



DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

VETERANS BENEFITS ADMINISTRATION

Veterans Received
Inaccurate Disability Benefit
Payments After Reserve or
National Guard Drill Pay
Adjustments

REVIEW

REPORT #18-05738-56

FEBRUARY 11, 2020



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Executive Summary

The VA Office of Inspector General (OIG) conducted this review to determine whether disability benefit adjustments were accurately calculated for eligible veterans who continued to serve in the Reserve or National Guard following their discharge from active military service. Veterans who become disabled as the result of a disease or injury incurred or aggravated during active military service can apply for and receive a tax-free monetary benefit as compensation. However, 38 U.S.C. § 5304(c) prohibits these veterans from receiving both disability benefits and military pay.¹ Military pay consists of two types: active duty pay, and military training pay.² Military training pay is the monetary benefit a veteran serving in the Reserve or National Guard receives for performing military training. Veterans Benefits Administration (VBA) policy allows veterans who receive disability benefits and military training pay in the same fiscal year to choose the benefit they prefer and waive the other.³ In contrast, veterans do not have a choice between active duty pay and disability benefits because disability benefits are suspended during time on active duty.⁴ Table 1 illustrates the types of military pay veterans may receive.

Table 1. Types of Military Pay Veterans May Receive

Name	Description	Recipient	VBA pay category
Active duty pay	Payment for full-time military duty	Veterans who are serving full-time active military duty Veterans who are Reserve members serving full-time duty for operational or support purposes Veterans who are National Guard members providing full-time support to a unit under federal activation	Military pay
Military training pay	Payment for annual and monthly training	Veterans who are Reserve or National Guard members	Military pay

Source: VA Manual 21-1, part 3, sub. 5, chap. 4, sec. C, topic 1.a, “Definition: Drill Pay,” September 7, 2018; 38 CFR §§ 3.6,3.654

¹ 38 U.S.C. § 5304(c).

² VA Manual 21-1, part 3, sub. 5, chap. 4, sec. C, topic 1.a, “Definition: Drill Pay,” September 7, 2018.

³ VA Manual 21-1, part 3, sub. 5, chap. 4, sec. C, topic 1.b, “Prohibition Against Concurrent Receipt of Drill Pay and VA Benefits,” September 7, 2018. The OIG has cited the manual in effect at the time of the review. The version of the manual as of July 17, 2019, reflects updates made on June 18, 2019, and may be found at https://www.knowva.ebenefits.va.gov/system/templates/selfservice/va_ssnew/help/customer/locale/enUS/portal/55440000001018/content/55440000014246/M211PartIIISubpartvChapter4SectionCAjustingDepartmentofVeteransAffairsVABenefitsBasedonaVeteransReceiptofActiveServicePay.

⁴ The scope of this review includes drill pay adjustments, not the separate process for adjusting for active duty.

When choosing between military training pay and disability benefits, most Reserve and National Guard members choose to receive military training pay because it is typically more than the disability benefits. After each fiscal year, the Department of Defense (DOD) notifies VBA of veterans who received VA disability benefits and military pay (which includes both active duty pay and military training pay) during the same fiscal year. VBA is required to offset the disability benefits to account for the days the veterans received military training pay. VBA refers to these disability benefit adjustments as “drill pay adjustments.”

On June 24, 2016, VBA began an automated process to complete disability benefit adjustments for drill pay in a timelier manner in response to a prior OIG report.⁵ As Figure 1 illustrates, although most disability benefit adjustments are completed through the automated process, some cases are excluded from the automated process and completed manually.

⁵ VA Office of Inspector General, *Audit of the Management of Concurrent VA and Military Drill Pay Compensation*, 13-02129-177, June 3, 2014.

Veterans Received Inaccurate Disability Benefit Payments
After Reserve or National Guard Drill Pay Adjustments

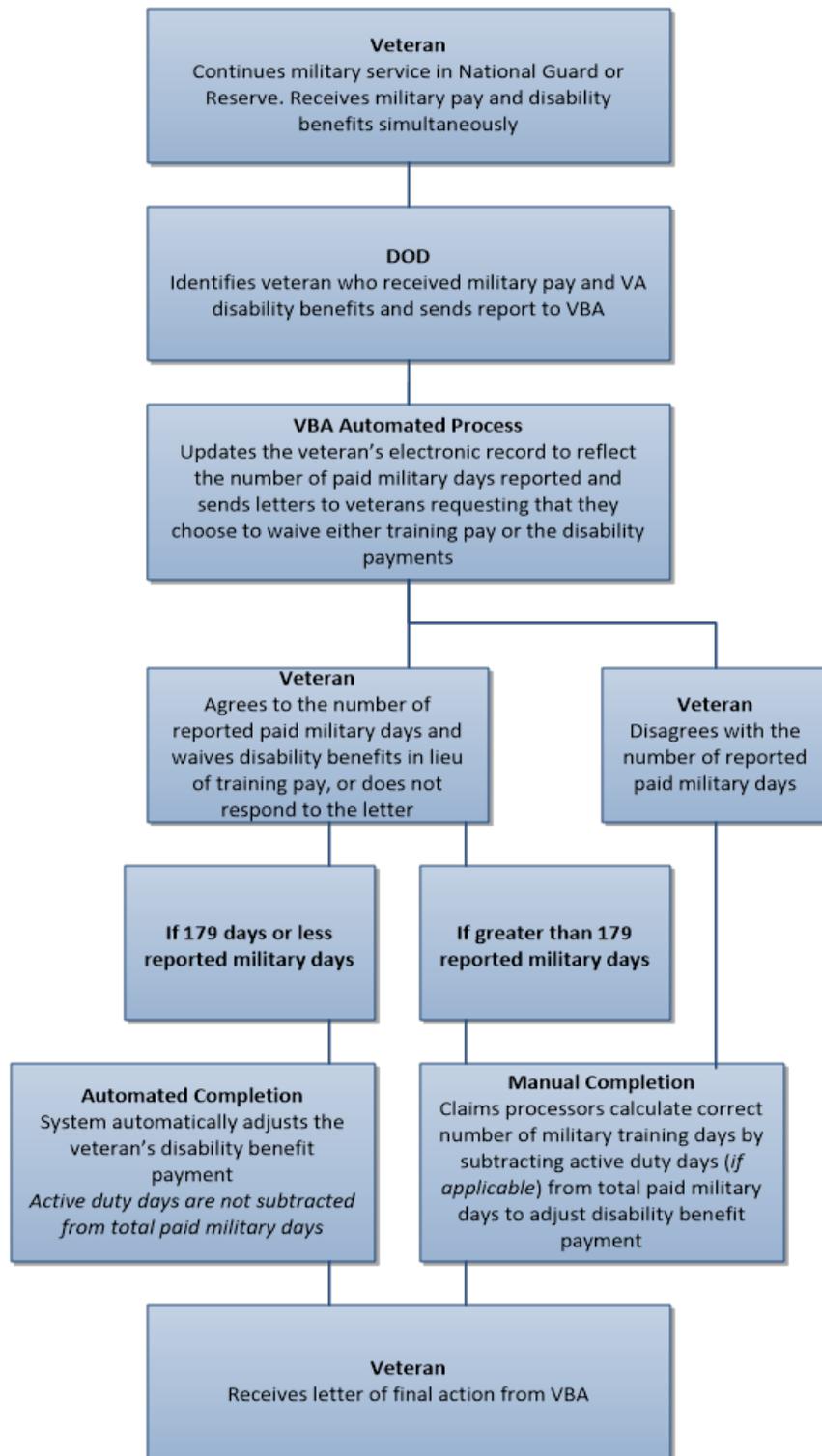


Figure 1. VA OIG’s presentation of the automated disability benefit adjustment process on September 7, 2018
Source: VA Manual 21-1, part 3, sub. 5, chap. 4, sec. C., “Adjusting Department of Veterans Affairs (VA) Benefits Based on a Veteran’s Receipt of Active Service Pay,” September 7, 2018

VBA reported more than 102,000 veterans in fiscal year (FY) 2016—the most recent data available for review at the time the OIG was conducting its analysis—may have required disability benefit adjustments because they received military training pay while continuing to receive their disability benefits. This was an approximately 9 percent increase in the number of veterans compared with FY 2015. VBA also reported it created drill pay adjustment cases for approximately 122,000 veterans for FY 2017.⁶ This represented an approximately 19 percent increase over FY 2016. The OIG found inaccurate disability benefit adjustments and initiated this review due to the high risk of additional inaccurate disability benefit payments to veterans.

What the Review Found

The review team estimated there were approximately 97,800 automatically and manually processed final disability benefit adjustments based on automated proposals (letters generated for veterans to confirm the correct number of training days used to reduce training pay from disability pay) completed from May 10, 2017, through July 31, 2018, for military pay received in FY 2016. Of those, VBA inaccurately processed about 10,400 adjustments resulting in an estimated \$14.2 million in improper payments (about an 11 percent error rate). Improper payments consist of both overpayments and underpayments. Generally, overpayments occur when VBA does not fully account for all military training days to accurately reduce a veteran's disability benefits compensation. Conversely, underpayments occur when VBA reduces a veteran's disability benefits compensation using too many training days. The \$14.2 million in improper payments included about \$11.8 million from an estimated 8,700 inaccurate benefit adjustments that were automatically completed. The remaining \$2.5 million relate to an estimated 1,700 inaccurate benefit adjustments that were manually completed.⁷ If VBA continues to make errors at the rate identified, VBA would process an estimated \$71.1 million in improper disability benefit payments for drill pay adjustments for FY 2017 through FY 2021. However, if VBA implements the review team's recommendations, it could improve the accuracy of these adjustments and reduce payment errors.

The DOD reports to VBA the total days the veteran received military pay but does not separate active duty and military training days in its report. It is important that VBA subtracts the active duty days from the total military days to ensure veterans do not receive improper disability benefit payments after returning to Reserve or National Guard status. Adjustments for active duty days are a separate process and are not a part of the automated drill pay adjustment process.⁸ For this reason, drill pay adjustments that could potentially contain both active duty and

⁶ *Compensation Service Bulletin*, January 2019.

⁷ Projections do not total precisely due to rounding.

⁸ VA Manual 21-1, part 3, chap. 4, sec. C, topic 7.a, "Relinquishment of Benefits Upon Return to Active Duty," September 7, 2018.

military training pay must be manually processed to ensure the accuracy of disability benefit payments.

VBA removes drill pay adjustments from the automated process for manual processing in certain circumstances, such as when the military days paid exceed 179. According to VBA's Adjudication Procedures Manual (the manual), military pay for more than 179 days could indicate the veteran may have returned to active duty for a period of time. VBA's Compensation Service staff stated that the 179-day benchmark has been in the manual for decades but did not know its origin. The review team found that there were instances of veterans having 179 days or less of reported military pay that should also require manual processing—as when there is also any reported active duty time. However, the automated system for disability benefit adjustments was not programmed to exclude veterans' cases that met this criteria, in turn causing errors in adjustments when veterans were receiving both military training pay and active duty pay in that period. Figure 2 illustrates FY 2016 disability benefit adjustment errors and improper payments.

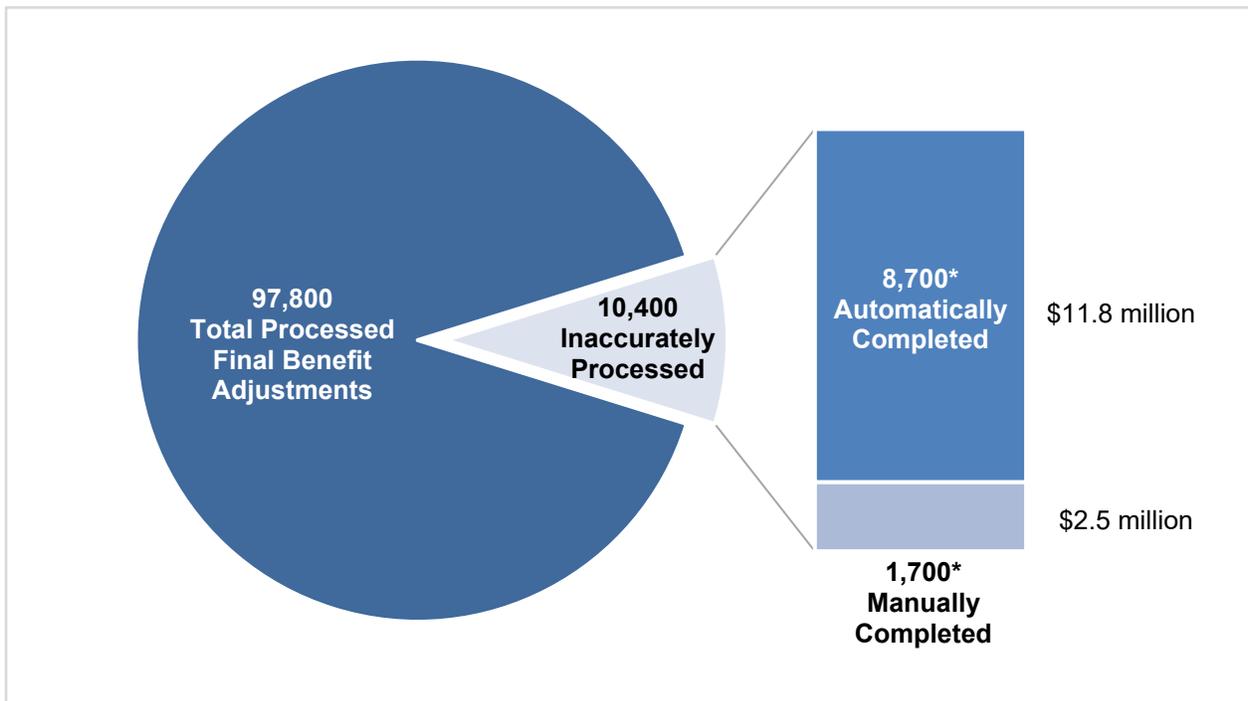


Figure 2. FY 2016 final disability benefit adjustments based on automated proposals

Estimates do not total precisely due to rounding

Source: VA OIG presentation of FY 2016 final disability benefit adjustments based on automated proposals, estimated errors, and estimated improper payments

VBA's Compensation Service staff, who are responsible for establishing the business rules for the automated drill pay adjustment process, told the review team they did not know that veterans with fewer than 179 military pay days may also have had active duty periods. Some errors occurred because VBA staff were not familiar with the procedures for removing cases from the

automated system. Errors also went undetected because Compensation Service staff did not perform quality reviews of drill pay adjustments completed automatically by the system.

The review team determined inaccurate manual disability benefit adjustments occurred because training related to the adjustments was inadequate, consisting of a summary of VBA procedures and references. This summary did not provide detailed instructions or exercises that allowed VBA employees to learn and gain a clear understanding of how to complete disability benefit adjustments.

What the OIG Recommended

The OIG recommended the under secretary for benefits conduct a review of automatically and manually completed FY 2016 drill pay adjustments that involved active duty military periods during that fiscal year, and take corrective action as necessary. In addition, the OIG recommended the under secretary conduct a review of automatically and manually completed FY 2016 drill pay adjustments that involved a response to the drill pay proposal letter, and take corrective actions as necessary. Further, the OIG recommended the under secretary remind Intake Processing Center staff of their responsibilities for processing responses to drill pay proposal letters, including the appropriate actions to take when a response is received from a veteran disagreeing with the proposal, and implement a plan to ensure compliance. The OIG also recommended the under secretary implement a plan to provide detailed training for VBA staff who process drill pay adjustments and monitor the effectiveness of the training.

Management Comments

The under secretary for benefits concurred with Recommendations 1, 3, and 4, and concurred in principle with Recommendation 2. VBA noted that for Recommendation 2, it cannot, with certainty, determine if VBA “received a response to the proposal letter” from the veteran. To address the intent of the recommendation, VBA has proposed a plan of action.

Although the under secretary for benefits agreed with all the recommendations, he did not concur with the OIG’s projection of estimated monetary impact based on review findings. The under secretary stated the five-year estimate is incorrect and misleading to the reader because the OIG’s report assumes that VBA would not make any improvements over the next five years. Generally, agencies are required to complete final action on OIG recommendations within 12 months of publication. Appendix E contains the full text of the under secretary’s comments. The OIG’s response and justification follow.

OIG Response

The under secretary for benefits provided acceptable corrective action plans for each recommendation. The OIG will monitor implementation of planned actions and will close the recommendations when VBA provides sufficient evidence demonstrating progress in addressing the intent of the recommendations and the issues identified. The OIG will monitor VBA's progress and follow up on implementation of all recommendations until proposed actions are completed.

The OIG uses the five-year projection of potential monetary impact to emphasize the importance of taking corrective actions and to highlight the potential magnitude of identified issues if such actions are delayed or never implemented. The OIG has been projecting potential monetary impact in its reports for an extended period of time and believes it serves as one of the motivators for VA to implement OIG recommendations. The OIG acknowledges and discloses that this is merely a projection and the actual future monetary impact will vary due to events and circumstances. However, the monetary impact variance is largely dependent on if, when, and how VBA implements its corrective actions. As of December 2019, VBA had 16 open OIG recommendations that had been pending for more than 12 months following various report publications.



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Abbreviations

DOD	Department of Defense
FY	fiscal year
IPC	Intake Processing Center
OIG	Office of Inspector General
STAR	Systematic Technical Accuracy Review
VARO	VA regional office
VBA	Veterans Benefits Administration
VBMS	Veterans Benefits Management System



Introduction

When service members leave active duty, they may be eligible to receive disability compensation benefits. Disability compensation is a tax-free monetary benefit paid to veterans with disabilities that are the result of a disease or injury incurred or aggravated during active military service. However, 38 U.S.C. § 5304(c) prohibits these veterans from receiving both disability benefits and military pay.⁹ There are two types of military pay that a veteran can receive: active duty pay, and military training pay. This report focuses on military training pay, the monetary benefit a veteran serving in the Reserve or National Guard receives for performing military training.¹⁰ VBA policy allows veterans who receive disability benefits and military training pay in the same fiscal year (FY) to choose the benefit they prefer and waive the other.¹¹ The veterans do not have a choice between active duty pay and disability benefits. Disability benefits are suspended during time on active duty.¹²

When veterans choose to receive military training pay, VBA must reduce the veterans' disability benefits to account for the number of days in training. VBA refers to these disability benefit payment adjustments as "drill pay adjustments." Most veterans choose to receive military training pay because it is typically greater than the disability benefit.

VBA reported more than 102,000 veterans in FY 2016—the most recent data available for review at the time the VA Office of Inspector General (OIG) was conducting its analysis—may have required disability benefit adjustments because they received military training pay while continuing to receive their disability benefits. This was an approximately 9 percent increase in the number of veterans compared with FY 2015, when VBA reported approximately 93,700 may have required an adjustment. VBA also reported creating drill pay adjustment cases for approximately 122,000 veterans for FY 2017. This represents an approximately 19 percent increase over FY 2016.

The OIG found inaccurate disability benefit adjustments in its preliminary review and determined the adjustment process posed a high risk of improper payments to veterans. Improper payments result from inaccurate disability benefit adjustments and consist of both overpayments

⁹ 38 U.S.C. § 5304(c).

¹⁰ VA Manual 21-1, part 3, sub. 5, chap. 4, sec. C, topic 1.a, "Definition: Drill Pay," September 7, 2018.

¹¹ VA Manual 21-1, part 3, sub. 5, chap. 4, sec. C, topic 1.b, "Prohibition Against Concurrent Receipt of Drill Pay and VA Benefits," September 7, 2018. The OIG referenced the manual in effect at the time of the review. The current version of the manual reflects updates made on June 18, 2019, and may be found at

https://www.knowva.ebenefits.va.gov/system/templates/selfservice/va_ssnew/help/customer/locale/en-US/portal/5544000001018/content/55440000014246/M21-1-Part-III-Subpart-v-Chapter-4-Section-C-Adjusting-Department-of-Veterans-Affairs-VA-Benefits-Based-on-a-Veterans-Receipt-of-Active-Service-Pay.

¹² The scope of this review includes drill pay (training) adjustments, not the separate process for adjusting for active duty.

and underpayments. Generally, overpayments occur when VBA does not fully account for all training days to reduce a veteran's disability compensation. Conversely, underpayments occur when VBA reduces a veteran's disability compensation using too many military training days in its calculations. The OIG conducted this review to determine whether disability benefit adjustments were being accurately calculated for eligible veterans who continued to serve in the Reserve or National Guard following their discharge from active duty military service.

Benefit Adjustment Process

On June 24, 2016, VBA began an automated disability benefit adjustment process in response to a prior OIG report that found that VBA was not completing drill pay adjustments in a timely manner.¹³ The automated disability benefit adjustment process is initiated after each fiscal year when the Department of Defense (DOD) notifies VBA of veterans who received VA disability benefits and military pay during the same fiscal year. Adjustments for drill pay in FY 2016 were completed in FY 2017 and FY 2018. DOD provides the total number of days paid for military duty but does not separate military training days from active duty days. Adjusting disability benefits for the period the veteran is on active duty is a different and separate process from the drill pay adjustment. To avoid accounting for active duty twice for the same period, it is important for VBA claims processors to subtract the active duty days from the total military pay days when completing drill pay adjustments. The remaining days should be training days.

Once DOD provides the total number of days paid for military duty during the prior fiscal year, VBA then updates the electronic record for each veteran with that number of days. VBA sends an automated letter, referred to as a "proposal" letter or automated proposal, informing the veteran of the proposed number of training days to be used as the basis for the disability benefits adjustment. VBA policy states the veteran has 60 days to respond to the proposal letter and staff should generally not finalize the disability benefit adjustment until at least the 65th day, unless the veteran responds earlier.¹⁴ This 65-day period begins when the proposal letter is first sent to the veteran and is known as "due process."

Automated Completions

If the veteran does not respond to the proposal letter within 60 days, the system automatically establishes a debt to recover the overpayment of disability benefit payments for the number of reported military days paid. These benefit adjustments are completed automatically without action from VBA staff. If the veteran responds and agrees with the number of paid days, VBA staff record the response and the system automatically adjusts the disability benefits. In either

¹³ VA Office of Inspector General, *Audit of the Management of Concurrent VA and Military Drill Pay Compensation*, 13-02129-177, June 3, 2014.

¹⁴ VA Manual 21-1, part 1, chap. 2, sec. C, topic 1, "General Information on the Adverse Action Proposal Period," October 5, 2017.

case, a copy of the final adjustment and a final letter notifying the veteran of that adjustment is uploaded into the veteran's electronic record. This letter includes options for repayment of the overpayments owed by the veteran.

Manual Completions

Although most disability benefit adjustments are completed through the automated process, some cases are excluded and completed manually. Veterans who disagree with the proposed adjustment can submit evidence indicating a different number of military training days. If the veteran responds within the 60 days and disagrees with the proposed number of days, or waives military training pay, VBA claims processors are required to remove the adjustment from the automated process by entering a reminder in the electronic system. Additionally, VBA removes adjustments from the automated process for manual processing in other circumstances, such as when the total military pay days exceeds 179 because this could indicate the veteran may have returned to active duty. If the veteran returned to active duty for any period of time during the fiscal year, VBA must also manually process the benefit adjustment to remove those paid active duty days from the total. Once removed from the automated process, VBA claims processors manually complete the adjustment and send a final notification letter with repayment options to the veteran.

Results and Recommendations

Finding: Errors in VBA's Processing of Disability Benefit Adjustments Led to Inaccurate Payments to Veterans

The review team estimated there were approximately 97,800 disability benefit adjustments based on automated proposals from May 10, 2017, through July 31, 2018, for military pay received in FY 2016. VBA inaccurately processed about 10,400 adjustments (11 percent). These errors resulted in an estimated \$14.2 million in improper payments, which were the result of both manual and automatic adjustments:¹⁵

- Approximately \$11.8 million related to an estimated 8,700 inaccurate automated disability benefit adjustments.
- Approximately \$2.5 million related to an estimated 1,700 inaccurate manual disability benefit adjustments.

Figure 3 illustrates FY 2016 disability benefit adjustment errors and improper payments.

¹⁵ Projections do not total precisely due to rounding.

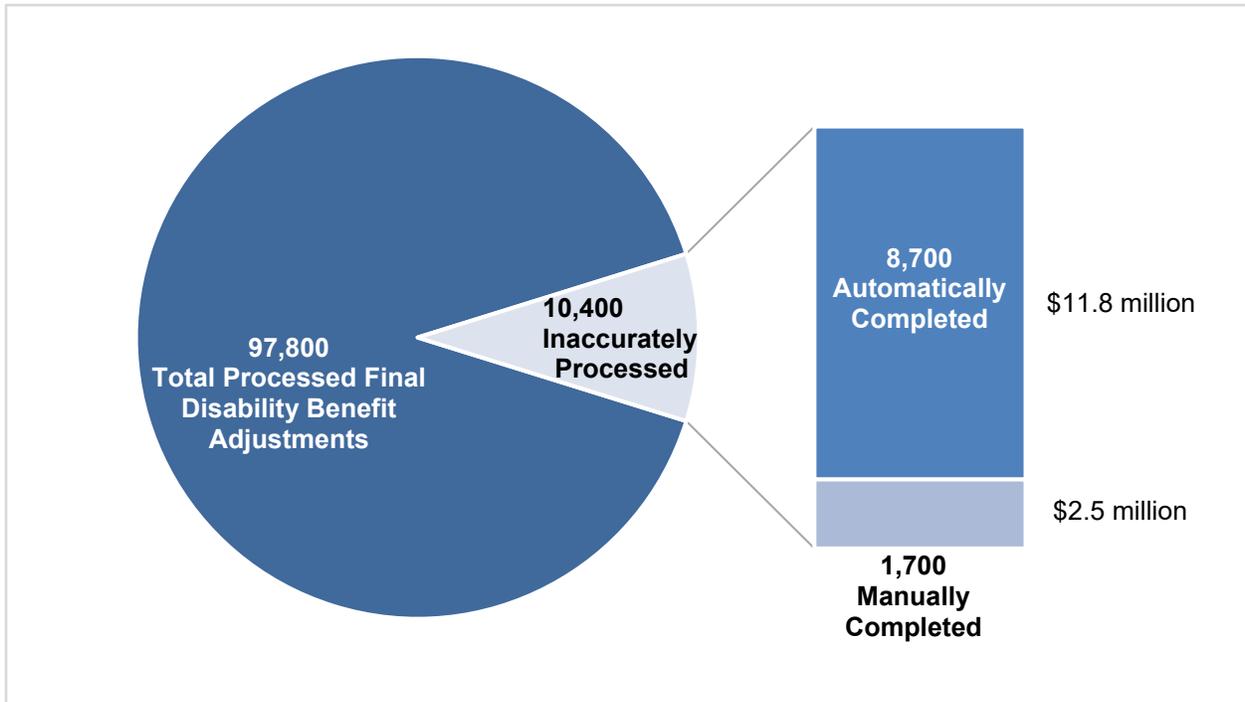


Figure 3. FY 2016 Final disability benefit adjustments based on automated proposals

Estimates do not total precisely due to rounding.

Source: VA OIG presentation of FY 2016 final disability benefit adjustments based on automated proposals, estimated errors, and estimated improper payments

The review team determined inaccuracies in automatic disability benefit adjustments occurred in part because the system was not programmed to exclude for manual processing those cases with 179 or fewer paid military days involving *both* military training and active duty. Business applications analysts with Compensation Service's Business Management staff who were responsible for establishing business rules for the automated drill pay adjustment process told the review team they did not know at the time of processing the FY 2016 drill pay adjustments that cases with less than 179 military pay days could include active duty days. In addition, Compensation Service staff also did not perform quality reviews of automatically completed drill pay adjustments. Errors also occurred because staff were not familiar with the procedures for processing responses to proposal letters to remove cases from the automated system.

The team determined inaccurate manual disability benefit adjustments occurred because training related to the adjustments consisted of only a summary of VBA's procedural references. The summary did not contain discussions and exercises that allowed VBA employees to gain a clear understanding of drill pay adjustment procedures.

If VBA continues to make errors at the rate identified and at payment rates in effect at the time of this review, VBA would administer an estimated \$71.1 million in inaccurate disability benefit payments for drill pay adjustments for FY 2017 through FY 2021. However, if VBA implements

the review team's recommendations, it could improve the accuracy of these adjustments and reduce payment errors.

What the OIG Did

The review team assessed final disability benefit adjustments based on automated proposals that were automatically and manually completed from May 10, 2017, through July 31, 2018, for military pay received in FY 2016. The scope of this review included about 86,700 automatically completed disability benefit adjustments, and about 11,200 manually completed disability benefit adjustments.¹⁶ The sampling design resulted in the review of 230 completed adjustments (120 automatically and 110 manually) and allowed the review team to project its findings from the sample to the population.¹⁷

The review team used VBA's electronic systems, including the Veterans Benefits Management System (VBMS), to review the sample veteran electronic claims records and relevant documentation required to assess whether the disability benefit adjustments were accurate.¹⁸ The review team interviewed management and staff at three VA regional offices (VAROs). The review team also interviewed management and staff from VBA central offices in Washington, DC; Nashville, Tennessee; and Hines, Illinois. Appendixes A and B provide additional details on the OIG scope and methodology.

This finding is based on the review team's analyses of two types of adjustments:

- Automatically completed disability benefit adjustments
- Manually completed disability benefit adjustments

Inaccuracies in Automatically Completed Disability Benefit Adjustments

The review team estimated, based on the sample review, that veterans received about \$11.8 million in inaccurate disability benefit payments because an estimated 8,700 automatically completed benefit adjustments had errors. These errors fell into two categories. In the first category, disability payments were adjusted based on military training days that were not supported by documentation in the file. In the second category, disability benefit payments were adjusted for military training pay without considering active duty periods. Table 2 summarizes these errors. Examples of each type of error described in Table 2 are also provided.

¹⁶ Estimates do not total precisely due to rounding.

¹⁷ For more on sample size and projections, see Appendix B.

¹⁸ VBMS is a web-based electronic program that VBA employees use to process veterans' claims for disability compensation.

Table 2. Automatically Completed Disability Benefit Adjustment Errors

Reason for error	Estimated number of errors
Military training days used to adjust disability benefits not supported by file documentation	5,100
Active duty periods not considered	3,600
Total	8,700

Source: VA OIG analysis of statistically sampled disability benefit adjustments completed during the review period. Numbers do not total precisely due to rounding.

Example 1: Military Training Pay Days Used to Adjust Disability Benefits Not Supported by File Documentation

VBA sent the veteran a letter proposing to withhold disability benefit payments based on 31 total military days paid in FY 2016 as indicated by DOD data. The veteran responded, stating he only completed 29 military training days in FY 2016, however, the veteran did not provide confirmation from his military command. The veteran’s case should have been removed from automation, and VBA staff should have returned the response to the veteran to obtain the unit commander’s signature as required prior to any adjustment.¹⁹ Instead, VBA’s automated process completed the benefit adjustment for the 31 days. Table 3 shows what VBA did and what it should have done.

¹⁹ VA Manual 21-1, part 3, sub. 5, chap. 4, sec. C, topic 3.a, “Initial Review of VA Form 21-8951,” May 3, 2017. As of June 18, 2019, this reference is VA Manual 21-1, part 3, sub. 5, chap. 4, sec C, topic 4.a.

Table 3. Example 1 Error

	Military pay days reported by DOD	Number of active duty days subtracted	Number of unverified military training days reported by veteran	Final adjustment based on military training days	Disability benefits withheld based on military training days
What VBA did	31	N/A	29	31	\$1,590
What VBA should have done	31	N/A	29	0	\$0

Source: VA OIG analysis of Example 1.

Note: Dollar amounts are rounded

In this example, VBA’s automated process made the adjustment without staff first verifying the number of military training days reported by the veteran as required by VBA policy.²⁰ VBA withheld 31 military training days in the amount of about \$1,590 of the veteran’s disability compensation when it should not have withheld that compensation until the veteran provided the confirmation from his military command that he served for 29 military training days.

Example 2: Active Military Duty Period Not Considered

VBA sent the veteran a letter proposing to withhold the veteran’s disability benefit payments based on the veteran receiving 162 military pay days in FY 2016 as indicated by DOD data. The veteran did not respond, therefore, the case remained in the automated system. The VBMS record showed the veteran served on active duty for 103 days during FY 2016. VBA staff should have subtracted the 103 days the veteran received active duty pay from the 162 military pay days and manually withheld the veteran’s disability benefit payments to account for the 59 military training days.²¹ However, VBA’s automated process completed the benefit adjustment for 162 days. Table 4 shows what VBA did and what it should have done.

²⁰ VA Manual 21-1, part 3, sub. 5, chap. 4, sec. C, topic 3.a, “Initial Review of VA Form 21-8951,” May 3, 2017. As of June 18, 2019, this reference is VA Manual 21-1, part 3, sub. 5, chap. 4, sec C, topic 4.a.

²¹ VA Manual 21-1, part 3, sub. 5, chap. 4, sec. C, topic 4.c, “Determining the Date Range for Withholding Benefits,” September 7, 2018. When determining the time period during which VBA must withhold benefits to account for a veteran’s receipt of drill pay in a given fiscal year, each month is counted as having 30 days. In contrast, VA benefits are stopped for each day the veteran serves on active duty.

Table 4. Example 2 Error

	Military pay days reported by DOD	Number of active duty days subtracted	Number of military training days after subtraction	Final adjustment based on military training days	Disability benefits withheld based on military training days
What VBA did	162	0	162	162	\$2,461
What VBA should have done	162	103	59	59	\$896

Source: VA OIG analysis of Example 2.

Note: Dollar amounts are rounded

As previously discussed, VBA claims processors must separate the military training days from the active duty days. This case should have been manually processed so staff could subtract the number of active duty days. However, VBA’s automated process made the adjustment based on the number of days provided by DOD. VBA withheld \$2,461 when it should have withheld \$896. Because claims processors took too much of the veteran’s disability compensation, the veteran was underpaid \$1,565 in disability benefits.

The OIG’s first recommendation for corrective action addresses the need for VBA to conduct a review of automatically completed FY 2016 drill pay adjustments that involved active duty military periods for that fiscal year.

Lack of Knowledge Regarding Potential Active Duty Periods

Based on procedures in VBA’s Adjudication Procedures Manual and discussions with Compensation Service policy and procedures staff, Compensation Service Business Management staff responsible for developing the automated process designed the process to exclude cases with more than 179 days of military pay for manual processing.²² One analyst told the review team that following the completion of the FY 2016 automated adjustments, veterans who had been on active duty contacted congressional representatives complaining about the debts the adjustments had created.

The program analyst responsible for maintaining and updating the section of the manual related to drill pay adjustments told the review team they were unaware there were cases with fewer than 179 pay days that could have active duty periods for the same fiscal year. In addition, this analyst

²² VA Manual 21-1 Prologue, “Introduction,” May 13, 2019. The VA Manual 21-1 serves as a general guide for processing and adjudicating claims for compensation, pension, and related benefits for veterans and their dependents.

stated that the 179-day benchmark has been in the manual for decades, but did not know its origin.

The review team interviewed the former chief of the interagency data sharing staff who stated that the previous assumption was if the number of days received from DOD was less than 179, there was no active duty involved.²³ However, the former chief told the review team that VBA staff were oftentimes aware that there could be individuals with fewer than 179 days of military pay that possibly have active duty periods for the same fiscal year.

Compensation Service Business Management staff members said they were not informed that individuals with fewer than 179 days of military pay could have active duty periods for the same fiscal year. A business management analyst told the review team that they did not look for active duty during testing of the automated process. They only looked to see if the days were uploaded accurately in VBMS and the letter to the veteran was proper. In December 2018, VBA stated it established a process to manually complete drill pay adjustments that have an active duty period in a veteran's electronic record for FY 2017. Because VBA has taken steps to address adjustments that contain active duty days within the same fiscal year, the OIG did not make a recommendation to remove all cases involving active duty from the automated process.

Lack of Quality Reviews

According to a senior quality reviewer for Compensation Service's Systematic Technical Accuracy Review (STAR), staff did not perform national quality reviews that may have identified the errors the review team found for automatically completed cases. The STAR process is a comprehensive quality review and analysis of claims processing.²⁴ A STAR senior quality review specialist told the review team that STAR had not performed quality reviews of disability benefit adjustments that were automatically completed because these adjustments are not completed at a VBA regional office. The senior quality review specialist explained automated cases would be removed from the cases reviewed by STAR. The review team confirmed this with the chief of advanced analytics for VBA's Office of Performance Analysis and Integrity, which develops the code used in the selection of cases for review by STAR staff. The review team believes if STAR staff conducted quality reviews on adjustments that were automatically completed, errors may have been identified and a trend analysis could have been conducted to ensure veterans received benefits to which they were entitled, minimizing improper payments.

²³ The Interagency Data Sharing staff is part of Compensation Service Procedures staff and is responsible for establishing and maintaining Computer Matching Agreements.

²⁴ "STAR Home Page," VA website, accessed February 4, 2019, https://vbaw.vba.va.gov/bl/21/star/star_home.htm.

Inaccurate Processing of Veterans' Military Days

When a veteran disagrees with the proposed number of paid military days, staff are required to remove the case from the automated process by entering a reminder in the electronic system. Some errors occurred because no reminder was entered for cases that should have been manually completed and, therefore, these cases were not removed from the automated system. The review team found staff assigned to the Intake Processing Center (IPC) were not familiar with the procedures for processing responses to proposal letters to remove cases from the automated system.

IPC staff are responsible for receiving and reviewing mail and ensuring the mail is added into VBA's electronic system. The review team interviewed IPC staff at three VAROs and asked what these staff would do if they received a veteran's response disagreeing with the number of paid military days. None of the IPC staff interviewed were aware that a system reminder should be entered. An IPC coach knew the process for adding the reminder to the electronic system but did not know if staff had received training on this process.

The OIG's second recommendation for corrective action addresses the need for VBA to conduct a review of automatically completed FY 2016 drill pay adjustments that received a response to the proposal letter. The OIG's third recommendation addresses the need for VBA to remind IPC staff of their responsibilities for processing responses to drill pay proposal letters, including the appropriate actions to take when a response is received from a veteran disagreeing with the proposal, and to implement a plan to ensure compliance.

Inaccuracies in Manually Completed Disability Benefit Adjustments

The review team estimated, based on the sample review, that veterans received about \$2.5 million in inaccurate disability benefit payments because an estimated 1,700 manually completed disability benefit adjustments based on military training days had errors. These errors fell generally into the same two categories as automated adjustment mistakes:

1. Active duty periods were not appropriately considered.
2. Payments based on a number of military training days were not supported by file documentation.

Table 5 summarizes these errors.

Table 5. Manually Completed Disability Benefit Adjustment Errors

Reason for error	Estimated number of errors
Active duty periods not considered	910
Military training days used to adjust disability benefits not supported by file documentation	810
Total	1,700

Source: VA OIG analysis of statistically sampled disability benefit adjustments completed during the review period. Numbers do not total precisely due to rounding.

Example 3: Active Duty Period Not Considered

VBA sent the veteran a letter proposing to withhold the veteran’s disability benefit payments based on 34 military days in FY 2016 as indicated by DOD data. The veteran responded to the proposal saying he served 30 military training days verified by his unit. The veteran’s case was removed from automation due to the veteran’s disagreement with the number of proposed days. VBA staff completed the benefits offsetting based on 30 military training days. However, the VBMS record showed the veteran served 124 days of active duty in FY 2016. VBA policy states when a veteran has more active duty days during a given fiscal year than the number of military training days for the same fiscal year no withholding is warranted.²⁵ Table 6 shows what VBA staff did and what they should have done.

Table 6. Example 3 Error

	Military pay days reported by DOD	Number of active duty days subtracted	Number of military training days after subtraction	Final adjustment based on military training days	Disability benefits withheld based on military training days
What VBA staff did	34	0	34	30	\$3,452
What VBA staff should have done	34	124	0	0	\$0

Source: VA OIG analysis of Example 3.

Note: Dollar amounts are rounded

²⁵ VA Manual 21-1, part 3, sub. 5, chap. 4, sec. C, topic 7.n, “Veteran Has More Active Duty Days Than the Number of Training Days Shown on VA Form 21-8951,” September 7, 2018.

In this example, VBA staff made the adjustment when no adjustment should have been made. VBA staff withheld \$3,452 when they should not have withheld anything. Because claims processors took too much of the veteran’s disability compensation, the veteran was underpaid \$3,452 in disability benefits.

Example 4: Military Training Days Used to Adjust Disability Benefits Not Supported by File Documentation

VBA sent the veteran a letter proposing to withhold the veteran’s disability benefit payments based on 247 military days in FY 2016 as indicated by DOD data. The veteran responded to the proposal letter stating he completed 91 military training days in FY 2016. The veteran’s response was confirmed by his military unit. However, VBA staff did not withhold any disability benefits. Table 7 shows what VBA staff did and what they should have done.

Table 7. Example 4 Error

	Military pay days reported by DOD	Number of active duty days subtracted	Number of military training days after subtraction	Final adjustment based on military training days	Disability benefits withheld based on military training days
What VBA staff did	247	N/A	N/A	0	\$0
What VBA staff should have done	247	N/A	N/A	91*	\$404

Source: VA OIG analysis of Example 4.

*Number of training days verified by the veteran and military unit.

Note: Dollar amounts are rounded

In this example, VBA staff did not make the necessary adjustment for 91 military training days. The veteran was overpaid approximately \$404 in disability benefits.

The OIG’s first recommendation for corrective action also addresses the need for VBA to conduct a review of manually completed FY 2016 drill pay adjustments that involved active duty military periods during that fiscal year. The OIG’s second recommendation also addresses the need for VBA to conduct a review of manually completed FY 2016 drill pay adjustments that involved a response to a proposal letter, and take corrective action as necessary.

Final Disability Benefit Adjustments Training Lacked Detail

The review team assessed VBA’s training materials for processing disability benefit adjustments based on military training days. The review team found training was inadequate because it only

summarized VBA's procedures and references and did not provide detailed instructions or exercises that allowed VBA employees to learn and gain a clear understanding of how to complete disability benefit adjustments.

A Compensation Service training consultant told the review team the last in-depth course on benefit adjustments taught during national entry-level training was conducted in March 2017. Compensation Service intended this training to explain the requirements for the waiver of VA disability benefits when a veteran receives military training pay. This course contained discussions and exercises for trainees to better understand the benefit adjustment procedures.

Later versions of this course only gave an overview of the disability benefit adjustment process, with the intention to have additional, in-depth instruction at the discretion of the regional office. Another training consultant stated disability benefit adjustment training was removed from the national entry-level curriculum because the length of training had to be adjusted. In addition, the automated process reduced the availability of cases for trainees to work, and the cases that remained were too complicated to be processed by trainees. The assistant director of training for Compensation Service confirmed that benefit adjustments were not currently part of national entry-level training.

The Compensation Service National Training Curriculum is required annually for all claims processors. Each fiscal year, Compensation Service mandates training items that must be completed by all employees. In addition, each VARO's managers can select training based on analyses of local quality reviews, STAR reviews, national quality trends and requirements for a particular position. VARO managers must only use nationally approved training materials and lesson plans to ensure consistency of training across VBA.

The review team assessed the lesson plans available in the VBA Learning Catalog, one of the sources for nationally approved training materials. The team found the most recent training related to disability benefit adjustments is the "Drill Pay Waiver – Overview" course, which was last updated in December 2017. This course consists of a summary of the Adjudication Procedures Manual references and does not provide specific training guidance for staff.

The review team asked VBA claims processors who complete drill pay adjustments at VAROs when they last received drill pay training. The team received a variety of answers, ranging from 2008 to a few months ago. One individual could not recall the last training received. VARO staff stated they did not process these adjustments frequently and had to review the manual guidance whenever they received a case involving a final disability benefit adjustment.

Several managers at the VAROs told the review team that new employees were hired to work on the non-rating team, which is responsible for completing drill pay adjustments. Managers also stated that one of the problems with processing the drill pay adjustments was that the initial national training program for claims processors did not have relevant training in the curriculum. Also, claims processors were aware that these adjustments were complicated and required focus.

They stated the errors found by the review team were primarily due to a lack of attention to detail.

According to VBA, the FY 2017 drill pay adjustment proposal letters were sent to veterans on December 26, 2018, and there were approximately 36,200 disability benefits that required manual completion. This was a significant increase from FY 2016 when approximately 11,300 cases required manual completion. In the absence of mandated in-depth training for VBA staff who process these types of adjustments, the review team believes the number of veterans receiving inaccurate disability benefit payments may increase.

The OIG's fourth recommendation for corrective action addresses the need for VBA to provide detailed training for VBA staff who process drill pay adjustments and monitor the effectiveness of the training.

Conclusion

VBA is responsible for making accurate disability benefit adjustments for those veterans who receive military training pay. Although VBA implemented an automated process for most of these adjustments to improve timeliness, the review team found the automation was not programmed to remove some cases that required manual processing and VBA did not review the accuracy of the automatically completed adjustments. In addition, IPC staff were not familiar with the procedures for processing responses to proposal letters to remove cases from the automated system. VBA staff received training that lacked detailed instructions on how to complete disability benefit adjustments. Inaccurate disability benefit adjustments resulted in improper payments to veterans. VBA could improve its service to veterans who are Reserve or National Guard members by reminding IPC staff of their responsibilities for processing responses to proposal letters and providing detailed training for staff who complete manual disability benefit adjustments based on automated drill pay proposals.

Recommendations 1–4

The OIG recommended the under secretary for benefits

1. Conduct a review of automatically and manually completed fiscal year 2016 drill pay adjustments that involved active duty military periods during that fiscal year, and take corrective actions as necessary;
2. Conduct a review of automatically and manually completed fiscal year 2016 drill pay adjustments that involved a response to the proposal letter, and take corrective actions as necessary;
3. Remind Intake Processing Center staff of their responsibilities for processing responses to drill pay proposal letters, including the appropriate actions to take

when a response is received disagreeing with the proposal, and implement a plan to ensure staff compliance; and

4. Implement a plan to provide detailed training for VBA staff who process drill pay adjustments and monitor the effectiveness of the training.

Management Comments

The under secretary for benefits concurred with Recommendations 1, 3, and 4, and concurred in principle with Recommendation 2.

To address Recommendation 1, the under secretary for benefits reported VBA will identify the number of claims requiring review and develop a plan to address the recommendation. The target completion date is February 28, 2020.

To address Recommendation 2, the under secretary for benefits stated VBA cannot, with certainty, determine if VBA “received a response to the proposal letter” from the veteran. To address the intent of the recommendation, VBA will develop a list of FY 2016 drill pay adjustments where either a manual action occurred on the claim prior to award or if any document was uploaded into the veteran’s electronic claims folder while the claim was pending. Further, a plan will be developed to review a statistically valid sample of these drill pay claims. These efforts are for the purposes of reviewing automatically and manually completed FY 2016 drill pay adjustments that involved a response to the proposal letter, and inform corrective actions as necessary. The target completion date is February 28, 2020.

To address Recommendation 3, the under secretary for benefits stated VBA will create and disseminate reminder messaging for Intake Processing Center staff on their responsibilities for processing responses to drill pay proposal letters. Further, VBA will certify this reminder was sent to each regional office and appropriately distributed. Finally, the current quality control processes will be reviewed and modified as needed. The target completion date is March 31, 2020.

To address Recommendation 4, VBA will update existing drill pay training materials to include more detailed instructions to ensure claims processors have a clear understanding of how to complete disability benefit adjustments. Further, VBA will monitor the effectiveness of the training through a national review process. The target date for completion is September 30, 2020.

Although the under secretary for benefits agreed with the recommendations, he did not concur with the OIG’s projection of estimated monetary impact. The under secretary stated the OIG’s report assumes that VBA would not make any improvements over the next five years, including those from implementing OIG’s recommendations, and then proceeds to identify a corresponding estimated monetary impact. Generally, agencies are required to complete final action on OIG recommendations within 12 months of publication. According to VBA, “Assuming current practices will go unchanged is false, as VBA values OIG’s vital oversight role and works

diligently to implement recommendations to improve service to Veterans...VBA takes OIG recommendations very seriously and has a rigorous recommendation follow up process. Therefore, VBA continues to believe this practice is incorrect and misleading to the reader.”

OIG Response

The under secretary for benefits provided acceptable corrective action plans for each recommendation. The OIG will monitor implementation of planned actions and will close the recommendations when VBA provides sufficient evidence demonstrating progress in addressing the intent of the recommendations and the issues identified. The OIG will monitor VBA’s progress and follow up on implementation of all recommendations until proposed actions are completed.

The OIG uses the five-year estimate to emphasize the importance of taking corrective actions and to highlight the potential magnitude of identified issues if such actions are delayed or never implemented. The OIG has been projecting potential monetary impact in its reports for an extended period of time and believes it serves as one of the motivators for VA to implement OIG recommendations. The OIG acknowledges and discloses that this is merely a projection and the actual future monetary impact will vary because events and circumstances change. However, that variance is largely dependent on if, when, and how VBA implements its corrective actions. As of December 2019, VBA had 16 open OIG recommendations that had been pending for more than 12 months following various report publications.

Appendix A: Scope and Methodology

Scope

The review team conducted its work from September 2018 through November 2019. The team evaluated automatically and manually processed final disability benefit adjustments based on automated proposals that were completed from May 10, 2017, through July 31, 2018, for military pay received in FY 2016. These adjustments were controlled in VBMS with an end product 600 series with the claim label “Drill Pay Adjustment FY 16” and initiated electronically with a batch process. End products are the work units VBA establishes to properly control pending workloads. End products have specific codes to identify types of claims or actions required, and VBA uses this system to monitor and manage its workload.

Methodology

To accomplish the review objective, the review team identified and reviewed applicable laws, regulations, policies, procedures, and guidelines related to final disability benefit adjustments based on automated proposals. The team interviewed and obtained testimonial information associated with these adjustments from management and staff at VBA’s Central Office in Washington, DC; Nashville, Tennessee; Hines, Illinois; and all three VAROs visited. The review team performed site visits at the Salt Lake City, Utah; Fort Harrison, Montana; and Columbia, South Carolina VAROs in October and November 2018.

In accordance with VA OIG statisticians’ guidance, the team reviewed random samples of 120 automatically processed final disability benefit adjustments and 110 manually processed final disability benefit adjustments completed from May 10, 2017, through July 31, 2018, for military pay received in FY 2016. The team then used VBMS and other VBA programs to review the sample veteran electronic claims records and relevant documentation required to assess whether the disability benefit adjustments were accurate. The team discussed the findings with VBA officials and included their comments where appropriate.

Appendix B provides more details on the statistical sampling methodology.

Fraud Assessment

The review team assessed the risk that fraud, violations of legal and regulatory requirements, and abuse could occur during this review. The review team exercised due diligence in staying alert to any fraud indicators by conducting actions such as

- Identifying laws and regulations related to the review subject matter to help detect noncompliance or misconduct,

- Examining previous reviews, audits, and inspections as reported by VA OIG and other auditing organizations regarding VBA,
- Completing the *Fraud Indicators and Assessment Checklist*, and
- Requesting relevant VA OIG Hotline contacts for reports of fraud in the area under review.

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

Data Reliability

The review team used computer-processed data from VBA's Corporate Database Warehouse. To test for reliability, the team determined whether any data were missing from key fields, included any calculation errors, or were outside the time frame requested. The team also assessed whether the data contained obvious duplication of errors, alphabetic or numeric characters in incorrect fields, or illogical relationships among data elements. Furthermore, the team compared veterans' names, file numbers, social security numbers, dates of claims, and end product closed dates as provided in the data received to the 230 VBMS records reviewed.

Testing of the data disclosed that they were sufficiently reliable for the review objectives. Comparison of the data with information contained in the veterans' VBMS records reviewed did not disclose any problems with data reliability.

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*.

Appendix B: Statistical Sampling Methodology

To accomplish the objective, the review team assessed a random sample of FY 2016 disability benefit adjustments based on automated proposals that were completed from May 10, 2017, through July 31, 2018. The review team used random sampling to quantify the extent of cases that were inaccurately completed involving disability benefit adjustments based on veterans' receipt of military pay.

Population

The actual population of manually completed cases based on automated proposals was 11,260. After the review team excluded manually completed cases based on automated proposals determined to be outside the scope of the review, the estimated population included 11,159 cases completed from May 10, 2017, through July 31, 2018. The review team determined there were no automatically completed cases based on automated proposals outside the scope of the review, therefore the actual population of 86,674 was used.

Sampling Design

The review team assessed FY 2016 benefit adjustments that were completed from May 10, 2017, through July 31, 2018. The sampling design resulted in the review of 230 completed adjustments (120 automatically and 110 manually) and allowed the review team to project its findings from the sample to the population. The team reviewed random samples of 120 automatically completed disability benefit adjustments and 110 manually completed disability benefit adjustments. All cases within the same strata had the same probability of being selected.

Weights

The OIG calculated estimates in this report using weighted sample data. Samples were weighted to represent the population from which they were drawn. The review team uses the weights to compute estimates. For example, the review team calculated the error rate point estimates by summing the sampling weights for all sample records that contained the error, then dividing that value by the sum of the weights for all sample records.

Projections and Margins of Error

The point estimate (estimated error) is an estimate of the population parameter obtained by sampling. The margins of error and confidence interval associated with each point estimate is a measure of the precision of the point estimate that accounts for the sampling methodology used. If the OIG repeated this review with multiple samples, the confidence intervals would differ for each sample, but would include the true population value 90 percent of the time.

The OIG statistician employed statistical analysis software to calculate the weighted population estimates and associated sampling errors. This software uses replication or Taylor-Series Approximation methodology to calculate margins of error and confidence intervals that correctly 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 sample review. While precision improves with larger samples, the rate of improvement does not significantly change as more records are added to the sample review.

Figure B.1 shows the effect of progressively larger sample sizes on the margin of error.

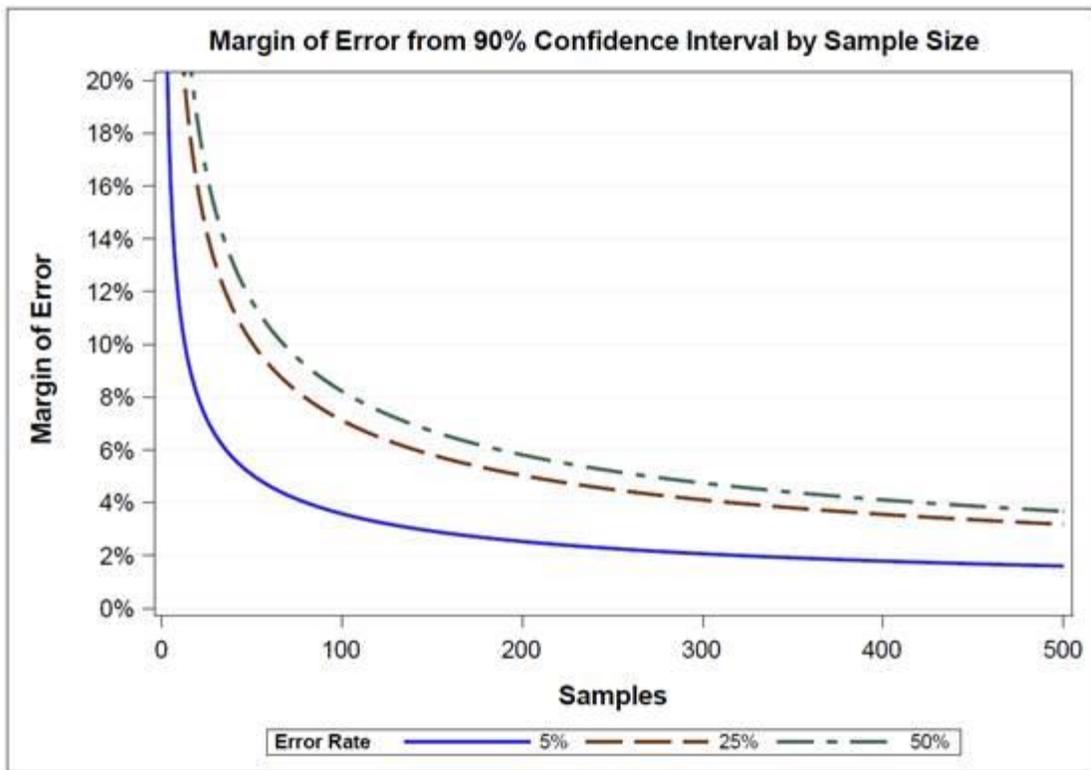


Figure B.1. Effect of sample size on margin of error

Source: VA OIG statistician's analysis

The following tables detail the review team's analysis and projected results:

- Table B.1 shows the summary of the actual population of cases completed automatically, and projections and confidence intervals for the estimated population of cases completed manually based on automated proposals from May 10, 2017, through July 31, 2018.
- Table B.2 shows the review projections for the estimated population of automatically and manually completed disability benefit adjustments based on military pay with errors.

- Table B.3 shows the review projections for the estimated amount of inaccurate disability benefit payments.
- Table B.4 shows the review projections for the estimated population of active military duty period errors for automatically and manually completed disability benefit adjustments based on military pay.
- Table B.5 shows the review projections for the estimated population of adjusted disability benefits not supported errors for automatically and manually completed disability benefit adjustments based on military pay.

Table B.1. Summary of Actual Population of Cases Completed Automatically, and Projections and Confidence Intervals for Estimated Population of Cases Completed Manually Based on Automated Proposals

Result	Projection	Margin of error	Lower limit 90% confidence interval	Upper limit 90% confidence interval
Actual population of cases completed automatically based on automated proposals	86,674	0	86,674	86,674
Estimated population of cases completed manually based on automated proposals	11,159	168	10,991	11,260
Total	97,833	168	97,665	97,934

Source: VA OIG statistician's projection of estimated population. Data was obtained from VBA's Corporate Database Warehouse.

Table B.2. Summary of Projections and Confidence Intervals for Estimated Population of Automatically and Manually Completed Disability Benefit Adjustments Based on Military Pay with Errors

Category	Projection	Margin of error	90% confidence interval		Total sample size	Count from sample
			Lower limit	Upper limit		
Automatically completed errors	8,667	3,937	4,731	12,604	120	12
Error rate	10%	4.5%	5.5%	14.5%	120	12
Manually completed errors	1,725	639	1,086	2,363	110	17
Error rate	15.5%	5.7%	9.7%	21.2%	110	17
Total errors	10,392	3,988	6,404	14,380	230	29
Total error rate	10.6%	4.1%	6.6%	14.7%	230	29

Source: VA OIG statistician's projection of estimated population of automatically and manually completed disability benefit adjustments based on military pay with errors. Data was obtained from VBA's Corporate Database Warehouse. Estimates are rounded and can result in imprecise totals.

Table B.3. Summary of Projections and Confidence Intervals for Estimated Amount of Inaccurate Disability Benefit Payments

Result	Projection	Margin of error	90% confidence interval	
			Lower limit	Upper limit
Automatically completed inaccurate disability benefit payments	\$11,756,989	\$8,289,778	\$3,467,210	\$20,046,767
Manually completed inaccurate disability benefit payments	\$2,458,608	\$1,881,184	\$577,424	\$4,339,792
Total inaccurate disability benefit payments	\$14,215,596	\$8,500,546	\$5,715,051	\$22,716,142

Source: VA OIG statistician's projection of estimated amount of inaccurate disability benefit payments. Data were obtained from VBA's Corporate Database Warehouse.

Table B.4. Summary of Projections and Confidence Intervals for Estimated Populations of Active Military Duty Period Errors for Automatically and Manually Completed Disability Benefit Adjustments Based on Military Pay

Result	Projection	Margin of error	90% confidence interval		Count from sample
			Lower limit	Upper limit	
Automatically completed active military duty period errors	3,611	2,622	989	6,234	5
Manually completed active military duty period errors	913	484	429	1,397	9

Source: VA OIG statistician's projection of estimated populations of active military duty period errors for automatically and manually completed disability benefit adjustments based on military pay. Data were obtained from VBA's Corporate Database Warehouse.

Table B.5. Summary of Projections and Confidence Intervals for Estimated Populations of Adjusted Disability Benefits Not Supported Errors for Automatically and Manually Completed Disability Benefit Adjustments Based on Military Pay

Result	Projection	Margin of error	90% confidence interval		Count from sample
			Lower limit	Upper limit	
Automatically completed adjusted disability benefits not supported errors	5,056	3,075	1,981	8,131	7
Manually completed adjusted disability benefits not supported errors	812	459	353	1,270	8

Source: VA OIG statistician's projection of estimated population of adjusted disability benefits not supported errors for automatically and manually completed disability benefit adjustments based on military pay. Data were obtained from VBA's Corporate Database Warehouse.

Appendix C: Types of Military Pay Veterans May Receive and the Automated Disability Benefit Adjustment Process

Table C.1 is the VA OIG’s presentation of types of military pay.

Table C.1. Types of Military Pay Veterans May Receive

Name	Description	Recipient	VBA pay category
Active duty pay	Payment for full-time military duty	Veterans who are serving full-time active military duty Veterans who are Reserve members serving full-time duty for operational or support purposes Veterans who are National Guard members providing full-time support to a unit under federal activation	Military pay
Military training pay	Payment for annual and monthly training	Veterans who are Reserve or National Guard members	Military pay

Source: VA Manual 21-1, part 3, sub.5, chap. 4, sec. C, topic 1.a, “Definition: Drill Pay,” September 7, 2018; 38 CFR §§ 3.6, 3.654

Figure C.1 is the VA OIG’s presentation of the automated disability benefit adjustment process effective September 7, 2018. The figure is identical to Figure 1 in the Executive Summary.

Veterans Received Inaccurate Disability Benefit Payments
After Reserve or National Guard Drill Pay Adjustments

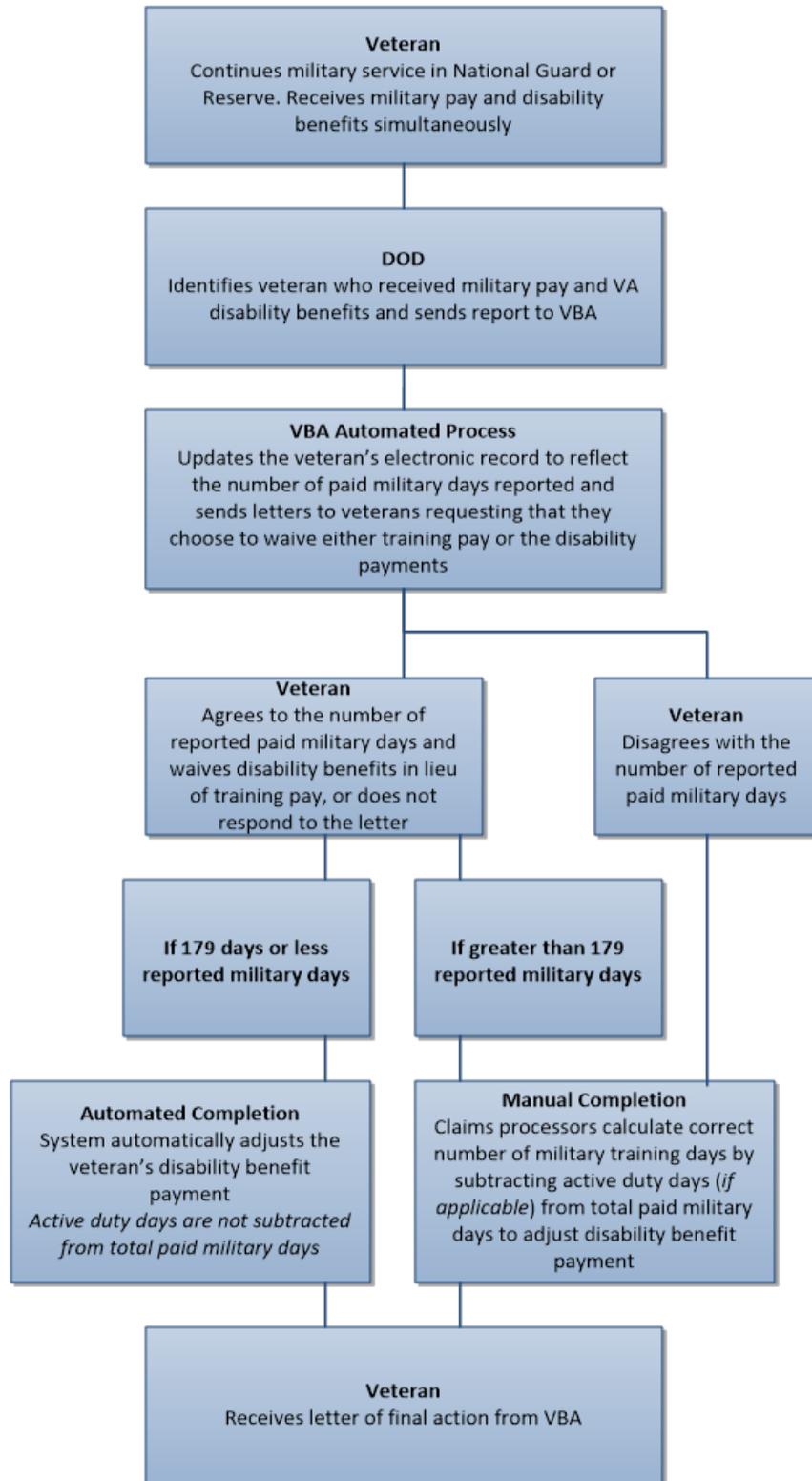


Figure C.1. VA OIG's presentation of the automated disability benefit adjustment process effective September 7, 2018.
Source: VA Manual 21-1, part 3, sub. 5, chap. 4, sec. C., "Adjusting Department of Veterans Affairs (VA) Benefits Based on a Veteran's Receipt of Active Service Pay," September 7, 2018.

Appendix D: Monetary Benefits in Accordance with Inspector General Act Amendments

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs
1, 2, 3	The review team estimated errors for the automatically completed cases resulted in improper payments of \$47 million.	\$0	\$47 million*
1, 2, 3, 4	The review team estimated errors for the manually completed cases resulted in improper payments of \$9.8 million.	\$0	\$9.8 million*
	Total	\$0	\$56.9 million*

**Estimates are rounded and can result in imprecise totals. The five-year potential monetary benefit estimate has been reduced to prevent the possible double-counting of improper payments reported for FYs 2013 through 2017 in VA OIG's Audit of the Management of Concurrent VA and Military Drill Pay Compensation (Report No. 13-02129-177, June 3, 2014). As a result, monetary benefits claimed in Appendix D account for FYs 2018 through 2021.*

Appendix E: Management Comments

Department of Veterans Affairs Memorandum

Date: December 17, 2019

From: Under Secretary for Benefits (20)

Subj: OIG Draft Report – Veterans Received inaccurate Disability Benefit Payments
After Reserve or National Guard Drill Pay Adjustments [Project No. 2018-05738-
SD-0357]

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

1. Attached is VBA's response to the OIG Draft Report: Veterans Received Inaccurate Disability Benefit Payments After Reserve or National Guard Drill Pay Adjustments
2. OIG's report assumes that VBA would not make any improvements over the next five years, including those from implementing OIG's recommendations, and then proceeds to identify a corresponding estimated monetary impact. VBA takes exception to this practice as this assumption is incorrect and misleading to the reader. Furthermore, the methodology/reasoning for the practice is not clearly documented or explained in the report. Generally, agencies are required to complete final action on OIG recommendations within 12 months of publication. Assuming current practices will go unchanged is false, as VBA values OIG's vital oversight role and works diligently to implement recommendations to improve service to Veterans. OIG has stated that they use a five-year estimate to emphasize the importance of taking corrective actions and to highlight the potential magnitude of identified issues if actions are delayed or never implemented. VBA takes OIG recommendations very seriously and has a rigorous recommendation follow up process. Therefore, VBA continues to believe this practice is incorrect and misleading to the reader.
3. Questions may be referred to Elisabeth Maher, Program Analyst, at 202-461-8460.

/s/

Paul R. Lawrence, Ph.D.

Attachment

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

**Veterans Benefits Administration Comments on OIG Draft Report
Veterans Received Inaccurate Disability Benefit Payments After Reserve or National Guard Drill
Pay Adjustments**

The Veterans Benefits Administration (VBA) concurs with the findings in OIG's draft report and provides the following comments in response to the recommendations.

Recommendation 1: The Under Secretary for Benefits conduct a review of automatically and manually completed fiscal year 2016 drill pay adjustments that involved active duty military periods during that fiscal year, and take corrective actions as necessary.

VBA Response: Concur. VBA is working to determine the number of claims requiring a review. VBA will then develop a plan to address the recommendation. VBA expects to develop this plan by the end of February 2020.

Target Completion Date: February 28, 2020

Recommendation 2: The Under Secretary for Benefits conduct a review of automatically and manually completed fiscal year 2016 drill pay adjustments that received a response to the proposal letter, and take corrective actions as necessary.

VBA Response: Concur in principle. VBA cannot with certainty, determine if VBA "received a response to the proposal letter" from the Veteran. Therefore, VBA will develop a list of fiscal year (FY) 2016 drill pay adjustments where either a manual action occurred on the claim prior to award/authorization or if any document was uploaded into the Veteran's electronic claims folder (E-Folder) while the claim was pending. VBA will develop a plan to generate and review a statistically valid sample of these drill pay claims within the parameters noted and stratified by manual or automated processing, and then determine appropriate next steps. VBA expects to develop this plan by the end of February 2020.

Target Completion Date: February 28, 2020

Recommendation 3: The Under Secretary for Benefits remind Intake Processing Center staff of their responsibilities for processing responses to drill pay proposal letters, including the appropriate actions to take when a response is received disagreeing with the proposal, and implement a plan to ensure staff compliance.

VBA Response: Concur. VBA will create and disseminate reminder messaging for Intake Processing Center Staff on their responsibilities for processing responses to drill pay proposal letters. This messaging will include the appropriate actions to take when they receive a response disagreeing with the proposal. VBA will certify this reminder messaging was sent to each regional office and appropriately distributed to Intake Processing Center Staff. Additionally, VBA will review current quality control processes and modify as needed to ensure staff compliance.

Target Completion Date: March 31, 2020

Recommendation 4: The Under Secretary for Benefits implement a plan to provide detailed training for VBA staff who process drill pay adjustments and monitor the effectiveness of the training.

VBA Response: Concur. VBA will update existing drill pay training materials to include more detailed instructions and/or exercises to ensure claims processors have a clear understanding of how to complete these disability benefit adjustments. VBA anticipates completing the updates and making this training available by September 30, 2020. VBA will monitor the effectiveness of this training through the regular national STAR sampling process reviews of drill pay adjustments.

Target Completion Date: September 30, 2020

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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