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OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

VETERANS BENEFITS ADMINISTRATION

Review of Assignment of Noncompensable Musculoskeletal Joint Disabilities

Review | 25-02645-131 | August 6, 2026

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Executive Summary

Some veterans with service-connected disabilities are eligible for monthly payments as compensation for their condition. Under 38 C.F.R. §§ 4.59 and 4.71(a), veterans with a service-connected musculoskeletal disability (including those affecting joints) should be assigned a compensable evaluation based on painful motion. According to the Veterans Benefits Administration's (VBA) fiscal year 2024 *Annual Benefits Report,* the musculoskeletal body system accounts for the highest number of service-connected disabilities among veterans.[1] The VA Office of Inspector General (OIG) conducted this review to determine whether VBA claims processors correctly assigned noncompensable evaluations for service-connected musculoskeletal joint disabilities.

The OIG team reviewed a statistical sample of completed claims dated April 1, 2024, through March 31, 2025, in which a rating decision assigned or confirmed a noncompensable evaluation for a joint disability. The OIG team found that claims processors incorrectly evaluated noncompensable joint disabilities based on painful motion for an estimated 32,000 of 64,000 decisions (50 percent) completed during the review period. Of those 32,000 errors, the team estimated that 12,000 had a monetary impact of at least $45 million in underpayments to veterans. The team reviewed an additional statistical sample of decisions that were completed from October 1 through November 14, 2025, and confirmed that as of November 2025, VBA continued to experience similar errors for noncompensable joint disabilities.

The OIG made four recommendations to the under secretary for benefits to mitigate confusion regarding compensable evaluations for musculoskeletal disabilities.[2] In January 2026, the team briefed VBA's Compensation Service and Office of Field Operations leaders on the OIG's preliminary finding and recommendations. These leaders informed the OIG that no action had been taken regarding the inconsistent interpretations of 38 C.F.R. § 4.59.

The principal deputy under secretary for benefits, performing the delegable duties of the under secretary for benefits, concurred with recommendations 1 and 2 and concurred in principle with recommendations 3 and 4.

What the Review Found

During the review period, about 50 percent of the decisions completed for noncompensable joint disabilities were incorrect because claims processors were confused about how to apply 38 C.F.R. §§ 4.59 and 4.71(a). When service connection is warranted, a claims processor

[1] VBA, *Annual Benefits Report Fiscal Year 2024*, https://www.benefits.va.gov/REPORTS/abr/docs/2024-abr.pdf, accessed April 17, 2025.

[2] 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.

evaluates the veteran's claim and assigns a disability percentage. If the claims processor determines a disability is compensable, the veteran may receive monthly payments. On the contrary, if there is no evidence of limited or painful range of motion, a noncompensable evaluation is assigned, and the veteran does not receive payment for the disability. As of fiscal year 2024, veterans had 15.9 million musculoskeletal service-connected disabilities assigned, with 3.3 million of these being noncompensable evaluations.[3]

The OIG team interviewed claims processors at regional offices and observed confusion in several areas that contributed to incorrect decisions. First, the team noticed that claims processors did not always understand the difference between subjective and objective evidence. Claims processors also were not clear whether subjective evidence carried the same weight as objective evidence or whether pain by itself was sufficient to warrant a compensable evaluation. The team confirmed there were various interpretations of 38 C.F.R. § 4.59 among staff from several offices in the Compensation Service, including the offices of Policy, Procedures, Training, and Quality Assurance. Furthermore, the team noted that terminology in the *Adjudication Procedures Manual* and the selections claims processors can make in the required evaluation builder tool contributed to the confusion. Moving forward, VBA should provide a consistent interpretation of 38 C.F.R. § 4.59 regarding pain alone and provide guidance to claims processors to review all evidence so underpayments to veterans can be mitigated.

Next Steps

The comments and action plans from the principal deputy under secretary for benefits, performing the delegable duties of the under secretary for benefits, were responsive and meet the intent of the recommendations. The OIG will monitor VBA's corrective actions and will close the recommendations once VBA provides sufficient evidence that it has addressed the risks identified in this report.

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for Audits and Evaluations

[3] VBA, *Annual Benefits Report Fiscal Year 2024.* Veterans can have multiple musculoskeletal disabilities.

Contents

Executive Summary i

Introduction 1

Results and Recommendations 4

Finding: Noncompensable Joint Disabilities Based on Painful Motion Were Not Always Evaluated Correctly 4

Recommendations 1–4 10

Appendix A: Scope and Methodology 12

Appendix B: Statistical Sampling Methodology 14

Appendix C: Monetary Benefits in Accordance with Inspector General Act Amendments 18

Appendix D: VA Management Comments 19

OIG Contact and Staff Acknowledgments 21

Report Distribution 22

Introduction

VA administers benefits to service-connected veterans, including health care, disability compensation, dependent education assistance, life insurance, and vocational rehabilitation/employment services. VA's compensation program offers a monthly tax-free payment to veterans who have a service-connected disability. Service connection means that a particular disability was caused by an injury or disease incurred or aggravated during active service. VA has formal processes for establishing service connection that involve the review and analysis of military and medical evidence.

Musculoskeletal disabilities are a group of service-connected disabilities that affect the body's movement and involve muscles, tendons, ligaments, bones, and joints.[4] As noted in the Veterans Benefits Administration (VBA)'s fiscal year 2024 *Annual Benefits Report,* the musculoskeletal body system accounts for the highest number of service-connected disabilities among veterans.[5] This benefits report stated there were 15.9 million musculoskeletal service-connected disabilities assigned, and 3.3 million of these were noncompensable evaluations.[6] When service connection is warranted, a claims processor evaluates the veteran's claim and assigns a disability percentage. If the evaluation determines a disability is compensable, it may result in monthly payments to the veteran. On the contrary, if there is no evidence of limited or painful range of motion resulting from a musculoskeletal disability, a noncompensable evaluation is assigned, and the veteran does not receive payment for that disability.

The VA Office of Inspector General (OIG) conducted this review to determine whether VBA claims processors correctly assigned noncompensable evaluations for service-connected musculoskeletal joint disabilities.

Claims Processing

Claims processors are responsible for making eligibility determinations, which VA calls rating decisions. For the purposes of this report, the term "claims processor" includes rating veterans service representatives, who analyze claims, apply VA's Schedule for Rating Disabilities, and prepare a formal rating decision that informs the veteran of the decision.[7] A rating decision is a document detailing the formal determination regarding one or more issues of benefit entitlement and providing an explanation supporting each decision.

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[4] The VA Schedule for Rating Disabilities in the Code of Federal Regulations organizes disabilities into 15 body systems, including the musculoskeletal system.

[5] VBA, *Annual Benefits Report Fiscal Year 2024*, https://www.benefits.va.gov/REPORTS/abr/docs/2024-abr.pdf, accessed April 17, 2025.

[6] VBA, *Annual Benefits Report Fiscal Year 2024*. Veterans can have multiple musculoskeletal disabilities.

[7] "VBA jobs" (website), VA, accessed May 18, 2026, https://vacareers.va.gov/careers/vba-jobs/.

Veterans who claim a musculoskeletal disability may receive an examination from a VA medical center or from a contracted medical examiner. Once the examination is complete, and it is determined that service connection is warranted, the claims processor evaluates the severity of the disability based on medical evidence. The processor must review all evidence and determine (1) whether the evidence is credible and competent and (2) how much weight the evidence carries. Then they complete a disability rating decision, assigning the veteran either a compensable or noncompensable evaluation—which, as noted above, are VA's terms for whether the veteran may receive monthly payment for that disability.

Claims processors must use the evaluation builder to assign a disability percentage. This is a calculator tool built into VBA's electronic claims-processing system to improve decision quality and consistency. Claims processors enter facts and disability information into the tool to generate an evaluation. VA claims processors use the Code of Federal Regulations' VA Schedule for Rating Disabilities (rating schedule), specifically § 4.71(a) with regard to the musculoskeletal system, to determine the appropriate level of compensation for service-connected disabilities based on the condition's documented medical severity. Claims processors also use VBA's *Adjudication Procedures Manual* as a guide.[8] This process results in a disability evaluation, given as a percentage ranging from zero to 100 in increments of 10.

With musculoskeletal joint disabilities, a compensable evaluation is warranted if the examiner sees that the veteran has a limited range of motion. In addition, a veteran's condition may be rated as compensable based on evidence of painful motion. There have been several precedential court decisions that have affected the application of 38 C.F.R. § 4.59. Specifically, on October 28, 2015, the Court of Appeals for Veterans Claims issued an opinion in *Petitti v. McDonald* that lay (subjective) evidence of painful motion—that is, testimonial evidence provided by a veteran or other individual—can be sufficient, if determined to be credible and competent, to warrant a compensable evaluation.[9]

Offices and Responsibilities

The Office of Field Operations oversees VBA's regional offices (including claims processors), ensuring they deliver benefits and services to veterans effectively, efficiently, and accurately. The office also guides performance and workload management for regional offices and makes sure policies, initiatives, and applications are implemented consistently nationwide.[10]

The Compensation Service guides and supports the work of VBA's regional offices in delivering services to veterans. Its responsibilities include issuing and administering procedural guidance

[8] VA Manual 21-1, *Adjudication Procedures Manual*, May 21, 2025.

[9] Petitti v. McDonald, 27 Vet. App. 415, No. 13-3469 (Vet. App. October 28, 2015).

[10] VA, *Functional Organization Manual*, vol. 1, Administrations (version 8.1, 2023), https://department.va.gov/wp-content/uploads/2025/04/va-functional-organizational-manual-volume-1.pdf.

for initiatives and laws that govern VA benefits, as well as developing, supporting, and monitoring the national training plan for claims processors—including developing, providing, and overseeing training and assessing national claims-processing accuracy.[11]

[11] VA, *Functional Organization Manual*, vol. 1.

Results and Recommendations

Finding: Noncompensable Joint Disabilities Based on Painful Motion Were Not Always Evaluated Correctly

The OIG found that claims processors did not always comply with 38 C.F.R. §§ 4.59 and 4.71(a) and incorrectly evaluated noncompensable joint disabilities based on painful motion about 50 percent of the time from April 1, 2024, through March 31, 2025. The team reviewed an additional statistical sample of decisions that were completed from October 1 through November 14, 2025, and confirmed that as of November 2025, VBA continued to experience similar errors for noncompensable joint disabilities. Additionally, as of January 29, 2026, VBA had not issued guidance to address the inconsistent interpretations of 38 C.F.R. § 4.59. This resulted in an estimated monetary impact of at least $45 million in underpayments to veterans. VBA did, however, report in March 2026 that all errors identified by the OIG team had been corrected by February 2026.

The OIG team determined that claims involving evaluations of a joint are not being processed correctly because claims processors are not consistently considering the entirety of the evidence. The team found that several factors contributed to this inconsistent use of evidence in relation to 38 C.F.R. §§ 4.59 and 4.71(a). These factors include claims processors struggling to understand what constitutes subjective evidence and being unsure whether subjective evidence carried the same weight as objective evidence or whether pain alone warranted a compensable evaluation. Additionally, the team found varying interpretations of 38 C.F.R. § 4.59 by the Compensation Service regarding whether pain alone without painful motion is sufficient, inconsistent terminology in the service's *Adjudication Procedures Manual*, and nonstandardized selections in the evaluation builder tool.

Until VBA can provide a consistent interpretation of 38 C.F.R. § 4.59 in light of *Petitti v. McDonald* and provide related guidance to claims processors, along with emphasizing the requirement to review all evidence, VA risks continuing to underpay veterans with compensable joint disabilities.

What the OIG Did

The team reviewed a statistical sample of 100 decisions completed from April 1, 2024, through March 31, 2025, and an additional sample of 20 decisions from October 1 through November 14, 2025, in which a claims processor assigned or confirmed a noncompensable evaluation for a musculoskeletal disability.

The team reviewed these decisions to determine whether the noncompensable evaluation was correct. The team also reviewed applicable laws, regulations, policies, procedures, and guidelines; interviewed claims processors and managers at three VA regional offices; and

interviewed leaders and staff at the VA central office. Additionally, the team briefed VBA's Compensation Service and the Office of Field Operations leaders on the OIG's preliminary finding and recommendations in January 2026. See appendix A for more details on the review's scope and methodology and appendix B for more discussion on the team's statistical sampling.

Processing Joint Disability Claims

Based on the team's review, an estimated 32,000 of 64,000 decisions (50 percent) were processed incorrectly. The team further estimated that 12,000 of the 32,000 errors had a monetary impact, which resulted in at least $45 million in underpayments to veterans.[12] The remaining estimated 20,000 errors did not result in a change to the veterans' overall disability percentage and payment at the time of review.

The OIG team estimated that 19,000 of the 32,000 incorrect decisions contained both objective and subjective evidence of painful motion. However, none of the estimated 32,000 decisions were assigned a compensable evaluation. For example, in one instance, a veteran filed a claim for an increased evaluation for their service-connected left knee condition. During a knee examination, in the medical history section, the examiner documented the veteran's reported weight-bearing pain when walking (subjective evidence). While testing, the examiner also noted objective evidence of pain with repeated use over time. The rating decision assigned a noncompensable evaluation but did not address painful motion, although the evidence clearly showed it was present. After the OIG team notified VBA of the error, VBA issued a corrected decision on August 14, 2025, and the veteran received a retroactive payment of $29,130.

According to VBA's *Adjudication Procedures Manual*, subjective evidence of painful motion—that is, statements or evidence coming, for example, from the veteran or another person—may be sufficient to warrant assigning the minimum compensable evaluation for the joint disability. Therefore, because there was evidence of painful motion in the estimated 32,000 incorrect decisions, a compensable evaluation should have been assigned.

As part of their performance standard, claims processors are expected to consistently exercise sound, equitable judgment when applying laws, regulations, policies, and procedures to ensure accurate decisions are issued for all disability claims. Claims processors also are responsible for reviewing, analyzing, and weighing all evidence when deciding a claim and when assigning a compensable evaluation to ensure the rating decision accurately reflects the disability.[13] The OIG team determined that claims processors were not processing joint disability claims correctly

[12] Estimated percentages were weighted to represent the population from which they were drawn. See appendix C for information on the monetary benefits in accordance with the Inspector General Act.

[13] According to 38 C.F.R. § 4.6, "Every element in any way affecting the probative value to be assigned to the evidence in each individual claim must be thoroughly and conscientiously studied by each member of the rating board in the light of the established policies of the Department of Veterans Affairs to the end that decisions will be equitable and just as contemplated by the requirements of the law."

because they were not consistently using all evidence when assigning evaluations for joint disabilities. It appeared that some evidence may have been overlooked. The team noted that all claims processors responsible for rating decisions had, on average, four years of experience in the position. The team found several factors that contributed to the inconsistent use of evidence, as detailed below.

Evaluating Joints Based on Painful Motion

Through interviews with 51 claims processors (38 rating veterans service representatives and 13 rating quality review specialists) at three regional offices, the OIG team observed confusion among claims processors in several areas regarding the application of 38 C.F.R. § 4.59. These areas included (1) understanding the difference between subjective and objective evidence, (2) whether subjective evidence carried the same weight as objective evidence, and (3) whether pain alone was sufficient to warrant a compensable evaluation or if there had to be evidence of painful motion. Despite VBA guidance after the *Petitti v. McDonald* case saying subjective lay evidence was sufficient for a compensable evaluation, confusion among claims processors persists.

During interviews, the team asked claims processors to provide examples of subjective evidence of pain, and several claims processors struggled to do so accurately. Instead of providing examples of subjective evidence, they cited examples of objective evidence. Additionally, some claims processors tended to weigh objective evidence more than subjective evidence, which is not necessary because subjective evidence is sufficient to warrant a compensable evaluation for musculoskeletal joint disabilities. For example, one claims processor stated that if evidence of painful motion was only in the medical history and not in the objective section of the examination, they would assign a noncompensable evaluation. Another processor said they would send the examination back to the examiner for clarification based on inconsistency. In both instances, the subjective evidence should have been enough to grant a compensable evaluation.

There was also confusion as to whether pain alone was sufficient to grant the compensable evaluation or whether pain with motion was required. Some claims processors interviewed said pain alone was sufficient to warrant a compensable evaluation, while others either believed pain had to be associated with motion or were unsure whether pain had to be associated with motion to warrant a compensable evaluation.

The Compensation Service's Interpretation of 38 C.F.R. § 4.59

Through interviews with staff from several Compensation Service offices, including the offices of Policy, Procedures, Training, and Quality Assurance, the team noted that different offices had different interpretations of 38 C.F.R. § 4.59. For example, the chief of the procedures manual staff said there must be an element of motion associated with pain. Conversely, the assistant director of training thought pain alone was sufficient but also expressed some uncertainty with that interpretation. While he reported not processing cases in several years, he acknowledged being familiar with *Petitti v. McDonald*. When asked by the OIG team if motion is required to assign a compensable evaluation under section 4.59, the acting assistant director for quality said no but also felt motion and pain should go together. These responses illustrated the varying interpretations of 38 C.F.R. § 4.59.

The assistant director of the VA Schedule for Rating Disabilities, who is responsible for researching, drafting, publishing, and processing regulatory amendments to the rating schedule in part 4 of the C.F.R., explained to the team that, in his opinion, the confusion stems from the many court cases surrounding the regulation. He noted that the Compensation Service needs to arrive at a singular definition that is consistent and approved by the VA Office of General Counsel. However, as of January 2026, a representative from the Compensation Service reported this had not yet happened.

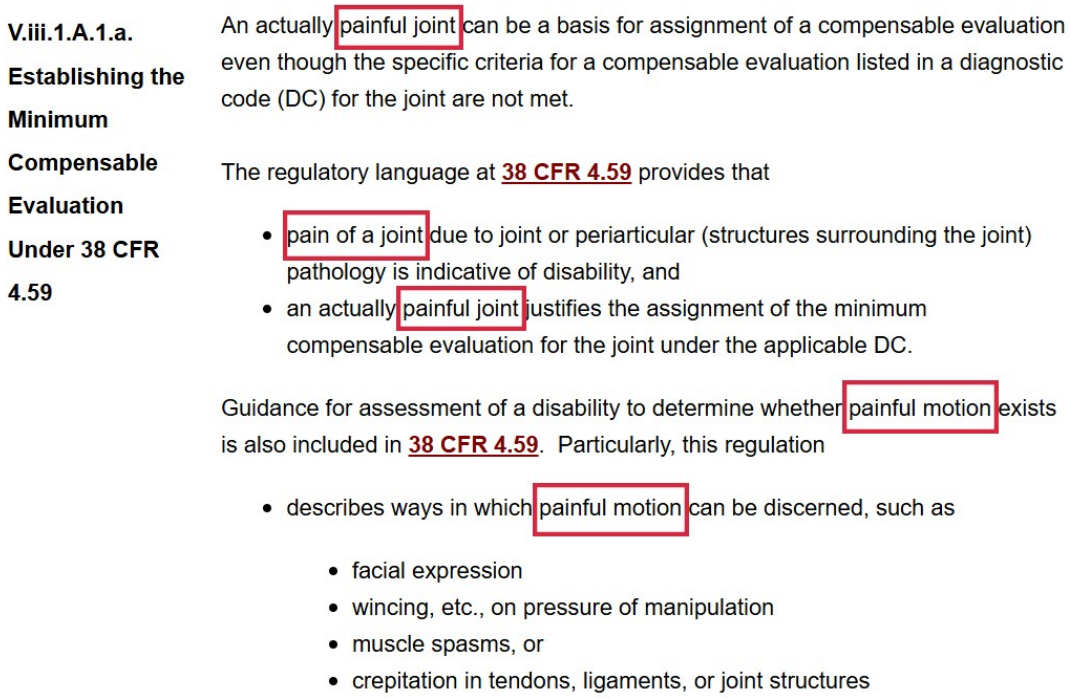
The OIG team concurred with the assistant director's assessment. The Compensation Service is responsible for coordinating legislative and regulatory changes to VBA's programs that are used for claims processing. This includes issuing procedural guidance through updates to VBA's *Adjudication Procedures Manual*. However, without a consistent interpretation of 38 C.F.R. § 4.59, the Compensation Service cannot ensure the law has been applied consistently nationwide and that veterans are receiving the benefits to which they are entitled.

The Compensation Service's *Adjudication Procedures Manual* Terminology

The team found that terms used in the manual in reference to evaluating painful joints can lead to confusion. For example, regarding whether pain alone is enough to assign a compensable evaluation, the section advising claims processors how to establish the minimum compensable evaluation under 38 C.F.R. § 4.59 begins by noting that a painful joint (with no mention of motion) can be the basis for a compensable evaluation.[14] However, a few paragraphs later in the manual, the guidance begins using the phrase "painful motion." As a result, the manual is unclear

[14] VA Manual 21-1, "Establishing the Minimum Compensable Evaluation Under 38 C.F.R. § 4.59," updated September 15, 2021, topic V.iii.1.A.1.a in *Adjudication Procedures Manual*.

as to whether the presence of a painful joint is enough or whether there must be evidence of pain during movement, as shown in figure 1.



V.iii.1.A.1.a. Establishing the Minimum Compensable Evaluation Under 38 CFR 4.59

An actually painful joint can be a basis for assignment of a compensable evaluation even though the specific criteria for a compensable evaluation listed in a diagnostic code (DC) for the joint are not met.

The regulatory language at **38 CFR 4.59** provides that

- pain of a joint due to joint or periarticular (structures surrounding the joint) pathology is indicative of disability, and
- an actually painful joint justifies the assignment of the minimum compensable evaluation for the joint under the applicable DC.

Guidance for assessment of a disability to determine whether painful motion exists is also included in **38 CFR 4.59**. Particularly, this regulation

- describes ways in which painful motion can be discerned, such as
  - facial expression
  - wincing, etc., on pressure of manipulation
  - muscle spasms, or
  - crepitation in tendons, ligaments, or joint structures

Figure 1. *Screenshot of a section of the* Adjudication Procedures Manual *that shows inconsistency regarding pain and painful motion.*

Source: VA OIG adaptation of guidance from VA Manual 21-1, Adjudication Procedures Manual; *red boxes added for emphasis.*

Additionally, this section of the manual says that the minimum compensable evaluation can be assigned for painful motion based on "subjective" evidence. But the manual also refers to subjective evidence as "non-objective" in the example scenarios it provides.[15] These variations may perpetuate the confusion that the OIG team found among claims processors and Compensation Service staff.

The Evaluation Builder

The team found that selections in the evaluation builder are not standardized. The manual requires claims processors to use the tool because it represents accurate policy and procedures in assigning disability evaluations.[16] Claims processors document each joint separately in the

[15] VA Manual 21-1, "Non-Objective Pain Under 38 C.F.R. § 4.59," updated September 15, 2021, topic V.iii.1.A.2.b in *Adjudication Procedures Manual*.

[16] The Veterans Benefits Management System is a web-based system that contains an integrated claims-processing functionality including an evaluation builder calculator. VA Manual 21-1, "Evaluating Disabilities," updated September 15, 2021, topic V.ii.3.D.2 in *Adjudication Procedures Manual*.

evaluation builder, inputting medical evidence, such as examination findings. In interviews with the team, processors expressed confusion related to whether they should select "painful motion" in the evaluation builder when the veteran reports subjective complaints of pain or painful motion. Additionally, processors noted that the evaluation builder does not clearly incorporate subjective complaints of painful motion. They suggested that there should be a clear and consistent way to document both objective and subjective painful motion.

The OIG team confirmed the tool does not have a consistent layout to apply 38 C.F.R. § 4.59 for painful motion. For example, the knee disability options include a "painful motion" box that allows claims processors to select painful flexion or painful extension, and in comparison, the shoulder options allow claims processors to input painful motion differently; but again, there is no distinction between objective and subjective evidence, as shown in figure 2.

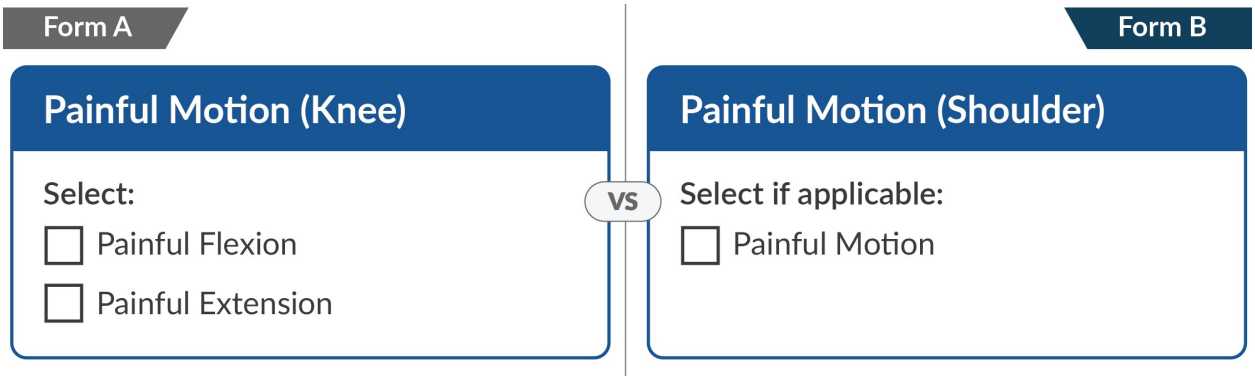


Figure 2. *Selections in evaluation builder for the knee and shoulder.*
Source: VA OIG analysis of VBA's Evaluation Builder.

Because there is no indication for claims processors that their selection is either objective or subjective, it may be challenging for them to understand how to input subjective painful motion complaints compared to objective evidence. If the claims processor does not understand that any form of painful motion, subjective or objective, warrants a compensable evaluation, they may under-evaluate the disability.

The evaluation builder was created to make rating decisions more accurate and consistent. But inconsistent input layouts contributed to inconsistent decision results, especially related to painful motion. According to staff from VBA's Office of Benefits Automation, if claims processors should consider subjective evidence, then the tool should reflect that.

As further evidence of the confusion noted previously, in March 2025, Compensation Service quality staff reminded claims processors in a call that it is important to remember to select the "painful motion" boxes in the evaluation builder when applying 38 C.F.R. § 4.59, as not doing so may prevent the correct evaluation from populating. Furthermore, quality staff advised that if the evaluation builder offers a noncompensable evaluation for a joint disability, it is best to double-check the inputs and verify whether painful motion should be applied. Despite this

clarification in March 2025, when the OIG team visited regional offices in June and July 2025, claims processors and quality staff still demonstrated inconsistent understanding and confusion.

Conclusion

The OIG team estimated that 50 percent of the decisions completed on noncompensable joint disabilities during the review period were incorrect. The team further estimated that 12,000 of the errors resulted in at least $45 million being underpaid to veterans. Claims processors must review, analyze, and weigh all evidence when evaluating disabilities.[17] Furthermore, evaluations should be consistently assigned and should not depend on claims processors' varying interpretations of 38 C.F.R. § 4.59. VBA's Compensation Service needs to establish how to uniformly interpret the C.F.R. and provide clear guidance to claims processors moving forward. Until this occurs, veterans may continue to be underpaid for compensable joint disabilities.

Recommendations 1–4

The OIG made the following recommendations to the under secretary for benefits:[18]

1. Consult with the VA Office of General Counsel to establish a clear and consistent interpretation of 38 C.F.R. § 4.59, to include clarification of whether pain alone without painful motion is sufficient to warrant a compensable evaluation.
2. Based on the clarified interpretation of 38 C.F.R. § 4.59, consider revising the *Adjudication Procedures Manual* to improve consistency of terms, and notify claims processors of the revision.
3. Assess whether guidance is clear to claims processors regarding the requirement to review all evidence, including both objective and subjective evidence, as well as the proper weight that should be given to each piece of evidence.
4. Determine what actions are necessary to the evaluation builder tool to mitigate confusion and ensure decision consistency for all musculoskeletal joint conditions.

VA Management Comments

The principal deputy under secretary for benefits, performing the delegable duties of the under secretary for benefits, concurred with recommendations 1 and 2 and concurred in principle with recommendations 3 and 4. A summary of VBA's response to each recommendation follows, with full remarks in appendix D.

[17] 38 C.F.R. § 4.6 (2025).

[18] 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.

For recommendation 1, VBA explained that on April 9, 2026, it had requested an opinion from the VA Office of General Counsel to establish a clear and consistent interpretation of 38 C.F.R. § 4.59 and to clarify whether pain alone without painful motion is sufficient to warrant a compensable evaluation.

For recommendation 2, once VBA receives the Office of General Counsel's opinion, VBA will consider revising the *Adjudication Procedures Manual* to improve consistency of terms and notify claims processors of the revision.

To address recommendation 3, VBA noted that current guidance requires claims processors to review all relevant evidence, including both objective and subjective evidence, and to assign appropriate weight to each. VBA will further evaluate the clarity of this guidance, with input from the Office of General Counsel, to determine whether revisions are needed.

In response to recommendation 4, after updating the *Adjudication Procedures Manual* and assessing claims processors' understanding, VBA will determine whether additional actions are necessary.

OIG Response

VBA provided acceptable action plans for implementing all four recommendations. The OIG will monitor VBA's progress in addressing the recommendations and will close them when satisfied that sufficient progress has been made.

Appendix A: Scope and Methodology

Scope

The VA Office of Inspector General (OIG) team conducted its work from June 2025 through May 2026. The team reviewed a statistical sample of decisions completed from April 1, 2024, through March 31, 2025, in which a rating decision assigned or confirmed a noncompensable evaluation for a musculoskeletal disability. To verify the findings from the first analysis, the team reviewed another statistical sample of decisions completed from October 1 through November 14, 2025.

Methodology

As noted above, to accomplish its objective, the team examined Veterans Benefits Administration (VBA) decisions that assigned a noncompensable evaluation for a service-connected musculoskeletal disability. The team reviewed specific diagnostic codes allocated for the musculoskeletal system.

The team also examined applicable laws, regulations, policies, procedures, and guidelines related to VBA's processing of noncompensable musculoskeletal joint disabilities. Additionally, the team conducted statistical analysis as described further in appendix B, interviewed VBA central office leaders, and interviewed managers and staff at three regional offices.

Internal Controls

The team assessed internal controls to determine whether they were significant to the review objective. This included consideration of the five internal control components: control environment, risk assessment, control activities, information and communication, and monitoring.[19] In addition, the team reviewed the principles of internal controls as associated with the objective and identified three components and three principles as significant.[20] The team identified internal control deficiencies during this review and proposed recommendations to address those listed in table A.1.

[19] Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-25-107721, May 2025.

[20] Because the review was limited to the internal control components and underlying principles identified, it may not have disclosed all internal control deficiencies that could have existed at the time of this review.

Table A.1. VA OIG Analysis of Internal Control Components and Principles Identified as Significant

Component	Principle	Deficiency identified by this review
Control environment	4. Management should demonstrate a commitment to develop competent individuals.	VBA's error rate for noncompensable musculoskeletal joint evaluations was 50 percent. Claims processors were confused about how to evaluate joints based on painful motion.
Control activities	11. Management should design activities for the information system.	VBA's evaluation builder contributed to confusion and decision inconsistency.
Information and communication	14. Management should internally communicate the necessary quality information to achieve the entity's objectives.	The Compensation Service's interpretation of 38 C.F.R. § 4.59 varies, and the Compensation Service's *Adjudication Procedures Manual* terminology is confusing.

Source: VA OIG analysis of internal control components and principles consistent with the Government Accountability Office's Standards for Internal Control in the Federal Government.

Data Reliability

The OIG team used computer-processed data from VBA's Corporate Data Warehouse for claims completed from April 1, 2024, through March 31, 2025, and completed from October 1 through November 14, 2025, in which a rating decision assigned or confirmed a noncompensable evaluation for a musculoskeletal disability.

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 records, alphabetic or numeric characters in incorrect fields, or illogical relationships among data elements. Furthermore, the team compared veterans' names, file numbers, dates of claims, and claim-closed dates as provided in the data received to the Veterans Benefits Management System records reviewed.

Testing of the datasets showed they were sufficiently reliable for the review objectives. Comparison of the data with information contained in the Veterans Benefits Management System records 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*.[21]

[21] Council of the Inspectors General on Integrity and Efficiency, Quality Standards for Inspection and Evaluation, December 2020.

Appendix B: Statistical Sampling Methodology

Approach

To accomplish the objective, the VA Office of Inspector General (OIG) team reviewed a statistical sample of veterans' decisions completed from April 1, 2024, through March 31, 2025, in which a rating decision assigned or confirmed a noncompensable evaluation for a musculoskeletal disability. The team used statistical sampling to qualify the extent of decisions for which VA employees did not follow the laws and procedures before under-evaluating them. The team confirmed its findings were still applicable as of November 2025 by reviewing a sample of 20 rating decisions that assigned or confirmed a noncompensable evaluation for a musculoskeletal disability completed from October 1 through November 14, 2025. However, these 20 rating decisions were not part of the sampling design, population, or projections.

Population

The review population included 74,008 veterans' records in which a rating decision assigned or confirmed a noncompensable evaluation for a musculoskeletal disability from April 1, 2024, through March 31, 2025 (review period). For the purposes of the review, the team estimated the population to be 63,800 veterans. The difference between the review population and the estimated population is based on 16 out-of-scope decisions that did not fall in the project scope requirements, such as disabilities where a compensable evaluation had already been assigned under another diagnostic code. Because the sample included 16 out-of-scope decisions, it is estimated there are more than that in the population.

Sampling Design

The team selected a simple random statistical sample from the population of records in which a rating decision assigned or confirmed a noncompensable evaluation for a musculoskeletal disability. The sample consisted of 100 in-scope records and 16 out-of-scope records. Error projections were based on the 100 in-scope records.

Weights

Samples were weighted to represent the population from which they were drawn, and the weights were used in the estimate calculations. For example, the team calculated the error rate estimates by first summing the sampling weights for all sample records that contained the given error, then dividing that value by the sum of the weights for all sample records.

Projections and Margins of Error

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

The OIG statistician employed statistical analysis software to calculate estimates, margins of error, and confidence intervals that account for the complexity of the sample design.

The sample size was determined after reviewing the expected precision of the projections based on the sample size, potential error rate, and logistic concerns of the sample review. While precision improves with larger samples, the rate of improvement decreases significantly as more records are added to the sample review.

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

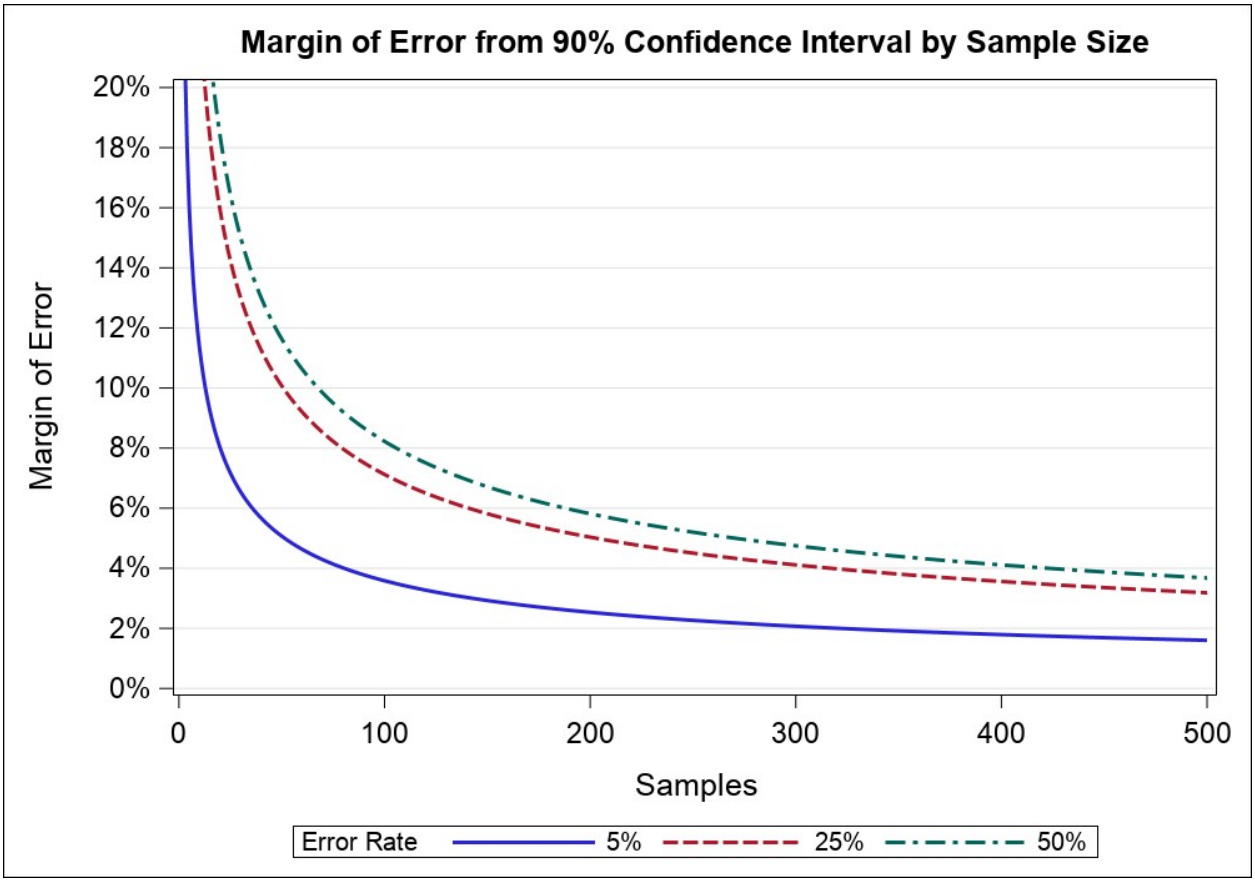


Figure B.1. *Effect of sample size on margin of error.*

Source: VA OIG statistician's analysis.

Projections

Tables B.1 through B.5 detail the team's analysis and projected results for noncompensable joint disabilities during the review period.

Table B.1. Statistical Projections Summary for Complete Population

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample count
Complete population size	63,800	3,943	59,857	67,743	100

Source: VA OIG analysis.

Note: The difference between the original population (74,008) and the estimated population is due to the 16 decisions that were out of scope.

Table B.2. Statistical Projections Summary for Evaluation Errors for Noncompensable Musculoskeletal Joint Disabilities, with a 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample size
Evaluation errors	31,900 (50%)	5,663	26,237	37,563	50
Evaluations with no errors	31,900 (50%)	5,663	26,237	37,563	50

Source: VA OIG analysis.

Table B.3. Statistical Projections Summary for Evaluation Error Type for Noncompensable Musculoskeletal Joint Disabilities, with a 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample size
Impact errors	12,122	4,232	7,890	16,354	19
Potential impact errors	19,778	5,060	14,718	24,838	31

Source: VA OIG analysis.

Table B.4. Statistical Projections Summary for Complete Population: Monetary Projections

Estimate name	Estimate number	Margin of error	One-sided lower limit	Upper limit	Sample size
Monetary impact	$73,383,870	—	$44,979,787	—	19

Source: VA OIG analysis.

Note: The one-sided lower limit is used as a conservative estimate of the population amount due to the small sample size and high variability in the dollar amount.

Table B.5. Statistical Projections Summary for Evaluation Error Type for Noncompensable Musculoskeletal Joint Disabilities, with a 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample size
Objective evidence of painful motion	18,502	4,951	13,551	23,453	31

Source: VA OIG analysis.

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

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs[22]
3 and 4	Estimated underpayment of compensation benefits due to under-evaluating noncompensable musculoskeletal joints based on 38 C.F.R. § 4.59	$0	$44,979,787
	Total	**$0**	**$44,979,787**

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

Appendix D: VA Management Comments

Department of Veterans Affairs Memorandum

Date: June 30, 2026

From: Under Secretary for Benefits (20)

Subj: Office of Inspector General (OIG) Draft Report - Review of Assignment of Noncompensable Musculoskeletal Joint Disabilities [Project No. 2025-02645-AE-0107]

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

1. Thank you for the opportunity to review and comment on the OIG draft report: Review of Assignment of Noncompensable Musculoskeletal Joint Disabilities. The Veterans Benefits Administration (VBA) provides the attached response to the draft report.

The OIG removed point of contact information prior to publication.

(Original signed by)

J. Margarita Devlin

Principal Deputy Under Secretary for Benefits

Performing the Delegable Duties of the Under Secretary for Benefits

Attachment

Attachment

Veterans Benefits Administration (VBA)

Comments on OIG Draft Report

Review of Assignment of Noncompensable Musculoskeletal Joint Disabilities

[Project No. 2025-02645-AE-0107]

VBA concurs with OIG's draft report findings and provides the following action plans in response to the recommendations:

Recommendation 1. Consult with the VA Office of General Counsel to establish a clear and consistent interpretation of 38 Code of Federal Regulations § 4.59, to include clarification of whether pain alone without painful motion is sufficient to warrant a compensable evaluation.

VA Response: Concur. On April 9, 2026, VBA requested an opinion from the VA Office of General Counsel (OGC) to establish a clear and consistent interpretation of 38 Code of Federal Regulations § 4.59, to include clarification of whether pain alone without painful motion is sufficient to warrant a compensable evaluation.

Status: In process Target Completion Date: 11/30/2026

Recommendation 2. Based on the clarified interpretation of 38 Code of Federal Regulations § 4.59, consider revising the Adjudication Procedures Manual to improve consistency of terms, and notify claims processors of the revision.

VA Response: Concur. Once VBA receives OGC's opinion, VBA will consider revising the Adjudication Procedures Manual to improve consistency of terms and notify claims processors of the revision.

Status: Not Started Target Completion Date: 1/31/2027

Recommendation 3. Assess whether guidance is clear to claims processors regarding the requirement to review all evidence, including both objective and subjective evidence as well as the proper weight that should be given to each piece of evidence.

VA Response: Concur in principle. Current guidance outlines the requirement for claims processors to review all relevant evidence, including both objective and subjective evidence, and to assign appropriate weight to each. VBA will further evaluate the clarity of this guidance, with input from OGC, to determine whether any refinements are needed.

Status: Not Started Target Completion Date: 4/30/2027

Recommendation 4. Determine what actions are necessary to the evaluation builder tool to mitigate confusion and ensure decision consistency for all musculoskeletal joint conditions.

VA Response: Concur in principle. Following updates to the Adjudication Manual post OGC input, and assessment of claims processors understanding, VBA will determine if additional actions are necessary to mitigate confusion and ensure decision consistency for all musculoskeletal joint conditions.

Status: Not Started Target Completion Date: 12/31/2026

The text of VA's management comments is reprinted verbatim as received from the department. For accessibility, the original format of this appendix has been modified to comply with section 508 of the Rehabilitation Act of 1973, as amended.

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