Audit of Vocational Rehabilitation and Employment Program Operations
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Executive Summary

Introduction

The Office of Inspector General (OIG) performed an audit of the Veterans Benefits Administration’s (VBA) Vocational Rehabilitation and Employment (VR&E) Program operations to evaluate program results and performance. Under Chapter 31 of Title 38, U.S. Code, the VR&E Program provides benefits and services to veterans with service-connected disabilities to help them obtain and maintain suitable employment and achieve maximum independence in daily living.

Our objectives were to: (1) evaluate aspects of program results and performance, including accuracy of performance measurement and reporting; (2) assess information on the reasons veterans discontinue participation in the Chapter 31 program and actions taken to reduce the probability of veterans dropping out of the program; and (3) evaluate and determine the effects of the statutory annual cap on veterans eligible for Independent Living (IL) benefits.

Background

Since the 1940s, VA has provided vocational rehabilitation assistance to veterans with disabilities incurred during military service. The Veterans Rehabilitation and Education Amendments of 1980, Public Law (PL) 96-466, changed the emphasis of services from training, aimed at improving the employability of disabled veterans, to helping veterans obtain and maintain suitable employment and achieve maximum independence in daily living. In fiscal year (FY) 2006, VR&E funding was $702 million, and the program served about 90,000 veterans. Veterans in Chapter 31 educational or training programs receive payments for tuition and other expenses including subsistence.

VR&E employment goals are accomplished through training and rehabilitation programs authorized under Chapter 31 of Title 38, U.S. Code. Title 38 provides a 12-year period of eligibility after the veteran is discharged or first notified of a service-connected disability rating. To be entitled to VR&E services, veterans must have at least a 20 percent service connected disability rating and an employment handicap or less than a 20 percent disability and a serious employment handicap.

Disabled veterans not requiring vocational rehabilitation training may be provided direct employment services. These services include job placement activities and other necessary services to obtain and maintain employment. IL Program services are provided to severely disabled veterans when achievement of a vocational goal is not feasible. Chapter 31 of Title 38, U.S. Code limits the number of veterans who can be placed in the IL Program to 2,500 annually. The goal of the IL Program is to ensure that veterans are
able to maintain maximum independence in their daily living until future employment opportunities are available.

In 2003, the Secretary established a task force to examine the entire VR&E Program. The resulting 2004 VR&E Task Force Report contained 110 recommendations to redesign the program to become “a proactive, employment-driven, 21st Century program that can effectively serve veterans with disabilities.” The task force reported areas of concern in VR&E’s provision of employment services to veterans, workload management, fiscal accountability, performance measurement, and information technology (IT) management including a concern that VR&E IT systems did not produce the information and analyses needed to manage program activities.

As of April 2007, VR&E reports that 89 of 110 recommendations have been fully implemented and 13 are planned for implementation. VR&E does not plan to implement the remaining eight recommendations. The VR&E Program Director briefed VBA top management on her decision not to implement these recommendations. Reasons included: (1) legislative changes that VR&E Service does not support; (2) VR&E’s disagreement with proposed changes in eligibility criteria; (3) organizational and process changes that are unneeded or unproductive; and (4) unavailable funds or other resources to implement proposed changes. Since the 2004 VR&E Task Force Report was issued, VR&E also announced actions to ensure that service members and veterans are informed about the VR&E Program and provided the services necessary to transition from military to civilian life.

The Government Accountability Office (GAO) issued a report in June 2004 that concluded that VA has not been effective in meeting its mandate to find jobs for disabled veterans. The report agreed with the 2004 VR&E Task Force Report finding that VA had not prioritized returning veterans with service-connected disabilities to the workforce and that the VR&E Program has emphasized education over employment.

**Results**

Performance reporting for the VR&E Chapter 31 program needed improvement because VA did not fully explain the methods used to determine program performance. VA reports VR&E rehabilitation rates as a measure of Chapter 31 program performance in the annual VA Performance and Accountability Report (PAR), VA Strategic Plans, VA’s budget submissions, and testimony to Congress. The PAR should include data on total program participants, including those who discontinued program participation, those who obtained and maintained suitable employment, and those who achieved IL goals.

In FY 2006, VA reported a rehabilitation rate of 73 percent in its PAR. VA excluded veterans who discontinued participation in the program without implementing a written rehabilitation plan, although they represented the majority of veterans served by the program. Because the methodology used to calculate the rehabilitation rate was not
clearly explained in VA’s PAR report, Chapter 31 program performance was not accurately presented. When the rehabilitation rate is calculated with all veterans who participated in the VR&E Program, the rate would be 18 percent. As a result, decision makers and VA stakeholders, including Congress and veterans, may not have been aware of the overall performance of the Chapter 31 program. Reports of program performance should provide accurate and complete information for budgetary and resource decisions.

While the primary goal of the program is to ensure disabled veterans obtain and maintain suitable employment, performance data showed that the number of veterans who achieved IL goals has steadily increased, which has impacted VR&E rehabilitation rates. VR&E management needed to follow up on veterans who discontinued participation in the program.

Our sample results showed that most veterans discontinued participation in the VR&E Chapter 31 program and were not rehabilitated. Data in Benefits Delivery Network (BDN), the major computer system used by VBA to process veteran’s claims, did not provide VR&E management with sufficient information to analyze the reasons for the high rate of program discontinuation.

The 2004 VR&E Task Force Report recommended that VR&E Service initiate a nationwide study to research the reasons why veterans discontinued participation in the program, follow up with them, and use the information to design interventions to reduce the probability of veterans dropping out of the program. As a result, VA initiated a study in FY 2005, which was delayed due to security issues with VA computer-based customer files and the need for new protocols to ensure data security.

VA conducted focus group reviews with veterans and VR&E staff at three VA Regional Offices (VAROs) to identify reasons why veterans had discontinued their program participation. The focus group review results are expected to be used as a basis for developing a plan to survey 5,000 veterans in the program. Completing this future study can provide VR&E Service with information to help increase the number of veterans who successfully complete the program.

The IL Program was established in 1980 by PL 96-466, the Veterans Rehabilitation and Education Amendments. The program serves severely disabled veterans who VA determined were unable to obtain and maintain suitable employment when achievement of a vocational goal is not feasible. IL services and assistance provided to veterans include evaluation and counseling; prosthetic appliances; eyeglasses; communication devices; adaptive automobile equipment; wheelchair training; and other services necessary to enable a severely disabled veteran to achieve maximum independence in daily living. Chapter 31 of Title 38, U.S. Code limits the number of veterans who can be placed in the IL Program to 2,500 annually.
Due to the statutory annual cap on the number of new IL Program participants, VR&E Service instructed VAROs to discontinue placing veterans into IL status as they approached the cap unless approved by VA Central Office (VACO). From FY 2002 through FY 2006, VR&E issued interim procedures that prohibited VR&E staff from approving new veterans’ into the IL Program unless VACO program officials authorized the placements. The interim procedures further directed that if authorization were denied, the veteran should be considered a priority for initiation in the new FY and held in the Evaluation and Planning phase until that date.

As a result, the cap was underutilized in FY 2006 and services to entitled veterans were delayed. An average of 225 veterans per month entered the IL Program nationwide from October 2005 through June 2006. However, during the months of July 2006 through September 2006, subsequent to issuance of the interim procedures, an average of 45 veterans per month entered into the IL Program. Ultimately, a total of 2,162 veterans entered the IL Program in FY 2006. Even though the number of new veterans that entered the program did not exceed the annual cap, VR&E Service anticipated exceeding it, which delayed veterans from entering the IL Program when they were eligible. This cap delays benefits to severely disabled veterans who are entitled to participate in the IL Program. VA has made efforts since 2001 to remove the cap; however, the cap remains in effect. In February 2007, the VA Secretary stated that VR&E anticipates a steady increase in the demand for IL services over the next 10 years.

**Conclusion**

VR&E rehabilitation rate calculations were not fully explained in the PAR report. The PAR should disclose information on total program participants, those who discontinued participation in the program, those who obtained and maintained employment, and those who achieved IL goals. The PAR should provide accurate and complete information for budgetary and resource decisions. Most veterans discontinued participation in the Chapter 31 program and were not rehabilitated. Data in BDN did not provide VR&E management with sufficient information to analyze the reasons for the high rate of program discontinuation. VR&E Service instructed VAROs to discontinue placing veterans into IL status as the 2,500 statutory cap was approached unless VACO program officials authorized the placements. As a result, the cap was underutilized in FY 2006 and services to entitled veterans were delayed.

**Recommendations**

We recommend that the Under Secretary for Benefits:

1. Fully explain the methodology used for VR&E rehabilitation rate calculations in the PAR.
2. Ensure that the PAR includes data on total program participants, those who discontinued participation in the program, those who obtained and maintained suitable employment, and those who achieved IL goals.

3. Develop a methodology and establish procedures to determine why veterans discontinue participation in the Chapter 31 program before they are rehabilitated.

4. Manage and monitor the number of new IL Program participants to ensure services to eligible veterans are not delayed.

**Under Secretary for Benefits Comments**

The Under Secretary for Benefits agreed with the findings and recommendations in the report and provided acceptable implementation plans. (See Appendix D, pages 17-19, for the full text of the Under Secretary’s comments.) In response to the audit recommendations, VBA has developed and implemented a revised VR&E rehabilitation rate definition. VBA has incorporated data on total program participants, those who discontinued participation in the program, those who obtained and maintained suitable employment, and those who achieved IL goals into the FY 2007 Performance and Accountability Report. VBA currently has a study, Veterans Employability Research Survey, which is scheduled for completion September 2008. Study results will be used to establish nationwide procedures to help reduce the number of veterans who discontinue the VR&E program. VR&E Service monitors the number of new IL cases monthly. The expectation that the legislative cap will be reached and special procedures implemented has had a dampening effect on IL case development. To prevent this response, VR&E Service will share the projected number of IL cases at the end of each month during the monthly Director’s Hotline Call. We will follow-up on the implementation of planned actions until they are complete.

*(original signed by:)*

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for Auditing
Introduction

Purpose

The purpose of the audit was to review performance aspects of the VR&E Program. Our objectives were to: (1) evaluate aspects of program results and performance, including accuracy of performance measurement and reporting; (2) assess information on the reasons veterans discontinue participation in the Chapter 31 program and actions taken to reduce the probability of veterans dropping out of the program; and (3) evaluate and determine the effects of the statutory annual cap on veterans eligible for IL benefits.

Background

Since the 1940s, VA has provided vocational rehabilitation assistance to veterans with disabilities incurred during military service. In 1980, the Veterans’ Rehabilitation and Education Amendments, PL 96-466, changed the emphasis of the program from training aimed at improving the employability of disabled veterans, to helping them obtain and maintain suitable employment and achieve maximum independence in daily living. In FY 2006, VR&E funding was $702 million, and the program served about 90,000 veterans. Veterans in Chapter 31 educational or training programs receive payments for tuition and other expenses including subsistence.

VR&E employment goals are accomplished through training and rehabilitation programs authorized under Chapter 31 of Title 38, U.S. Code. Title 38 provides a 12-year period of eligibility after the veteran is discharged or first notified of a service-connected disability rating. To be entitled to VR&E services, veterans must have at least a 20 percent service connected disability rating and an employment handicap or less than a 20 percent disability and a serious employment handicap.

Disabled veterans not requiring vocational rehabilitation training may be provided direct employment services that include job placement activities and other necessary services to obtain and maintain employment. IL Program services are provided to severely disabled veterans when achievement of a vocational goal is not feasible. Services and assistance provided include evaluation and counseling; prosthetic appliances; eyeglasses; communication devices; adaptive automobile equipment; wheelchair training; and other services necessary to enable a severely disabled veteran to achieve maximum independence in daily living.

Chapter 31 of Title 38, U.S. Code limits the number of veterans who can be placed in the IL Program to 2,500 annually. The goal of IL is to ensure that veterans are able to maintain maximum independence in their daily living until future employment opportunities are available.
VR&E Service, located at VACO, administers benefits using a service delivery network of 57 VAROs and over 120 out-based offices with a staff of about 1,110 Vocational Rehabilitation Counselors (VRCs), support specialists, contract counselors, and administrative staff. Corporate WINRS (CWINRS) is the automated case management system used to track and manage workload and program costs and is used in conjunction with BDN.

The Chapter 31 program includes five phases:

- **Phase 1 (Application)** – The VARO receives the veteran’s application and establishes eligibility.
- **Phase 2 (Evaluation and Planning)** – A VRC determines the services to which the veteran may be entitled and conducts rehabilitation planning. The VRC and veteran jointly develop a rehabilitation plan.
- **Phase 3 (Rehabilitation to Employment Services)** – The veteran moves into the rehabilitation or training phase of the program.
- **Phase 4 (Employment Services)** – The veteran receives assistance in obtaining employment. The veteran can also receive employment services while in Phase 3.
- **Phase 5 (Rehabilitation)** – The veteran is considered rehabilitated once he or she obtains suitable employment and maintains it for at least 60 days or completes an IL Program.

In 2003, the Secretary established a task force to examine the entire VR&E Program. The resulting 2004 VR&E Task Force Report contained 110 recommendations to redesign the program to become “a proactive, employment-driven, 21st Century program that can effectively serve veterans with disabilities.” The task force reported areas of concern in VR&E’s provision of employment services to veterans, workload management, fiscal accountability, performance measurement, and IT management including a concern that VR&E IT systems did not produce the information and analyses needed to manage program activities. As of April 2007, VR&E reports that 89 of 110 recommendations have been fully implemented and 13 are planned for implementation. VR&E does not plan to implement the remaining eight recommendations. The VR&E Program Director briefed VBA top management on her decision not to implement these recommendations. Reasons included: (1) legislative changes that VR&E Service does not support; (2) VR&E’s disagreement with proposed changes in eligibility criteria; (3) organizational and process changes that are unneeded or unproductive; and (4) unavailable funds or other resources to implement proposed changes. The report stated that processing claims had become the end goal, rather than being one of the means to accomplish VA’s strategic goal of successful transition and rehabilitation of veterans.

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1 CWINRS or Corporate WINRS is VR&E’s electronic case management system used to manage caseloads and program costs. The acronym was derived from the five pilot test stations that tested the original program: Winston-Salem, NC; Indianapolis, IN; Newark, NJ; Roanoke, VA; and Seattle, WA.
with disabilities. The report recommended that VA implement a Five Track Employment Process that emphasizes employment early in the rehabilitation process. The report also recommended IT improvements to enhance the functionality of CWINRS so that it can improve VR&E case management and cost controls without using BDN. The Five Track Employment Process provides veterans with informed choices through one of five employment options:

- Re-employment (with a former employer).
- Rapid employment services for new employment.
- Self-employment.
- Employment through long-term services.
- IL services.

A June 2004 GAO report agreed with the 2004 VR&E Task Force Report finding that VA had not prioritized returning veterans with service-connected disabilities to the workforce and that the VR&E Program has emphasized education over employment. The 2004 VR&E Task Force Report stated, “VR&E’s best efforts regarding employment of veterans have resulted in only 10 percent of those participating in the VR&E program obtaining employment,” and stated, “Despite the tens of thousands of VR&E program participants in a given year, the number of veterans rehabilitated by obtaining a job or achieving IL goals has averaged only about 10,000 a year for several years.”

Since the 2004 VR&E Task Force Report was issued, VR&E also announced actions to inform service members and veterans about the VR&E Program and provided services necessary to transition from military to civilian life. Employment coordinators stationed at VAROs across the country provide necessary job readiness and referral services. VR&E has developed working partnerships with Federal, state, and private-sector employers who have agreed to train and hire veterans participating in the program. Priority outreach services are provided to Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF) service members and veterans who apply to the program, including the Disabled Transition Assistance Program and the Coming Home to Work Program.

**Scope and Methodology**

The audit was conducted from September 2006 through October 2007 and focused on key aspects of VR&E Program operations including program results and performance.

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2 GAO Comments on Key Task Force Findings and Recommendations (GAO-04-853, June 2004).
3 The goal of the Disabled Transition Assistance Program is to encourage and assist veterans in making informed decisions about the VR&E Program and to facilitate the application process. The Coming Home to Work Program provides civilian job skills, exposure to employment opportunities, and work experience to service members facing a medical separation from the military. Participants work with VR&E counselors to obtain work experience in a Government facility.
We interviewed staff at VACO and VAROs, and we reviewed GAO reports, the 2004 VR&E Task Force Report, congressional testimony, laws, regulations, policies, procedures, and other reference materials.

The 2004 VR&E Task Force was established by the Secretary to conduct an independent assessment of the program and was comprised of 12 members of a diverse group of public and private sector experts from the disability community, veterans’ service organizations, and the fields of rehabilitation, employment services, and public administration.

We relied on the 2004 VR&E Task Force Report as background information and to support our findings and conclusions, but did not audit the data used to support the report because the Secretary directed VR&E to implement the recommendations. In the report we show comparisons reached by the Task Force, prior GAO reports, and other audit results. The data for Fiscal Years 1998 – 2003 for the table in Appendix B was obtained from the 2004 VR&E Task Force Report.

We reviewed a statistical sample of 1,377 veterans’ case files maintained at 8 VAROs. The files in our sample represented veterans with a status of rehabilitated or discontinued during the period October 2005 through August 2006. We tested the reliability of computer-generated data by comparing it to hardcopy documents in case files and BDN master records. We concluded that the data used to accomplish the audit objectives was sufficiently reliable. (For additional information on the statistical sampling plan, see Appendix A, page 13.)

We conducted site visits at eight VAROs: Montgomery, AL; Columbia, SC; Winston-Salem, NC; Washington, DC; Los Angeles, CA; Indianapolis, IN; Lincoln, NE; and Muskogee, OK. At the VAROs, we coordinated with key management staff; reviewed counseling, evaluation, and rehabilitation (CER) files; reviewed veterans’ applications for Chapter 31 benefits and other information including automated program data; and interviewed VR&E staff. We obtained written agreements for each exception and presented the results to the VARO Directors during on-site exit briefings.

Our assessment of internal controls focused on those controls specific to the audit objectives. Our assessment was not intended to form an opinion on the adequacy of VR&E’s internal controls overall; we do not render such an opinion. The audit was conducted in accordance with generally accepted government auditing standards.
Results and Conclusions

Issue 1: Program Performance Reporting Needed Improvement

Findings

Performance reporting for the Chapter 31 program needed improvement because VA did not fully explain the methods used to determine program performance. The PAR should include data on total program participants, including those who discontinued program participation, those who obtained and maintained suitable employment, and those who achieved IL goals. Because the methodology used to calculate the rehabilitation rate was not clearly explained in VA’s PAR report, Chapter 31 program performance was not accurately presented.

VR&E Rehabilitation Rate is the Key Measure of Program Success

VA reports VR&E rehabilitation rates as a measure of Chapter 31 program performance in the annual PAR, VA Strategic Plans, VA’s budget submissions, and testimony to Congress. The FY 2006 PAR defined the rehabilitation rate as “the number of disabled veterans who acquire and maintain suitable employment and discontinue VA’s vocational rehabilitation program, divided by the total number leaving the program minus those individuals who benefited from but left the program and have been classified under one of three maximum rehabilitation gain (MRG) categories.” The MRG categories are (1) the veteran accepted a position incompatible with disability limitations, (2) the veteran is employable but has informed VA that he or she is not interested in seeking employment, and (3) the veteran is not employed and not employable for medical or psychological reasons. The PAR stated that, for category 3 veterans, VR&E “seeks to assist them in becoming independent on their daily living.”

The PAR reported a rehabilitation rate of 62 percent for FY 2004, 63 percent for FY 2005, and 73 percent for FY 2006. This information was also reported in VA budget submissions, including the FY 2008 budget submission provided to Congress in February 2007. The FY 2008 budget submission estimated that the rehabilitation rate would be 73 percent in FY 2007 and 75 percent in FY 2008.

Methodology for Calculating VR&E Rehabilitation Rate

VA used the VR&E Monthly Operating Report (MOR) business rules to calculate the rehabilitation rate for veterans who implemented a written rehabilitation plan prior to discontinuing the Chapter 31 program. According to the MOR business rules, this included only veterans who had a “begin” and “end” date for the statuses of IL, rehabilitation to employability, or employment services. Veterans who died during
program participation and veterans classified in one of the MRG categories were not included in the rehabilitation rate calculation based on the MOR business rules.

VA excluded veterans who discontinued participation in the program without implementing a written rehabilitation plan, although they represented the majority of veterans participating in the program. To illustrate, we applied the MOR business rules to our sample of 1,377 cases. We determined that a total of 279 cases in our sample, 241 rehabilitated and 38 discontinued cases, would be included in the computation resulting in a rehabilitation rate of 86 percent (241 ÷ 279). The remaining 1,098 discontinued cases (1,377–279), would not be included in VR&E’s rehabilitation rate calculation according to their MOR business rules. However, if the rehabilitation rate was calculated as disclosed in the PAR the rate would be 18 percent (241 ÷ 1,312). This rate includes all veterans that participated in the program with the exception of 65 MRG’s.

The 2004 VR&E Task Force Report stated, “VR&E’s best efforts regarding employment of veterans have resulted in only 10 percent of those participating in the VR&E program obtaining employment,” and stated, “Despite the tens of thousands of VR&E program participants in a given year, the number of veterans rehabilitated by obtaining a job or achieving IL goals has averaged only about 10,000 a year for several years.” Using information from the 2004 VR&E Task Force Report and VR&E Service, we compiled performance data for the period FY 1998 through FY 2006. Based on this information, we calculated a total of 95,331 rehabilitated veterans, which represented 12 percent of the 783,799 program participants for the 9-year period. (For additional information on performance data, see Appendix B, page 15.)

The MOR business rules used to calculate the rehabilitation rate were not disclosed in the PAR, VA Strategic Plans, VA’s budget submissions, and testimony to Congress. Instead, the PAR showed that rehabilitation rates included all veterans who exited the program when, in fact, VA used a methodology that included only certain veterans. In addition, VA did not separately report veterans who obtained and maintained suitable employment from those who achieved IL goals as recommended by the task force. As a result, decision makers and VA stakeholders, including Congress and veterans, may not have been aware of the overall performance of the Chapter 31 program.

While the primary goal of the program is to ensure disabled veterans obtain and maintain suitable employment, performance data showed that the number of veterans who achieved IL goals has steadily increased, which has impacted VR&E rehabilitation rates. For example, in FY 2006, veterans who achieved IL goals represented about 24 percent of all rehabilitated veterans. IL services were provided to veterans with an employment handicap or a serious employment handicap and who were determined unable to achieve suitable employment. After a comprehensive evaluation, IL veterans are provided services necessary to achieve maximum independence in their daily living.
**Conclusion**

VR&E rehabilitation rate calculations were not fully explained in the PAR report. The PAR report should disclose information on total program participants, those who discontinued participation in the program, those who obtained and maintained employment, and those who achieved IL goals. As a result, VA stakeholders, including Congress and veterans, may not have been aware of overall program performance, including the effects that veterans who achieved IL goals have on VR&E rehabilitation rate. The PAR should provide accurate and complete information for budgetary and resource decisions.

**Recommendation**

1. We recommend that the Under Secretary for Benefits fully explain the methodology used for VR&E rehabilitation rate calculations in the PAR.

2. We recommend that the Under Secretary for Benefits ensure that the PAR includes data on total program participants, those who discontinued participation in the program, those who obtained and maintained suitable employment, and those who achieved IL goals.

The Under Secretary for Benefits agreed with our findings and recommendations and has completed corrective actions. VBA has developed and implemented a revised VR&E rehabilitation rate definition. VBA has incorporated data on total program participants, those who discontinued participation in the program, those who obtained and maintained suitable employment, and those who achieved IL goals into the FY 2007 Performance and Accountability Report. We consider the completed actions acceptable.

**Issue 2: VR&E Management Needed to Follow Up on Veterans Who Discontinued Participation in the Chapter 31 Program**

**Findings**

Our sample results and VA program data showed that most veterans discontinued participation in the VR&E Chapter 31 program and were not rehabilitated. BDN data did not provide VR&E management with sufficient information to show the reasons for the high rate of program discontinuation. *The 2004 VR&E Task Force Report* stated that management had not made a concerted effort to research the issue and take action to reduce the probability of veterans dropping out of the program. In FY 2005, VA initiated a study to determine why veterans discontinued the program. The study was delayed due to security issues with VA computer-based customer files. VR&E management plans to use the study results as a basis for expanding the study and developing plans to follow up
on why veterans discontinued the program and help ensure that they successfully complete the program.

**Reasons Veterans Discontinue Program Participation Were Unknown**

Our review of 1,377 case files for veterans who were rehabilitated or discontinued during the first 11 months of FY 2006, showed that 1,136 (82 percent) had discontinued their participation without being rehabilitated. The results also showed that 983 (87 percent) of the 1,136 discontinued veterans were eligible and entitled to Chapter 31 benefits but did not complete the program. The remaining 13 percent were either ineligible or not entitled to benefits after applying for the Chapter 31 program and were not included in the methodology used to calculate the rehabilitation rate.

According to CWINRS and BDN, VA spent about $3.7 million, an average cost of $3,218 per veteran, on discontinued veterans in our sample. The factors that caused many veterans to discontinue the program were unknown to VR&E management. BDN did not contain sufficient information for VR&E management to analyze reasons associated with the high rate of program discontinuation.

The 2004 *VR&E Task Force Report* recommended that VR&E Service initiate a nationwide study to research the reasons why veterans discontinued participation in the program, follow up with them, and use the information to design interventions to reduce the probability of veterans dropping out of the program. In response, the VA Office of Policy, Planning, and Preparedness initiated a Veterans Employability Research Study in October 2005. The project involved conducting focus group reviews with veterans and VR&E staff at three VAROs to identify reasons why veterans had discontinued their program participation.

The focus group received survey responses from 33 (57 percent) of 58 participants who discontinued participation in the program. The reported reasons for discontinuing participation in the program included:

- Veterans did not understand the program, and some lost interest after learning of the time commitment or the amount of subsidy they would receive.
- Travel distances to the VAROs discouraged veterans from completing the program.
- Veterans with learning disabilities needed extra time to complete assignments, and the course work seemed too difficult to successfully complete.
- Veterans perceived that VR&E staff had specific professions and jobs that they wanted veterans to pursue and disregarded the veterans’ personal goals and interests.
- Veterans wanted to acquire an education but did not necessarily want to find a job.
- Personal and family problems, including financial and health issues, created barriers to completing the program.
- One veteran stated that he had relapsed into substance abuse.
• Veterans obtained employment on their own, although it was not usually in their planned professions.

According to VR&E management, the study was temporarily delayed due to security issues with VA computer-based customer files and the need for new protocols to ensure data security. VR&E management told us the study is a year behind schedule; however, it is targeted for completion in February 2008. The focus group review results are expected to be used as a basis for developing a plan to survey 5,000 veterans in the program. Completing this future study can provide VR&E Service with information to help increase the number of veterans who successfully complete the program.

Conclusion

Most veterans discontinued participation in the Chapter 31 program and were not rehabilitated. Data in BDN did not provide VR&E management with sufficient information to analyze the reasons for the high rate of program discontinuation. Once the reasons are identified, the information could be used to design interventions to reduce the probability of veterans dropping out of the program.

Recommendation

3. We recommend that the Under Secretary for Benefits develop a methodology and establish procedures to determine why veterans discontinue participation in the Chapter 31 program before they are rehabilitated.

The Under Secretary for Benefits agreed with our findings and recommendations. VBA currently has a study, Veterans Employability Research Survey, which is scheduled for completion September 2008. Study results will be used to establish nationwide procedures to help reduce the number of veterans who discontinue the VR&E program. We consider the planned actions acceptable, and we will follow up on their implementation.

Issue 3: Annual Cap on the Number of New Independent Living Cases Should Be Effectively Managed and Monitored

Findings

Chapter 31 of Title 38, U.S. Code limits the number of veterans who can be placed in the IL Program to 2,500 annually. IL services are provided to severely disabled veterans to assist them in maintaining independence in activities of daily living and enable them to have an opportunity for future employment. Veterans may remain in the IL Program for a maximum of 30 months. After interim procedures were issued on June 14, 2006 until the end of the FY on September 30, veterans may have experienced a delay in entering
the program. VA should effectively manage and monitor the number of new IL participants and provide detailed information to Congress on delays in veterans’ services until a decision has been made to remove the annual statutory cap.

**IL Program**

The IL Program was established in 1980 by PL 96-466, the Veterans Rehabilitation and Education Amendments of 1980. The program serves severely disabled veterans who VA determined were unable to obtain and maintain suitable employment due to their service-connected disabilities. The 2004 VR&E Task Force Report stated that IL services are critical to many veterans’ quality of life and that improving access to these services for veterans hospitalized in the VA health care system should be among the highest priorities for VR&E.

The program was initially designed to have an annual cap of 500 participants. Subsequent legislation made the program permanent, and the December 2001 enactment of PL 107-103, the Veterans Education and Benefits Expansion Act of 2001, increased the annual cap from 500 to 2,500 new IL participants. To ensure that the statutory cap was not exceeded, VR&E officials monitored the number of veterans monthly who entered the IL Program.

**Effects of the IL Statutory Cap on Veterans’ Receipt of Services**

Due to the statutory annual cap on the number of new IL Program participants, VR&E Service instructed VAROs to discontinue placing veterans into IL status as the cap was approached. From FY 2002 through FY 2006, VR&E issued interim procedures that prohibited VR&E staff from approving new veterans in the IL Program unless VACO program officials authorized the placements. The count of veterans who entered the program began on the first day of each FY. Action was usually taken in early August or before to prevent exceeding the statutory 2,500 cap. From then until the end of the FY on September 30, veterans may have experienced a delay in entering the program. VA does not have a waiting list for veterans to enter the IL Program; however, the effect of the statutory cap has been to delay IL services to severely disabled veterans.

According to VR&E management, for FY 2006, the projected total of new IL veterans would have exceeded the 2,500 cap. (For additional information on new IL veterans, see Appendix C, page 16.) For that reason, on June 14, 2006, interim procedures directed VR&E Officers not to approve, and VRCs not to enter any new veterans into IL unless authorization was granted by VACO. The interim procedures further directed that if authorization was denied, the veteran should be considered a priority for initiation after October 1, 2006 and should be held in the Evaluation and Planning phase until that date.

During the period from October 2005 through June 2006, an average of 225 veterans per month entered the IL Program nationwide (2,028 new IL veterans divided by 9 months).
During the months of July 2006 through September 2006, subsequent to issuance of the interim procedures, an average of 45 veterans per month entered into the IL Program (134 new IL veterans divided by 3 months). A total of 2,162 veterans entered the IL Program in FY 2006. Even though the number of new veterans that entered the program did not exceed the annual cap, VR&E Service anticipated exceeding it which delayed veterans from entering the IL Program when they were eligible.

In October 2006, the beginning of the new FY, 336 veterans entered into IL status. This amount was seven times greater than the average number of new IL veterans in the last quarter of the previous FY. Thus, as a result of the statutory cap, VARO staff did not place veterans in the IL Program until the beginning of the FY and delayed services to entitled veterans.

During an on-site visit, a VR&E Officer told us that he did not request authorization from VACO for new IL veterans after the interim procedures were issued. He said he did not believe that their IL cases were severe enough for VACO approval and the veterans remained in Evaluation and Planning until the new FY. VACO acknowledged that field offices sought approval for a small number of new IL veterans subsequent to the interim letter. However, they did not follow-up with field offices to determine if veterans ready to be placed in IL were being held in Evaluation and Planning instead of requesting approval from VACO.

The percentage of veterans rehabilitated by completing the IL Program, as noted in Issue 1 of this report, has increased in recent years. As of May 2007, 3,633 veterans were participating in the IL Program. In February 2007, the VA Secretary stated that VR&E anticipates a steady increase in demand for IL services over the next 10 years, based on historical data and the need for increased IL services by OEF and OIF veterans. VR&E estimates a growth rate of 10 percent in FYs 2008 and 2009 for veterans needing IL services. The statutory cap would prevent entitled veterans from receiving these services timely.

**Efforts to Remove the IL Statutory Cap**

In October 2001, VA sought to repeal the IL statutory cap of 500 because of an expected sharp growth in the program due to the aging of the Vietnam-era veteran population. However, the Veterans Education and Benefits Expansion Act of 2001 only increased the cap to 2,500. In November 2006, the FY 2008 legislative package VA sent to the Office of Management and Budget again included proposed legislation to remove the cap. In a February 8, 2007, hearing before the House Committee on Veterans’ Affairs, VA’s Under Secretary for Benefits stated that it was very important that Congress lift the 2,500 annual cap to allow more veterans to enter the program.

The VA Secretary estimated that, if Congress removed the cap on new entrants into the IL program, the costs associated with the extra cases would be $2.1 million in the first
year, $26.6 million over 5 years, and $76.8 million over 10 years. Also, VR&E projects an increase of 250 cases above the cap and 5 additional staff in the first year; 2,994 cases and 61 additional staff over 5 years, and 8,030 cases above the cap and 162 additional staff over the next 10 years.

As of June 2007, enabling legislation had not been passed. We support these efforts to remove the cap and believe that information on delays in veterans’ services should be provided to Congress to promote legislation that will remove the statutory cap.

**Conclusion**

Chapter 31 of Title 38, U.S. Code limits the number of veterans who can be placed in the IL Program to 2,500 annually. In FY 2006, VR&E Service instructed VAROs to discontinue placing veterans into IL status as the cap was approached unless VACO program officials authorized the placements. As a result, the cap was underutilized in FY 2006 and services to entitled veterans were delayed. VA has made efforts since 2001 to remove the statutory cap. We support these efforts and believe that information on delays in veterans’ services should be monitored until a decision has been made to remove the annual statutory cap.

**Recommendation**

4. We recommend that the Under Secretary for Benefits manage and monitor the number of new IL Program participants to ensure services to eligible veterans are not delayed.

The Under Secretary for Benefits agreed with our findings and recommendations. VR&E Service monitors the number of new IL cases monthly. The expectation that the legislative cap will be reached and special procedures implemented has had a dampening effect on IL case development. To prevent this response, VR&E Service will share the projected number of IL cases at the end of each month during the monthly Director’s Hotline Call. The target completion date is July 2008. We consider the planned actions acceptable, and we will follow up on their implementation.

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4 From post hearing questions posed to Secretary Nicholson from the House Committee on Veterans’ Affairs, February 20, 2007.
Audit Sampling Plan

Purpose

The audit was conducted to review performance aspects of the VR&E Program.

Population of Cases

Eight of VA’s 57 VAROs were statistically selected for site visits. For the purpose of case sample selection, the audit population consisted of all veteran cases that were closed with an outcome case status of rehabilitated or discontinued during the period of October 2005 through August 2006. The sample was obtained through the assistance of VA’s Austin Automation Center (AAC) using data from BDN. The total number of cases identified by AAC in the audit population was 11,073 (9,114 discontinued cases and 1,959 rehabilitated cases).

Sample Design

We used statistical sampling techniques to determine the sites to be visited and the cases to be reviewed. The purpose of the statistical sample was to allow projection of results over the entire site and for all VAROs, if necessary. We used statistical sampling techniques to randomly select a sample of 1,377 cases. We determined the sample size using a confidence level of 95 percent, a desired precision rate of 5 percent, and an expected error rate (anticipated rate of occurrence) of 50 percent. Stratification was not used. We tested selected attributes to determine if certain aspects of the VR&E Program were in compliance with applicable laws, regulations, and VA policies and goals. In reviewing the sample cases, we tested for the following attributes:

- Whether a case status was discontinued or rehabilitated.
- Whether the case status of rehabilitated or discontinued recorded in the veteran’s CER file was accurately reflected in BDN and CWINRS.
- Whether the case status of rehabilitated or discontinued in BDN matched the case status in CWINRS.
- Whether a veteran was monitored for 60 days subsequent to job attainment and prior to case closure, monthly contact was made during employment status, annual contact was made during the status of rehabilitation to employability, the rehabilitation plan was signed, the Certification of Entrance or Reentrance was signed, and due process was provided prior to case closure as discontinued.
- Whether a veteran in the IL Program exceeded statutory time limits, there was approval for and documentation of purchases made for the veteran, and the veteran demonstrated substantial attainment of IL goals prior to case closure as rehabilitated.
Compliance testing showed that VR&E appropriately processed veteran applications for Chapter 31 benefits with minimal processing errors and in accordance with VBA policy.
## Chapter 31 Program Participants and Rehabilitated Veterans – FY 1998 through FY 2006

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Program Participants</th>
<th>Rehabilitated Veterans</th>
<th>Obtained Suitable Employment (Percent of Rehabilitated)</th>
<th>Met IL Goals (Percent of Rehabilitated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>80,665</td>
<td>9,289</td>
<td>9,038 (97.3)</td>
<td>251 (2.7)</td>
</tr>
<tr>
<td>1999</td>
<td>79,569</td>
<td>10,281</td>
<td>9,841 (95.7)</td>
<td>440 (4.3)</td>
</tr>
<tr>
<td>2000</td>
<td>77,920</td>
<td>10,603</td>
<td>9,837 (92.8)</td>
<td>766 (7.2)</td>
</tr>
<tr>
<td>2001</td>
<td>81,103</td>
<td>10,116</td>
<td>8,559 (84.6)</td>
<td>1,557 (15.4)</td>
</tr>
<tr>
<td>2002</td>
<td>90,039</td>
<td>10,209</td>
<td>7,799 (76.4)</td>
<td>2,410 (23.6)</td>
</tr>
<tr>
<td>2003</td>
<td>97,158</td>
<td>9,554</td>
<td>7,520 (78.7)</td>
<td>2,034 (21.3)</td>
</tr>
<tr>
<td>2004</td>
<td>94,851</td>
<td>11,129</td>
<td>8,392 (75.4)</td>
<td>2,737 (24.6)</td>
</tr>
<tr>
<td>2005</td>
<td>92,703</td>
<td>12,013</td>
<td>9,279 (77.2)</td>
<td>2,734 (22.8)</td>
</tr>
<tr>
<td>2006</td>
<td>89,791</td>
<td>12,117</td>
<td>9,225 (76.1)</td>
<td>2,892 (23.9)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>783,799</strong></td>
<td><strong>95,331</strong></td>
<td><strong>79,490 (83.4)</strong></td>
<td><strong>15,821 (16.6)</strong></td>
</tr>
</tbody>
</table>

The table shows the number of participants in the VR&E program, which represents all veterans actively involved in the program at the end of each FY. The participants can be in any of the following case statuses: applicant, evaluation planning, extended evaluation, independent living, and rehabilitation to employability, job ready status and interrupted.
Chapter 31 Veterans Entering IL Program
Nationwide Monthly Totals
FY 2006

On June 14, 2006, interim procedures directed VR&E Officers not to approve new IL cases without VACO authorization until after October 1, 2006. Nationally, 2,162 veterans entered the IL Program in FY 2006.
Under Secretary for Benefits Comments

Date: November 8, 2007
From: Under Secretary for Benefits (20)
Subject: OIG Draft Report - Audit of Vocational Rehabilitation and Employment Program Operations (Project No. 2006-00493-R4-0041) – WebCIMS 391624
To: Assistant Inspector General for Auditing (52)

1. This is in response to your request for VBA’s review of OIG Draft Report: Audit of Vocational Rehabilitation and Employment Program Operations. Attached are VBA’s comments.

2. Questions may be referred to Dee Fielding, VBA’s OIG Liaison, at 461-9057.

Attachment
Under Secretary for Benefits Comments
to Office of Inspector General’s Report

The following Under Secretary’s comments are submitted in response to the recommendations in the Office of Inspector General’s report:

VBA concurs in general with the overall OIG audit findings. We offer the following comments about the specific recommended actions in the draft report.

OIG Recommendations

1. We recommend that the Under Secretary for Benefits fully explain the methodology used for VR&E rehabilitation rate calculations in the PAR.

Concur          Target Completion Date: Completed

VBA has developed and implemented a revised VR&E Rehabilitation Rate definition that will be published in the FY 2007 Performance and Accountability Report, has been published on the PA&I Dashboard web page and will be utilized in any future documents containing the rehabilitation rate definition. VBA requests closure of this recommendation.

2. We recommend that the Under Secretary for Benefits ensures that the PAR includes data on total program participants, those who discontinued participation in the program, those who obtained and maintained suitable employment, and those who achieved IL goals.

Concur          Target Completion Date: Completed

VBA has incorporated the requested information into the FY 2007 Performance and Accountability Report. The number of total program participants can be found in the “Who We Serve” section and the number of those who discontinued participation in the program, those who obtained and maintained suitable employment, and those who achieved IL
goals can be found in the “Definition” section under Rehabilitation Rate. VBA requests closure of this recommendation.

3. We recommend that the Under Secretary for Benefits develop a methodology and establish procedures to determine why veterans discontinue participation in the Chapter 31 program before they are rehabilitated.

Concur  

**Target Completion Date:** September 30, 2008

VBA currently has a study, Veterans Employability Research Survey, through the VA Office of Policy, Planning, and Preparedness under contract. VR&E Service will utilize the results of this study and establish procedures that will be implemented nationwide to help reduce the number of veterans who discontinue the VR&E program.

4. We recommend that the Under Secretary for Benefits manage and monitor the number of new IL Program participants to ensure services to eligible veterans are not delayed.

Concur  

**Target Completion Date:** July 31, 2008

Each month, VR&E Service monitors the number of new Independent Living (IL) cases from the Chapter 31 Master Record in the Benefits Delivery Network (BDN). These figures provide a cumulative total of new IL cases and also facilitate the projection of fiscal year totals. If it is anticipated that the number of new IL cases will reach the legislative cap, procedures are implemented to prevent exceeding this limit. A letter is sent to field stations to reinforce the importance of providing IL services to veterans with the most severe disabilities, and to explain the steps required to obtain the approval of the Director, VR&E Service, prior to placing new cases in IL status. The expectation that the legislative cap will be reached and special procedures implemented has had a dampening effect on IL case development. To prevent this response, VR&E Service will share the projected number of IL cases at the end of each quarter during the monthly Director’s Hotline Call.
# OIG Contact and Staff Acknowledgments

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<tr>
<th>OIG Contact</th>
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