



US DEPARTMENT OF VETERANS AFFAIRS OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

VETERANS BENEFITS ADMINISTRATION

VBA's Special Monthly Compensation Calculator in the Veterans Benefits Management System for Rating Did Not Always Produce Accurate Results

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Executive Summary

The Veterans Benefits Administration (VBA) provides tax-free monthly compensation payments to veterans in recognition of the effects of disabilities incurred or aggravated during active military service, referred to as service-connected disabilities.¹ Disability ratings for compensation payments range from 0 to 100 percent, in increments of 10 percent.² In addition to these ratings, VBA awards special monthly compensation (SMC) for certain severe disabilities or combinations of disabilities. There are several SMC levels, and they are generally referred to by the letters of the corresponding sections of the law establishing the payment amounts, such as SMC K, L, M, N, and O.³ For example, veterans can receive SMC K (the amount under 38 U.S.C. § 1114(k)) in addition to the compensation for their disability rating if they have an amputation of one foot.

SMC is a difficult topic for claims processors to learn and apply. When this review began, VBA had two versions of an SMC calculator to help claims processors identify the correct SMC level and corresponding codes and paragraphs. The codes determine a veteran's payment rate, and the paragraphs describe the conditions met.⁴ One version of the calculator—referred to as the legacy calculator—is a stand-alone tool on the Compensation Service's intranet site.⁵ Once the SMC level has been calculated, claims processors have to manually enter the codes and paragraphs into the Veterans Benefits Management System for Rating (VBMS-R).⁶ The other version—referred to as the VBMS-R calculator—was built into VBMS-R and allows the codes and paragraphs generated by the calculator to automatically populate the appropriate fields. Representatives with VBA's Office of Business Integration said that the VBMS-R calculator was created to make the process more user-friendly, but VBA kept the legacy calculator because some users preferred its format.

In November 2023, the VA Office of Inspector General (OIG) received an allegation that there were several disability combinations for which the VBMS-R calculator did not generate accurate

¹ 38 U.S.C. §§ 101(13) and 101(16).

² VBA Annual Benefits Report, Fiscal Year 2023, accessed July 26, 2024, <https://www.benefits.va.gov/REPORTS/abr/docs/2023-abr.pdf>; 38 U.S.C. § 1155.

³ 38 U.S.C. §§ 1114(k)–(t).

⁴ The terms “level,” “code,” and “paragraph” used throughout this report relate to SMC.

⁵ The Compensation Service is a VBA central office that guides and supports VBA's claims-processing offices in administering disability compensation benefits and services.

⁶ The Veterans Benefits Management System 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 this application. Rating decisions—documents detailing the formal determination made regarding benefit entitlement—are completed using VBMS-R, which incorporates the latest format, includes tools to help ensure sufficiency, and transfers disability and entitlement data into the corporate database.

results, and these errors could result in veterans being underpaid. The OIG conducted this review to assess whether the VBMS-R calculator was producing inaccurate results as alleged.⁷

What the Review Found

The review team substantiated that the VBMS-R calculator did not generate accurate results for the disability scenarios listed in the allegation or for several others the team identified.⁸ The errors in the VBMS-R calculator involved a wide range of disability combinations and SMC levels. Although the allegation was specific to the VBMS-R calculator, the review team also assessed these scenarios in the legacy calculator and found it generated accurate results in each case.

For some errors, the VBMS-R calculator produced the wrong codes, which would cause incorrect payments—most of which would be underpayments—if claims processors relied on them. The amount of the incorrect payments would depend on the unique facts of each case; however, the review team found errors that would result in monthly underpayments from \$132.74 to \$4,170.59, as well as monthly overpayments of \$373.18.⁹ Additionally, in some instances, the VBMS-R calculator generated an alert message that the request failed rather than produce SMC results. In these cases, the claims processor would have had to find another way to process the SMC. In October 2024, VBA notified claims processors to use only the legacy calculator. The VBMS-R calculator was disabled while corrective actions continued, and it was still inactive as of February 2025.

VBA agreed with the errors identified in this review; however, officials from VBA and VA's Office of Information and Technology (OIT) could not determine the cause of the errors or how long they had been occurring.¹⁰ An OIT program manager with the compensation and pension product line said the SMC rules for the VBMS-R calculator were converted to a new version in 2023, and the old version of the rules was no longer available for comparison. Therefore, he could not say when the defects were introduced.

⁷ For information on the review's scope and methodology, see appendix A.

⁸ These disability scenarios were not based on specific veterans' claims but could exist in actual claims.

⁹ Payment information throughout this report is based on the payment rates effective December 1, 2023, for a veteran with no dependents.

¹⁰ VBA and OIT worked together with contractors to build the VBMS-R calculator.

What the OIG Recommended

The OIG recommended that the under secretary for benefits ensure all erroneous scenarios in the VBMS-R calculator identified in this review are corrected and establish a plan to conduct additional testing of the tool to ensure its accuracy.¹¹

VA Management Comments and OIG Response

The acting under secretary for benefits concurred with both recommendations and provided responsive action plans. The OIG will monitor VBA's progress and implementation of both recommendations until all proposed actions are completed. The acting under secretary also provided a technical comment, and the OIG modified the report to clarify an individual's job title in response. The full text of the acting under secretary's comments is in appendix B.



LARRY M. REINKEMEYER
Assistant Inspector General
for Audits and Evaluations

¹¹ The recommendations addressed to the under secretary for benefits are directed to anyone in an acting status or performing the delegable duties of the position.

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Abbreviations

| | |
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| OIG | Office of Inspector General |
| OIT | Office of Information and Technology |
| SMC | special monthly compensation |
| VBA | Veterans Benefits Administration |
| VBMS-R | Veterans Benefits Management System for Rating |



Introduction

As part of its disability compensation program, the Veterans Benefits Administration (VBA) awards payments called special monthly compensation (SMC) for certain severe disabilities or combinations of disabilities. Claims processors use a tool known as an SMC calculator to help them decide claims involving these payments. When this review began, there were two versions of the SMC calculator. The first version was on the Compensation Service's intranet site.¹² The second version was built into the Veterans Benefits Management System for Rating (VBMS-R).¹³

In November 2023, the VA Office of Inspector General (OIG) received an allegation that there were instances when the SMC calculator in VBMS-R did not generate accurate results. The allegation identified several disability combinations for which the SMC calculator in VBMS-R assigned incorrect SMC levels that would result in underpayments to veterans or gave an error message. The VA OIG conducted this review to assess whether the SMC calculator in VBMS-R was producing inaccurate results as alleged.

VA Disability Compensation and SMC

VBA provides tax-free monthly compensation payments to veterans in recognition of the effects of disabilities incurred or aggravated during active military service, referred to as service-connected disabilities.¹⁴ Disability ratings for compensation payments range from 0 to 100 percent, in increments of 10 percent.¹⁵ In addition to compensation for these ratings, VBA awards SMC for certain severe disabilities. There are several SMC levels, and they are generally referred to by the letters of the corresponding sections of the law establishing the payment amounts.¹⁶ For example, veterans can receive SMC K (the amount under 38 U.S.C. § 1114(k)) if they have an amputation of one foot. The law also includes levels between SMC L, M, N, and O, known as SMC L $\frac{1}{2}$, M $\frac{1}{2}$, and N $\frac{1}{2}$. SMC levels L and higher require one or more of the following:

¹² The Compensation Service is a VBA central office that guides and supports VBA's claims-processing offices in administering disability compensation benefits and services.

¹³ The Veterans Benefits Management System 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 this application. Rating decisions—documents detailing the formal determination made regarding benefit entitlement—are completed using VBMS-R, which incorporates the latest format, includes tools to help ensure sufficiency, and transfers disability and entitlement data into the corporate database.

¹⁴ 38 U.S.C. §§ 101(13) and 101(16).

¹⁵ VBA Annual Benefits Report, Fiscal Year 2023, accessed July 26, 2024, <https://www.benefits.va.gov/REPORTS/abr/docs/2023-abr.pdf>; 38 U.S.C. § 1155.

¹⁶ 38 U.S.C. §§ 1114(k)–(t).

- Disabilities that leave the veteran bedridden or in need of aid and attendance¹⁷
- Loss of or loss of use of two extremities¹⁸
- Blindness of both eyes¹⁹

This review involved SMC levels L to SMC O + R2, the highest SMC level, shown in figure 1.²⁰

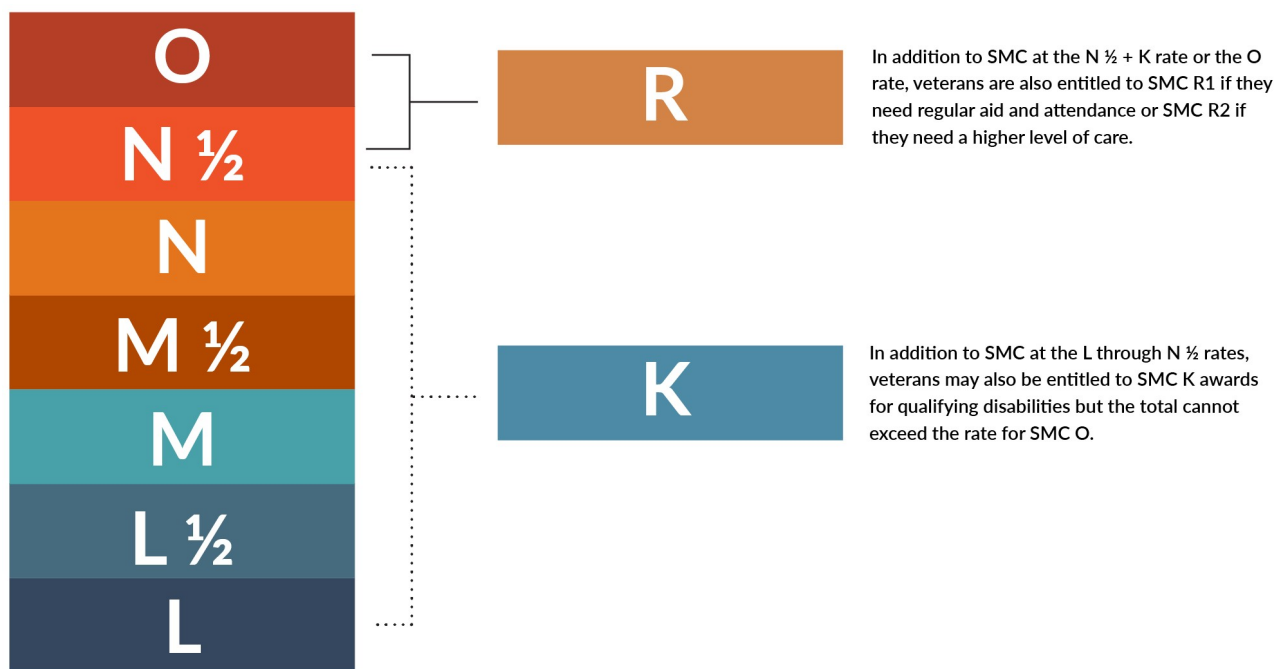


Figure 1. Hierarchy of SMC levels from L through O + R2.

Source: VA OIG presentation of SMC levels under 38 C.F.R. § 3.350.

Note: Figure 1 summarizes the SMC levels involved in this review but is not all-inclusive.

¹⁷ Generally, regular aid and attendance is warranted if a veteran requires the help of another person to perform everyday functions, such as dressing, bathing, and eating. In some cases, a higher SMC level can be granted if a veteran needs a higher level of care. This involves the need for personal healthcare services, such as physical therapy, administration of injections, placement of indwelling catheters, and the changing of sterile dressings, provided daily in a veteran's home by a person who is licensed to provide such services or who provides such services under the regular supervision of a licensed healthcare professional. 38 C.F.R. § 3.352 (2024).

¹⁸ Unless otherwise noted, the term "extremity" used throughout this report refers to an arm or a leg. For loss of or loss of use of two extremities, different SMC levels are warranted depending on whether the losses are at the hand, elbow, or shoulder for the arm or at the foot, knee, or hip for the leg.

¹⁹ For blindness of both eyes, different SMC levels are warranted for 5/200 vision, having only light perception, or having no light perception or loss of the eye. Vision of 5/200 means a veteran would have to be five feet away to see something as clearly as someone with normal vision could from 200 feet away. Having only light perception means a veteran is unable to recognize test letters at one foot and cannot perceive objects, hand movements, or counting fingers at three feet.

²⁰ Payment information throughout this report is based on the payment rates effective December 1, 2023, for a veteran with no dependents. The monthly payment amount for SMC L was \$4,651.06, and the monthly payment amount for SMC O + R2 was \$10,697.23.

Processing SMC

SMC is a difficult topic for claims processors to learn and apply. A veteran may claim SMC, but claims processors also must grant SMC when the disabilities establish entitlement, even if not expressly claimed.²¹ For example, a veteran may claim an increased evaluation for a disability but not expressly claim SMC. If the disability meets the criteria for SMC, the claims processor must grant the additional benefit.

Once claims processors identify disabilities that qualify for SMC, they determine the total SMC level warranted, as well as the SMC codes and paragraphs that must be entered into VBMS-R. Claims processors enter two SMC codes into VBMS-R that determine the amount of benefits to be paid depending on a veteran's hospitalization status.²² The first code, referred to as the basic code, represents the total SMC level granted. The second code, referred to as the hospital code, represents the SMC level warranted when the veteran is hospitalized at VA expense for an extended period.²³ Finally, claims processors enter one or more SMC paragraphs that describe the conditions met.²⁴

VBA's SMC Calculator

To help claims processors with these difficult claims, VBA has a tool known as the SMC calculator. When claims processors identify disabilities meeting the criteria for SMC, they enter those disabilities into the SMC calculator. The SMC calculator then determines the total SMC level and corresponding codes and paragraphs described above. Claims processors are required to use the tool and upload a copy of the results into a veteran's claims folder.²⁵

When this review began, there were two versions of the SMC calculator, and claims processors could use either one. The first version, referred to as the legacy calculator, was released in 2011. It is a stand-alone calculator on the Compensation Service's intranet site. Claims processors must manually enter the codes and paragraphs generated by the calculator into the appropriate VBMS-R fields. The second version, referred to as the VBMS-R calculator, was built into VBMS-R. This allows the codes and paragraphs generated by the calculator to be automatically added to the appropriate fields.

²¹ VA Manual 21-1, "Determining the Issues," in sec. V.ii.3.A, *Adjudication Procedures Manual* (updated February 12, 2024).

²² These SMC codes are unique numbers that correspond to specific SMC levels.

²³ SMC based on the need for aid and attendance is generally discontinued if a veteran is hospitalized at VA expense for an extended period and the veteran's SMC benefits are reduced to a lower level. 38 C.F.R. § 3.552 (2024).

²⁴ The terms "level," "code," and "paragraph" used throughout this report relate to SMC.

²⁵ VA Manual 21-1, "Mandatory Use of the SMC Calculator," in sec. VIII.iv.4.A, *Adjudication Procedures Manual* (updated February 28, 2024), topic 1.h.

Representatives with VBA's Office of Business Integration said the VBMS-R calculator was created to make the process more user-friendly.²⁶ VBA, VA's Office of Information and Technology (OIT), and contractors worked together to build the VBMS-R calculator. Although VBA and OIT representatives were unable to confirm exactly when the VBMS-R calculator was released, a supervisory program manager with the Office of Business Integration said the first documented release was in 2017. The two calculators are programmed differently and look different; however, the supervisory program manager confirmed they should produce the same results. He also said VBA kept the legacy calculator because some users preferred its format.

In October 2024, VBA notified claims processors to use only the legacy calculator and disabled the VBMS-R calculator.

²⁶ According to VA's Functional Organization Manual, the "Office of Business Integration (OBI) enables effective investment decisions of VBA business systems by providing VBA decisionmakers with comprehensive, integrated business capabilities which enable faster and more efficient delivery of benefits. OBI also provides implementation and integration services to deliver business capabilities and collaborate with OIT [Office of Information and Technology] as an advocate for VBA." VA Office of Enterprise Integration, Functional Organization Manual, ver. 8, vol. 1, 2023 (updated June 2024), p. 62.

Results and Recommendations

Finding: The VBMS-R Calculator Did Not Always Produce Accurate Results

The OIG substantiated the allegation and found that the VBMS-R calculator produced inaccurate SMC levels and corresponding codes and paragraphs for a variety of disability combinations. In some instances, veterans could receive incorrect monthly benefits payments—most of which would be underpayments—if claims processors relied on the incorrect results. In other instances, the VBMS-R calculator did not produce results but instead generated an alert message that the request had failed. In these cases, the claims processor would have to identify alternate means to process the SMC. Meanwhile, the OIG found that the legacy calculator had accurate results.

VBA and OIT officials could not determine the cause of the VBMS-R calculator errors or how long they had been occurring. An OIT program manager with the compensation and pension product line could not say when the defects were introduced since the SMC rules built into the VBMS-R calculator were converted to a new version in 2023, and the old version of the rules was no longer available for comparison.

The finding is based on the following determinations:

- The VBMS-R calculator did not produce accurate results for a variety of disabilities and levels.
- Overreliance on the VBMS-R calculator could have resulted in incorrect monthly benefits payments.
- VBA and OIT officials could not determine the cause of the inaccuracies or how long they had been in effect.

What the OIG Did

The OIG team conducted this review to assess whether the VBMS-R calculator was producing inaccurate results as alleged. Given the large number of possible disability combinations that could establish entitlement to SMC and numerous changes to SMC eligibility over time, it was not feasible for the OIG team to assess all possible disability combinations for all effective dates.²⁷

Therefore, the OIG team reviewed the disability combinations listed in the allegation as well as other combinations that were judgmentally selected. The disability combinations were not based

²⁷ SMC entitlement has evolved over several decades as new levels were created or new eligibility requirements were added, and the last update to the law took effect in October 2011. VA Manual 21-1, “History of Special Monthly Compensation,” in sec. VIII.iv.4.B, *Adjudication Procedures Manual* (updated July 29, 2021).

on specific veterans' claims; however, they represented potential scenarios that could exist in actual claims. For each disability combination reviewed, the team compared the codes and paragraphs from the VBMS-R calculator to what should have been generated and to the results from the legacy calculator. The team focused on current SMC eligibility requirements and did not assess previous requirements.

As a result, the team did not identify all scenarios where the VBMS-R calculator might have produced incorrect results and this review does not represent the overall accuracy of the VBMS-R calculator.²⁸ Appendix A provides additional details on what the review team did.

The VBMS-R Calculator Did Not Produce Accurate Results for a Variety of Disabilities and Levels

The VBMS-R calculator did not generate the correct levels with the corresponding codes and paragraphs for the disability scenarios included in the allegation or for several others identified by the OIG team. Some of the errors happened only with specific disability combinations, while others occurred with multiple disability combinations. These errors involved a wide range of disabilities and included

- disabilities that leave a veteran in need of aid and attendance,
- loss of or loss of use of two or more extremities,
- blindness of both eyes,
- additional disabilities that qualified for increased levels, and
- various combinations of the factors listed above.

The errors in the VBMS-R calculator involved disabilities that warranted levels from SMC L to SMC O + R2, the highest SMC payment. VBA concurred with all the errors identified in this review and concurred that the legacy calculator generated accurate results in each case. In October 2024, VBA issued a notice that claims processors should discontinue the use of the VBMS-R calculator and use only the legacy calculator. The tool was disabled in VBMS-R while corrective actions continued, and it was still inactive as of February 2025.

The OIG's first recommendation is that VBA ensure all erroneous scenarios in the VBMS-R calculator identified in this review are corrected.

²⁸ Since this review's objective was to assess whether the VBMS-R calculator was producing inaccurate results as alleged, the review team did not identify veterans who might have been affected by the errors. Furthermore, each disability combination that produced incorrect results in the VBMS-R calculator would involve a different group of veterans. Finally, the OIG team could not tell which version of the SMC calculator was used in any given case without reviewing individual claims folders.

Overreliance on the VBMS-R Calculator Could Have Resulted in Incorrect Monthly Benefits Payments

For some errors, the VBMS-R calculator produced the wrong codes. One of the incorrect codes would cause overpayments, and the others would cause underpayments. The amount of the incorrect payments would depend on the specific disabilities entered and whether the veteran was being paid based on the basic code or hospital code.²⁹ The OIG team found errors that would result in overpayments of \$373.18 per month and underpayments ranging from \$132.74 to \$4,170.59 per month. Example 1 describes a combination of disabilities identified by the OIG team that produced incorrect results when entered into the VBMS-R calculator.

Example 1

A veteran with 5/200 vision in the left eye and only light perception in the right eye is entitled to SMC L ½.³⁰ However, when these disabilities were entered into the VBMS-R calculator, it stated no SMC was warranted, which would underpay the veteran by \$1,153.65 per month.

For other errors, the VBMS-R calculator did not produce results at all. Instead, it generated an alert message that the request failed for an unknown reason, directing the claims processor to try again or contact the Veterans Benefits Management System service desk. As a result, the claims processor would have had to find another way to process the SMC. Example 2 describes a combination of disabilities identified in the allegation that resulted in the alert when entered into the VBMS-R calculator.

Example 2

A veteran with loss of the use of both feet and one hand is entitled to SMC M + K.³¹ However, when these disabilities were entered into the VBMS-R calculator, it generated an alert that the request failed.

Three factors prevented the OIG team from determining how often claims processors relied on the VBMS-R calculator and made incorrect decisions. First, even if the VBMS-R calculator generated incorrect results, claims processors could have prevented an incorrect decision if they attempted to verify the results and identified the error on their own. Second, decisions involving SMC at a level higher than SMC L must be signed by an additional reviewer, affording another

²⁹ The basic code represents the total SMC level granted, and the hospital code represents the SMC level warranted if a veteran is hospitalized at VA expense for an extended period. Together, these codes determine the amount of benefits to be paid depending on the veteran's hospitalization status.

³⁰ 38 C.F.R. § 3.350(f)(2)(i) (2024).

³¹ 38 C.F.R. §§ 3.350(a), (b), (f)(3), and (f)(5) (2024); 38 C.F.R. § 4.71a, diagnostic code 5125 (2024); and VA Manual 21-1, "Considering Loss or Loss of Use of Three Extremities," in sec. VIII.iv.4.A, *Adjudication Procedures Manual* (updated February 28, 2024), topic 7.a.

opportunity to identify the errors for most of the scenarios in this review. Third, claims processors also had the option to use the legacy calculator, and the OIG team did not identify any errors in that version.

VBA and OIT Officials Could Not Determine the Cause of the Inaccuracies or How Long They Had Been in Effect

VBA officials told the review team they did not have the information to determine the cause of the VBMS-R calculator errors identified in this review or to identify how long the errors had been occurring. An OIT program manager with the compensation and pension product line also could not determine the cause of the errors or how long they had been in place. He said the SMC rules built into the VBMS-R calculator were converted to a new version in 2023. Since the old version of the rules was no longer available for comparison, he could not say when the defects were introduced. Given the limited scope of this review, VBA should take additional steps to ensure the overall accuracy of the VBMS-R calculator.

The OIG's second recommendation is for VBA to establish a plan to conduct additional testing of the VBMS-R calculator to ensure its accuracy.

Conclusion

VBA's SMC calculator is an important tool intended to help claims processors make accurate decisions on complex claims for severely disabled veterans, and the VBMS-R version offers additional functionality that can make it more user-friendly than the legacy version. However, it is critical that the VBMS-R calculator function properly and produce accurate results. By fixing the errors identified in this review and conducting additional testing to confirm the accuracy of the VBMS-R calculator, VBA can ensure it serves its intended purpose and veterans receive all benefits to which they are entitled.

Recommendations 1–2

The OIG made the following recommendations to the under secretary for benefits:³²

1. Ensure all erroneous scenarios in the Veterans Benefits Management System for Rating special monthly compensation calculator identified in this review are corrected and certify the results to the VA Office of Inspector General.
2. Establish a plan to conduct additional testing of the Veterans Benefits Management System for Rating special monthly compensation calculator to ensure its accuracy.

³² The recommendations addressed to the under secretary for benefits are directed to anyone in an acting status or performing the delegable duties of the position.

VA Management Comments

The acting under secretary for benefits concurred with both recommendations.

For recommendation 1, the acting under secretary reported that VBA had completed initial testing of the identified defects. VBA also initiated field testing to confirm that OIT had addressed all erroneous scenarios identified during this review, and VBA will certify the results of that testing to the OIG. Meanwhile, VBA disabled the VBMS-R calculator to avoid the system suggesting inaccurate results. VBA provided a target completion date of July 31, 2025.

For recommendation 2, the acting under secretary reported that VBA was partnering with OIT to develop a robust testing plan for the VBMS-R calculator to ensure accurate results. VBA provided a target completion date of July 31, 2025.

Finally, the acting under secretary provided a technical comment asking the OIG to adjust the report to clarify the job title of an individual from OIT. See appendix B for the full text of the acting under secretary's comments.

OIG Response

The acting under secretary provided responsive action plans for both recommendations. The OIG will monitor VBA's progress and follow up on implementation of both recommendations until all proposed actions are completed. After further discussions with OIT representatives regarding the technical comment provided by VBA, the OIG modified the individual's job title to clarify he was not OIT's only program manager with the compensation and pension product line.

Appendix A: Scope and Methodology

Scope

The review team conducted its work from March 2024 through April 2025. The review covered the special monthly compensation (SMC) calculator in the Veterans Benefits Management System for Rating (VBMS-R) available to claims processors as of February 15, 2024, the date the team formally notified the Veterans Benefits Administration (VBA) of the review. The review focused on the SMC codes that determine veterans' payment rates and SMC paragraphs generated by the tool based on the law and regulations in effect on that date.³³

Methodology

To accomplish the review objective, the team considered applicable laws, regulations, and procedures related to SMC. The team also interviewed and obtained information from employees with VA's Office of Information and Technology and employees with VBA, including the Office of Business Integration.

The team reviewed the disability combinations listed in the allegation as well as other disability combinations that were judgmentally selected. The disability combinations were not based on specific veterans' claims; however, they represented scenarios that could exist in actual claims.³⁴ For each disability combination, the team compared the SMC codes and paragraphs from the VBMS-R calculator to what should have been generated and to the results from the legacy calculator.

Scope Limitations

Given the large number of possible disability combinations that could establish entitlement to SMC, it was not feasible for the team to assess all possible disability combinations. As a result, the team did not identify all scenarios where the VBMS-R calculator might have produced incorrect results, and this review does not represent the overall accuracy of the VBMS-R calculator.

³³ SMC entitlement has evolved over several decades as new levels were created or new eligibility requirements were added, and the last update to the law took effect October 2011. VA Manual 21-1, "History of Special Monthly Compensation," in sec. VIII.iv.4.B, *Adjudication Procedures Manual* (updated July 29, 2021).

³⁴ The review team did not identify veterans who might have been affected by the errors in the VBMS-R calculator since each disability combination that produced incorrect results would involve a different group of veterans. Also, the team could not tell which version of the SMC calculator was used in any given case without reviewing individual claims folders.

Internal Controls

The review team assessed the internal controls of VA and VBA significant to the review objective. This included an assessment of the five internal control components: control environment, risk assessment, control activities, information and communication, and monitoring.³⁵ In addition, the team reviewed the principles of internal controls as associated with the objective. The team identified two components and two principles as significant to the objective.³⁶ The team identified internal control weaknesses during this review and proposed recommendations to address the following control deficiencies:

- Component: Risk Assessment
 - Principle 7: Management should identify, analyze, and respond to risks related to achieving the defined objectives.
- Component: Control Activities
 - Principle 11: Management should design the entity's information system and related control activities to achieve objectives and respond to risks.

Data Reliability

The VA Office of Inspector General (OIG) did not obtain electronic data that required a data reliability assessment.

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*.

³⁵ Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014.

³⁶ Since the review was limited to the internal control components and underlying principles identified, it might not have disclosed all internal control deficiencies that could have existed at the time of this review.

Appendix B: VA Management Comments

Department of Veterans Affairs Memorandum

Date: April 29, 2025

From: Acting Under Secretary for Benefits (20)

Subj: Office of Inspector General (OIG) Draft Report - VBA's Special Monthly Compensation Calculator in the Veterans Benefits Management System for Rating Did Not Always Produce Accurate Results [Project No. 2024-01083-AE-0041] — [VIEWS 12980916]

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's Special Monthly Compensation Calculator in the Veterans Benefits Management System for Rating Did Not Always Produce Accurate Results.

2. The Veterans Benefits Administration (VBA) concurs with the report findings and recommendations and is developing a plan to implement the recommendations. This report highlights an opportunity for VBA to strengthen its processes on this topic.

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|---|
| <i>The OIG removed point of contact information prior to publication.</i> |
|---|

(Original signed by)

Michael J. Frueh

Attachment

Attachment

Veterans Benefits Administration (VBA)

Comments on OIG Draft Report

**VBA's Special Monthly Compensation Calculator in the Veterans Benefits Management System for
Rating Did Not Always Produce Accurate Results [Project No. 2024-01083-AE-0041]**

VBA concurs with OIG's draft report findings and provides the following technical comment:

The report uses an incorrect job title for one of the individuals. While the individual's official position title was IT Program Manager, listing him as the "compensation and pension product line program manager" is incorrect. It would be clearer to reference him as the "compensation and pension product line intake manager." References to his inaccurate job title that should be corrected can be found on:

1. Page ii, paragraph 4, 2nd sentence: "The compensation and pension product line program manager..."
2. Page 5, paragraph 2, 2nd sentence: "The compensation and pension product line program manager with OIT..."
3. Page 8, paragraph 2, 3rd sentence: "However, the compensation and pension product line program manager with OIT..."

VBA provides the following comments in response to the recommendations in the OIG draft report:

Recommendation 1: Ensure all erroneous scenarios in the Veterans Benefits Management System for Rating special monthly compensation calculator identified in this review are corrected and certify the results to the VA Office of Inspector General.

VBA Response: Concur. VBA's Office of Business Integration (OBI) completed initial testing of the identified defects and initiated field testing to confirm the VA Office of Information Technology (OIT) fix addressed all the erroneous scenarios identified during this review. VBA will certify the results to the OIG by July 31, 2025. In the interim, VBA has disabled the Veterans Benefits Management System for Rating (VBMS-R) special monthly compensation (SMC) calculator to avoid the system suggesting inaccurate results.

Target Completion Date: July 31, 2025

Recommendation 2: Establish a plan to conduct additional testing of the Veterans Benefits Management System for Rating special monthly compensation calculator to ensure its accuracy.

VBA Response: Concur. OBI is partnering with OIT to develop a robust testing plan for the VBMS-R SMC calculator to ensure accurate results and expects to provide the approved document by July 31, 2025.

Target Completion Date: July 31, 2025

*For accessibility, the original format of this appendix has been modified
to comply with Section 508 of the Rehabilitation Act of 1973, as amended.*

OIG Contact and Staff Acknowledgments

| | |
|----------------|--|
| Contact | For more information about this report, please contact the Office of Inspector General at (202) 461-4720. |
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