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Office of Audits and Evaluations

VETERANS BENEFITS ADMINISTRATION

The Accuracy of Veteran Readiness and Employment Claims Cannot Be Assessed Because of Insufficient Documentation

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Executive Summary

Veteran Readiness and Employment (VR&E) is a Veterans Benefits Administration (VBA) program that provides job training and other services to rehabilitate veterans with service-connected disabilities and an employment handicap—meaning they have “an impairment, resulting in substantial part from” a service-connected disability, of their “ability to prepare for, obtain, or retain employment consistent with [their] abilities, aptitudes, and interests.”¹ The mission of VR&E is to help veterans obtain stable and suitable employment. The VR&E program also assists veterans to achieve maximum independence in daily living when the severity of their disability prohibits suitable employment.²

For veterans to receive VR&E benefits, they must meet both eligibility and entitlement requirements.³ Depending on the date they were discharged, some veterans have only 12 years to be eligible from the date of their last discharge from active military service or the date they received notice of their first service-connected disability rating.⁴ Other requirements include a discharge under conditions other than dishonorable, an employment handicap, and a service-connected disability rated at 10 percent or more.⁵

VR&E has no cap on the amount spent on a veteran, making it more expensive per veteran served than other educational benefits programs like the GI Bill.⁶ The VA Office of Inspector General (OIG) conducted this audit and reviewed claims submitted from April 1, 2023, through September 30, 2023, to determine whether staff accurately processed eligibility and entitlement for VR&E claims.

¹ 38 U.S.C. § 3101(2). A service-connected disability is described in 38 U.S.C. § 101(16) as a disability incurred during or aggravated by active military service; 38 U.S.C. § 101(13) describes a compensable service-connected disability as one a veteran may receive monthly payments for. According to VBA’s website, a service-connected disability may be compensable or noncompensable. A noncompensable disability may be rated at zero percent, meaning a veteran is considered to have a service-connected disability but does not receive compensation (payments) for the disability. For this report, “service-connected disability” means one that is compensable—in other words, a veteran may receive benefits for it. “Service Connected Matrix” (web page), Veterans Benefits Administration, accessed March 26, 2025, https://benefits.va.gov/benefits/derivative_sc.asp.

² VBA, “Veteran Readiness,” *Annual Benefits Report Fiscal Year 2023*, updated February 2024, p. 209.

³ 38 U.S.C. §§ 3102–3103.

⁴ 38 U.S.C. § 3103.

⁵ 38 U.S.C. §§ 3102–3103.

⁶ 38 U.S.C. §§ 3015 and 3313; 38 C.F.R. § 21.430 (2025). The VA Budget Submission for fiscal year (FY) 2024 showed the average benefits for Chapter 30 (Montgomery GI Bill) as \$8,284; Chapter 33 (Post 9/11 GI Bill) as \$14,588; and Chapter 31 (VR&E) as \$17,061 in FY 2023: VA, “VR&E Program Highlights,” in *U.S. Department of Veterans Affairs FY 2024 Budget Submission*, vol. 3, *Burial and Benefits Programs and Departmental Administration*, March 2023, p. 214 (accessible at <https://department.va.gov/administrations-and-offices/management/archived-plans-and-reports/>). 38 U.S.C. § 3104(a)(7)(A) defines the scope of services and assistance VR&E can provide based on what is determined necessary to assist a veteran.

What the Audit Found

The VR&E program did not sufficiently document claims decisions, which prevented effective oversight of the program. The OIG found during the audit that this occurred because VR&E processes relied in part on cultural knowledge of the program that was passed down for decades, and legal and regulatory requirements for key eligibility and entitlement terms had not been confirmed with VA's Office of General Counsel. From April 1, 2023, through September 30, 2023, the inadequate documentation of eligibility and entitlement decisions resulted in an estimated \$309.5 million in questioned costs.⁷

To determine whether the OIG team's results from the tested 2023 data were still relevant, the team reviewed VR&E's processes and requirements related to the documentation of eligibility and entitlement decisions and found no significant changes to those processes and requirements since 2023. In addition, according to the VR&E quality office's assistant director, the new case management system—the Readiness and Employment System—will have a safeguard to prevent counselors from moving on to the next action until decision documents are uploaded. However, the system is not expected to be fully deployed until fiscal year (FY) 2026, according to the VR&E executive director. VR&E told the OIG team it updated its quality process by centralizing the local quality reviews and developing quality review teams to perform reviews that were previously done at the local regional offices. However, as this report explains in detail, the OIG team found that in most cases counselors and quality office staff did not have sufficient information to substantiate veterans' claims for benefits. Without proper documentation, any improvements resulting from the Readiness and Employment System changes to the quality assurance process may not address the issues discussed in the report.

Although Claimants Generally Met the Eligibility Requirements, Counselors Did Not Confirm and Document All of Them

Veterans generally met eligibility requirements because veterans submitted claims within their eligibility periods, and the information needed to confirm eligibility was available in VR&E records. However, VR&E did not have a complete process to document that veterans met all

⁷ The \$309.5 million is the total estimate of payments made for those veterans who submitted a claim from April 1, 2023, through September 30, 2023. The OIG team included payments associated with the questioned claims that occurred after the scope time frame. Because payments for claims deemed both eligible and entitled could be made well after a claim is submitted, the OIG team considered payments beyond the scope time frame through calendar year 2024. The OIG questions costs when the OIG determines that VA action or inaction (such as spending or failure to fully compensate eligible beneficiaries) violates a provision of law, regulation, contract, grant, cooperative agreement, or other agreement; when costs are not supported by adequate documentation; or when funds are expended for purposes that are unnecessary or unreasonable under governing authorities. See appendix A for more on the report's scope and methodology, appendix B for the OIG team's statistical analysis, and appendix C for monetary benefits and questioned costs.

eligibility requirements and to document the final eligibility decision. The program also lacked oversight of the accuracy of eligibility decisions.

Of an estimated 70,600 VR&E claims, about 1,100 were found ineligible by VR&E.⁸ Of those 1,100, VR&E staff denied an estimated 540 claims (about 50 percent) for not meeting VR&E’s “basic eligibility” requirements, such as not having a service-connected disability rating of at least 10 percent. However, these claims were for veterans and service members who were within six months before discharge or 12 months after discharge. In these claims, staff missed the opportunity to assist the claimants because they did not confirm whether the claimants were service members who had recently been hospitalized or were receiving outpatient medical care that would likely be service connected.⁹

The OIG team estimated that about 69,500 veterans who were scheduled for an initial comprehensive evaluation were classified in the case management system as being “eligible.”¹⁰ However, the OIG team found that of the estimated 28,800 claims with entitlement decisions, which means the decision whether to grant or deny VR&E benefits, 27,300 (95 percent) lacked documentation to show that vocational rehabilitation counselors had confirmed all eligibility requirements, including checking for deferrals and extensions of the eligibility period.

In other words, for veterans who met “basic eligibility” requirements, VR&E did not ensure counselors assessed veterans’ eligibility periods and documented the decision-making process, particularly concerning deferrals or extensions of that period. Additionally, the case management system, used to calculate eligibility, contained some incorrect eligibility periods.¹¹ Furthermore, VR&E was not assessing the accuracy of eligibility decisions in its quality reviews. Changes to VR&E’s eligibility review process could ensure eligibility decisions are made consistently in accordance with laws and regulations while also allowing oversight.

⁸ Eligibility requirements are set forth in 38 U.S.C. §§ 3102–3103 and 38 C.F.R. §§ 21.40–21.41 (2025).

⁹ 38 U.S.C. § 3102; 38 C.F.R. § 21.40–41; VA Manual 28C, “Eligibility Criteria,” updated September 23, 2022, para. IV.A.1.02, and “Memorandum Rating,” updated October 23, 2013, para. IV.A.1.03. For service members awaiting discharge, the manual requires staff to determine whether service members have a proposed disability rating through the Integrated Disability Evaluation System or a memorandum rating indicating they are likely to have a compensable service-connected disability of at least 10 percent. A memorandum rating is completed by VBA’s Compensation Service for claimants who apply for VR&E benefits within six months before discharge or 12 months after discharge from active military service. These memorandum ratings verify the veterans’ or service members’ service-connected disability rating will likely be 10 percent or higher.

¹⁰ Of the 70,600 total claims submitted from April 1, 2023, through September 30, 2023, about 1,100 were found ineligible—making 69,500 claims eligible for an initial comprehensive evaluation. The case management system is called Corporate Waco-Indianapolis-Newark-Roanoke-Seattle and is discussed further in appendix A.

¹¹ 38 U.S.C. § 3103; 38 C.F.R. §§ 21.41–42 (2025).

VR&E’s Documentation of Entitlement Decisions Was Not Sufficient to Assess the Accuracy of Decisions

The OIG found that VR&E’s process for deciding veterans’ entitlement to the program may not have ensured entitlement decisions were made in accordance with the law as set forth in federal regulations.¹² By regulation, counselors meet with a veteran during a comprehensive initial evaluation to determine whether the veteran has an employment handicap. This means “an impairment, resulting in substantial part from” a service-connected disability, “of a veteran’s ability to prepare for, obtain, or retain employment consistent with [their] abilities, aptitudes, and interests.”¹³ These decisions are subjective due to unique factors, such as a veteran’s issues with employment. Insufficient documentation of the basis for these employment handicap decisions in the required narrative report prevented the OIG from assessing accuracy.¹⁴ This occurred because VR&E’s entitlement process did not ensure narrative reports, which are required to explain claims decisions, reflect whether counselors assessed all employability factors.¹⁵ VR&E’s documentation requirements, such as requiring clearly written decisions and recommending counselors obtain various pieces of information, were ineffective in ensuring decisions were sufficiently supported, which prevented proper oversight.¹⁶

The VR&E manual requires counselors to conduct a comprehensive initial evaluation to make an employment handicap decision.¹⁷ According to the manual, this evaluation must include a decision on the effects of the veteran’s disabilities on their ability to obtain employment and an evaluation of their capacity for suitable employment.¹⁸ In addition, a clear and logically supported narrative report should demonstrate that employability factors were assessed, such as describing the effect of a service-connected disability on an individual’s occupation, lack of suitable employment, or reason for unemployment.¹⁹ This is also consistent with the law, regulation, VR&E manual requirements, and federal standards that are essential for appropriate monitoring and oversight of entitlement decisions.²⁰

¹² 38 C.F.R. §§ 21.32–33 and 21.50–51 (2025).

¹³ 38 U.S.C. § 3101(2).

¹⁴ 36 C.F.R. § 1222.22 (2025); VA Manual 28C, “VA Form 28-1902b: Counseling Record-Narrative Report,” updated October 21, 2022, para. IV.B.1.08a.

¹⁵ 38 C.F.R. § 21.50 (2025); VA Manual 28C, “Comprehensive Approach to the Evaluation,” updated July 2, 2014, para. IV.B.1.03.

¹⁶ VA Manual 28C, “VA Form 28-1902b: Counseling Record-Narrative Report.”

¹⁷ 38 C.F.R. § 21.50; VA Manual 28C, “Roles and Responsibilities,” updated July 2, 2024, para. IV.B.1.01.

¹⁸ VA Manual 28C, “Comprehensive Approach to the Evaluation.”

¹⁹ VA Manual 28C, “VA Form 28-1902b: Counseling Record-Narrative Report.”

²⁰ 38 U.S.C. § 501; 38 C.F.R. §§ 21.32–33, 21.50–51; VA Manual 28C, “Comprehensive Approach to the Evaluation”; “VA Form 28-1902b: Counseling Record-Narrative Report”; Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014.

The OIG estimated that, of 28,800 granted or denied claims, about 19,700 had decisions available to review and, of those, 18,800 (96 percent) did not clearly explain veterans' employment handicaps such as how the claimant's service-connected disabilities impaired, or did not impair, a claimant's "ability to prepare for, obtain, or retain employment consistent with [their] abilities, aptitudes, and interests."²¹ These decisions did not meet VR&E's manual requirements for narrative reports to "contain reasoning which is clear to professionals and nonprofessionals" and to "logically support legal determinations," which is a critical internal control. This prevented effective oversight of decisions because the estimated 28,800 claims also lacked other sources of information to support the veterans' employment handicaps, and 9,100 claims did not have decisions recorded in VBA records as required. Therefore, these could not be reviewed. VR&E must establish clear expectations for counselors to make sure assessments for employment handicaps meet manual and legal requirements.²²

VR&E Staff Relied on Informal Information Rather Than Verified Legal Requirements

Although the VR&E manual and training generally capture the regulatory requirements for eligibility and entitlement, VR&E counselors did not clearly document decisions or collect supporting documentation to ensure veterans who apply for these benefits were eligible and entitled. Sufficient documentation is necessary to ensure consistent and accurate decisions by counselors and adequate oversight of eligibility and entitlement decisions. During interviews with OIG staff, VR&E's executive director and deputy director suggested that staff rely on cultural knowledge that is passed along through the service and regional divisions that are not always consistent with the law as set forth in the code of federal regulations.²³ They also acknowledged that VR&E has not asked VA's Office of General Counsel to comprehensively consider whether VR&E's processes, including defining key eligibility and entitlement terms, align with legal requirements. As a result, VR&E processes may not be conforming with legal requirements. The executive director acknowledged improvements are needed to documentation.

What the OIG Recommended

The OIG recommended the under secretary for benefits coordinate with VA's Office of General Counsel to assess and update the eligibility decision process to ensure veterans' eligibility periods are properly verified; develop a standard documentation method for deferrals, extensions, and overall eligibility decisions; make sure VR&E staff are trained how to properly

²¹ VA Manual 28C, "Documenting Initial Evaluation Determinations," updated April 2, 2009, para. IV.B.1.08.

²² 38 U.S.C. § 501; 38 C.F.R. §§ 21.32–33, 21.50–51; VA Manual 28C, "VA Form 28-1902b: Counseling Record-Narrative Report.

²³ Exec. Order No. 13,891, 84 Fed. Reg. 55,235 (October 9, 2019). This executive order emphasized that agencies can use guidance documents only to clarify existing obligations. In other words, information in VR&E's manual and other guidance documents must align with laws and regulations.

document eligibility decisions; and make sure VR&E develops a quality review process to monitor eligibility decisions for accuracy.²⁴

Additionally, the OIG recommended the under secretary coordinate with VA's Office of General Counsel to assess and update the entitlement process to make sure veterans' entitlement is properly verified. Specifically, the under secretary should assess VR&E's existing manual and training for compliance with legal and regulatory requirements about necessary documentation of decisions and update them. VR&E should also develop additional controls to ensure entitlement decisions are documented in a manner that would allow for proper oversight.

VA Management Comments and OIG Response

The acting principal deputy under secretary for benefits, performing the delegable duties of the under secretary for benefits, concurred with all five recommendations and provided responsive action plans. VBA will work with VA's Office of General Counsel to assess processes and make sure VR&E staff account for all legal and regulatory requirements for eligibility decisions. VBA will also make sure documentation requirements are legally sufficient and will update the manual and provide training as needed. VBA developed an eligibility review tool and will begin monthly reviews in FY 2026. VBA will also consult with VA's Office of General Counsel to make sure entitlement decisions comply with all relevant laws and regulation, and VBA will develop procedures and controls to make sure official decisions are clearly documented to allow for effective oversight. VBA estimates all action plans will be completed by December 31, 2026.

The OIG believes VBA's plans are generally responsive to the recommendations but would favor VR&E developing more detailed and specific action plans that will help the OIG ensure closure. The OIG will continue to monitor VBA's progress toward achieving the intent of the recommendations and will close the recommendations when the appropriate actions are completed.

The acting principal deputy under secretary also provided general and technical comments to the report. The OIG considered the comments and made some suggested changes, as noted in the report. For example, the acting principal deputy under secretary said "VBA has made substantial progress in recent years to modernize systems, update training, and clarify procedures related to eligibility and entitlement" and that "the report does not fully reflect the impact of ... the Readiness and Employment System." The OIG team discussed this system in the report as it related to the missing narrative reports. The acting principal deputy under secretary added that VBA has implemented enhanced quality reviews. As mentioned, during interviews, VR&E told the OIG team of the changes to its quality process, which included centralizing the local quality reviews and developing quality review teams to perform reviews that were previously done at the

²⁴ 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.

local regional offices. However, these quality review changes were not in place during the scope of the audit and could not be assessed. The OIG team found that in most cases counselors and quality office staff would not have sufficient information to substantiate veterans' claims for benefits, which the report explains in detail.

The OIG's responses to all the comments are presented in the OIG Response section of the report.²⁵ The full text of the acting principal deputy under secretary's responses and comments is included in appendix D.



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²⁵ In response to the nine technical comments, the OIG made some, but not all, of the suggested changes. In some instances, the OIG determined no change to the report was necessary.

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Abbreviations

FY	fiscal year
OIG	Office of Inspector General
VBA	Veterans Benefits Administration
VR&E	Veteran Readiness and Employment



Introduction

The Veterans Benefits Administration's (VBA) Veteran Readiness and Employment (VR&E) program provides job training and other services to veterans who have service-connected disabilities and an employment handicap. Federal law defines an employment handicap as “an impairment, resulting in substantial part from” a service-connected disability, “of a veteran’s ability to prepare for, obtain, or retain employment consistent with [their] abilities, aptitudes, and interests.”²⁶ The VR&E program paid \$1.8 billion in benefits in fiscal year (FY) 2023 and had an FY 2024 estimated annual budget of \$2 billion.²⁷

The VR&E program provides services and assistance to enable veterans with service-connected disabilities to achieve maximum independence and, to the extent possible, become employable, find a stable and suitable job, and remain employed. The VR&E program also assists veterans to achieve maximum independence in daily living when the severity of their disability prohibits suitable employment.²⁸ To qualify for the program, a veteran must be found both eligible and entitled—two terms described in detail below. Once a veteran has entered into the program, a vocational rehabilitation counselor helps them identify a suitable employment goal and determine what services are necessary to achieve it. For FY 2023, the VR&E program reported that 133,399 veterans applied for these benefits. Of those, VR&E found that 99 percent met “basic eligibility” requirements to receive a comprehensive initial evaluation to determine entitlement; of those who received this evaluation, 82 percent (70,537) were found entitled to benefits.²⁹

Most veterans in the VR&E program receive education or training to support their employment goals. This typically includes college courses, non-college-degree training, on-the-job training,

²⁶ 38 U.S.C. § 3101(2). A service-connected disability is described in 38 U.S.C. § 101(16) as a disability incurred during or aggravated by active military service; 38 U.S.C. § 101(13) describes a compensable service-connected disability as one a veteran may receive monthly payments for. According to VBA’s website, a service-connected disability may be compensable or noncompensable. A noncompensable disability may be rated at zero percent, meaning a veteran is considered to have a service-connected disability but does not receive compensation (payments) for the disability. For this report, “service-connected disability” means one that is compensable—in other words, a veteran may receive benefits for it. “Service Connected Matrix” (web page), Veterans Benefits Administration, accessed March 26, 2025, https://benefits.va.gov/benefits/derivative_sc.asp.

²⁷ VA, “VR&E Program Highlights,” in *U.S. Department of Veterans Affairs FY 2024 Budget Submission*, vol. 3, *Burial and Benefits Programs and Departmental Administration*, March 2023, pp. 128 and 211 (accessible at <https://department.va.gov/administrations-and-offices/management/archived-plans-and-reports/>). In addition to the appropriation that it uses to pay veterans’ benefits, the VR&E program requested \$307.7 million to fund administrative expenses such as employee salaries. In total, VR&E requested an estimated \$2.3 billion in FY 2024.

²⁸ 38 U.S.C. § 3100; VBA, “Veteran Readiness,” *Annual Benefits Report Fiscal Year 2023*, updated February 2024, p. 209.

²⁹ VBA, “Veteran Readiness,” *Annual Benefits Report Fiscal Year 2023*, updated January 17, 2025, p. 212. Of the 85,734 applications in FY 2023 with a completed evaluation, 70,537—or about 82 percent—were found entitled to VR&E benefits.

or apprenticeships. VR&E pays the cost of all tuition, books, fees, and supplies and provides a monthly subsistence allowance during training.³⁰ Unlike the Montgomery GI Bill and Post-9/11 GI Bill education programs that cap tuition based on the type of school, VR&E has no cap on the amount spent on a veteran—meaning the program can purchase anything a veteran needs to achieve their employment goals.³¹ This makes the VR&E program more expensive than the GI Bill programs per veteran served.³²

The VA Office of Inspector General (OIG) conducted this audit to determine whether staff accurately processed eligibility and entitlement for VR&E claims.

VR&E’s Process for Deciding Eligibility and Entitlement

For a veteran to be enrolled in the program and receive benefits, VR&E must find that the veteran meets both eligibility and entitlement requirements.³³ The VR&E program uses a three-step process (detailed below) to check those requirements. Once completed, a counselor will decide whether the claimant meets all eligibility and entitlement requirements and will make a final decision on whether to approve the veteran for VR&E benefits.

Figure 1 shows the three steps VR&E staff go through to determine whether a veteran qualifies for VR&E benefits; the individual steps are detailed in the following sections.

³⁰ 38 U.S.C. §§ 3104(a) and 3108(a)(1).

³¹ 38 U.S.C. §§ 3015 and 3313; 38 C.F.R. § 21.430.

³² VA, “VR&E Program Highlights,” in *FY 2024 Budget Submission*, p. 214. The FY 2024 VA Budget Submission showed the average benefits for Chapter 30 (Montgomery GI Bill) as \$8,284; Chapter 33 (Post 9/11 GI Bill) as \$14,588; and Chapter 31 (VR&E) as \$17,061 in FY 2023. 38 U.S.C. § 3104(a)(7)(A) defines the scope of services and assistance VR&E can provide based on what is determined necessary to assist the veteran.

³³ 38 U.S.C. §§ 3102–3103.

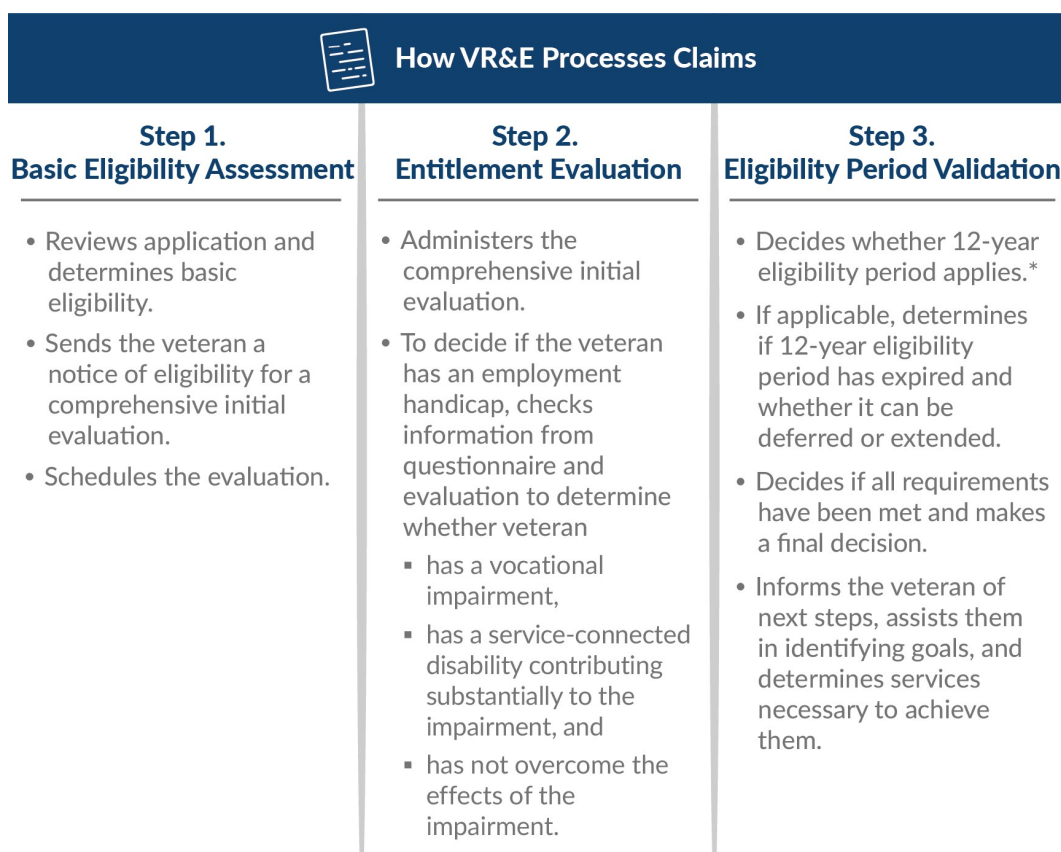


Figure 1. Eligibility and entitlement process.

Source: VA OIG analysis of the VR&E manual requirements for eligibility and entitlement.

* Veterans discharged before January 1, 2013, are eligible for the program for 12 years beginning on the date of their last discharge from active military service or the first notification of a service-connected disability. Veterans discharged on or after January 1, 2013, have no time limit on applying for VR&E benefits, so the 12-year eligibility period requirement does not apply to them. 38 U.S.C. § 3103; 38 C.F.R. §§ 21.41–42 (2025).

Basic Eligibility Assessment (Step 1)

After a veteran or service member submits a claim for VR&E benefits, program support staff first assess the claimant for “basic eligibility.” At this step, the manual requires staff to check whether the claimant is a veteran with a service-connected disability rating of 10 percent or more, has qualifying military service, and was discharged under conditions other than dishonorable; or, for a service member awaiting discharge, whether they have a proposed disability rating through the Integrated Disability Evaluation System or a memorandum rating indicating they are likely to have a compensable service-connected disability of at least

10 percent.³⁴ A memorandum rating is completed by VBA's Compensation Service for claimants who apply for VR&E benefits within six months before discharge or 12 months after discharge from active military service. These memorandum ratings verify the veterans' or service members' service-connected disability rating will likely be 10 percent or higher.³⁵

Staff process claims using the case management system.³⁶ If a veteran meets these requirements, staff schedule the veteran for a comprehensive initial evaluation with a vocational rehabilitation counselor to assess entitlement. The law requires VA to provide a comprehensive initial evaluation to all veterans with a service-connected disability rating of 10 percent or more.³⁷ At this point in the process, VR&E classifies all these claimants as "eligible" in the case management system, although not all eligibility requirements have been checked.

In addition to "basic eligibility," veterans discharged before January 1, 2013, are eligible for the program only for a period of 12 years beginning on the date of their last discharge from active military service or the first notification of a service-connected disability.³⁸ The system automatically populates the information needed to verify a claimant's 12-year eligibility period. At this step, staff make sure the veteran's 12-year eligibility period has been calculated in the case management system; however, under VR&E's process, it is not reviewed and confirmed until later.³⁹ A veteran whose eligibility period has expired is also scheduled for comprehensive

³⁴ VA Manual 28C, "Eligibility Criteria"; VA Manual 28C, "Integrated Disability Evaluation System Process" (definition), in "VR&E Glossary of Terms," updated January 18, 2023. The Integrated Disability Evaluation System process refers to the joint process between the Department of Defense and VA to make disability evaluations seamless, simple, fast, and fair. A service member begins the process while on active duty; if the individual is found medically unfit for duty, the Integrated Disability Evaluation System process will provide a proposed VA disability rating before the service member is discharged.

³⁵ VA Manual 28C, "Memorandum Rating," updated October 23, 2013, para. IV.A.1.03, and "Criteria for Comprehensive Initial Evaluation," February 19, 2019, para IV.B.1.02a. For applications submitted on or after March 31, 1981, and before November 1, 1990, a claimant must have been rated at least 10 percent; and the rating criterion was 20 percent or higher for claimants who submitted an application on or after November 1, 1990. VA Manual 21-1, Prologue, Introduction, in *Adjudication Procedures Manual*. VBA's Compensation Service oversees the delivery of disability compensation, 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.

³⁶ The case management system is called Corporate Waco-Indianapolis-Newark-Roanoke-Seattle and is discussed further in appendix A.

³⁷ 38 U.S.C. § 3106. This is called an initial evaluation in the code; however, VA Manual 28C requires counselors to take a "comprehensive approach" to the evaluation. This evaluation is referred to in this report as a "comprehensive initial evaluation."

³⁸ 38 U.S.C. § 3103; 38 C.F.R. §§ 21.41–42 (2025). Veterans often do not have a service-connected rating when they are discharged. Regulations allow VR&E staff to defer the start of the 12-year eligibility period to the initial rating notification date, which is the date a veteran is first notified of a service-connected disability. Veterans discharged on or after January 1, 2013, have no time limit on applying for VR&E benefits.

³⁹ VA Manual 28C, "Automated Generated Eligibility Determination Processing," updated December 7, 2017, para. IV.A.1.08. The eligibility period date should be entered in the case management system via an automated process that populates the data; VR&E staff should confirm the data populated correctly or manually enter it if it did not.

initial evaluation and may qualify for a deferral or extension based on the results of the evaluation.

Entitlement Evaluation (Step 2)

In the second step, a vocational rehabilitation counselor completes a comprehensive initial evaluation with the veteran to determine whether the veteran is eligible and entitled to VR&E benefits.⁴⁰ Before the evaluation, the veteran is asked to complete a questionnaire and to provide training records including military training, college or university transcripts, vocational training records, resumes, job certifications or licenses, and recent medical records not available to VA, all of which provide the counselor with background information such as past employment and service-connected disabilities. During the evaluation, the counselor will develop and assess the veteran's personal history and circumstances—including educational and training achievements, employment records, and other factors that may affect employability—to determine whether an employment handicap exists.⁴¹ According to the law, an employment handicap is “an impairment, resulting in substantial part from” a service-connected disability, “of a veteran’s ability to prepare for, obtain, or retain employment consistent with [their] abilities, aptitudes, and interests.”⁴² Regulations establish that a counselor will decide based on the comprehensive initial evaluation if the veteran has an employment handicap by assessing the claimant for three conditions, the first of which is whether the claimant has a vocational impairment.⁴³

If the counselor finds a vocational impairment, they then assess whether the veteran’s service-connected disability substantially contributes to the impairment.⁴⁴ Last, the counselor assesses whether the veteran has not, through past education or experience, overcome the vocational impairment and found suitable employment. If all these conditions are met, the veteran is found to have an employment handicap. If the veteran does not meet VR&E

⁴⁰ 38 U.S.C. §§ 3104(a) and § 3106(a); VA Manual 28C, “Comprehensive Approach to the Evaluation,” updated July 2, 2014, para. IV.B.1.03. Before the evaluation, the veteran completes a questionnaire that provides the counselor with background information such as past employment and service-connected disabilities.

⁴¹ 38 C.F.R. § 21.50.

⁴² 38 U.S.C. § 3101(2).

⁴³ 38 C.F.R. § 21.51 defines a vocational impairment as “an impairment of the ability to prepare for, obtain, or keep employment in an occupation consistent with his or her abilities, aptitudes, and interests.” This definition is similar to that of an employment handicap. A VR&E Program and Policy office staff member noted these definitions are similar and can cause confusion among counselors.

⁴⁴ The service-connected disability “must have an identifiable, measurable, or observable causative effect on the overall vocational impairment but need not be the sole or primary cause of the employment handicap.” 38 C.F.R. § 21.51. A VA manual explains that the disability “must contribute to the vocational impairment in more than a trivial or technical manner.” VA Manual 28C, “Contribution of the Service-Connected Disability to the Vocational Impairment,” updated August 15, 2013, para. IV.B.1.04d.

requirements, the counselor must provide other resources and programs the veteran may qualify for.⁴⁵

The counselor must complete a form called a counseling record-narrative report (narrative report) to document the results of the comprehensive initial evaluation and upload it to the veteran's electronic file in the Veterans Benefits Management System.⁴⁶ Claims decisions for VR&E benefits are documented in the narrative report "to show clearly how the claimant's SCD [service-connected disability] impairs, or does not impair, a claimant's ability to prepare for, obtain, or retain employment consistent with ability, aptitudes, and interests."⁴⁷ Employment handicaps are unique to each veteran's personal history and circumstances. VR&E's manual requires the narrative report to "contain reasoning which is clear to professionals and nonprofessionals" and to "logically support legal determinations" for the employment handicap and the overall entitlement decision, which pending the validation of the eligibility period could grant benefits.⁴⁸

In addition to the narrative report, the VR&E manual also recommends counselors use sources of information "not limited to" medical records when deciding whether a veteran has a vocational impairment. These can include labor market information; academic records; and "history of employment and earnings, including resume, performance appraisals, position descriptions, [and] attendance records."⁴⁹ None of these specific sources of information or evidence are required; however, regulations say information or evidence may be necessary to substantiate a claim. Regulations also require VA to "provide to the claimant notice of any information and evidence, not previously provided to VA, that is necessary to substantiate the claim" and to "make reasonable efforts to help a claimant obtain evidence necessary to substantiate the claim."⁵⁰

⁴⁵ VA Manual 28C, "Comprehensive Approach to the Evaluation." Laws and regulations define two types of employment handicaps in similar ways: the employment handicap as described previously and a serious employment handicap, which is a "significant" impairment of a veteran's employability. Because the differences did not affect the OIG's finding, this report collectively refers to all as employment handicaps. 38 U.S.C. § 3101.

⁴⁶ VA Manual 28C, "Criteria for Entitlement Determination," updated July 11, 2017, para. IV.B.1.02b. The Veterans Benefits Management System is a web-based claims-processing system that allows VBA staff to establish claims, view and store documents in an electronic folder, and track evidence requested from veterans.

⁴⁷ VA Manual 28C, "Documenting Initial Evaluation Determinations," updated April 2, 2009, para. IV.B.1.08.

⁴⁸ VA Manual 28C, "Documenting Initial Evaluation Determinations," and "VA Form 28-1902b: Counseling Record-Narrative Report," updated October 21, 2022, para. IV.B.1.08a.

⁴⁹ VA Manual 28C, "Sources of Information for Determining the Existence of a Vocational Impairment," updated August 15, 2013, para. IV.B.1.04b.

⁵⁰ 38 C.F.R. §§ 21.32–33 (2025).

Documentary evidence supporting a veteran's entitlement to benefits also helps facilitate monitoring and oversight of the VR&E process.⁵¹

Eligibility Period Validation (Step 3)

In the third step of the VR&E process, counselors decide whether a veteran meets the eligibility period requirement or qualifies for a deferral or extension. As noted previously, the eligibility period is calculated during the first step but is not reviewed at that time. A veteran whose eligibility period has expired may qualify for a deferral or extension based on the results of the comprehensive initial evaluation.

The eligibility period for veterans discharged before January 1, 2013, is 12 years beginning on the date of the veteran's last discharge from active military service. However, because veterans often do not have a service-connected rating when they are discharged, in practice, VR&E staff follow the regulation that defers the start of the 12-year eligibility period to the initial rating notification date, which is the date a veteran is notified of a service-connected disability.⁵² Veterans discharged on or after January 1, 2013, have no time limit on applying for VR&E benefits.

If a veteran's eligibility period has expired, the counselor must decide whether the veteran qualifies for a deferral or extension. Qualifying circumstances include a change in the veteran's character of discharge, such as updating a dishonorable discharge to other than dishonorable; an inability to participate in the program due to the veteran's medical conditions; or an order to return to active duty.⁵³ The VR&E manual says the counselor must decide whether a veteran qualifies for a deferral or extension; the manual does not specify where the decision should be documented.⁵⁴ Once the eligibility period validation has been completed, a counselor will have the information necessary to make a final decision on whether to grant the veteran VR&E benefits.

⁵¹ 36 C.F.R. § 1222.22 (2025) requires agencies to maintain documentation of agency business that "make possible a proper scrutiny by the Congress or other duly authorized" federal agency. Furthermore, the Government Accountability Office recommends agencies design internal controls to achieve objectives and respond to risks such as ensuring "accurate and timely recording of transactions" and "appropriate documentation of transactions and internal control" to ensure documentation is "readily available for examination." Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014, para. 10.03.

⁵² 38 C.F.R. §§ 21.41–42; 38 U.S.C. § 3103.

⁵³ 38 C.F.R. § 21.42; 38 C.F.R. §§ 21.44–46 (2025).

⁵⁴ VA Manual 28C, "Deferral and Extension of the Basic Eligibility Period," updated August 15, 2013, para. IV.A.2.03b.

VR&E Organizational Structure

An executive director leads the VR&E program, which is organized into 58 regional divisions.⁵⁵ The executive director develops policy, procedures, workload systems, and the program budget but does not have direct authority over program staff at the regional divisions. The executive director also develops requirements and training programs for regional division staff and provides oversight and guidance of the divisions through quality assurance surveys and file reviews.⁵⁶ VR&E has four headquarters-level offices:

- **Program and Policy** helps the executive director and deputy director in all rehabilitation activities and is responsible for interpreting, creating, clarifying, and recommending VR&E policies and directives.
- **Employment, Training, and Outreach** trains regional division staff; provides marketing and outreach services for veterans, veterans service organizations, and VA partners; and provides program services for student veterans on college campuses and service members transitioning out of the military.
- **Quality and Oversight** assesses compliance with regulations and makes sure actions are documented in accordance with laws, regulations, manual procedures, and other directives. This office identifies when guidance needs clarification and when trends can be used to evaluate management, resources, systems, and training needs. It also promotes consistency in service offerings nationwide and provides feedback to improve service delivery.
- **Operations** supports counselors to make sure they have the tools and information they need to help veterans in the VR&E program. The operations office provides various types of support, such as project management, help-desk support, and operational improvements. At the time of the OIG's audit, the office was implementing a new case management system for counselors.

As shown in figure 2, VBA regional office directors have direct authority over the VR&E regional divisions. The directors are responsible for ensuring all policy and procedural changes are implemented and that veterans receive benefits in a timely manner.

⁵⁵ Each of the 58 VR&E regional divisions is connected to one of VBA's 56 regional offices. The regional offices fall under the authority of the Office of Field Operations. Field operations staff oversee operations at VBA district, regional, and field offices to ensure VBA delivers benefits and services effectively and efficiently, including VR&E.

⁵⁶ VA Manual 28C, "Executive Director, Veteran Readiness and Employment Service," updated November 19, 2015, para. II.A.1.01c.3.

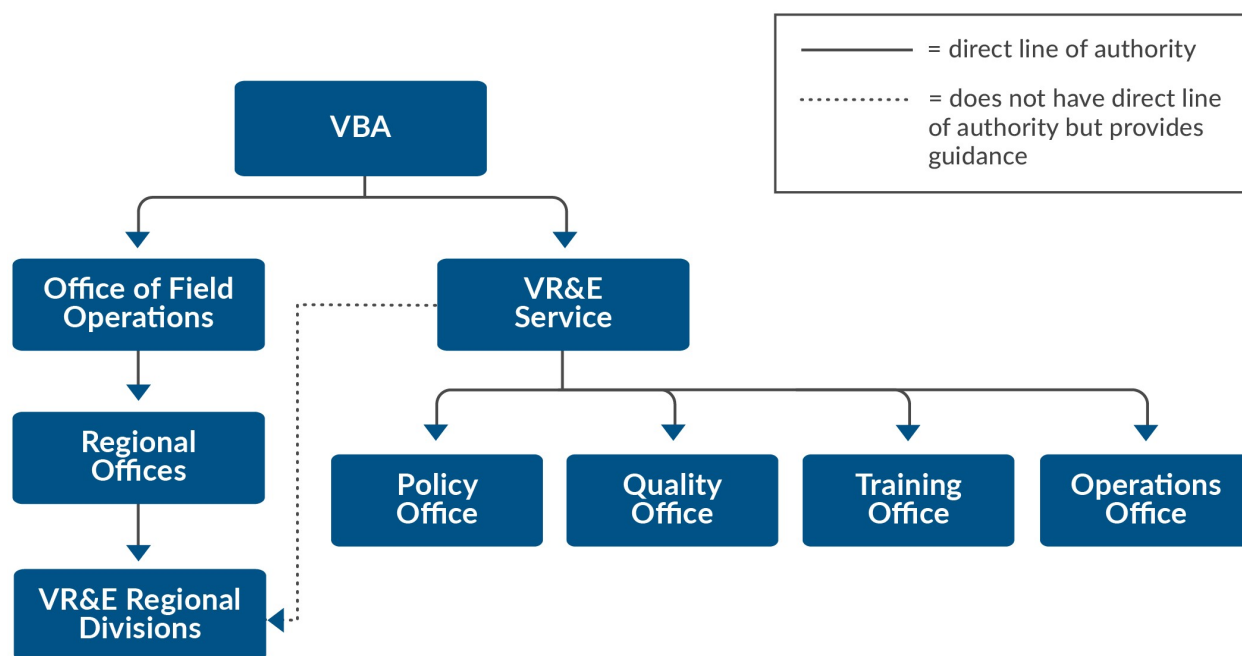


Figure 2. VR&E organizational chart.

Source: VA OIG analysis of information reported on VR&E's SharePoint site (not publicly accessible).

Each regional office has several divisions, and a VR&E officer manages each division, which includes vocational rehabilitation counselors, vocational rehabilitation specialists, employment coordinators, and program support staff:

- **Vocational rehabilitation counselors** work with veterans throughout the rehabilitation process and employment. They perform comprehensive initial evaluations, decide entitlement, determine reasonable feasibility of achieving vocational goals, and develop and implement individualized rehabilitation plans. These counselors have master's degrees in behavioral or social sciences, such as rehabilitation counseling.
- **Vocational rehabilitation specialists** monitor veterans' progress in their rehabilitation plans, coordinate all services, and perform all actions outlined in a veteran's rehabilitation plan. Cases are transferred by the counselor to the vocational rehabilitation specialist for case management. The specialist's responsibilities start after a veteran is found eligible and entitled.
- **Employment coordinators** provide veterans with job development and placement services including on-the-job training, job-seeking skills, resume development, interviewing skills, and direct placement.
- **Program support staff** handle administrative tasks and help counselors with VR&E claims.

Results and Recommendations

Finding: Insufficient Documentation Prevented Effective Oversight of VR&E Claims

The VR&E program did not sufficiently document its claims decisions, which prevented VBA from properly overseeing the program and resulted in the OIG questioning an estimated \$309.5 million in benefits payments.⁵⁷ The OIG found that veterans who received VR&E benefits generally met the eligibility requirements, but VR&E's process for *deciding* eligibility did not ensure that all requirements and the final eligibility decision were documented, beyond the initial documentation of "basic eligibility" in the case management system. In addition to a lack of documentation, VBA did not oversee the VR&E program's process for deciding claimants' eligibility.

The OIG team found that from April 1 through September 30, 2023 (the audit period), about 1,100 of an estimated 70,600 claims were found not eligible because the claimant had not met VR&E's "basic eligibility" requirement. Of those 1,100, an estimated 540 claims were denied for not having a service-connected disability rating of at least 10 percent, though the claimants were pending discharge or had been recently discharged.⁵⁸ A claimant pending discharge may be eligible and entitled to VR&E benefits, but the OIG team saw no evidence that VR&E staff asked for more information from these claimants to help confirm they did not meet the "basic eligibility" requirements. In addition, the OIG team estimated that 27,300 of 28,800 (95 percent) claims that were granted or denied lacked documentation showing that VR&E counselors confirmed all applicable eligibility requirements.⁵⁹

The program's lack of documentation also prevented the OIG team from assessing the accuracy of the entitlement decisions, which means a decision whether to grant or deny VR&E benefits. The team estimated that of the 70,600 claims, about 28,800 resulted in an entitlement decision. Of those 28,800 claims, about 9,100 (32 percent) were estimated to not have narrative reports—

⁵⁷ These payments were made in calendar years 2023 and 2024 for veterans who submitted a claim from April 1, 2023, through September 30, 2023, and were found eligible and entitled to benefits. Because payments for claims found both eligible and entitled could be made well after a claim is submitted, the OIG team considered payments beyond the scope time frame through calendar year 2024. 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 funds are expended for purposes that are unnecessary or unreasonable under governing authorities.

⁵⁸ 38 U.S.C. §§ 3102–3103; 38 C.F.R. §§ 21.40–41; VA Manual 28C, "Eligibility Criteria" and "Memorandum Rating."

⁵⁹ Of the 70,600 total claims, the OIG estimates that 28,800 received a comprehensive initial evaluation, and thus counselors had the opportunity to validate the veterans' eligibility periods. The remaining claims were either found ineligible or were discontinued before the evaluation.

where the entitlement decision is supposed to be recorded—in VBA records and, therefore, the entitlement decision could not be reviewed. Of the 19,700 claims that could be reviewed, about 18,800 claims (96 percent) were estimated to not include documentation showing that counselors assessed all the factors necessary to determine whether veterans’ had an employment handicap.⁶⁰ The OIG team found that this occurred because VR&E documentation requirements were not effective to ensure counselors assessed and documented employment handicaps in accordance with regulations and because VR&E’s oversight reviews of processed claims were ineffective. VR&E oversight reviews identified only 1 percent of employment handicap decisions in narrative reports as unclear.

The OIG team found, through interviews with VR&E’s executive director and deputy director, that VR&E processes in part relied on internal cultural knowledge that had been passed down among staff for decades and did not always follow the law as set forth in federal regulations. They also acknowledged that VR&E has not asked VA’s Office of General Counsel to comprehensively consider whether VR&E’s processes, including defining key eligibility and entitlement terms, reflect legal requirements. Officials in charge of VR&E should clarify requirements with the Office of General Counsel and, if needed, strengthen documentation expectations, correct training, and improve oversight of decisions.

The finding is based on the following determinations:

- Although claimants generally met the eligibility requirements, counselors did not confirm and document all of them.
- VR&E’s documentation of entitlement decisions was not sufficient to assess the accuracy of decisions.
- VR&E staff relied on informal information rather than verified legal requirements.
- Insufficient documentation resulted in questioned costs.

What the OIG Did

The audit team reviewed a statistical sample of 191 VR&E claims from 76,755 that were submitted from April 1, 2023, through September 30, 2023. During the audit, 16 of the 191 claims were found to be outside the audit scope, leaving 175 claims in scope. Of those 175 claims, 30 resulted in a veteran being found ineligible for VR&E benefits, and 145 resulted in a veteran being moved forward to the next step in the process, which is a comprehensive initial evaluation. Of the 145 claims, VR&E evaluated 70 for entitlement. The remaining 75 were discontinued before the comprehensive initial evaluation; the reasons those 75 claims were

⁶⁰ VA Manual 28C, “VA Form 28-1902b: Counseling Record-Narrative Report.”

discontinued were outside the scope of this audit.⁶¹ The team also interviewed the VR&E executive director, other VR&E leaders, and regional office staff.⁶² See appendix A for more details about the audit's scope and methodology, and see appendix B for the statistical sampling methodology.

Although Claimants Generally Met the Eligibility Requirements, Counselors Did Not Confirm and Document All of Them

The OIG team found that veterans in the statistical sample generally met eligibility requirements because veterans submitted claims within the eligibility period and the information needed to confirm eligibility was available in VR&E records.⁶³ However, VR&E did not have a process to obtain more information from claimants who were pending discharge or were recently discharged, which may result in claims being denied. VR&E's process to assess eligibility also did not ensure all eligibility requirements, such as the need for deferrals or extensions, were checked or that the overall eligibility decision was documented, so the OIG team could not assess the accuracy of VR&E decisions. Additionally, VR&E lacked a process to assess accuracy of eligibility decisions in its quality reviews.

Improvements to the process would help ensure eligibility decisions are made consistently in accordance with laws and regulations and would allow oversight. The process in place during the audit allowed only for documentation of basic eligibility and did not include confirmation of the period of eligibility.

VR&E Missed Opportunities to Better Assist Veterans Before Denying Claims

The OIG team found that 1,100 of an estimated 70,600 VR&E claims were found ineligible.⁶⁴ Of those 1,100, VR&E staff denied an estimated 540 claims (about 50 percent) for not meeting

⁶¹ VA Manual 28C, "Reasons for Interrupting Services," updated December 15, 2020, para. V.A.5.01d. An application for VR&E benefits may be discontinued for various reasons, such as a veteran requesting all actions be stopped; the rehabilitation plan requiring redevelopment; a veteran's conduct and cooperation being unsatisfactory; necessary training and rehabilitation services being unavailable; medical reasons, family emergencies, or unforeseen circumstances preventing participation; a veteran being recalled to active duty; or a veteran becoming a fugitive felon or incarcerated. The OIG did not assess as part of this audit the reasons applications were discontinued.

⁶² The regional offices are in Atlanta, Georgia; Columbia, South Carolina; Houston, Texas; New York, New York; Phoenix, Arizona; Seattle, Washington; and Washington, DC.

⁶³ 38 U.S.C. § 3103; 38 C.F.R. §§ 21.41–42. For veterans discharged before 2013, the 12-year eligibility period begins either on the date of their last discharge from active military service or their initial rating notification date, which is the date a veteran is notified of a service-connected disability. Veterans discharged on or after January 1, 2013, have no time limit on applying for VR&E benefits. Documentation of veterans' date of discharge and initial rating notification dates needed to determine eligibility are stored in the Veterans Benefits Management System and were accessible by the OIG to confirm eligibility.

⁶⁴ Eligibility requirements are set forth in 38 U.S.C. §§ 3102–3103 and 38 C.F.R. §§ 21.40–21.41.

VR&E’s “basic eligibility” requirements such as not having a service-connected disability rating of at least 10 percent. However, these claims were for veterans and service members that were within six months before discharge or 12 months after discharge.⁶⁵

VR&E staff first assess a claimant for “basic eligibility” requirements to confirm a service-connected disability of 10 percent or more and a qualifying discharge status. However, claims may also be filed by service members awaiting discharge who are hospitalized or receiving outpatient care for a disability that is likely to be service connected.⁶⁶ The VR&E manual establishes that service members who apply for VR&E benefits within six months before discharge or 12 months after discharge may request a memorandum rating, which can be used to establish “basic eligibility” and entitlement for VR&E benefits before receiving a final service-connected disability rating.⁶⁷

The OIG team found no evidence that VR&E staff explored these options before finding ineligible those claimants who had not been discharged or were within 12 months of discharge and did not have a record of a service-connected disability of at least 10 percent. Moreover, VR&E had no process to identify these claimants and notify them of the option to request a memorandum rating before a claim is denied. Although the denial letter that VR&E sends informs the claimant about the option to request a memorandum rating and the same information is available on VA’s benefits website, exploring these options before a denial would put the veteran in a better position to receive benefits without delay. In the following example, a service member pending discharge who may have been able to establish eligibility was found ineligible, and VR&E staff did not obtain additional information to help the veteran establish “basic eligibility.”

Example 1

An active-duty service member applied for VR&E benefits and two days later was found ineligible because they lacked a service-connected disability. Seven months later, the same service member received a disability rating that qualified them for VR&E benefits. Had VR&E contacted this person before the denial, it would have learned when the service member was scheduled to separate from service and that they were receiving care for mental health issues that likely could have resulted in

⁶⁵ VR&E “basic eligibility” requirements include checks to confirm the claimant is a veteran with a service-connected disability rating of 10 percent or more, has a qualifying military service, and a discharge under conditions other than dishonorable; or if they were not a service member awaiting discharge with an Integrated Disability Evaluation System or a memorandum rating indicating they are likely to have a compensable service-connected disability of at least 10 percent.

⁶⁶ 38 U.S.C. §§ 3102–3103; 38 C.F.R. §§ 21.40–41; VA Manual 28C, “Eligibility Criteria” and “Memorandum Rating.”

⁶⁷ 38 U.S.C. § 3102; 38 C.F.R. § 21.40–41; VA Manual 28C, “Eligibility Criteria” and “Memorandum Rating.”

a service-connected disability, which may have qualified them for VR&E benefits sooner.

Contacting a veteran in such circumstances is not mentioned in the VR&E manual. Nevertheless, 11 of 17 VR&E staff the audit team surveyed reported that they reach out to veterans who do not meet the “basic eligibility” requirements—although there was no documentation of these outreach efforts in the records the OIG reviewed. The assistant director of the VR&E policy office told the audit team that staff would not have access to information such as whether a service member was receiving care at the time, so contacting the veteran to obtain it would be necessary to confirm “basic eligibility.” The assistant director also said asking for this information from a service member or veteran before finding them ineligible would be the ethical thing to do, and she noted that although these cases are rare, they could create more work for staff.

As previously mentioned, the OIG team estimated that 540 of 70,600 claims were denied on this basis, which is less than 1 percent. Even though the percentage of claims affected was small, if VR&E considers a more veterans-first approach to the “basic eligibility” decision process, the program could update the claim application and denial letter to inform claimants they can request a memorandum rating. The program could also require VR&E staff to contact claimants before finding them ineligible to help claimants understand their options.⁶⁸ VR&E should also confirm with VA’s Office of General Counsel that the process satisfies all regulatory requirements—specifically, VA’s duty to notify claimants of information or evidence necessary to substantiate a claim.

Eligibility Period Decision-Making Was Not Documented

The OIG team found that in the eligibility period validation (step 3 of the process discussed earlier), VR&E did not ensure counselors assessed veterans’ eligibility periods and documented the decision-making process, particularly concerning deferrals or extensions. Furthermore, the team found that VR&E’s case management system contained incorrect eligibility periods. These documentation issues could lead to veterans receiving benefits without being eligible because the process does not allow for oversight to confirm that claims were processed accurately.

At the start of the basic eligibility assessment, VR&E staff first assess whether a veteran meets VR&E’s requirements to attend a comprehensive initial evaluation. Though this first step is called the basic eligibility assessment, staff do not check whether each veteran’s period of eligibility, which is established in law and regulations, has expired.⁶⁹ As explained earlier,

⁶⁸ The OIG is not making a recommendation for this issue.

⁶⁹ 38 U.S.C. §§ 3103 and 3106; 38 C.F.R. §§ 21.41–42.

veterans qualify for a comprehensive initial evaluation despite an expired eligibility period, and various provisions in law and regulations allow for deferrals and extensions.⁷⁰

Veterans are recorded as “eligible” in the case management system, which only means eligible for a comprehensive initial evaluation. Veteran’s eligibility period must still be checked. Among estimated 69,500 claims found “eligible” for an initial comprehensive evaluation, an estimated 28,800 included an entitlement decision.⁷¹ The OIG team found that an estimated 27,300 of the 28,800 claims (95 percent) lacked documentation demonstrating VR&E staff confirmed whether the 12-year eligibility period applied—in other words, whether the veteran was discharged before or after January 1, 2013—and, if so, whether the veteran was within the eligibility period or qualified for a deferral or extension.

The VR&E manual says deferrals and extensions are granted by a counselor, so a full assessment of eligibility cannot be done until after a counselor completes the comprehensive initial evaluation.⁷² However, the OIG team found that VR&E’s manual does not establish a standard process to document the counselor’s review of the eligibility period. According to VR&E, counselors can use the narrative report to capture this decision. However, the team found that this was not explained in the manual or instructions for the narrative report, and the section of the report where this can be indicated does not include all reasons a deferral or extension could be granted. Additionally, the team did not observe that the narrative report was used for this purpose.

The OIG team identified additional errors with the calculation of the eligibility period that could have affected overall eligibility decisions. The most common error, affecting an estimated 28,600 of 70,600 total claims, was that the claimants’ initial rating notification dates were entered incorrectly into the case management system. For example, instead of entering a claimant’s initial rating notification date (in February 2012), staff entered the date the claimant originally was granted VBA compensation benefits (in October 2009). This error eliminated almost two and a half years from the claimant’s eligibility period and could have resulted in the claimant being denied VR&E benefits.

As previously explained, eligibility periods only apply to veterans discharged before January 1, 2013. If the eligibility period applies and has expired, a counselor decides whether the veteran qualifies for a deferral or extension.⁷³ Of the 70,600 total claims, an estimated 24,600 (35 percent) were for veterans discharged before 2013, and thus an eligibility period

⁷⁰ 38 U.S.C. §§ 3103 and 3106; 38 C.F.R. §§ 21.41–42.

⁷¹ Of the estimated 70,600 total claims submitted from April 1, 2023, through September 30, 2023, 1,100 were found ineligible, making 69,500 claims eligible for an initial comprehensive evaluation.

⁷² VA Manual 28C, “Deferral and Extension of the Basic Eligibility Period.”

⁷³ VA Manual 28C, “Deferral and Extension of the Basic Eligibility Period.”

check would need to be performed.⁷⁴ Of these 24,600 claims requiring eligibility periods, 22,800 (93 percent) had expired periods of eligibility. For these 22,800 claims, the veterans would have potentially required a deferral or extension of the eligibility period to be enrolled in the program and receive benefits, but not all received a comprehensive initial evaluation because they discontinued from the program before this step.

VR&E staff were not documenting deferrals and extensions because VR&E's manual states only that counselors will decide to defer or extend the eligibility period, but it does not establish where the decisions are to be documented. According to VR&E program and policy office staff, the user guide for the case management system instructs and thus requires counselors to document evidence of deferrals or extensions in the system. However, the OIG team found no evidence of the case management system being used for this purpose. Because VR&E's process does not explicitly require this documentation, there is no documentation of these decisions for anyone to review; therefore, oversight entities such as the OIG would not know whether a counselor checked the eligibility period and, if necessary, decided to defer or extend it. Thus, these claims may have been approved for benefits even with expired eligibility periods. VR&E should use the case management system or create another way to document checks of the eligibility period and to document deferrals and extensions. This will help make sure counselors' assessments are consistent and accurate.

Refresher training would help avoid errors; such training might cover the dates used to decide veterans' eligibility periods and the need to check that initial rating notification dates are accurately entered into the case management system. Additionally, revising the VR&E manual to clarify how to properly document deferrals or extensions could improve the process. Including these checks in the narrative report would help ensure all eligibility and entitlement requirements are documented in a single location.

Eligibility Decisions Were Not Documented, and Quality Reviews Were Not Performed

The OIG team found that an estimated 27,300 of 28,800 claims (95 percent) with entitlement decisions lacked documentation of a final eligibility decision, confirming VR&E staff verified that claimants' met *all* eligibility requirements.⁷⁵ While veterans are identified as "eligible" in the case management system, that pertains only to eligibility for a comprehensive initial

⁷⁴ 38 U.S.C. § 3103.

⁷⁵ Of the 70,600 total claims, the OIG estimates that 28,800 received a comprehensive initial evaluation, and thus counselors had the opportunity to validate the veteran's eligibility period. The remaining claims were either found ineligible or were discontinued before the evaluation.

evaluation. Further evaluation of the eligibility period (including determining whether to grant a deferral or extension) is needed to verify that a veteran meets all eligibility requirements.⁷⁶

Without evidence of this check, especially for those veterans discharged before January 1, 2013, oversight entities such as VR&E's quality office or the OIG cannot determine whether counselors checked to ensure each veteran met all eligibility requirements.⁷⁷ Updating the manual to specify where a counselor should document this step, such as in the narrative report, would ensure eligibility decisions are accounted for and allow for oversight.

The OIG team also found that VR&E was not assessing accuracy of eligibility decisions in its quality reviews. VR&E's executive director said reviews of eligibility are the responsibility of staff at the regional offices, and the results are documented in "Strategic Oversight and Analysis Review" reports. The OIG team reviewed these reports and found no evidence that regional office staff assessed the accuracy of eligibility decisions. The reports contained counts of claims found ineligible and the reasons why they were found ineligible. The reports contained no evidence that the accuracy of these decisions was assessed or any assessment of decisions finding veterans eligible. VR&E should reassess its oversight of eligibility decisions to ensure the basic eligibility assessment and the eligibility period validation—steps 1 and 3—are being evaluated for accuracy. Additionally, VR&E officials should reassess who performs these reviews and decide whether staff at the regional offices or the quality office are better suited to provide oversight of eligibility decisions.

VR&E's Documentation of Entitlement Decisions Was Not Sufficient to Assess the Accuracy of Decisions

The OIG team found that VR&E's entitlement decision process did not ensure counselors document that they developed and assessed veterans' personal histories and circumstances and the effect of their service-connected disabilities on the individuals' employability—which is necessary to decide employment handicaps and thus entitlement—in accordance with the VR&E manual and legal requirements.⁷⁸ VR&E's manual requires that all employment handicap and entitlement decisions "must contain reasoning which is clear to professionals and nonprofessionals." The OIG team found the decisions were unclear.⁷⁹ As a result, the evidence

⁷⁶ 38 U.S.C. §§ 3103 and 3106; 38 C.F.R. §§ 21.41–42.

⁷⁷ VA Manual 28C, "Eligibility Period," updated January 5, 2021, para. IV.A.2.03a; VA Manual 28C, "Deferral and Extension of the Basic Eligibility Period."

⁷⁸ 38 U.S.C. § 501; 38 C.F.R. §§ 21.32–33 and 21.50–51; VA Manual 28C, "Comprehensive Approach to the Evaluation."

⁷⁹ VA Manual 28C, "Documenting Initial Evaluation Determinations."

available to the team was insufficient to assess the accuracy of decisions documented in the narrative reports.⁸⁰

VR&E's documentation requirements were ineffective in ensuring decisions were sufficiently supported; this does not allow for proper oversight. The OIG team estimated that, of 28,800 claims that were granted or denied, about 19,700 had narrative reports available, but about 18,800 (96 percent) of those reports did not clearly explain the veterans' issues with employability. Of the 28,800 claims, 9,100 (32 percent) were missing narrative reports for claims in VBA records and therefore could not be reviewed. All sampled claims lacked supporting documentation of a veteran's employment handicap that would help facilitate oversight.

VR&E's Process for Documenting Employment Handicaps Did Not Include Required Employability Factors

The OIG team found that the process counselors used to document employment handicaps did not ensure employability factors required by federal regulation were included in narrative reports.⁸¹ The evidence available to the OIG was insufficient to assess the accuracy of decisions and prevented proper oversight.

As noted previously, counselors meet with a veteran during a comprehensive initial evaluation to decide whether the veteran has an employment handicap—meaning “an impairment, resulting in substantial part from a” service-connected disability, “of a veteran’s ability to prepare for, obtain, or retain employment consistent with [their] abilities, aptitudes, and interests.”⁸² The employability factors counselors will assess in finding an individual’s employment handicap include

- handicapping effects of their service-connected and non-service-connected disabilities on employability;
- impacts of the vocational impairment on their ability to prepare for, obtain, and keep suitable employment;
- their abilities, aptitudes, and interests;
- their personal history and circumstances, including education and employment; and
- other factors that may affect the individual’s employability.⁸³

⁸⁰ 38 C.F.R. § 21.50–51.

⁸¹ 38 C.F.R. § 21.50.

⁸² 38 U.S.C. § 3101(2).

⁸³ 38 C.F.R. § 21.50.

The law as set forth by regulation and covered in the VR&E manual requires a counselor to conduct a comprehensive initial evaluation and obtain the information needed to make an employment handicap decision.⁸⁴ This evaluation must include an assessment of the effects of a veteran's service-connected disabilities and non-service-connected disabilities on their ability to obtain employment as well as an evaluation of their capacity for suitable employment.⁸⁵ VR&E program and policy office staff said that when counselors assess a veteran for an employment handicap, they expect counselors to connect a vocational impairment to an issue the veteran was having in their job or a reason for unemployment—including an assessment of the veteran's ability to perform essential job functions.

According to law as set forth by regulation, counselors decide whether a veteran has an employment handicap based on the comprehensive initial evaluation, and the VR&E manual specifies that such decisions are documented in a narrative report.⁸⁶ The narrative report “must contain reasoning that is clear to both professionals and nonprofessionals” and “must logically support legal determinations” including entitlement decisions and employment handicaps.⁸⁷ A clear and logically supported report would demonstrate that employability factors were assessed, such as by describing the effect of the service-connected disability on the individual's occupation, the lack of suitable employment, or the reason for unemployment. This is also consistent with law, regulation, the VR&E manual's requirements, and federal standards that are essential for appropriate monitoring and oversight of entitlement decisions.⁸⁸

However, of an estimated 19,700 claims with entitlement decisions available to review, the OIG team found that 18,800 of the narrative reports (96 percent) did not “show clearly how the claimant's SCD [service-connected disabilities] impairs, or does not impair, a claimant's ability to prepare for, obtain, or retain employment consistent with abilities, aptitudes, and interests,” and the reports did not logically support the employment handicap decision.⁸⁹ To the extent that narrative reports mentioned employability, they used generic phrases that did not account for veterans' specific circumstances and did not demonstrate that the counselor assessed employability factors during the comprehensive initial evaluation as required.⁹⁰

Without documentation of details specific to a veteran's particular circumstances in the narrative reports or any accompanying evidence of the veteran's employment history that supports a

⁸⁴ 38 C.F.R. § 21.50; VA Manual 28C, “Roles and Responsibilities,” updated July 2, 2014, para. IV.B.1.01.

⁸⁵ VA Manual 28C, “Comprehensive Approach to the Evaluation.”

⁸⁶ 38 C.F.R. § 21.50; VA Manual 28C, “VA Form 28-1902b: Counseling Record-Narrative Report.”

⁸⁷ VA Manual 28C, “VA Form 28-1902b: Counseling Record-Narrative Report.”

⁸⁸ 38 U.S.C. § 501; 38 C.F.R. §§ 21.32–33, 21.50–51; VA Manual 28C, “Comprehensive Approach to the Evaluation”; “VA Form 28-1902b: Counseling Record-Narrative Report.” Government Accountability Office, *Standards for Internal Control in the Federal Government*.

⁸⁹ VA Manual 28C, “Documenting Initial Evaluation Determinations.”

⁹⁰ 38 C.F.R. § 21.50.

conclusion that the veteran’s ability to prepare for, obtain, and keep suitable employment is affected, a reviewer checking for accuracy would not be able to confirm the counselor’s decision that the veteran has an employment handicap as defined by regulation.⁹¹ Based on the narrative reports available and the training provided to staff (discussed later in this report), the OIG team found that the process VR&E staff used to document an employment handicap did not ensure these reports reflected that all employability factors were assessed by a counselor, making oversight difficult or impossible.⁹²

Narrative reports include three sections that correspond to the three conditions a counselor must assess to find an employment handicap: vocational impairment; contribution of service-connected disability; and effects of impairment not overcome. Vocational impairment—“impairment of the ability to prepare for, obtain, or keep employment in an occupation consistent with his or her abilities, aptitudes, and interests”—is the first condition a counselor assesses when deciding whether a veteran has an employment handicap, and all other steps in the process depend on getting it right.⁹³ The narrative reports the OIG team reviewed lacked clarity and detail, requiring a reviewer to make assumptions about how the listed service-connected disability affected a veteran’s employability.

The following excerpts of vocational impairment sections of reports illustrate this lack of clarity and detail. They do not logically connect the impairment to employment issues, describe a veteran’s specific employment circumstances, or assess employability factors—nor were these factors addressed in other sections of the reports. A reviewer evaluating these decisions would need more information about a claimant’s particular circumstances and assessment of the required employability factors to confirm that decisions finding an employment handicap were made in accordance with regulations.

Example 2

VR&E decided a veteran met basic eligibility requirements, and a counselor conducted a comprehensive initial evaluation. The counselor selected “yes” in the narrative report to note that the veteran had a vocational impairment. The counselor documented the impairment by listing the veteran’s generalized anxiety disorder, scars, tinnitus, knee-extension limitations, and other disabilities. The counselor noted the physical challenges these issues presented and summarized, “The Veteran will find it very difficult to maintain jobs that require excessive physical exertion, which are consistent with the individual’s pattern of abilities, aptitudes, and interests. Anxiety creates limitations in the Veteran’s ability to engage in activities that expose [the] Veteran to significant stressors and

⁹¹ 38 C.F.R. § 21.51.

⁹² 38 C.F.R. §§ 21.50–51.

⁹³ 38 C.F.R. § 21.51.

unrealistically, but negatively support feelings of panic/fear/uneasiness, require excessive demanding time frames sitting still.” Though the counselor documented the veteran’s service-connected disabilities, they did not connect those disabilities to the veteran’s employability. For example, the narrative report did not include details of the veteran’s past or current employment. Without this information, the OIG team is left to assume that impairments listed affected the veteran’s “ability to prepare for, obtain, or keep employment in an occupation consistent with his or her abilities, aptitudes, and interests,” making oversight of the employment handicap decision difficult or impossible.

Example 3

VR&E decided a veteran met basic eligibility requirements, and a counselor conducted a comprehensive initial evaluation. The counselor checked “yes” in the questionnaire box to note that the veteran had a vocational impairment. To explain the veteran’s vocational impairment, the counselor listed the veteran’s impairments including ulcerative colitis, which would exclude jobs “in an environment that does not have accommodation for frequent restroom breaks.” Other limitations listed for this impairment include restrictions on “high stamina or heavy physical activity;” “prolonged standing, walking, climbing, squatting, crouching;” and “lifting, carrying, ... and overhead work.” The counselor also noted, “The individual is unable to do jobs involving repetitive use of the hands/arms/shoulder.” Though the counselor documented the veteran’s service-connected disabilities, they did not connect those disabilities to the veteran’s employability. For example, with the exception of the veteran’s military occupation, the narrative report did not include details of the veteran’s past or current employment. Without this information, the OIG team is left to assume that impairments listed affected the veteran’s “ability to prepare for, obtain, or keep employment in an occupation consistent with his or her abilities, aptitudes, and interests” making oversight of the employment handicap decision difficult or impossible.

Counselors did not clearly explain the veterans’ issues with employability because VR&E did not instruct them how to clearly document an employment handicap.⁹⁴ The VR&E manual and training include instructions on how to make an employment handicap decision. However, the instructions on how to write narratives was limited, and were not explicit enough to ensure decisions documented in the narrative report would be clear for professionals and nonprofessionals. VR&E training staff said they do not spend a lot of time providing training to counselors on how to write narratives in a way that would be clear to nonprofessionals. The OIG

⁹⁴ 38 C.F.R. § 21.50–51; VA Manual 28C, “Documenting Initial Evaluation Determinations.”

team did not find guidance in the manual that would ensure this was done consistently and in a manner that would allow for proper oversight. As discussed, the OIG team found that counselors documented impairments based on a veteran's service-connected and non-service-connected disabilities, but counselors did not link the impairment to the veteran's employability as the OIG would have expected.⁹⁵

For example, a counselor might list impairments such as an inability to sit, stand, stoop, bend, crawl, or walk for long periods of time for a hypothetical veteran with a service-connected knee disability. But the counselor must also explain in the narrative report how those impairments affected the veteran's ability to obtain and maintain employment consistent with their abilities, aptitudes, and interests.⁹⁶ The listed impairments would affect a veteran in a physically demanding job such as construction differently than in a more sedentary job such as accounting.

VR&E officials should coordinate with VA's Office of General Counsel to assess entitlement requirements and establish clear expectations for counselors to ensure evaluations for employment handicaps align with legal requirements and that their narrative reports contain the necessary details to allow for oversight of decisions.

VR&E Staff Did Not Obtain Documentation of Employment Handicaps

Although federal regulations and the VR&E manual say staff will identify and obtain necessary documentation to substantiate a veteran's claim for benefits, the OIG team found that in practice, counselors did not collect supporting documentation as evidence of a veteran's employment handicap.⁹⁷ Instead, they relied on self-reported information from veterans, which in most cases was not sufficiently detailed. After reviewing claims, the OIG team found that most veterans' employment issues—such as the impact a veteran's disability had on their ability to prepare for, obtain, and keep suitable employment—was not readily apparent and, as a result, more documentation would be required to substantiate an employment handicap. Additionally, supporting documentation may be critical for oversight entities to ensure VR&E benefits are being granted as intended.

According to its manual, VR&E “must take a thorough and extensive approach for collecting, reviewing, and analyzing the extent and effects of” a veteran's service-connected or non-service-connected disability indicated in their background, such as work history, education, and training.⁹⁸ The manual also recommends sources that can be used as supporting

⁹⁵ Government Accountability Office, *Standards for Internal Control in the Federal Government*.

⁹⁶ 38 C.F.R. § 21.51; VA Manual 28C, “Documenting Initial Evaluation Determinations.”

⁹⁷ 38 C.F.R. § 21.32–33; VA Manual 28C, “Sources of Information for Determining the Existence of a Vocational Impairment.”

⁹⁸ VA Manual 28C, “Tools for Initial Evaluation,” updated December 21, 2018, para. IV.B.1.03a.

documentation, “not limited to” the questionnaire, medical records, labor market information, academic records, and history of employment and earnings such as resumes, performance appraisals, position descriptions, and attendance records.⁹⁹ The OIG team expected that, if such documentation were available to substantiate a decision of an employment handicap, it would be included, especially for claims that were more complex and the final decision might not be obvious. But, of the claims the team reviewed, none contained these sources of employment information. Though questionnaires were available for an estimated 26,100 claims, the questionnaires were not always completed and often only contained high-level information about the claimants’ past employment, such as the company name, job title, and date of employment, which was not enough to support the decision of an employment handicap.

This occurred because VR&E’s process and manual did not explain when more evidence was necessary to support finding an employment handicap.¹⁰⁰ As discussed above, the law requires VA to identify and assist with obtaining documentation when it is required to substantiate a claim.¹⁰¹ Staff across VR&E told the audit team that counselors’ professional judgment, medical evidence, and veterans’ self-reported information were sufficient to make a decision and that, if more information were needed, counselors would request it. The VR&E quality office’s assistant director told the OIG team that counselors are not trained to question a veteran’s self-reported information. A staff member from the VR&E training office confirmed that counselors are trained to take a veteran at their word because veterans are required to sign a form saying they have been honest and forthcoming in their claims. As a result, counselors did not request or collect additional information or documents even when the self-reported information did not contain sufficient detail for a counselor to develop and assess a veteran’s employment history, as required by law set forth in the regulation.¹⁰²

Applicable law and the VR&E manual require counselors to identify when additional documentation is necessary to *substantiate* a veteran’s claim for benefits, meaning that the counselor should provide assistance to obtain such documentation. The VR&E quality office’s assistant director agreed that the regulation to identify and obtain needed evidence applies to VR&E but explained that staff typically obtain this evidence *after* benefits have been granted, when developing a rehabilitation plan for a veteran, such as when selecting a school for training. Obtaining such evidence after a claim is granted is inconsistent with the requirements in the law, which call for VA to obtain evidence necessary to determine eligibility and entitlement prior to

⁹⁹ VA Manual 28C, “Sources of Information for Determining the Existence of a Vocational Impairment.”

¹⁰⁰ VA Manual 28C, “Sources of Information for Determining the Existence of a Vocational Impairment” and “VA Form 28-1902b: Counseling Record-Narrative Report.”

¹⁰¹ 38 C.F.R. § 21.32–33.

¹⁰² 38 C.F.R. §§ 21.32 and 21.50; VA Manual 28C, “Sources of Information for Determining the Existence of a Vocational Impairment” and “VA Form 28-1902b: Counseling Record-Narrative Report.”

making a decision on the claim.¹⁰³ Failure to follow the law may result in staff granting or denying benefits without obtaining critical information that could affect the entitlement decision.¹⁰⁴

Although documentation needs may vary depending on the claim, VR&E officials should clarify the guidance to ensure necessary documentation is identified and obtained at the correct time in the process. By not obtaining such information *before* deciding entitlement, VR&E may be granting benefits to veterans who may not be entitled based on law and regulation. For instances where a veteran has not supplied supporting documentation, VR&E officials should establish guidance about obtaining documentation and explaining any reasons why it was not available. VR&E should also coordinate with VA's Office of General Counsel to assess documentation requirements and update the manual and training to require counselors to gather and document employment information and other necessary assessments performed to decide entitlement. This could potentially reduce errors by ensuring decisions are based on concrete evidence.

Entitlement Decisions Were Not Documented or Were Unclear for Oversight Purposes

According to the VR&E manual, counselors must include the official entitlement decision in the narrative report, which documents the legal decision for a veteran's entitlement to VR&E benefits.¹⁰⁵ These reports "must contain reasoning which is clear to professionals and nonprofessionals" and "must logically support legal determinations" for an employment handicap and the overall entitlement decision.¹⁰⁶ Without a clearly written narrative report, oversight of a decision is difficult or impossible.

The OIG team estimated that, of the 28,800 claims that VR&E received during the audit period that resulted in an entitlement decision, 9,100 (32 percent) were missing narrative reports. The VR&E quality office also identified missing narrative reports during reviews. The quality office told the OIG team they had taken corrective action by providing more training to counselors at all regional offices in February 2022, but the trend of missing narrative reports continued.¹⁰⁷ According to the VR&E quality office's assistant director, a new case management system—the Readiness and Employment System, being piloted in FY 2025—will have a safeguard to prevent

¹⁰³ Under 38 C.F.R. § 3.103, the evidentiary record for a claim closes when VA issues a notice of decision; 38 C.F.R. §§ 21.32 and 21.50.

¹⁰⁴ The OIG team did not assess the VR&E process after the claims decision step.

¹⁰⁵ VR&E, "Transitioning to e-Folder Playbook," n.d., accessed March 5, 2025. This document, referenced in VA Manual 28C, "VA Form 28-1902b: Counseling Record-Narrative Report," established that all documents required by the manual and created after December 17, 2018, be stored in the Veterans Benefits Management System.

¹⁰⁶ VA Manual 28C, "VA Form 28-1902b: Counseling Record-Narrative Report."

¹⁰⁷ The quality office classified missing narrative reports as errors; however, staff in that office still reviewed the claims for accuracy using documentation contained in the file. From April 2023 through September 2023, the quality office had an accuracy rate of 91 percent for samples that had missing narrative reports.

counselors from moving on to the next action until decision documents are uploaded. According to the VR&E executive director, the new system will be at all VR&E regional offices by the end of September 2025 with limited users, and will be fully implemented for all VR&E cases in FY 2026.

Although the remaining 19,700 claims had narrative reports, 18,800 (96 percent) of the narrative reports did not have critical information, such as clear explanations of veterans' issues with employability and links between those issues and service-connected and non-service-connected disabilities. This information is necessary to satisfy VR&E's manual requirement that narrative reports "contain reasoning which is clear to professionals and nonprofessionals." This is also an important part of VR&E's process to ensure proper documentation that would allow for effective oversight. The quality office performs quality reviews to assess the clarity of decisions. Based on the OIG team's review of the results from the audit period, VR&E's reviews showed that only 1 percent of employment handicap decisions in narrative reports were unclear—significantly lower than the 96 percent the OIG team found.¹⁰⁸ VR&E quality office staff generally agreed with counselors' entitlement decisions despite the narratives having insufficient documentation to substantiate the decision. Improved documentation requirements with detailed examples would better ensure narratives are written clearly for all readers. This would also allow oversight entities, such as the OIG or VR&E's quality office, to assess decisions for consistency with laws and regulations.

The Quality and Oversight Process Did Not Identify Issues with Entitlement Decisions

VR&E's quality office oversees counselors' work to ensure they comply with laws, regulations, and manual requirements. This oversight process consists of local reviews by VR&E managers at regional offices and national reviews by quality office staff. Both local and national reviews use standard checklists to assess the accuracy of various VR&E decisions, such as entitlement decisions.¹⁰⁹ Although the quality office found high accuracy rates for entitlement decisions, the

¹⁰⁸ To perform the review, the OIG team identified and removed cases that were missing the narrative report or would be considered out of scope. Cases considered out of scope were veterans entitled under the National Defense Authorization Act and veterans applying for reentrance into the program after prior rehabilitation, discontinuance, or maximum rehabilitation gain. The team then determined the number of cases in which VR&E's quality office identified they found the employment handicap decisions were not documented, clearly explained, or consistent with evidence, for a total of 1,367 cases. As a result, the OIG team determined that VR&E's quality office identified only 16 of the 1,367 (1 percent) cases where the employment handicap decisions were unclear.

¹⁰⁹ Quality office staff use the "Entitlement Determination & Rehabilitation Planning Accuracy" checklist to review all activity from receiving an application until a case exits evaluation and planning. The reviews provide the entitlement decision accuracy scores.

OIG team found insufficient information to confirm the entitlement decisions were accurate from the manual's requirement of being clear to a "nonprofessional."¹¹⁰

The OIG team assessed the national reviews of claims with missing narrative reports in the Veterans Benefits Management System. When a narrative report is missing from this system, quality office staff do not obtain the narrative report before performing their review and rely only on documentation available in VR&E records. Even though these staff did not have any information about how a counselor made the entitlement decisions and had no documentation of the veterans' employment problems, they still found that 91 percent of these decisions were accurate. According to VR&E, quality office staff are experienced counselors who use professional judgment in these cases and only call an error if there is not enough information. The OIG team, by comparison, found that 96 percent of decisions in narrative reports were missing the veteran's employment issues (which would be critical information). The reports also lacked additional documentation that could have provided details of the employment issues such as the veteran's employment history, and therefore the accuracy could not be assessed.¹¹¹

The OIG team also assessed the quality office's checklist for documentation. The team determined that the only documents required to be included in the Veterans Benefits Management System were the questionnaire and narrative report. And, because the VR&E manual did not explain when more evidence was necessary to support finding an employment handicap, the quality assurance review checklist did not require documentation of employment history beyond what is included in the questionnaire and narrative report. As discussed above, this information in the questionnaire and narrative report may not be sufficient to substantiate a claim, and additional documentation may be necessary to decide an employment handicap.¹¹² Based on the claims without this documentation that the OIG team reviewed, in most cases counselors and quality office staff would not have had sufficient information to substantiate veterans' claims for benefits. Further, the limited documentation prevented the OIG team from assessing the accuracy of entitlement decisions. Despite this, VR&E quality review results from the audit period showed high accuracy rates for decisions (ranging from 83 percent to 100 percent). Of the 58 VR&E divisions, 41 had 100 percent accuracy scores for entitlement decisions on their local reviews, and 23 had 100 percent accuracy scores for entitlement decisions on their national quality reviews.

This occurred because quality office staff focused on identifying only "clear and unmistakable error[s]." They provided an example of a veteran who was incorrectly found entitled to the program despite being suitably employed and having overcome the effects of their impairment.

¹¹⁰ VA Manual 28C, "VA Form 28-1902b: Counseling Record-Narrative Report."

¹¹¹ 38 C.F.R. §§ 21.32 and 21.50; VA Manual 28C, "Sources of Information for Determining the Existence of a Vocational Impairment" and "VA Form 28-1902b: Counseling Record-Narrative Report."

¹¹² VA Manual 28C, "Sources of Information for Determining the Existence of a Vocational Impairment" and "VA Form 28-1902b: Counseling Record-Narrative Report."

In this case, employment-specific information was available showing the veteran was suitably employed, which allowed quality office staff to recognize the entitlement error. But this example demonstrates why obtaining evidence to substantiate the claim, such as the veteran's history of employment may be *necessary* to ensure entitlement decisions are accurate.

Improved requirements to document a veteran's employment issues and a counselor's process would make entitlement decisions more consistent and accurate, as well as allow adequate oversight of these decisions.

VR&E Staff Relied on Informal Information Rather Than Verified Legal Requirements

VR&E did not clearly document decisions or collect supporting documentation that could ensure veterans who apply for these benefits are eligible and entitled. VR&E leaders acknowledged that counselors and leaders learned processes that did not appear to align with regulations.¹¹³ These officials suggested that when staff decide eligibility and entitlement, they are relying on cultural knowledge that has been passed down within the organization for decades. These processes have not been reviewed by people outside VR&E, such as VA's Office of General Counsel, and as a result, processes may not conform with legal requirements as set forth in case law, statutes, and regulations.

Processes Focused on Cultural Knowledge Rather Than Legal and Regulatory Requirements

Although the VR&E manual and training generally captures the regulatory requirements for deciding eligibility and entitlement, the OIG determined that VR&E staff and counselors did not clearly document the decision-making process. Thus, it was not possible to assess the overall accuracy of decisions. As discussed, VR&E quality office staff generally agreed with counselors' entitlement decisions despite having insufficient documentation to substantiate the decisions. In addition to documentation issues, which the executive director acknowledged needed improvements, VR&E's executive director and deputy director suggested to the OIG team that staff rely on cultural knowledge that has been passed down by the staff throughout the service and regional divisions. They also acknowledged that VR&E has not asked VA's Office of General Counsel to comprehensively consider whether VR&E's processes, to include defining key eligibility and entitlement terms, reflect legal requirements.

VR&E's deputy director told the audit team that VR&E is small, and many of its leaders have been there for decades. Those leaders train new leaders, which perpetuates existing processes

¹¹³ Exec. Order No. 13,891, 84 Fed. Reg. 55,235 (October 9, 2019). The executive order emphasized that agencies can use guidance documents only to clarify existing obligations. In other words, information in VR&E's manual and other guidance documents must align with laws and regulations.

and creates cultural norms that can become the dominant way of doing things. For example, VR&E's approach, based on discussions with the deputy director, is that most or every veteran with a service-connected disability has a vocational impairment—which satisfies the first condition of an employment handicap—and counselors approach claims with this in mind even though the manual never defines a vocational impairment in that manner. Yet this is the institutional way VR&E processes claims, and it was consistent with the OIG's finding that VR&E's documentation was insufficient to confirm their decisions complied with legal requirements and the VR&E manual. The narrative reports the audit team reviewed focused on service-connected disabilities or non-service-connected disabilities and did not explain how the impairments affected the veteran's employability. Additionally, though staff were aware that they could obtain more documentation, because they considered every service-connected disability a vocational impairment, counselors did not obtain information to confirm the impairments.

The OIG team asked whether VR&E had requested that VA's Office of General Counsel review the program's definitions of key eligibility and entitlement terms, such as "employment handicap" and "vocational impairment." VR&E's deputy director replied that general counsel had reviewed *some* terms, but VR&E had not asked for a legal review of *every* term. She also noted that leaders in charge of guidance at VR&E are compartmentalized, and the passed-down way of doing things extends to leaders not asking general counsel staff for input on VR&E's terms and definitions.

As an example, the deputy director mentioned a previous OIG report that determined that the program was not properly using waivers for veterans to attend non-GI Bill schools as required. The OIG found that VR&E did not properly implement a 2016 amendment to the applicable law because VR&E did not understand that the revised law required individual waivers from the executive director each time one of these programs was selected for a participant.¹¹⁴ In that circumstance, not using waivers was the normal process, and the OIG determined that even the change in the law did not prompt the program to reconsider its approach until the OIG's report.

Confirming with the Office of General Counsel that VR&E is applying the appropriate criteria to decide entitlement is important because entitlement is the main area of risk from the perspective of program costs. Once a veteran is approved for the program, benefits have fewer limits compared to other VBA benefits programs.¹¹⁵ For example, the Montgomery GI Bill and Post-9/11 GI Bill education programs have maximum benefits amounts, but VR&E—which is

¹¹⁴ VA OIG, [*Staff Did Not Limit the Use of Schools and Training Programs That Were Only Approved for the Veteran Readiness and Employment Program*](#), Report No. 22-02293-188, September 14, 2023.

¹¹⁵ 38 C.F.R. § 21.430.

primarily used for education—has no limits on the amount it can spend to rehabilitate a veteran.¹¹⁶

Insufficient Documentation Resulted in Questioned Costs

In FY 2023, 133,399 veterans applied for VR&E benefits. Of those claimants, VR&E found 99 percent eligible for VR&E benefits, and of those who received a comprehensive initial evaluation, 82 percent (70,537) were found entitled to benefits. In FY 2024, VR&E had an estimated annual benefits budget of \$2 billion for education and training as well as subsistence payments to veterans as part of their rehabilitation plans.¹¹⁷

VR&E made an estimated 28,800 entitlement decisions, of which 18,800 did not clearly explain the veterans' issues with employability. Oversight of decisions was also affected because the estimated 28,800 claims lacked supporting documentation of the veterans' employment handicaps, and an estimated 9,100 claims did not have a documented decision in VBA records. Questioned costs occur when the OIG determines VA action or inaction violated a provision of law or regulation or when costs are not supported by adequate documentation.¹¹⁸ These documentation issues combined resulted in an estimated \$309.5 million in questioned costs.¹¹⁹ For more on questioned costs, see appendix C.

Conclusion

The OIG found that VR&E's eligibility and entitlement process did not require staff and counselors to fully document eligibility and entitlement decisions. The evidence available to the OIG team to support claims was insufficient to assess the accuracy of decisions, resulting in about \$309.5 million in questioned costs. VR&E records generally contained documentation to check a veteran's eligibility for the program, but entitlement decisions—which are more subjective and require more information—lacked necessary detail or documentation to confirm the accuracy of decisions. The OIG is concerned that VR&E counselors are not assessing employability factors as required before approving benefits because an estimated 96 percent of narrative reports did not include an assessment of the veteran's issues with employability and lacked necessary documentation to substantiate the veteran's claim for benefits. These

¹¹⁶ 38 U.S.C. §§ 3015 and 3313.

¹¹⁷ VBA, "VR&E Program Highlights," updated 2023.

¹¹⁸ Within questioned costs, the OIG must—as required by section 405 of the IG Act—report unsupported costs, which are those the OIG determined lack adequate documentation at the time of the audit. Of the estimated \$309.5 million in questioned costs, 100 percent were unsupported costs.

¹¹⁹ The \$309.5 million is the total estimate of payments made for those veterans who submitted a claim from April 1, 2023, through September 30, 2023. The OIG team included payments associated with the questioned claims that occurred after the scope time frame. Because payments made for claims found both eligible and entitled could be made well after a claim is submitted, the OIG team considered payments beyond the scope time frame through calendar year 2024.

documentation issues match how counselors are taught to process claims, and as a result VR&E's documentation was insufficient to confirm their decisions complied with the law and the VR&E manual.¹²⁰ To determine whether the OIG team's results from the tested 2023 data were still relevant, the team reviewed VR&E's processes and requirements related to the documentation of eligibility and entitlement decisions and found no significant changes since 2023.

If VR&E coordinates with VA's Office of General Counsel to assess legal and regulatory requirements and make necessary improvements to its eligibility and entitlement process, VR&E staff and counselors would be more likely to properly assess veterans and document their decisions. Updated processes would also ensure sufficient documentation for more effective oversight of the program. This would help make sure only those veterans eligible and entitled to VR&E get these valuable, potentially life-changing benefits.

Recommendations 1–5

The OIG made the following recommendations to the under secretary for benefits:¹²¹

1. Veteran Readiness and Employment should coordinate with VA's Office of General Counsel to assess the eligibility decision process and ensure all legal and regulatory requirements are accounted for and confirmed by the appropriate staff. If necessary, Veteran Readiness and Employment should update the process to conform with the general counsel's interpretation of legal requirements.
2. Veteran Readiness and Employment should develop a standard documentation method for verifying eligibility periods, deferrals, extensions, and final eligibility decisions and train appropriate staff, including vocational rehabilitation counselors, on how to properly document eligibility decisions.
3. Veteran Readiness and Employment should develop a quality assurance review process to monitor the accuracy of eligibility decisions.
4. Veteran Readiness and Employment should coordinate with VA's Office of General Counsel to assess the entitlement requirements and whether those used to confirm and document entitlement decisions are compliant with laws and regulatory requirements. If changes are needed, Veteran Readiness and Employment should update the manual and train appropriate staff accordingly.
5. Veteran Readiness and Employment should develop additional controls to ensure official entitlement decisions in the narrative report are documented in a manner

¹²⁰ 38 C.F.R. § 21.50–51.

¹²¹ 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.

that is clear and would allow for effective oversight from both internal and external entities, such as containing clear documentation of the assessment of employability factors and additional evidence used to substantiate the claim.

VA Management Comments

The acting principal deputy under secretary for benefits, performing the delegable duties of the under secretary for benefits, concurred with all five recommendations and provided action plans. For recommendation 1, the acting principal deputy under secretary reported that VBA will continue working with VA's Office of General Counsel on assessing processes and making sure all legal and regulatory requirements for eligibility decisions are accounted for. For recommendation 2, VBA will work with the Office of General Counsel to ensure documentation requirements related to eligibility are "legally sufficient," update the manual, and provide any needed training. For recommendation 3, VBA will begin, in FY 2026, monthly reviews using a new eligibility review tool to assess statistically selected eligibility decisions for accuracy. For recommendation 4, VBA will consult with the Office of General Counsel to make sure entitlement decisions and documentation of entitlement decisions comply with laws and regulations; VBA will also update the manual and provide training if needed. Finally, for recommendation 5, VBA will develop procedures and controls so official entitlement decisions are clearly documented to allow for effective oversight. VBA estimates all action plans will be completed by December 31, 2026.

The acting principal deputy under secretary's general comments acknowledged the OIG's findings and intent to improve the VR&E program but noted that "VBA believes the report may not fully reflect the progress and actions already implemented by VR&E to ensure consistency" and suggested the report

would benefit from additional context regarding the statutory and regulatory framework that governs entitlement decisions. These decisions are complex, individualized assessments based on both objective criteria and professional judgment. While consistency is critical, flexibility is equally necessary to account for each Veteran's unique circumstances.

The acting principal deputy under secretary further commented,

The report raises concerns about variability in entitlement decisions; however, some variation is inherent in a process that relies on Vocational Rehabilitation Counselors' (VRCs) professional discretion. VBA has implemented enhanced quality reviews but cautions against recommendations that may overly constrain professional judgment, which is necessary to ensure the Veteran-centered nature of the program.

The acting principal deputy under secretary also provided technical comments, which are addressed below. The full text of the acting principal deputy under secretary's responses and comments is included in appendix D.

OIG Response

VBA's action plans are generally responsive to the recommendations, but the OIG would favor VR&E developing more detailed and specific action plans that will help the OIG assess progress made and ensure closure. The OIG will continue to monitor VBA's progress toward achieving the intent of the recommendations and will close the recommendations when the appropriate actions are completed.

In response to the acting principal deputy under secretary's general comments, the OIG acknowledges that entitlement decisions are "complex, individualized assessments" that must account for a veteran's individual circumstances and, thus, require a counselor to use professional judgment. However, affording counselors too much discretion in the exercise of "professional judgment" may result in inconsistent decisions. Such decisions may be found by reviewing authorities to be arbitrary or capricious—that is, that the decisions lack a reasonable justification, are not supported by the employability factors, or fail to consider an important employability factor. Proper controls over this decision-making process, which would ensure counselors are held accountable for their decisions, require rigorous standards to ensure documentation contains the information the counselor relied on and an explanation of the counselor's professional assessment that resulted in the decision. The audit team found that entitlement decisions were not clearly explained in the narrative reports, did not reflect assessment of all required employability factors, and did not include documentary evidence to support the decision.

The OIG also acknowledges the acting principal deputy under secretary's concern that "the report does not fully reflect the impact of ... the Readiness and Employment System." The OIG team discussed this system in the report as it related to the audit findings. The acting principal deputy under secretary added that VBA has implemented enhanced quality reviews. Additionally, during interviews, VR&E told the OIG team it is changing its quality process by centralizing the local quality reviews and developing quality review teams to perform reviews that were previously done at the local regional offices. However, these quality review changes were not in place during the scope of the audit and could not be assessed. Additionally, as this report explains in detail, the OIG team found that in most cases counselors and quality office staff would not have sufficient information to substantiate veterans' claims for benefits. Without proper documentation, any improvements resulting from the Readiness and Employment System or changes to the quality assurance process may not address the issues discussed in the report.

The OIG team considered VBA's technical comments and edited for clarity where appropriate in the report. For technical comment 1 (the OIG team numbered the technical comments in

appendix D for ease of reference), VBA asked the OIG to remove or provide a statutory reference to United States Code for a statement in the executive summary about VR&E having no cap to the amount it can spend on a veteran in the program, making it more expensive per veteran compared to other VA education benefits programs. The statutory reference VBA provided outlines the VR&E program's ability to offer all the services and assistance deemed necessary to complete a rehabilitation program that may go beyond education, which is different from other educational programs. The OIG team has included this statute—38 U.S.C. § 3104(a)(7)(A)—in footnotes 6 and 32. The OIG team notes that this comparison of amounts spent was obtained from the VBA budget submission. The OIG acknowledges that VR&E is designed to address a specific set of needs in the veteran population,, which could justify it being more expensive per veteran. However, without a cap on the amount it can spend per veteran, VR&E is at increased risk of misusing funds if proper controls, such as ensuring eligibility and entitlement decisions are made correctly, are not in place and followed.

For technical comment 2, the acting principal deputy under secretary asked the OIG to provide language in two sentences to indicate the OIG team did not review information in “Corporate WINRS [Waco-Indianapolis-Newark-Roanoke-Seattle]” as part of its audit. The OIG team did review Corporate WINRS information but refers to the system in the report as the case management system; the report did not note except in appendix A that the case management system is Corporate WINRS. To clarify, the OIG team added a footnote upon the first mention in both the executive summary and the main report (see footnotes 10 and 36). The acting principal deputy under secretary also asked the OIG team to clarify that data were consistent throughout the report related to the estimated 540 claims denied for not meeting VR&E's basic eligibility requirements. In one instance, the report states that 50 percent of claims were found ineligible; this was an estimated 540 claims that did not meet basic eligibility out of about 1,100 claims found ineligible. However, these 540 claims that did not meet basic eligibility were out of about 70,600 *total* claims—which is less than 1 percent of the total claims. In other words, these are different calculations, and the OIG team did not adjust the report because the numbers being compared in each instance are clearly stated.

For technical comment 3, the acting principal deputy under secretary asked the OIG to revise a sentence and recommended the OIG specify how many cases in the audit were outside the 12-year eligibility period—in other words, to note the number of claims from veterans discharged after January 1, 2013, because the eligibility period would not apply to them. VBA also stated that VR&E has automated the eligibility determination in its case management system. This process generates an eligibility determination record, called a tear sheet, which the OIG team did not review as part of the audit. In response to previous comments VR&E provided in response to the OIG's statement of findings, the OIG team added information to the report to clarify the issue identified. The OIG team did not break out the number of veterans discharged on or after January 1, 2013, in the executive summary because it is not relevant to the issue identified, which relates to VR&E's *process* for determining eligibility. Specifically, the

eligibility process does not account for the statutory changes that created two groups of veterans based on discharge date: those who have an eligibility period and those who do not. Because the OIG is questioning the process, not the accuracy of the outcomes, the OIG believes breaking out those discharged on or after January 1, 2013, or focusing only on those veterans outside the 12--year eligibility period does not affect the finding. However, the report does note that 35 percent of the total claims were for veterans discharged before 2013.

Additionally, the acting principal deputy under secretary's comment that the OIG team did not review the tear sheet as part of the audit is misleading. The OIG team obtained data from the case management system and confirmed the information with supporting documentation available in the Veterans Benefits Management System. VR&E alerted the OIG team to the existence of the tear sheet during the audit, and the OIG team determined the information contained in the tear sheet appeared to be the same information the team reviewed in the case management system. The OIG team brought this to VR&E's attention, but VR&E did not respond.

For technical comment 4, the acting principal deputy under secretary asked the OIG team to clarify in a sentence its definition of an incorrect eligibility period. VBA stated, "There are instances when the eligibility date used may be the date when the claimant was originally granted VBA compensation benefits, such as when a retroactive induction is granted under" federal regulations.¹²² To help clarify the requirements, the OIG team added a footnote to identify the law and regulations that establish the dates used to calculate the eligibility period (see footnote 11). The acting principal deputy under secretary's comment regarding other eligibility dates, such as when a retroactive induction is granted, is addressed by the OIG team's response to technical comment 6.

Technical comments 5 and 9 refer to similar statements in the executive summary and the report about the executive director and deputy director suggesting that VR&E staff use cultural knowledge throughout the service and regional divisions and that VR&E has not asked VA's Office of General Counsel to comprehensively review key eligibility and entitlement terms necessary to the decision-making process. VBA asked the OIG team to remove these statements "due to inaccuracies" because "VR&E trains staff based on the laws and regulations that govern the program." In technical comment 5, VR&E "indicated that there was a need for additional Office of General Counsel review prior to writing procedures" but also stated in technical comment 9 that the service "seeks guidance from OGC [Office of General Counsel] as necessary." The OIG disagrees that the sections identified by the acting principal deputy under secretary contain inaccuracies and therefore did not remove the sentences. The OIG has acknowledged in the report that staff are trained based on the manual and regulations and that

¹²² 38 C.F.R. § 21.282 (2025). According to the regulation, an individual can be inducted into a rehabilitation program retroactively. If retroactively inducted, VA may authorize payment for tuition, fees, and other verifiable expenses that an individual paid or incurred consistent with the approved rehabilitation program.

VR&E has sought guidance from the Office of General Counsel. The report also contains examples provided by the VR&E executive director and deputy director of how VR&E is compartmentalized and that the passed-down way of doing things, or cultural knowledge, extended to leaders not asking general counsel for input on VR&E's key eligibility and entitlement terms and definitions resulted in issues for the program.

For technical comment 6, the acting principal deputy under secretary said,

VBA agrees there may be some claimants whose effective date for VR&E benefits was erroneously entered as the date the claimant was originally granted VBA compensation benefits and not as the notification of rating date. However, this OIG finding does not take into consideration that there are exceptions when this date may be adjusted based on claimants being eligible for retroactive induction per [regulations] ... In the case of retroactive induction, the correct effective date for VR&E benefits is the date the claimant was originally granted compensation benefits.¹²³

The OIG acknowledges that the report does not specifically address retroactive induction and how it might affect when an eligibility period begins. However, the case management system that calculates eligibility periods does not distinguish how the date entered was determined. Further, the OIG team did not find evidence during the audit of how the regulation regarding retroactive induction applies to VR&E or how retroactive induction should be documented. The issue the acting principal deputy under secretary pointed out is consistent with OIG recommendations 1 and 2, which VBA concurred with: that the eligibility decision process should account for all legal and regulatory requirements, and VR&E should develop a standard method for documenting these decisions.

For technical comment 7, the acting principal deputy under secretary asked the OIG to revise a sentence to indicate the OIG team did not review the raw data from the FY 2024 "Strategic Oversight and Analysis Review," conducted by the VR&E Quality Site Visit Team, as part of its audit. According to the comment, VR&E provided this information to the OIG team for review and cited the applicable chapter of the VR&E manual, which "documents how field staff should assess the accuracy of eligibility decisions." The OIG disagrees with VBA's technical comment. During the audit, the OIG team requested documentation of reviews of eligibility determinations. As stated in the report, VR&E's executive director said reviews of eligibility are the responsibility of staff at the regional offices, and the results are documented in "Strategic Oversight and Analysis Review" reports. The OIG team requested and received a report as an example but was not provided with raw data as indicated in VR&E's comment. The OIG team reviewed the report provided along with others obtained during the audit and confirmed that they did not contain assessments of the accuracy of eligibility decisions. Further, the chapter in the

¹²³ 38 C.F.R. § 21.282.

VR&E manual referenced does not contain requirements to check the accuracy of eligibility decisions; the chapter contained the same checks documented in the “Strategic Oversight and Analysis Review” reports. Additionally, the VR&E deputy director told the OIG team during an interview that a consistent finding from quality reviews is that stations do not keep the raw data as required, which prevents VR&E from completing a full audit of the process and ensuring the information provided is accurate. Because the evidence VR&E provided did not appear to contain the information on eligibility decision accuracy that the OIG team had requested, and because of the issues with raw data identified by the deputy director, the OIG team determined that reviewing the raw data was not necessary for the audit.

For technical comment 8, the acting principal deputy under secretary asked the OIG to revise a sentence related to counselors not collecting supporting documentation as evidence of a veteran’s employment handicap. VBA said the laws and regulations state that VA may require additional information or documents to substantiate claims but that VA is not obligated to gather extra information. The OIG did not make the requested changes to the report as the report accurately characterizes the law. Despite the legal requirement to obtain documentation when necessary to substantiate a claim, in practice, the audit found that counselors did not obtain such documentation when necessary. Though the OIG agrees VR&E is not obligated to obtain *extra* information, the process in place during the audit period lacks a clear explanation of what documentation is *necessary*. As discussed in the report, federal regulations and VR&E’s manual state that staff should identify when additional documentation is necessary to substantiate a veteran’s claim for benefits. But in practice, the OIG team found that counselors did not collect supporting documentation as evidence of a veteran’s employment handicap. The report further states that although documentation needs may vary depending on the claim, VR&E officials should clarify the guidance to ensure necessary documentation is identified and obtained.

Appendix A: Scope and Methodology

Scope

The VA Office of Inspector General (OIG) audit team conducted its work from December 2023 to July 2025. The team focused on 70,561 veteran claims for the Veteran Readiness and Employment (VR&E) program processed from April 1, 2023, through September 30, 2023.

Methodology

To accomplish the audit objectives, the team evaluated laws and regulations specific to eligibility and entitlement processes. The team interviewed VR&E staff at seven regional offices (Atlanta, Georgia; Columbia, South Carolina; Houston, Texas; New York, New York; Phoenix, Arizona; Seattle, Washington; and Washington, DC) to determine roles and responsibilities, compliance monitoring, and oversight related to eligibility and entitlement processes. Staff interviewed included leaders from VR&E and its offices of Quality and Oversight; Program and Policy; and Employment, Training, and Outreach. The audit team also interviewed VR&E employees at regional offices including officers, assistant officers, supervisory vocational rehabilitation counselors, vocational rehabilitation counselors, and program support staff.

A statistical sample of 175 VR&E claims was selected for review out of the 70,561 veteran claims processed by VR&E from April 1, 2023, through September 30, 2023. The sample was divided into six strata: ineligible, entitled, not entitled, eligible, undetermined, and unknown. See appendix B for more information about the statistically selected sample.

The team used VR&E's case management system—Corporate Waco-Indianapolis-Newark-Roanoke-Seattle—and the Veterans Benefits Management System to review sampled VR&E claims to assess whether counselors processed eligibility and entitlement decisions in accordance with applicable laws, regulations, and manuals.¹²⁴ The team used the Invoice Payment Processing System to review payments made for VR&E services. This system is an electronic invoicing platform that enables facilities to receive electronic authorizations and submit electronic invoices and credit memos directly to VR&E.

The team reviewed claims and narrative reports to determine whether counselors properly approved or denied veterans' entitlement for VR&E benefits. The team also reviewed the claims to determine whether program support staff processed eligibility decisions accurately. The team determined questioned costs associated with claims by confirming payments using the Invoice Payment Processing System.

¹²⁴ The case management system is the electronic application VR&E uses to manage caseloads and program costs.

Internal Controls

The audit team determined that internal controls were significant to the audit objective and assessed those that were relevant. This included an assessment of the five internal control components: control environment, risk assessment, control activities, information and communication, and monitoring.¹²⁵ The team determined the following internal control components and underlying principles were significant to the objective:¹²⁶

- Component 1: Control Environment
 - Principle 2: The oversight body should oversee the entity's internal control system.
 - Principle 3: Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objective.
 - Principle 5: Management should evaluate performance and hold individuals accountable for their internal control responsibilities.
- Component 3: Control Activities
 - Principle 10: Management should design control activities to achieve objectives and respond to risks.
 - Principle 12: Management should implement control activities through policies.
- Component 4: Information and Communication
 - Principle 14: Management should internally communicate the necessary quality information to achieve the entity's objectives.
 - Principle 15: Management should externally communicate the necessary quality information to achieve the entity's objectives.
- Component 5: Monitoring Activities
 - Principle 16: Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.
 - Principle 17: Management should remediate identified internal control deficiencies on a timely basis.

¹²⁵ Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014.

¹²⁶ Because this audit was limited to the internal control components and underlying principles identified, it may not have disclosed all internal control deficiencies that may have existed at the time of the audit.

Data Reliability

The team obtained computer-processed data from the case management system, the Veterans Benefits Management System, and the Invoice Payment Processing System. To test the reliability of the data obtained, the team selected a random sample of 10 claims to determine whether information in the various systems matched the dataset. The data appeared to be complete and did not contain missing information or items outside the audit scope. Therefore, the OIG team determined that the reliability and validity of the data met the objective of the audit.

Government Standards

The OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that the OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on audit objectives. The OIG believes the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

Appendix B: Statistical Sampling Methodology

Approach

To accomplish the objective, the audit team reviewed a statistical sample of veterans' records with claims for Veteran Readiness and Employment (VR&E) benefits from April 1, 2023, through September 30, 2023. The team used statistical sampling to quantify the extent of records where VR&E staff and counselors determined veterans were eligible, not eligible, entitled, or not entitled to VR&E benefits.

Population

The review population included 81,445 veterans' records with claims for VR&E benefits from April 1, 2023, through September 30, 2023. For the purposes of the audit, the team estimated the population to be 70,561 veterans. The difference between the review population and the estimated population occurred when the team excluded 10,884 records. The VA Office of Inspector General (OIG) excluded 4,690 of the 10,884 records before sampling because they were identified as veterans entitled under the National Defense Authorization Act. The remaining 6,194 records were excluded because they were identified during the sample review as veterans applying for reentrance into the program after prior rehabilitation, discontinuance, or maximum rehabilitation gain. Reapplicants are required to meet separate criteria, which may not result in a decision of entitlement by a vocational rehabilitation counselor.¹²⁷ Because the excluded sample records represent others in the original review population who may also be out of scope, the team estimated the population eligible for this review was about 70,561.

Sampling Design

The team reviewed a statistical sample of 191 records from the population of veterans' records with claims for VR&E benefits from April 1, 2023, through September 30, 2023.¹²⁸ Of these, 16 were outside the scope of the audit, leaving 175 records that were within the scope of the

¹²⁷ National Defense Authorization Act for Fiscal Year 2008, Pub. L. No. 110-181. A service member "with a severe injury or illness is entitled" to rehabilitation and vocational benefits from VA "to facilitate the recovery and rehabilitation of such" service member. Department of Veterans Affairs Expiring Authorities Act of 2018, Pub. L. No. 115-251, amended Pub. L. No. 110-181, "making the authority to provide rehabilitation and vocational benefits to service members with severe illnesses or injuries permanent." 38 C.F.R. §§ 21.198 (2025), 21.284 (2025), and 21.364 (2025).

¹²⁸ The audit team selected a statistical sample of 191 records; however, during the review, the team identified 16 samples that were outside the scope—which reduced the sample size to 175. These samples were excluded because a veteran was applying for reentrance into the program after prior rehabilitation, discontinuance, or maximum rehabilitation gain and was required to meet separate criteria, which may not result in a decision of entitlement by a vocational rehabilitation counselor.

audit. The population was stratified by eligibility and entitlement status and categorized in six strata, as shown in table B.1.

Table B.1. Sampled VR&E Records Reviewed

Eligibility and entitlement status	In-scope samples reviewed
Ineligible	30
Entitled	29
Not entitled (no employment handicap or serious employment handicap)	22
Not entitled (nonpursuit or comprehensive initial evaluation not complete, or no close date)	57
Undetermined*	27
Unknown*	10
Total	175

Source: VA OIG statistician's stratified population. Data were obtained from the Corporate Waco-Indianapolis-Newark-Roanoke-Seattle case management system and Veterans Benefits Management System.

** Records classified as undetermined or unknown.*

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 audit 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.

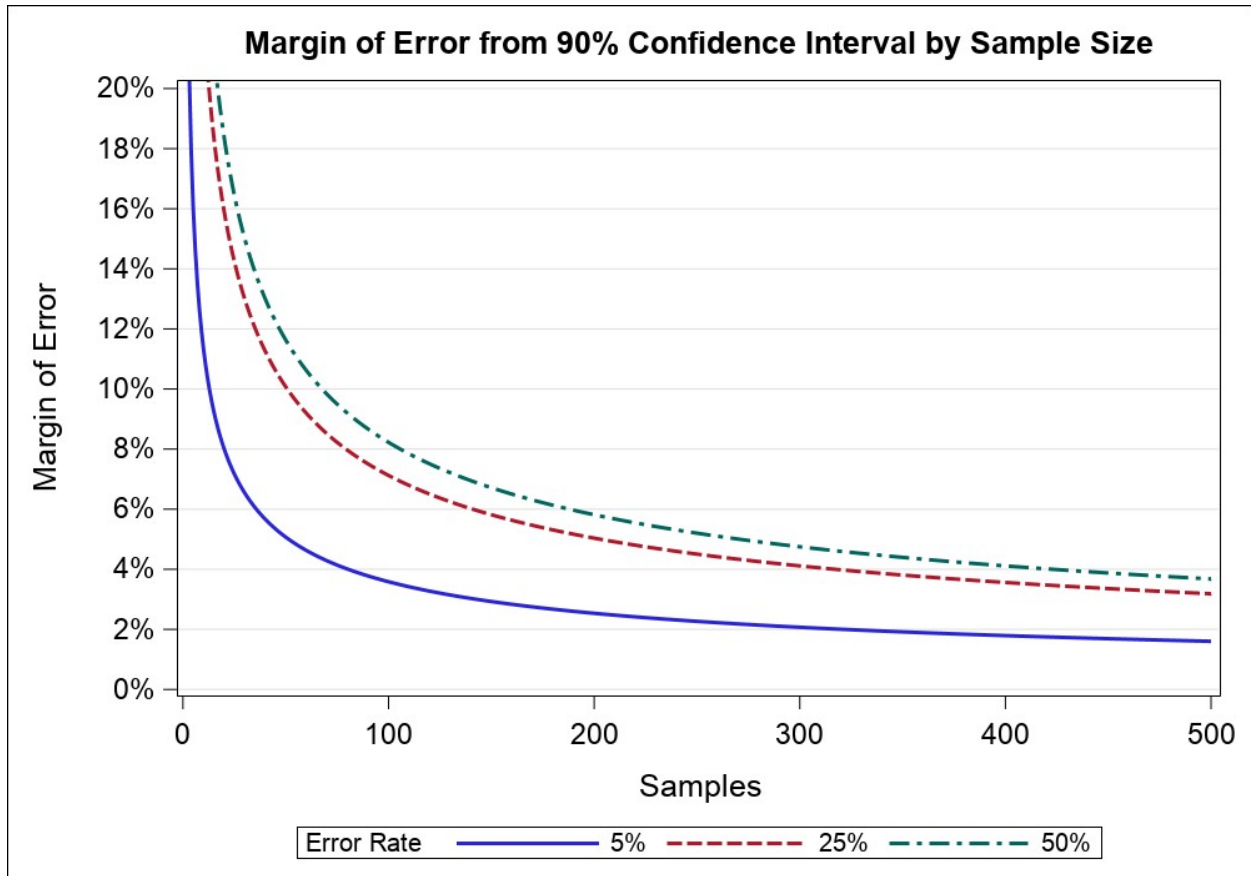


Figure B.1. Effect of sample size on margin of error.

Source: VA OIG statistician's analysis.

Projections

Tables B.2 through B.13 detail the team's statistical estimates for eligibility and entitlement decisions with at least one error including VR&E staff's verification of elements to decide basic eligibility, documentation of deferrals or extensions of veterans' eligibility period, the number of incorrect dates entered in the case management system, entitlement decisions without documenting and confirming critical information, and the total monetary impact of payments made in calendar years 2023 and 2024.

**Table B.2. Statistical Projections Summary of Estimated Population,
with a 90 Percent Confidence Interval**

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample count
Count in scope	70,561	2,683	67,878	73,244	175
Count out of scope	6,194	2,683	3,511	8,877	16
Count total	76,755	0	76,755	76,755	191
Percentage in scope	92%	3%	88%	95%	175
Percentage out of scope	8%	3%	5%	12%	16

Source: VA OIG analysis of statistically sampled veterans' records with applications for VR&E benefits from April 1, 2023, through September 30, 2023.

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

**Table B.3. Statistical Projections Summary for VR&E Staff Verification of
Elements to Determine Basic Eligibility, with a 90 Percent Confidence Interval**

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample count
Count yes	545	167	377	712	15
Count no	545	167	377	712	15
Count total	1,089	0	1,089	1,089	30
Percentage yes	50%	15%	35%	65%	15
Percentage no	50%	15%	35%	65%	15

Source: VA OIG analysis of statistically sampled veterans' records with applications for VR&E benefits from April 1, 2023, through September 30, 2023.

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

Table B.4. Statistical Projections Summary for Veterans Determined Eligible For Comprehensive Initial Evaluations, with a 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample count
Count yes	69,472	2,683	66,789	72,155	145
Count no	1,089	0	1,089	1,089	30
Count total	70,561	2,683	67,878	73,244	175
Percentage yes	98%	0%	98%	99%	145
Percentage no	2%	0%	1%	2%	30

Source: VA OIG analysis of statistically sampled veterans' records with applications for VR&E benefits from April 1, 2023, through September 30, 2023.

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

Table B.5. Statistical Projections Summary for Lack of Documentation that VR&E Confirmed All Eligibility Requirements, with a 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample count
Count yes	1,534	1,262	271	2,796	4
Count no	27,315	4,173	23,142	31,489	66
Count total	28,849	4,026	24,823	32,876	70
Percentage yes	5%	4%	1%	10%	4
Percentage no	95%	4%	90%	99%	66

Source: VA OIG analysis of statistically sampled veterans' records with applications for VR&E benefits from April 1, 2023, through September 30, 2023.

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

Table B.6. Statistical Projections Summary for Incorrect Dates Entered into the Case Management System, with a 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample count
Count yes	41,964	5,164	36,800	47,128	90
Count no	28,597	5,018	23,578	33,615	85
Count total	70,561	2,683	67,878	73,244	175
Percentage yes	59%	7%	53%	66%	90
Percentage no	41%	7%	34%	47%	85

Source: VA OIG analysis of statistically sampled veterans' records with applications for VR&E benefits from April 1, 2023, through September 30, 2023.

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

Table B.7. Statistical Projections Summary for Claims with Expired Basic Eligibility Periods, with a 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample count
Count yes	22,775	4,741	18,034	27,516	56
Count no	1,833	1,595	238	3,427	4
Count total	24,607	4,853	19,754	29,460	60
Percentage yes	93%	6%	86%	99%	56
Percentage no	7%	6%	1%	14%	4

Source: VA OIG analysis of statistically sampled veterans' records with applications for VR&E benefits from April 1, 2023, through September 30, 2023.

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

Table B.8. Statistical Projections Summary for Potential Need for Documentation of Deferral or Extension of Veteran's Eligibility Period, with a 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample count
Count no	22,775	4,741	18,034	27,516	56
Count total	22,775	4,741	18,034	27,516	56
Percentage no	100%	0%	100%	100%	56

Source: VA OIG analysis of statistically sampled veterans' records with applications for VR&E benefits from April 1, 2023, through September 30, 2023.

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

Table B.9. Statistical Projections Summary for Entitlement Decisions Without Documentation of Employment Handicap, with a 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample count
Count no*	28,849	4,026	24,823	32,876	70
Percentage no	100%	0%	100%	100%	70

Source: VA OIG analysis of statistically sampled veterans' records with applications for VR&E benefits from April 1, 2023, through September 30, 2023.

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

** Because all items in the count were no, the count is the same as the total for this statistical projection.*

**Table B.10. Statistical Projections Summary for VR&E Questionnaire,
with a 90 Percent Confidence Interval**

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample count
Count yes	26,118	3,859	22,259	29,976	63
Count no	2,732	1,792	940	4,524	7
Count total	28,849	4,026	24,823	32,876	70
Percentage yes	91%	6%	85%	96%	63
Percentage no	9%	6%	4%	15%	7

Source: VA OIG analysis of statistically sampled veterans' records with applications for VR&E benefits from April 1, 2023, through September 30, 2023.

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

**Table B.11. Statistical Projections Summary for Missing Entitlement Decisions,
with a 90 Percent Confidence Interval**

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample count
Count yes	19,708	4,069	15,638	23,777	47
Count no	9,141	3,015	6,127	12,156	23
Count total	28,849	4,026	24,823	32,876	70
Percentage yes	68%	10%	59%	78%	47
Percentage no	32%	10%	22%	41%	23

Source: VA OIG analysis of statistically sampled veterans' records with applications for VR&E benefits from April 1, 2023, through September 30, 2023.

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

Table B.12. Statistical Projections Summary for Entitlement Decisions Missing Critical Information, with a 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample count
Count yes	861	852	9	1,712	3
Count no	18,847	4,008	14,839	22,855	44
Count total	19,708	4,069	15,638	23,777	47
Percentage yes	4%	4%	0%	9%	3
Percentage no	96%	4%	91%	100%	44

Source: VA OIG analysis of statistically sampled veterans' records with applications for VR&E benefits from April 1, 2023, through September 30, 2023.

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

Table B.13. Statistical Projections Summary for VR&E Payments, with a 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample size*
Calendar year 2023	\$69,439,135	\$26,094,224	\$43,344,911	\$95,533,359	47
Calendar year 2024	\$240,061,009	\$87,669,030	\$152,391,979	\$327,730,039	47
Total	\$309,500,144	\$104,937,198	\$204,562,947	\$414,437,342	47

Source: VA OIG analysis of statistically sampled veterans' records with applications for VR&E benefits from April 1, 2023, through September 30, 2023.

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

* The number of claims containing non-zero payments during calendar year 2023 and 2024 were 17 and 26, respectively, with a total amount of claims containing non-zero payments of 27.

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

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs ¹²⁹
1–5	Improved VR&E documentation requirements could ensure veterans who apply for benefits are eligible and entitled. VR&E processes at the time of the audit relied on cultural knowledge of the program and may not be consistent with regulations.	\$0	\$309,500,000 ¹³⁰
	Total	\$0	\$309,500,000

¹²⁹ 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 funds 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. Of the estimated \$309.5 million in questioned costs, 100 percent were unsupported costs.

¹³⁰ The \$309.5 million is the total estimate of payments made for those veterans who submitted a claim from April 1, 2023, through September 30, 2023. Because payments made for claims found both eligible and entitled could be made well after the claim is submitted, the OIG team considered payments beyond the scope time frame through calendar year 2024.

Appendix D: VA Management Comments, Acting Principal Deputy Under Secretary for Benefits

Department of Veterans Affairs Memorandum

Date: August 1, 2025

From: Under Secretary for Benefits (20)

Subj: Office of Inspector General (OIG) Draft Report – The Accuracy of Veteran Readiness and
Employment Claims Cannot be Assessed Because of Insufficient Documentation [Project
No. 2023-03328-AE-0130] — [VIEWS 13332533]

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

1. Thank you for the opportunity to review and comment on the OIG draft report: The Accuracy of Veteran Readiness and Employment Claims Cannot be Assessed Because of Insufficient Documentation [Project No. 2023-03328-AE-0130]. 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

Acting Principal Deputy Under Secretary for Benefits

Performing the Delegable Duties of the Under Secretary for Benefits

Attachment

Attachment

Veterans Benefits Administration (VBA)
Comments on the OIG Draft Report
The Accuracy of Veteran Readiness and Employment Claims Cannot be Assessed Because of
Insufficient Documentation
(Project No. 2023-03328-AE-0130)

The Veterans Benefits Administration concurs with the Office of Inspector General's draft report findings and provides the following general comments:

While the Veterans Benefits Administration (VBA) acknowledges the Office of Inspector General's (OIG) findings and appreciates the intent to improve the Veteran Readiness and Employment (VR&E) program, VBA believes the report may not fully reflect the progress and actions already implemented by VR&E to ensure consistency.

The report would benefit from additional context regarding the statutory and regulatory framework that governs entitlement determinations. These decisions are complex, individualized assessments based on both objective criteria and professional judgment. While consistency is critical, flexibility is equally necessary to account for each Veteran's unique circumstances.

VBA has made substantial progress in recent years to modernize systems, update training, and clarify procedures related to eligibility and entitlement. The report does not fully reflect the impact of the revised updates to the Veterans Readiness and Employment Manual (M28C), enhanced case management training, and technology solutions implemented through the Readiness and Employment System (RES) initiative. We recommend that OIG acknowledge these efforts to provide a more accurate representation of current operations.

The report raises concerns about variability in entitlement decisions; however, some variation is inherent in a process that relies on Vocational Rehabilitation Counselors' (VRCs) professional discretion. VBA has implemented enhanced quality reviews but cautions against recommendations that may overly constrain professional judgment, which is necessary to ensure the Veteran-centered nature of the program.

VBA supports continuous improvement and appreciates the recommendations offered; however, VBA recommends greater specificity in certain recommendations to ensure they are actionable and appropriately aligned with VR&E's statutory responsibilities and operational constraints.

Additionally, VBA provides the following technical comments:

[Technical comment 1] Page i, third paragraph, first sentence:

"VR&E has no cap on the amount spent on a veteran, making it more expensive per veteran served than other educational benefits programs like the GI Bill."

VBA Comment: VBA requests OIG remove this sentence or provide the statutory reference for 38 U.S.C. § 3104(a)(7)(A) which sets forth the scope of services and assistance that are determined to be necessary to accomplish the purposes of the rehabilitation program in the individual case. The VR&E program offers all the services and assistance deemed necessary to complete a rehabilitation program as compared to other educational benefit programs, making this comparison irrelevant.

[Technical comment 2] Page ii, third paragraph, first and second sentence:

"The OIG team estimated that 1,100 out of almost 70,600 VR&E claims were found ineligible. Of those 1,100, VR&E staff denied an estimated 540 claims (about 50 percent) for not meeting

VR&E's "basic eligibility" requirements such as not having a service-connected disability rating of at least 10 percent; however, these claims were for veterans and service members who were within six months before or 12 months after discharge."

Page 14, second paragraph, first sentence:

"As previously mentioned, the OIG team estimated that 540 of 70,600 claims were denied on this basis, which is less than 1 percent."

VBA Comment: VBA requests that OIG revise this sentence, as on page ii, OIG states that about 50% of claims were found ineligible. However, later in the report (ex: page 14), OIG indicates the OIG team estimated that 540 of 70,600 claims were denied on this basis, which is less than one percent.

VBA recommends that OIG provide language to indicate that OIG did not review information in Corporate WINRS as part of their audit and clarify the data that they are using and that it is consistent throughout the report. In one instance, the report states that 50% of claims were found ineligible and in another area the denial was less than one percent.

[Technical comment 3] Page ii, fourth paragraph, third sentence:

"The OIG estimated 27,300 of the 28,800 claims (95 percent) lacked the documentation to show vocational rehabilitation counselors had confirmed all eligibility requirements, including checking for deferrals and extensions of the eligibility period."

VBA Comment: VBA requests that OIG revise this sentence to reflect the data between those claims where the Veteran was discharged after January 1, 2013. VR&E has automated the eligibility determination in Corporate WINRS which generates a Generated Eligibility Determination tear sheet, as part of the record, which OIG did not review as part of the audit. Furthermore, of the 70,600 claims, how many of them were outside the 12-year eligibility period where VR&E is required to gather information? This is not noted anywhere in the report.

VBA recommends that OIG specify in the report how many cases in the audit were outside the 12-year eligibility period.

[Technical comment 4] Page iii, second paragraph, first sentence:

"For veterans who met "basic eligibility" requirements, VR&E did not ensure counselors assessed veterans' eligibility periods and documented the decision-making process, particularly concerning deferrals or extensions of that period; additionally, the case management system, used to calculate eligibility, contained some incorrect eligibility periods."

VBA Comment: VBA requests that OIG clarify its definition of an incorrect eligibility period in this sentence, as doing so will be essential for addressing this issue. There are instances when the eligibility date used may be the date when the claimant was originally granted VBA compensation benefits, such as when a retroactive induction is granted under 38 C.F.R. § 21.282.

[Technical comment 5] Page iv, third paragraph, third and fourth sentences:

"VR&E's executive director and deputy director suggested to the OIG that staff use cultural knowledge through the service and regional divisions. They also acknowledged that VR&E has not asked VA's Office of General Counsel to comprehensively review all key eligibility and entitlement terms in the process."

VBA Comment: VBA requests OIG remove this sentence from the report. VR&E's training clearly cites the laws and regulations, as well as procedures. VR&E did indicate that there was a need for additional Office

of General Counsel review prior to writing procedures, but not that we train based on cultural knowledge. This statement is incorrect.

[Technical comment 6] Page: 15, third paragraph:

“The OIG identified additional errors with the calculation of the eligibility period that could have affected overall eligibility decisions. The most common error, affecting an estimated 28,600 of 70,600 total claims, was the claimants initial rating notification dates entered incorrectly into the case management system. For example, instead of entering a claimant’s initial rating notification date (in February 2012), staff entered the date the claimant originally was granted VBA compensation benefits (in October 2009). This error eliminated almost two and a half years from the claimant’s eligibility period and could have resulted in the claimant being denied VR&E benefits.”

VBA Comment:

VBA agrees there may be some claimants whose effective date for VR&E benefits was erroneously entered as the date the claimant was originally granted VBA compensation benefits and not as the notification of rating date. However, this OIG finding does not take into consideration that there are exceptions when this date may be adjusted based on claimants being eligible for retroactive induction per 38 C.F.R. § 21.282. In the case of retroactive induction, the correct effective date for VR&E benefits is the date the claimant was originally granted compensation benefits.

[Technical comment 7] Page: 17, paragraph 2, third sentence:

“The OIG reviewed these reports and found no evidence that regional office staff assessed the accuracy of eligibility decisions.”

VBA Comment: VBA requests that OIG revise this sentence to indicate that they did not review the raw data from the fiscal year 2024 Strategic Oversight and Analysis Review conducted by the VR&E Quality Site Visit Team, as part of their audit. This information was provided for OIG review, and the VR&E Manual reference M28C.VIII.A.4 documents how field staff should assess the accuracy of eligibility decisions.

[Technical comment 8] Page: 22, second paragraph, first sentence:

“Although federal regulations and the VR&E manual say staff will identify and obtain necessary documentation to substantiate a veteran’s claim for benefits, the OIG team found that in practice, counselors did not collect supporting documentation as evidence of a veteran’s employment handicap.”

VBA Comment: As previously noted, the laws and regulations state that VA may require additional information or documents to substantiate claims; however, it is not obligated to gather extra information. VBA suggests a revision to indicate counselors did not collect supporting documentation when there was no clear nexus between the Veteran’s employment handicap and the Veteran’s education and employment history to substantiate the decision.

[Technical comment 9] Page: 27, second paragraph, fourth and fifth sentences:

“In addition to documentation issues, VR&E’s executive director and deputy director suggested to the OIG that staff use cultural knowledge throughout the service and regional divisions, and the executive director acknowledged improvements are needed to their documentation. They also acknowledged that VR&E has not asked VA’s Office of General Counsel to comprehensively

consider whether VR&E's processes, to include defining key eligibility and entitlement terms, reflect legal requirements."

VBA Comment: VBA requests OIG remove these sentences due to inaccuracies. As stated previously, VR&E trains staff based on the laws and regulations that govern the program. VR&E Service seeks guidance from OGC as necessary to ensure consistency in providing benefits and services.

The following comments are submitted in response to the recommendations in the OIG draft report:

Recommendation 1: Veteran Readiness and Employment should coordinate with VA's Office of General Counsel to assess the eligibility decision process and ensure all legal and regulatory requirements are accounted for and confirmed by the appropriate staff. If necessary, Veteran Readiness and Employment should update the process to conform with the general counsel's interpretation of legal requirements.

VBA Response: Concur. VBA will continue to work with VA's Office of General Counsel (OGC) to assess processes and ensure all legal and regulatory requirements are accounted for.

Target Completion Date: December 31, 2026

Recommendation 2: Veteran Readiness and Employment should develop a standard documentation method for verifying eligibility periods, deferrals, extensions, and final eligibility decisions and train appropriate staff, including vocational rehabilitation counselors, on how to properly document eligibility decisions.

VBA Response: Concur. VBA will work with OGC to ensure documentation requirements are legally sufficient, make updates to the manual, and provide training as needed.

Target Completion Date: December 31, 2026

Recommendation 3: Veteran Readiness and Employment should develop a quality assurance review process to monitor the accuracy of eligibility decisions.

VBA Response: Concur. In May 2025, VBA began the development of an eligibility review tool, which is currently in concurrence. Monthly eligibility reviews will begin in fiscal year 2026 to assess the accuracy of eligibility decisions on a statistical sample of cases.

Target Completion Date: December 31, 2025

Recommendation 4: Veteran Readiness and Employment should coordinate with VA's Office of General Counsel to assess the entitlement requirements and whether those used to confirm and document entitlement decisions are compliant with laws and regulatory requirements. If changes are needed, Veteran Readiness and Employment should update the manual and train appropriate staff accordingly.

VBA Response: Concur. VBA will consult with OGC to ensure that entitlement decisions comply with relevant laws and regulations. VBA will work with OGC to ensure documentation of entitlement decisions comply with relevant laws and regulations. VBA will make updates to the manual, and provide training as needed.

Target Completion Date: December 31, 2026

Recommendation 5: Veteran Readiness and Employment should develop additional controls to ensure official entitlement decisions in the narrative report are documented in a manner that is clear and would allow for effective oversight from both internal and external entities, such as containing clear documentation of the assessment of employability factors and additional evidence used to substantiate the claim.

VBA Response: Concur. VBA will develop appropriate procedures and related controls to ensure official decisions are documented in a manner that is clear and allows for effective oversight.

Target Completion Date: December 31, 2026

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

OIG Contact and Staff Acknowledgments

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