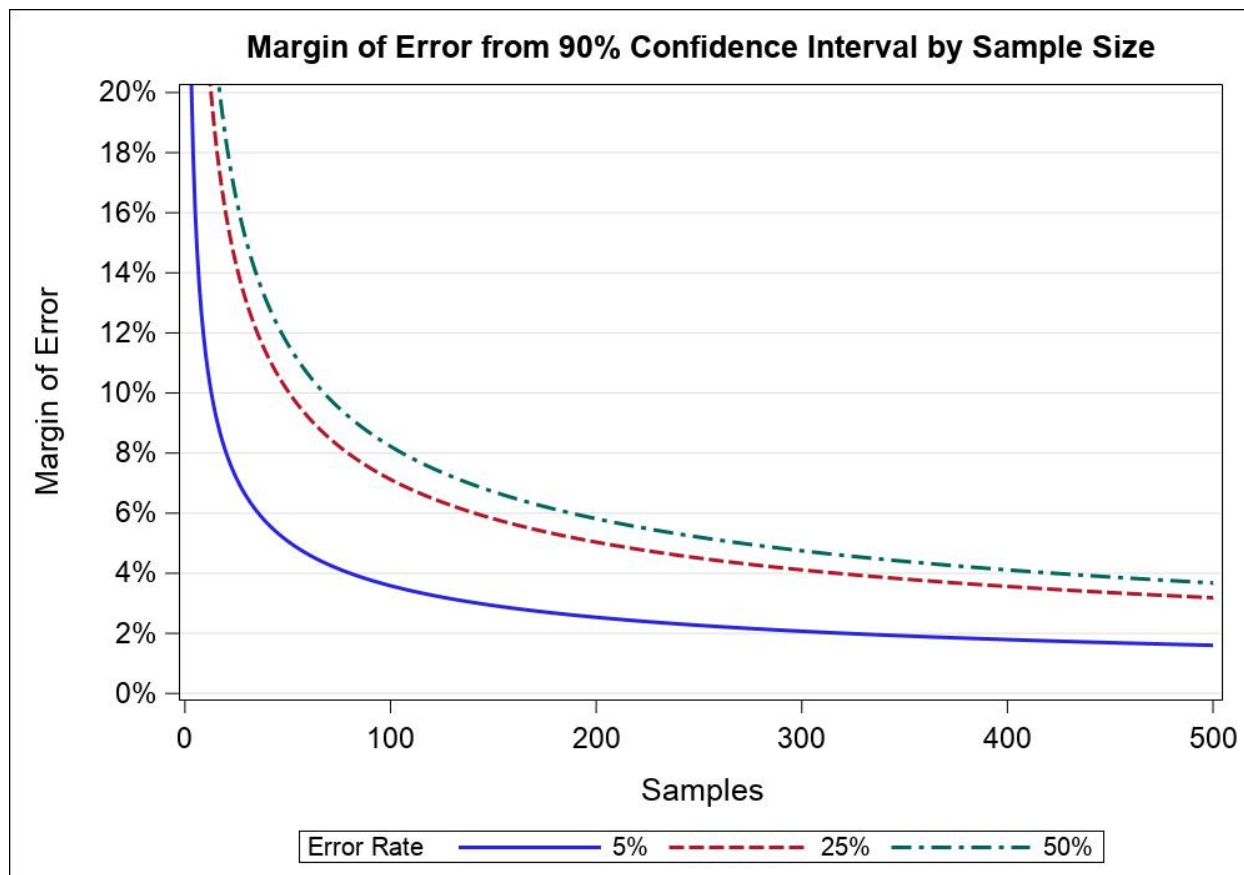
## **Projections and Margins of Error**

The projection is an estimate of the population value based on the sample. The associated margin of error and confidence interval show the precision of the estimate. If the VA Office of Inspector General (OIG) repeated this review with multiple sets of samples, the confidence intervals would differ for each sample but would include the true population value approximately 90 percent of the time.

The OIG statistician employed statistical analysis software to calculate estimates, margins of error, and confidence intervals that account for the complexity of the sample design. The sample size was determined after reviewing the expected precision of the projections based on the sample size, potential error rate, and logistical concerns of the sample review. While precision improves with larger samples, the rate of improvement decreases significantly as more records are added to the sample review.



Based on simple random sampling and a normal sampling distribution, figure B.1 shows the effect of progressively larger sample sizes on the margin of error.



**Figure B.1.** Effect of sample size on margin of error.

Source: VA OIG statistician's analysis.

## Projections

Tables B.1 through B.4 detail the review team's analysis and projected results for individual unemployability claims completed within the review period from May 1, 2022, to April 30, 2023.

**Table B.1. Number and Percentage of Granted and Denied Individual Unemployability Claims That Had At Least One Claims processing Error**

Claim type	Estimate	Margin of error	Lower limit 90% confidence interval	Upper limit 90% confidence interval	Sample counts	Sample total
<b>Claims with at least one claims processing error</b>						
Grants	15,652 (74%)	1,416 (7%)	14,236 (68%)	17,068 (81%)	89	120

Claim type	Estimate	Margin of error	Lower limit 90% confidence interval	Upper limit 90% confidence interval	Sample counts	Sample total
Denials	16,573 (76%)	1,785 (8%)	14,788 (68%)	18,359 (84%)	61	80
<b>Monetary impact errors</b>						
Grants	5,452 (26%)	1,401 (7%)	4,051 (19%)	6,853 (32%)	31	120
Denials	2,174 (10%)	1,214 (6%)	960 (4%)	3,387 (16%)	8	80
<b>Potential impact errors</b>						
Grants	6,155 (29%)	1,456 (7%)	4,700 (22%)	7,611 (36%)	35	120
Denials	6,521 (30%)	1,861 (9%)	4,659 (21%)	8,382 (39%)	24	80
<b>Procedural deficiencies</b>						
Grants	10,552 (50%)	1,605 (8%)	8,947 (42%)	12,157 (58%)	60	120
Denials	12,498 (58%)	2,030 (9%)	10,468 (48%)	14,528 (67%)	46	80
<b>Incorrect effective dates</b>						
Grants	7,211 (34%)	1,519 (7%)	5,691 (27%)	8,730 (42%)	41	120
<b>No explanation or analysis of how impairment from identified disabilities supported the decision</b>						
Grants	8,090 (39%)	1,558 (7%)	6,532 (31%)	9,648 (46%)	46	120
<b>Did not specify which disabilities rendered the veteran unemployable</b>						
Grants	2,286 (11%)	994 (5%)	1,292 (6%)	3,280 (16%)	13	120
<b>Did not address competency when required</b>						
Grants	3,869 (46%)	1,242 (12%)	2,627 (34%)	5,111 (58%)	22	48
<b>Did not discuss all relevant economic and noneconomic factors</b>						
Denials	10,868 (50%)	2,045 (9%)	8,823 (41%)	12,912 (59%)	40	80

Source: VA OIG analysis.

Note: Projections and confidence intervals may not total precisely due to rounding.

**Table B.2. Underpayment Amounts in Granted and Denied Individual Unemployability Claims**

Claim type	Estimate amount	Margin of error	Lower limit 90% confidence interval	Upper limit 90% confidence interval	One-tailed lower 90%
Denials	\$81,223,390	\$77,878,125	\$3,345,265	\$159,101,515	\$20,626,854
Grants	\$68,598,206	\$30,654,680	\$37,943,527	\$99,252,886	\$44,745,971
<b>Total</b>	<b>\$149,821,596</b>	<b>\$83,694,156</b>	<b>\$66,127,440</b>	<b>\$223,515,752</b>	<b>\$84,699,639</b>

Source: VA OIG analysis.

Note: Projections and confidence intervals may not total precisely due to rounding.

**Table B.3. Overpayment Amounts in Granted Individual Unemployability Claims**

Claim type	Estimate amount	Margin of error	Lower limit 90% confidence interval	Upper limit 90% confidence interval	One-tailed lower 90%
Grants	\$20,484,021	\$13,702,734	\$6,781,287	\$34,186,755	\$9,822,000

Source: VA OIG analysis.

Note: Projections and confidence intervals may not total precisely due to rounding.

**Table B.4. Total Improper Payments**

Claim type	Estimate amount	Margin of error	Lower limit 90% confidence interval	Upper limit 90% confidence interval	One-tailed lower 90%
Denials	\$81,223,390	\$77,878,125	\$3,345,265	\$159,101,515	\$20,626,854
Grants	\$84,546,453	\$32,564,817	\$51,981,636	\$117,111,270	\$59,207,950
<b>Total</b>	<b>\$165,769,843</b>	<b>\$84,412,497</b>	<b>\$81,357,346</b>	<b>\$250,182,340</b>	<b>\$100,088,948</b>

Source: VA OIG analysis.

Note: Projections and confidence intervals may not total precisely due to rounding.

## Appendix C: Monetary Benefits in Accordance with Inspector General Act Amendments

Recommendations	Explanation of Benefits	Better Use of Funds	Questioned Costs <sup>34</sup>
1–7	The Office of Inspector General (OIG) estimated the Veterans Benefits Administration's individual unemployability claims processing errors resulted in \$100 million in improper payments (underpayments and overpayments) to veterans during the review period covering May 1, 2022, to April 30, 2023.		\$100 million
	<b>Total</b>		<b>\$100 million</b>

Source: VA OIG statistician's analysis.

Note: The term “improper payment” means a payment that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. The term improper payment includes any payment to an ineligible recipient; any payment for an ineligible good or service; any duplicate payment; any payment for a good or service not received, except for those payments where authorized by law; any payment that is not authorized by law; and any payment that does not account for credit or applicable discounts.<sup>35</sup>

<sup>34</sup> The OIG questions costs when VA action or inaction (such as spending or failure to fully compensate eligible beneficiaries) is determined by the OIG to violate a provision of law, regulation, contract, grant, cooperative agreement, or other agreement; are not supported by adequate documentation; or are expended for purposes that are unnecessary or unreasonable under governing authorities. Within questioned costs, the OIG must, as required by section 405 of the IG Act, report unsupported costs. Unsupported costs are those determined by the OIG to lack adequate documentation at the time of the audit. Unsupported costs were not identified during the review.

<sup>35</sup> Executive Office of the President, Transmittal of Appendix C to OMB Circular A-123, “Requirements for Payment Integrity Improvement,” OMB Memo M-21-19, March 5, 2021.

## Appendix D: VA Management Comments

### Department of Veterans Affairs Memorandum

Date: May 31, 2024

From: Under Secretary for Benefits (20)

Subj: OIG Draft Report — VBA Needs to Improve the Accuracy of Decisions for Total Disability Based on Individual Unemployability [Project No. 23-01772-AE-0071] (VIEWS 11656249)

To: Assistant Inspector General for Audits and Evaluations (52)

1. Thank you for the opportunity to review and comment on the OIG draft report: VBA Needs to Improve the Accuracy of Decisions for Total Disability Based on Individual Unemployability. The Veterans Benefits Administration (VBA) provides the attached response to the draft report.

<i>The OIG removed point of contact information prior to publication.</i>
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(Original signed by)

Joshua Jacobs

Attachment

Attachment

**Veterans Benefits Administration (VBA)**

**Comments on OIG Draft Report**

**VBA Needs to Improve the Accuracy of Decisions for Total Disability Based on Individual Unemployability**

**The Veterans Benefits Administration (VBA) concurs with the Office of Inspector General's (OIG) report findings and provides the following comments in response to the recommendations:**

**Recommendation 1:** Update guidance mandating use of an effective date builder for rating veterans service representatives to consider earlier effective dates when granting entitlement to individual unemployability.

**VBA Response:** Concur in principle. Prior to the update of guidance mandating use of an effective date builder for rating veterans service representatives (RVSR), VBA must first develop systems functionality to create a tool that will consider effective dates when granting entitlement to individual unemployability. Once this tool is developed and deployed, VBA will ensure that claims processors receive the appropriate instruction for proper use of the tool. The tool's instructional guidance will be made available on the intranet for claims processors to reference.

Target Completion Date: September 30, 2026

**Recommendation 2:** Develop standardized language and prioritize incorporation into the Veterans Benefits Management System to assist rating veterans service representatives in addressing all required information/elements within an individual unemployability rating narrative.

**VBA Response:** Concur in principle. VBA will submit requirements for a systems enhancement to update the Veterans Benefits Management System (VBMS) to assist RVSRs in addressing all required information/elements within an individual unemployability rating narrative. As discussed with OIG on April 15, 2024, the prioritization and incorporation of the system requirements for this effort are dependent upon agency needs and Congressional inputs which may delay the target completion date. As such, VBA remains fully committed to this effort with the recognition that IT requirements will be prioritized in accordance with agency needs and prior commitments. The target completion date reflects VBA's expected completed submission of requirements for the system enhancements.

Target Completion Date: September 30, 2025

**Recommendation 3:** Establish additional system controls to ensure rating veterans service representatives address competency when individual unemployability has been awarded based solely on a mental condition.

**VBA Response:** Concur in principle. System controls can be leveraged as a tool to guide employees in taking the correct steps, similar to the instructional guidance in the M21-1, Adjudication Procedures Manual. System controls, however, cannot ensure that RVSRs completely address any topic fully, as systems controls may require modifications/bypass on a case-by-case basis. VBA commits to developing requirements to support additional systems enhancements to address competency decisions which are anticipated to be implemented in fiscal year (FY) 2025.

Target Completion Date: September 30, 2025

**Recommendation 4:** Update the Veterans Benefits Administration's procedures manual to ensure consistency among staff and clarify the language needed to satisfy the analysis requirement when granting entitlement to individual unemployability benefits.

**VBA Response:** Concur. VBA will update the M21-1, Adjudication Procedures Manual, to ensure consistency among staff and clarify the language needed to satisfy the analysis requirement when granting entitlement to individual unemployability benefits.

Target Completion Date: September 30, 2024

**Recommendation 5:** Develop practical learning exercises for rating veterans service representatives related to individual unemployability for Virtual and In-Person Progression training.

**VBA Response:** Concur. VBA will develop practical learning exercises for RVSRs related to individual unemployability for Virtual and In-Person Progression training.

Target Completion Date: December 31, 2024

**Recommendation 6:** Require rating veterans service representatives and veterans service representatives to process and demonstrate individual unemployability claim competency on veterans' claims.

**VBA Response:** Concur. VBA is evaluating the process to require RVSRs and veterans service representatives (VSRs) to process and demonstrate individual unemployability competency on claims. VBA will determine the target completion date once a path forward is finalized.

Target Completion Date: TBD

**Recommendation 7:** Evaluate the workload distribution methods for individual unemployability claims to increase claims processing consistency and knowledge retention.

**VBA Response:** Concur. VBA will evaluate the workload distribution methods for individual unemployability claims.

Target Completion Date: July 31, 2024

<p><i>For accessibility, the original format of this appendix has been modified to comply with Section 508 of the Rehabilitation Act of 1973, as amended.</i></p>
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## OIG Contact and Staff Acknowledgments

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<b>Contact</b>	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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<b>Review Team</b>	Steve Bracci, Director KayCee Adams Brandon Allen Spencer Anderson Orlan Braman Michelle Egbert Rob Grooms Todd Wagnild
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<b>Other Contributors</b>	Dan Blodgett Jill Russell Rashiya Washington
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