Inadequate Oversight of Contracted Disability Exam Cancellations
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Inadequate Oversight of Contracted Disability Exam Cancellations

Executive Summary

Medical exams can be essential in supporting compensation and pension disability claims for veterans. Veterans Benefits Administration (VBA) claims processors request exams for veterans to obtain a medical diagnosis and to determine the severity of a claimed disability. In January 2018, the Office of Inspector General (OIG) received a hotline complaint that a contracted disability medical exam provider, Medical Support Los Angeles (MSLA), did not have the capacity to complete scheduled exams and that VBA staff were canceling these exams and rescheduling them through other contractors. A canceled exam can result in adverse decisions on veterans’ claims, cause a delay in veterans’ benefits, and can result in additional costs and workload for VBA.

The OIG initiated this review to assess the merits of the hotline allegation against MSLA. The OIG also wanted to determine whether there was adequate oversight of these and other contracted disability exam cancellations nationwide. To that end, the OIG team requested from VBA the number of requests for contracted disability exams and the number of exam cancellations for the review period from November 1, 2017, through April 30, 2018.

During that period, VBA reported that claims processors requested more than 1.3 million disability benefits questionnaire (DBQ) exams from contractors. During the same period, more than 137,000 DBQ exams were canceled, an increase of about 74 percent over the previous six-month period. These exams affected about 59,000 veterans, some of whom had more than one exam canceled.

What the OIG Found

VBA appropriately addressed the MSLA capacity issues. MSLA failed to establish an adequate network of exam providers, and in December 2017, VBA began canceling exams scheduled with MSLA providers. More than 8,700 DBQ exams were canceled and rescheduled through other contractors by March 2018. MSLA was also required to have nearly $4.8 million in payments withheld from outstanding invoices to recoup VBA for costs associated with obtaining alternate contractors to schedule and complete the exams.

The OIG determined in its examination of contractors nationwide, however, that additional oversight was needed to monitor all contracted disability exam cancellations. The review team found that these cancellations could occur for a variety of reasons, including lack of contractor exam provider capacity, the contractor’s inability to contact the veteran, medical records not being received by the contractor, or the veteran not attending the scheduled appointment (no-shows).

Since 1996, VA has been authorized to contract disability exams from non-VA medical sources to increase its capacity and improve timeliness. In 2016, VA established the Medical Disability
Examination (MDE) Program to enhance its ability to deliver prompt disability medical exams to veterans. VBA awarded contracts valued up to $6.8 billion over a five-year period under the MDE program. However, the OIG team found that MDE staff were hampered in their ability to provide oversight because of limitations with VBA’s electronic exam management systems, the lack of reliable data, and inadequate staffing of the program.

For example, MDE staff could not validate that contractors’ exam scheduling actions were completed according to contract requirements, nor could they adequately monitor and analyze contractors’ reasons for exam cancellations. Contractors are responsible for scheduling all exams. The contracts contain specific exam notification requirements, including contacting veterans, confirming appointments, following up with veterans before the appointments, and documenting these contact attempts. The inability to oversee the scheduling requirements is largely because MDE staff cannot directly access specific data in the different contractors’ proprietary exam tracking systems. Moreover, information about the reason for an exam cancellation is not readily accessible.

According to VBA officials, the initial exam management system used by the MDE program was an accounting software system with limited reporting functions and was not designed for oversight. The executive director of Compensation Service stated that this initial system was not designed for monitoring the exam process and would not produce reliable or useable data. A successor exam management system was implemented in March 2018. The executive director of Compensation Service acknowledged that at the time of the OIG review, there were also data reliability problems with this successor system, and a team was currently trying to resolve these issues.

The MDE operations chief stated that VBA’s exam management systems are not designed with the capability to view contractors’ contacts with veterans. Furthermore, inconsistencies in how contractors recorded cancellation reasons made monitoring contractors’ cancellation reasons and scheduling actions difficult. As a result, VBA continued to rely on contractors’ self-reported data and could not monitor and validate that exams were scheduled in accordance with contract requirements. MDE staff stated that cancellation reasons were not verified for validity and accuracy unless a veteran submitted an email complaint. MDE staff also stated that veterans would have to be called to verify that contractors scheduled exams according to contract requirements and had accurately reported cancellation reasons. However, VBA did not conduct this type of review due to limited staffing. The MDE staff director stated that getting the MDE program fully staffed, getting the successor exam management system fixed, and obtaining more visibility in terms of contractor exam notification and cancellation reasons would allow for better analysis of cancellations. The MDE staff director also stated that preliminary discussions had just begun to allow for better review and validation of cancellations.

Adding to the MDE information systems limitations, the MDE program experienced staffing shortages from its inception. It was still staffed significantly below its authorized levels during
the review period. The MDE program was authorized 37 full-time equivalent positions, but as of January 2018, VBA had only filled 15 positions.

What the OIG Recommended

The OIG made three recommendations to the Under Secretary of Benefits to address the lack of oversight due to information systems limitations, including inadequate data; staffing shortages; and some VBA contracting officer’s representatives lack of qualifications. Because VBA staff addressed MSLA’s capacity issues, the OIG did not make a recommendation regarding the original allegation. The OIG did recommend that the Under Secretary for Benefits

1. Improve exam management systems to ensure visibility of the information needed to conduct adequate oversight of contracted disability exam cancellations.

2. Ensure staffing is sufficient so that the Medical Disability Examination Program can perform adequate oversight of contracted disability exam cancellations.

3. Take steps to ensure that contracting officer’s representatives with oversight responsibilities for the medical disability examination contracts achieve the VA-required certification level.

Management Comments and OIG Response

The Under Secretary for Benefits concurred with all three recommendations and provided acceptable action plans for the recommendations. The Under Secretary also requested closure of all three recommendations based on actions that VBA has taken. For recommendations 1 and 2, the OIG will follow up to verify that all actions stated in the Under Secretary’s response have been completed prior to closing those recommendations. For recommendation 3, the OIG considers the recommendation closed based on the Under Secretary’s response, as well as additional information provided.

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Assistant Inspector General
for Audits and Evaluations
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Inadequate Oversight of Contracted Disability Exam Cancellations

Abbreviations

CAATS  Centralized Administrative Accounting Transaction System
DBQ    Disability Benefits Questionnaire
FTE    Full-Time Equivalent
LHI    Logistics Health Incorporated
MDE    Medical Disability Examination
MSLA   Medical Support Los Angeles
OIG    Office of Inspector General
Pub. L. Public Law
QTC    QTC Medical Services Inc.
VA     Department of Veterans Affairs
VARO   VA Regional Office
VES    Veterans Evaluation Services
VetFed VetFed Resources Incorporated
VBA    Veterans Benefits Administration
VHA    Veterans Health Administration
Introduction

Objective

Disability medical exams can be critical in supporting veterans’ claims for benefits and represent a significant investment by the Veterans Benefits Administration (VBA). VBA has contracted billions of dollars to schedule, conduct, and document exams for veterans to obtain a medical diagnosis and to determine the severity of a claimed disability. Prompted by a hotline complaint, this review determined whether VBA’s Medical Disability Examination (MDE) staff conducted adequate oversight of contracted disability medical examination cancellations. These cancellations can occur for various reasons, including contractors’ lack of exam provider capacity to complete the exams, contractors’ inability to contact veterans, contractors not receiving medical records, and veterans’ failure to attend their scheduled appointments (no-shows).

Why the OIG Did This Review

In January 2018, the Office of Inspector General (OIG) received a hotline complaint related to canceled disability exams that VA had contracted out. The complainant stated that a contractor, Medical Support Los Angeles (MSLA), lacked the capacity to complete the volume of disability exams VBA had requested, which resulted in VBA canceling approximately 8,800 disability benefits questionnaire (DBQ) exams and rescheduling them through other contractors. The OIG initiated this review to assess the merits of the hotline allegation.

To determine whether cancellations initiated by contractors were a problem beyond MSLA, OIG staff requested VBA to provide the total number of contracted disability exams requested and the number of cancellations from November 1, 2017, through April 30, 2018. VBA reported that claims processors requested more than 1.3 million DBQ exams by contractors. During that same period, more than 137,000 DBQ exams were canceled, an increase of about 74 percent over the previous six-month period. Based on the information provided by the hotline complainant, as well as the significant increase in contracted disability exam cancellations, the OIG team expanded this review to include contracted disability exam cancellations for all MDE contractors.

Throughout this review, the OIG determined that although VBA addressed MSLA capacity issues, additional oversight was needed to monitor all contracted disability exam cancellations.

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1 DBQs are forms used to capture essential information from medical examinations for evaluating disability compensation and/or pension claims.
The Disability Exam Process

VBA claims processors request exams for veterans from a Veterans Health Administration (VHA) examiner or MDE contractor based on provider capacity and availability.

Figure 1. Summary of VBA’s disability exam process
(Source: OIG analysis of relevant documents related to VBA’s disability exam process)

MDE Program

Starting in 1996, VA was authorized to complete disability exams from non-VA medical sources to increase its capacity and improve timeliness. In 2016, VA established the MDE program to enhance its ability to deliver prompt disability benefits claims and improve the disability exam experience for veterans. The VA awarded MDE program contracts with a total value of up to $6.8 billion over a five-year period to the following contractors:

1. Logistics Health Inc. (LHI)
2. Medical Support Los Angeles (MSLA)
3. QTC Medical Services Inc. (QTC)

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2 *The Veterans Benefits Improvement Act of 1996*, Public Law (Pub. L.) 104-275. This was later amended by Pub. L. 113-235, Sec. 241, which provided VA the authority to expand the authorized use of contract exams.

3 For additional background information on the MDE program, see Appendix A.
4. Veterans Evaluation Services (VES)
5. VetFed Resources Inc. (VetFed)

In addition, sole-source bridge contracts (short-term, noncompetitive contracts to avoid a gap in service caused by the MSLA capacity issues) were awarded to QTC and VES in December 2017.

**MDE Contract Requirements**

The MDE contracts contained requirements for advance notifications and verification, including the following:

- The contractor will contact the veteran via telephone to schedule appointments.
- The contractor will confirm the appointment with the veteran by letter once scheduled.
- The contractor will post proof of the appointment notification letter to the contractor’s proprietary information system.
- The contractor must provide the veteran with a follow-up notice of appointment before the scheduled appointment.
- The contractor will document all attempts to reach the veteran.

In addition, the MDE contracts contained a timeliness standard—measured from the date the contractor accepted the request to the date when all exams were completed and the documentation was returned to VBA. The MDE contracts that were in place at the time of the OIG review held contractors to a general timeliness standard of 20 days for the entire process. MDE contracts also required a daily status update and a consolidated monthly status report of exam requests that included overall and site-specific exam requests, completions, and cancellations.

**Roles and Responsibilities**

**VA’s Strategic Acquisition Center**

VA’s Strategic Acquisition Center developed and awarded VBA’s MDE contracts. This office provides direct contracting support to VA’s organizations. The Strategic Acquisition Center is also responsible for ensuring that contracts and procurement actions meet or exceed performance measures.⁴

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VBA’s Compensation Service

VBA’s Compensation Service oversees the delivery of disability compensation benefits for veterans. As part of this role, it is responsible for overseeing the MDE program, including acquisition support and operations staff. Table 1 details the roles and responsibilities of staff in VBA’s MDE program office.

Table 1. MDE Program Office Functions

<table>
<thead>
<tr>
<th>Staff name</th>
<th>Description</th>
</tr>
</thead>
</table>
| Acquisition Support  | • Monitors and oversees contractors’ performance to enforce contract terms and ensure compliance with agency regulations and directives.  
                        | • Contracting officer’s representatives review invoices to ensure services were completed and billed in accordance with the terms of the contracts. |
| Operations           | • Conducts daily operations, maintains data from exams, and answers inquiries.  
                        | • Coordinates across VBA and VHA offices for access to all systems used in contracted exam management.  
                        | • Coordinates training to assist users with the contract exam process.  
                        | • Monitors the contract exam inquiries electronic email mailbox. |

Source: VBA’s MDE program office website
Results and Recommendations

Finding 1: VBA Addressed MSLA Capacity Issues

As part of the MDE program, MSLA was awarded four contracts in various locations. However, MSLA failed to establish an adequate network of exam providers, which affected its ability to complete disability exams. In December 2017, VBA initiated the MSLA Cancellation Project. According to VBA, 8,770 MSLA DBQ exams were canceled and rescheduled through other contractors from December 2017 through March 2018. The OIG team reviewed 263 of these cancellations and determined they caused an average claims processing delay of about 104 days. This occurred because veterans were subjected to having their exams canceled and rescheduled with other contractors.

The OIG team determined VA’s contract actions when awarding the MSLA contracts were in accordance with the Federal Acquisition Regulation. The team also determined that, once it identified capacity issues, VBA took appropriate corrective action by regularly communicating with MSLA, reducing MSLA’s workload, initiating the MSLA Cancellation Project, and modifying the contract.

What the OIG Did

The OIG team did the following to address the hotline allegation:

- Interviewed the hotline complainant, as well as managers and other personnel at the VBA Central Office, VHA Central Office, and VA’s Strategic Acquisition Center.
- Analyzed 263 MSLA DBQ exam cancellations using multiple VBA electronic information systems to determine the effect of the cancellations.
- Reviewed regulatory requirements, documentation, and actions applicable to the MSLA solicitation and awarding of the MDE contracts.
- Conducted a site visit to the MSLA contractor site to interview the executive staff.

5 The Strategic Acquisition Center contracting officer overseeing the MDE contracts told the OIG team that exam providers are typically subcontractors, and they perform a significant majority of the requested contracted disability exams.

6 Since a statistical sample was not used, the OIG team did not project results to the universe of DBQ exams that had been canceled through the MSLA Cancellation Project. The average processing delay of 104 days was based on the OIG team’s review of 263 cancellations.
This section discusses the following considerations that support the OIG’s finding:

- VBA took appropriate actions
- Mitigation of effect of MSLA cancellations

**VBA Took Appropriate Actions**

According to the MDE contract, three months of performance data were required before punitive action could be taken. The MSLA contracts provided a 90-day period (ramp-up) to establish necessary resources to meet exam request capacity. According to the contracting officer, in September 2017, VBA provided an additional 60-day extension to assist MSLA in meeting the contractual requirements. VBA also reduced the volume of exam requests sent to MSLA. The contracting officer stated that by November 2017, MSLA still was “not making it,” and as a result, was given less work over the next two months to allow the contractor to “catch up.” The MDE and budget deputy executive director also stated that the percentage of exams being sent to MSLA was tapered and eventually reduced from 50 percent of the work that was available in MSLA’s geographical locations to approximately 20 percent. The MDE staff director stated that during the ramp-up time, MSLA management had the opportunity to ask questions and discuss what it needed to be ready in certain areas. The MSLA chief executive officer confirmed that there was frequent contact with the contracting officer representative assigned to work with MSLA and with the contracting officer.

By the end of the extended 60-day period, MSLA was still unable to meet the contract requirements. The MDE and budget deputy executive director stated that VBA stopped sending MSLA new exam requests in December 2017.

**MSLA Cancellation Project**

To address the continued capacity issues, VBA developed and implemented a plan to cancel and reschedule pending exams requested through MSLA. VBA issued interim contracts to two contractors to prevent a lapse in service.
Table 2 details the DBQ exams that, according to VBA, were canceled as part of the MSLA Cancellation Project.

Table 2. MSLA Cancellation Project 2018

<table>
<thead>
<tr>
<th>Month</th>
<th>MSLA DBQ exams canceled</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 5, 2017</td>
<td>3,257</td>
</tr>
<tr>
<td>January 23, 2018</td>
<td>2,947</td>
</tr>
<tr>
<td>February 20, 2018</td>
<td>353</td>
</tr>
<tr>
<td>March 5, 2018</td>
<td>2,213</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,770</strong></td>
</tr>
</tbody>
</table>

Source: VBA reported analysis of MSLA Cancellation Project 2018

**MDE Contract Modifications**

The contracting officer stated that in January 2018, VBA and MSLA officials met to discuss a plan to improve capacity. Following this meeting, MSLA agreed to gradually end operations. The contracting officer stated he modified the contract at that time. According to the modification, MSLA could complete exams that were already scheduled; however, any exams not already scheduled would be sent to another contractor. In March 2018, modifications were completed. VBA and MSLA agreed that all future contract exam work would stop immediately. Since VBA addressed MSLA’s capacity issues, the OIG did not make any recommendation to the UnderSecretary for Benefits.

**Mitigation of Effect of MSLA Cancellations**

The inability of MSLA to establish provider networks and meet the terms of the MDE contract resulted in a delay in processing veterans’ disability claims and an increased workload for VBA staff. The team reviewed a sample of 263 DBQ exams associated with the MSLA Cancellation Project and found an average claims processing delay of about 104 days, ranging from 41 to 366 days beyond the contract requirements. These delays were due to veterans having their exams canceled and rescheduled with other contractors. An Office of Field Operations program analyst stated that VBA Central Office staff canceled and VA Regional Office (VARO) staff rescheduled exams as part of the MSLA Cancellation Project, thereby minimizing the delay in claims processing of affected veterans to the extent possible.

The MDE operations chief stated that MSLA’s inability to complete exams had a significant effect on VBA because the subsequent contracts resulted in VBA spending additional money and personnel hours to reschedule exams. MSLA was required to have nearly $4.8 million in payments withheld from outstanding invoices to recoup VBA for costs associated with obtaining alternate contractors to complete the exams that MSLA was to perform.
Conclusion

The OIG substantiated the January 2018 hotline complaint that MSLA did not have the exam provider capacity to complete scheduled exams and that VBA staff were canceling these exams and requesting them through other contractors.

The OIG determined, however, that VBA addressed inadequate MSLA capacity issues as set out in the contract requirements. MSLA failed to establish an adequate network of exam providers, and more than 8,700 DBQ exams were canceled and rescheduled through other contractors during the MSLA Cancellation Project. Because of this, MSLA was required to have nearly $4.8 million in payments withheld from outstanding invoices to recoup VBA for costs associated with obtaining alternate contractors to schedule and complete the exams. Because the OIG found that VBA staff addressed MSLA’s capacity issues, the OIG did not make a recommendation to the Under Secretary for Benefits regarding the MSLA Cancellation Project or related corrective action.
Finding 2: Additional Oversight Was Needed to Monitor Contracted Disability Exam Cancellations

MDE staff did not conduct adequate oversight of 137,273 contracted DBQ exam cancellations for 59,078 veterans from November 1, 2017, through April 30, 2018. Specifically, MDE staff did not adequately monitor contractors’ scheduling actions to ensure they met contract requirements. In addition, MDE staff did not adequately monitor and analyze contractors’ reasons for exam cancellations, including no-shows.

The OIG team found multiple causes for the inadequate oversight, including limitations with VBA’s electronic exam management systems, a lack of reliable data, and inadequate staffing of the MDE program. Inadequate oversight of contracted disability exam cancellations potentially puts veterans and VBA at higher risk of adverse decisions on veterans’ claims when information from exam cancellations is unavailable, delays to veterans’ claims when exams need to be resubmitted, increases to VBA’s workload, and waste of appropriated funds for duplicated processes.

What the OIG Did

The OIG team did the following to address the resulting review of contracted disability exam cancellations for all MDE contractors.

- Interviewed managers and other personnel at the VBA Central Office, VHA Central Office, and VA’s Strategic Acquisition Center.
- Reviewed 208 contracted DBQ exams that had been canceled through LHI, QTC, VetFed, and VES during the review period.
- Reviewed regulatory requirements, documentation, and actions applicable to the solicitation and awarding of the MDE contracts.
- Conducted site visits to the LHI, QTC, VetFed, and VES contractor sites to interview the executive staff.

This section discusses the following considerations that support the OIG’s finding:

- Increases in contract exam cancellations
- Deficiencies in electronic exam management systems and staffing undermined MDE oversight
- Increased risks of negative effects on veterans and VBA

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7 Some veterans had more than one DBQ exam canceled.
Increases in Contract Exam Cancellations

According to VBA, the number of contracted exam requests has generally increased since 2017. The contracting officer overseeing the MDE contracts stated that VBA anticipated these numbers would continue to increase as the overall volume of claims was expected to rise. VBA provided documentation showing that claims processors requested 1,342,123 DBQ exams from November 1, 2017, through April 30, 2018—an approximate 19 percent increase over the previous six-month period (May 1, 2017, through October 31, 2017). The OIG team determined that during these same time frames, cancellations increased by 74 percent. Given the recent increases in contracted disability exam cancellations and the number of veterans involved, effective oversight is critical.

Figure 2 details the number of contracted DBQ exams canceled, as well as the number of DBQ exams requested, during two separate six-month periods (May 1, 2017, through October 31, 2017; and November 1, 2017, through April 30, 2018).

![Figure 2. Contract DBQ exams requested and canceled](image)

**Note:** DBQ exams canceled during each of these periods did not necessarily correspond to DBQ exams requested during those same periods because some canceled DBQ exams may have been requested in a prior period.

(Source: VA OIG analysis of exam request and cancellation data)
Deficiencies in Electronic Exam Management Systems and Staffing Undermined MDE Oversight

MDE staff confirmed they did not validate whether contractors’ scheduling actions met contract requirements. Furthermore, MDE staff did not adequately monitor and analyze contractors’ reasons for exam cancellations, including no-shows. This was due, in large part, to MDE staff not having direct access to reliable data, and to staffing shortages within the MDE program. MDE staff could not monitor all contractor scheduling activities and largely were dependent on contractors’ self-reporting.

As previously detailed, MDE contracts contained specific exam scheduling notification and documentation requirements, including the following:

- Contacting veterans by telephone to schedule appointments
- Confirming appointments by letter within a specified period prior to the appointment, if verbal confirmation is not attained
- Following up with veterans prior to appointments
- Documenting contact attempts in their proprietary information systems

An MDE operations management analyst and a contracting officer’s representative from MDE’s acquisitions support staff told the OIG team that they had received complaints from some veterans that they

- Were notified to report for exams at the wrong locations,
- Had received incorrect exam provider information,
- Had multiple appointments scheduled simultaneously, and
- Had exam appointment notifications delivered too late to attend the exams.

MDE staff also stated that cancellation reasons were not verified for validity and accuracy unless a veteran submitted an email complaint to VBA’s contract exam inquiries mailbox. An MDE operations management analyst confirmed that when contractors reported canceled exams, VBA took the contractors’ word and did not conduct an additional check unless a complaint was received from a veteran. The Strategic Acquisition Center contracting officer overseeing the MDE contracts stated he did not have faith in VBA’s ability to accurately track or address cancellations. He further stated that contractors could not be held accountable based on their self-reported data.
Data System Limitations

Limitations with VBA’s electronic exam management systems affected VBA’s ability to conduct adequate oversight of contracted disability exam cancellations. The MDE operations chief stated that VBA’s exam management systems were not designed with the capability for MDE staff to view contractor contact notes or telephone logs. The chief also stated that VBA’s systems could not capture contact between the veteran and the contractor, or track whether veterans received timely exam notifications in accordance with MDE contract requirements.

Prior to March 2018, VBA contracts required the use of the Centralized Administrative Accounting Transaction System (CAATS) to input exam requests, track the status of requests, and receive completed exam reports. According to VBA officials, CAATS was an accounting software system with limited reporting functions and was not designed for the exam process. The executive director of Compensation Service acknowledged that CAATS was not designed for monitoring the exam process and would not produce reliable or useable data. The MDE operations chief stated that the unreliability of data did not allow exam timeliness to be tracked properly and that the system was not designed to match exam request data with veteran claim data. The executive director of Compensation Service further stated that when VBA started managing the MDE contracts, staff did not have the necessary tools and were using the CAATS accounting tool that was not built to be used for scheduling and documenting exams. MDE staff used information that was reported by the contractors on their own activities because direct access to the data in each of the contractor’s proprietary systems was not available, and the information was not visible in the MDE systems. In addition, the information received from CAATS was unreliable.

In March 2018, VBA introduced the Exam Management System as the successor to CAATS, designed to fully integrate with VBA’s electronic data systems. At the time of the OIG review, the Exam Management System was not fully functional, and key scheduling information, such as notes showing contractors’ attempts to contact veterans, was not visible to VBA. Instead, this information remained available only in the contractors’ proprietary information systems, to which MDE staff still did not have independent access. The executive director of Compensation Service acknowledged the Exam Management System was having data reliability problems and stated that a team was working on addressing these issues. As a result, VBA continued to rely on contractors’ self-reported data and could not monitor and validate that scheduled exams met contract requirements.

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8 VBA took over management of the MDE program from VHA in October 2016. For additional information, see Appendix A.
The OIG team reviewed 208 contracted DBQ exams that had been canceled through LHI, QTC, VetFed, and VES during the review period. The team confirmed that key information needed to conclude whether a veteran was scheduled for an exam and notified according to contract requirements was not accessible in VBA’s electronic data systems. For example, documentation of contractors’ communication with veterans was only visible within the contractors’ proprietary information systems—not within VBA’s electronic data systems. Therefore, the OIG team determined that data system limitations affected VBA’s ability to conduct adequate oversight of cancellations because MDE staff needed to request key information from contractors on a case-by-case basis.

The Strategic Acquisition Center contracting officer overseeing the MDE contracts told the OIG team that the Center’s officials had expressed concerns early on about VBA’s need for data tracking to enforce contract requirements, and VBA had assured them that tracking mechanisms would be in place. An MDE operations management analyst stated that MDE contractors all had different proprietary information systems. Furthermore, the MDE operations chief said there were inconsistencies on how contractors recorded cancellation reasons, which made monitoring these reasons and scheduling actions difficult. This resulted in multiple cancellation reasons within VBA’s exam management systems. Without adequately monitoring contractors’ cancellation reasons and scheduling actions, VBA was not able to assess circumstances that may have contributed to specific cancellations and could not verify the accuracy of these cancellation reasons. In addition, VBA could not hold contractors accountable to exam notification and documentation requirements detailed in the MDE contracts.

Recommendation 1 addresses the need for VBA to improve its exam management systems to ensure visibility of the information needed to conduct adequate oversight of contracted disability exam cancellations.

**Inadequate Staffing of the MDE Program**

In addition to limitations with VBA’s exam management systems and the lack of reliable data, the OIG team determined that the MDE program lacked the staff needed to conduct adequate oversight of contracted disability exam cancellations. Federal internal control standards require managers to recruit, develop, and retain competent personnel to achieve the entity’s objectives. MDE program staffing was below authorized levels at the time of the OIG’s review. The MDE staff director stated that shortly after the MDE program was activated, there was a hiring freeze and she did not have the personnel required to manage the program. The executive director of Compensation Service stated that she recognized there was inadequate staffing to operate the

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9 The OIG team selected the cancellations for review based on a representative number of DBQ exams for all contractors that were canceled during the review period, as opposed to using a randomized statistical sampling selection tool. Since a statistical sample was not used, the OIG team did not project results to the universe of DBQ exams that had been canceled through LHI, QTC, VetFed, and VES during the review period.
program; however, getting employees in place was difficult because position description approvals took time.

The MDE program was authorized at 37 full-time equivalent (FTE) positions. The Compensation Service directory and information provided by VBA showed that as of January 2018, VBA had filled only 15 positions to oversee and manage the $6.8 billion funded program. In June 2018, VBA hired an additional five contracting officer’s representatives. A contracting officer stated that the terms of the MDE contracts provided a meaningful level of oversight, but sufficient staff were needed to effectively manage the program.

Table 3 details VBA staffing levels (authorized and filled) for MDE key positions.

### Table 3. VBA Staffing for MDE Program

<table>
<thead>
<tr>
<th>MDE position</th>
<th>Number of FTEs authorized</th>
<th>Number of FTEs</th>
<th>Number vacant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Chief, Acquisitions</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Chief, Operations</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Lead management analyst, Acquisitions</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Lead management analyst, Operations</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Management analyst, (Contracting officer’s representative)</td>
<td>14</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Management analyst, Operations</td>
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<tr>
<td>Budget analysts, Acquisitions</td>
<td>2</td>
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<tr>
<td>Program analysts, Operations</td>
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<tr>
<td><strong>Totals</strong></td>
<td><strong>37</strong></td>
<td><strong>15</strong></td>
<td><strong>22</strong></td>
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</tbody>
</table>

*Source: VA OIG analysis of MDE staffing, as of January 20, 2018*

### Lack of Contracting Officer’s Representatives

VBA stated that MDE Acquisition Support staff had six contracting officer’s representatives in October 2016. The total decreased to five in February 2017, four in April 2017, and three in February 2018. At the time of the OIG’s review, three contracting officer’s representatives, all with ancillary duties, were responsible for overseeing 14 MDE contracts. The contracting officer...
stated that even though VBA is responsible for deciding the number and experience level of contracting officer’s representatives made available, there should be at least one Federal Acquisition Certification Level III contracting officer’s representative for each of the 14 contracts based on the workload.

According to the MDE contracts, VA required the contractors to make daily status updates available and submit monthly status reports. The MDE staff director stated that ideally the contracting officer’s representatives would be monitoring the daily updates once the office was fully staffed. However, due to staffing shortages, contracting officer’s representatives were only reviewing daily updates based on inquiries. Furthermore, contracting officer’s representatives reviewed monthly reports for internal purposes, and while the contract required these report submissions, there was no requirement for VBA to provide feedback. The MDE staff director also explained that the staffing plan for the MDE program was to eventually have two contracting officer’s representatives plus one alternate per contract.

The former MDE Acquisition Support Staff chief stated that VBA was not reviewing exam cancellations beyond a spot check of detailed monthly contractor reports. She further stated that in a perfect world, her staff would have called a sample of veterans to verify that contractors scheduled exams according to contract requirements and that contractors accurately reported cancellation reasons. However, VBA did not conduct this type of review due to limited staffing. An MDE Acquisition Support Staff contracting officer’s representative stated that a cursory review of a random sample of invoices was completed to verify input was correct; however, an in-depth review did not take place. He further stated there had been significant turnover in contracting officer’s representatives for the MDE program. The MDE staff director stated that getting the MDE program fully staffed, getting the Exam Management System fixed, and obtaining more visibility in terms of contractor exam notification and cancellation reasons would allow for better analysis of cancellations. She also stated that preliminary discussions had just begun to allow for better review and validation of cancellations. In August 2018, the MDE Acquisition Support Staff acting chief stated that the program was still understaffed according to the organizational chart, and that having more fully trained staff would allow for identification and implementation of improvements.

Recommendation 2 addresses the need for VBA to staff the MDE program at a level to perform adequate oversight of contracted disability exam cancellations.

**Contracting Officer’s Representatives’ Missing Certifications**

In addition to inadequate staffing of the MDE program, the contracting officer stated that after the awards were made, he became aware that the contracting officer’s representatives did not

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10 Specifically, VA required contractors to make a real-time status available for any or all exam requests in any stage of completion. VA required that this be a component of the contractor’s secure management information system. Contractors were also required to provide VA a consolidated monthly status report of exam requests sorted by site.
have the VA-required certification level for $6.8 billion in contracts. The MDE staff director and
the MDE Acquisition Support Staff acting chief stated that VA Handbook 7403, Federal
Acquisition Certification for Contracting Officer’s Representatives (FAC-COR) Program,
requires contracting officer’s representatives to have Level III certification based on the
monetary amount of the MDE contracts.\textsuperscript{11} The contracting officer stated that two contracting
officer’s representatives received the VA-required certification level during the OIG review.

Recommendation 3 addresses the need for VBA to take steps to ensure that contracting officer’s
representatives with oversight responsibilities of MDE contracts achieve the VA-required
certification level.

### Increased Risks of Negative Effects on Veterans and VBA

The OIG team determined that inadequate oversight of contracted disability exam cancellations
potentially puts veterans and VBA at higher risk of adverse decisions on veterans’ claims, delays
to veterans’ claims, increases to VBA’s workload, and waste of appropriated funds.

**Adverse Decisions.** MDE staff are unable to validate the accuracy of the cancellation reason
because VBA cannot independently access the contractors’ proprietary systems to ensure that all
contractual scheduling requirements were met or view contact notes prior to deciding the
veteran’s claim. If a contractor reports a cancellation reason, such as a veteran was a no-show for
an exam, the case can be decided based on the evidence of record without the benefit of medical
evidence from a completed exam.

**Delayed Claims.** If VBA issues an adverse decision as the result of an improper exam
cancellation and the veteran then disputes it, the veteran must submit a supplemental claim.\textsuperscript{12}
This can cause further delays since it restarts the disability claims process and any subsequent
request for an exam. Delays to claims processing can also occur whenever an exam must be re-
requested due to a cancellation reason that VBA cannot validate because of systems limitations
and difficulty in analyzing exam cancellation reasons.

**Increased Workload.** Supplemental claims related to adverse decisions and cancellations that
result in additional exam requests can increase VBA’s workload because the entire claims

\textsuperscript{11} Per VA Handbook 7403, August 23, 2018, Federal Acquisition Certification for Contracting Officer’s
Representatives (FAC-COR) Program (Appendix A, “FAC-COR Experience and Training Requirements Table”),
contracting officer’s representatives are required to have a Level III certification (two years of federal experience
and 40 hours of mandatory training) for contracts involving complex or major capital investments valued at greater
than $5 million.

\textsuperscript{12} On February 19, 2019, the Veterans Appeals Improvement and Modernization Act of 2017, Pub. L. No. 115-55,
131 Stat. 1105, became effective. One of the changes that resulted from this Act is that claims for reconsideration
were replaced by supplemental claims.
process is duplicated. The duplicate disability exam request process requires input by another VBA claims processor.

**Waste of Funds.** Contractors are permitted to charge VBA when veterans fail to attend an exam or do not request to reschedule exams within a specified time frame. Because VBA could not typically validate that charges related to no-shows were valid and accurate, it could not be certain that all payments were proper. Contractors invoice no-shows as either partial or complete.\(^{13}\) The no-show costs ranged from $35 to $86.79 for a partial no-show, and from $75 to $130 for a complete no-show. VBA provided the OIG team with documentation showing that contractors were paid nearly $12.3 million for more than 144,000 DBQ exams invoiced as partial or complete no-shows during the period from January 1, 2017, through June 30, 2018.\(^{14}\) The MDE operations chief stated that VBA did not typically review cancellations reported as no-shows because VBA staff would have to call veterans directly to determine the circumstances of the reported no-show. Consequently, the OIG found VBA has little assurance that the $12.3 million dollars was properly paid to contractors.

**Conclusion**

VBA needs to improve its oversight of all contracted disability exam cancellations. Disability exams can be essential for substantiating veterans’ disability claims, and improperly canceled exams can cause delays in awarding veterans’ benefits. Currently, MDE staff can provide only limited oversight because VBA’s electronic exam management systems cannot access cancellation-related data on the different contractors’ proprietary systems. Fixing these system incompatibilities would allow MDE staff to view contractor contacts with veterans, validate that contractors’ scheduling actions met contract requirements, and analyze contractors’ reasons for exam cancellations. Finally, the MDE program needs to be staffed according to its authorized FTE. Staffing shortages and some VBA contracting officer’s representatives’ lack of qualifications have contributed to the MDE program’s lack of oversight. Increased staffing would provide the personnel needed to oversee such a large program. Failure to increase oversight of all contracted disability exams will leave veterans vulnerable to adverse or delayed claims decisions and puts VBA at risk of wasting funds.

**Recommendations 1–3**

1. The Under Secretary for Benefits improve the exam management systems to ensure visibility of the information needed to conduct adequate oversight of contracted disability exam cancellations.

\(^{13}\) The MDE contract permitted invoicing a partial no-show if the veteran contacted the contractor to reschedule an exam appointment within 24 hours of the scheduled time. Contractors could invoice a complete no-show if the veteran did not attend the appointment.

\(^{14}\) VBA reported that the MDE program spent more than $1.1 billion on examinations (excluding beneficiary travel).
2. The Under Secretary for Benefits ensure staffing is sufficient so that the Medical Disability Examination Program can perform adequate oversight of contracted disability exam cancellations.

3. The Under Secretary for Benefits take steps to ensure that contracting officer’s representatives with oversight responsibilities for the Medical Disability Examination contracts achieve the VA-required certification level.

**Management Comments and OIG Response**

The Under Secretary for Benefits concurred with all three recommendations and provided acceptable action plans for the recommendations.

To address recommendation 1, the Under Secretary stated that the Exam Management System tracks all exam cancellations as standardized data points, and these standardized reasons have been incorporated into the active medical disability examination contracts. The Under Secretary also stated that reporting has been improved using factual data based on the Exam Management System, and VBA continues to monitor the progress made to ensure sufficient data is available to conduct adequate oversight of contracted disability exam cancellations. The Under Secretary requested closure of this recommendation; however, the OIG will follow up to verify that all actions stated in the Under Secretary’s response have been completed prior to closing the recommendation.

To address recommendation 2, the Under Secretary stated that the MDE program has filled 86 percent of all authorized full-time equivalent positions. VBA is currently going through the recruitment process for the remaining positions, which are expected to be filled by the end of September 2019. The Under Secretary requested closure of this recommendation; however, the OIG will follow up to verify that VBA is taking steps to ensure that all remaining positions are filled prior to closing the recommendation.

To address recommendation 3, the Under Secretary provided information detailing actions taken by VBA to help ensure that contracting officer representative’s with oversight responsibility for the Disability Examination contracts will achieve the VA-required certification level. The Under Secretary requested closure of this recommendation, and based on the information provided, the OIG considers this recommendation closed.
Appendix A: Background

The MDE program timeline is described in table A.1.

Table A.1. Medical Disability Examination (MDE) Background Timeline

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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</thead>
<tbody>
<tr>
<td>October 9, 1996</td>
<td>Pub. L. 104-275, Section 504</td>
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<tr>
<td></td>
<td>Authorized VA to enter into nongovernment contracts to supplement VHA’s</td>
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<td></td>
<td>internal capacity to conduct disability exams.</td>
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<td>Considered a pilot program, Pub. L. 104-275 stipulated that no more</td>
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<td></td>
<td>than 10 VAROs could receive services under the contracts.</td>
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<td>Temporarily authorized the Secretary of VA to use appropriated funds,</td>
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<td></td>
<td>other than funds available for compensation and pension, to conduct</td>
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<td>the Disability Exam Management (DEM) contract exams.</td>
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<td>July 13, 2011</td>
<td>DEM Contracts</td>
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<td>DEM contracts, managed by VHA, initially consisted of five contracts</td>
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<td></td>
<td>covering the United States and specific overseas locations.</td>
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<td>The first DEM contract exams were provided to the government in</td>
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<td>October 2011. DEM contracts aligned to cover all VHA Veterans Integrated</td>
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<td>Service Networks and overseas sites across 11 designated regions.</td>
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<tr>
<td>December 16, 2014</td>
<td>Pub. L. 113-235, Section 241</td>
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<tr>
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<td>Provided VA the authority to expand the number of VAROs authorized to</td>
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<td></td>
<td>use DEM contracts from 10 to 15 by September 2016.</td>
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<tr>
<td></td>
<td>Authorized the Secretary of VA to expand the use of medical disability</td>
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<tr>
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<td>contracts beginning fiscal year 2017 and each fiscal year thereafter,</td>
</tr>
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<td>as many VAROs as the Secretary considered appropriate.</td>
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<tr>
<td>March 29, 2016</td>
<td>MDE Contracts</td>
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<td>VA announced the award of 12 major contracts to be managed by VBA,</td>
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<td></td>
<td>consisting of a $6.8 billion enterprise-wide MDE program.</td>
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<td>October 1, 2016</td>
<td>Transfer from VHA to VBA</td>
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<td>Official transfer of the national compensation and pension disability</td>
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<td>exam contract and program management from VHA to VBA.</td>
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<td>VBA divided the contract exam program into seven districts. Districts</td>
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<td>five through five were aligned with the MyVA regional alignment. The</td>
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<td>remaining two districts were aligned to provide coverage to the</td>
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<td>predischarge programs and sites outside the United States.</td>
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<td></td>
<td>VBA’s disability exam contract program expanded to allow all VAROs</td>
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<td>access to use the mandatory contract exam program.</td>
</tr>
</tbody>
</table>

Source: VA OIG analysis of public laws and other relevant documents relating to exam contracts

DEM = Disability Exam Management
Appendix B: Scope and Methodology

Scope

The OIG team conducted its work from May 2018 through March 2019. The review period covered a population of 137,273 contracted DBQ exams that had been canceled from November 1, 2017, through April 30, 2018.

Methodology

To accomplish its objective, the OIG team identified and reviewed applicable laws, regulations, VA policies, operating procedures, and guidelines related to the MDE contracts and program. The OIG team interviewed management and staff at five contractor sites, VBA’s Central Office, VHA’s Central Office, and the Strategic Acquisition Center in Frederick, Maryland, to gather information about work processes for contracted medical disability compensation exams. Interviews included staff of Compensation Service, Office of Performance Analysis and Integrity, Office of Field Operations, Office of Business Process Integration, and Office of Financial Management. Contractor site visits included QTC in Diamond Bar, California; San Antonio, Texas; and Bedford Park, Illinois; MSLA in Cypress, California; VetFed Resources Inc. in Alexandria, Virginia; VES in Houston, Texas; and Logistics Health Incorporated in La Crosse, Wisconsin, from May through July 2018.

The team reviewed 208 contracted DBQ exams that had been canceled with LHI, QTC, VetFed, and VES during the review period.

The team also reviewed 263 contracted DBQ exams that had been canceled with MSLA and rescheduled from December 2017 through March 2018, as part of the VBA-initiated MSLA Cancellation Project.

The OIG team used VBA’s electronic systems, including the Veterans Benefits Management System, as well as contractor proprietary systems to review the sample veteran claims folders and relevant documentation required to assess whether a determination could be made as to the appropriateness of the exam cancellation and to assess the effect on the veteran. The team discussed the findings with VBA officials and included their comments where appropriate.

Fraud Assessment

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

- Soliciting the OIG’s Office of Investigations for indicators, and
- Reviewing proposals to ensure they met selection requirements.
The OIG team did not identify any instances of fraud or potential fraud during this audit.

**Data Reliability**

The OIG team used computer-processed data from VBA’s Corporate Database and VBA’s MSLA Cancellation Project. To test for reliability, the team determined whether any data were missing from key fields, included any calculation errors, or were outside the time frame requested. The OIG team also assessed whether the data contained obvious duplication of records, alphabetic or numeric characters in incorrect fields, or illogical relationships among data elements. Furthermore, the OIG team compared veterans’ names, file numbers, Document Identification numbers, VARO numbers, dates of claims, exam types, and decision dates as provided in the data received in the claims files and exams reviewed. Testing of the data disclosed that they were sufficiently reliable for the review objectives. Comparison of the data with information contained in the veterans’ claims folders reviewed did not disclose any problems with data reliability. However, the MSLA Cancellation Project data were provided by VBA, and the OIG team could not determine how they were retrieved; therefore, completeness of the data could not be verified.

**Government Standards**

The OIG conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency’s *Quality Standards for Inspection and Evaluations.*
Appendix C: Management Comments

Department of Veterans Affairs Memorandum

Date: April 30, 2019
From: Under Secretary for Benefits (20)

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


2. Questions may be referred to Christine Ras, Program Analyst, at (202) 461-9057.

(Original signed by)

Paul R. Lawrence, Ph.D.

Attachment
VBA concurs with the findings in OIG’s draft report and provides the following comments in response to the recommendations.

**Recommendation 1:** The Under Secretary for Benefits improves the exam management systems to ensure visibility of the information needed to conduct adequate oversight of contract disability exam cancellations.

**VBA Response:** Concur. Effective March 13, 2018, the Department of Veterans Affairs (VA) transitioned from the Centralized Administrative Accounting Transaction System (CAATS) to the Exam Management System (EMS) within the Veterans Benefits Management System (VBMS). This allows all exam cancellations to be tracked as standardized data points. These standardized reasons have been incorporated into the active medical disability examination contracts.

Reporting has been improved from derived data based on interpretations to using factual data based on EMS. Unlike CAATS, EMS does not allow vendors to utilize an automated cancellation process. Additionally, each cancellation of an exam scheduling request (ESR), a specific contention, or an individual appointment is its own event package, and is uniquely tied to the specific element it is cancelling. This process uses a Universal Unique Identifier (UUID) and 100 percent of the data associated with any cancellation is retained by VBA. VBA continues to monitor the progress made to ensure sufficient data is available to conduct adequate oversight of contract disability examination cancellations.

VBA requests closure of this recommendation.

**Recommendation 2:** The Under Secretary for Benefits ensures staffing is sufficient so that the Medical Disability Examination Program can perform adequate oversight of contract disability exam cancellations.

**VBA Response:** Concur. The Medical Disability Examination (MDE) Program Office has filled 86 percent of all authorized full time equivalent (FTE) positions. The remaining 11 vacancies are a result of employee reassignments and/or promotions, are currently going through the recruitment process, and are expected to be filled by the end of September 2019. Furthermore, the MDE Program Office leadership continues to assess the needs of the office to ensure sufficient staffing levels to provide adequate oversight of the contracts and vendor performance.

VBA requests closure of this recommendation.

**Recommendation 3:** The Under Secretary for Benefits takes steps to ensure that contracting officer representatives with oversight responsibilities for the Medical Disability Examination contracts achieve the VA-required certification level.

**VBA Response:** Concur. The Compensation Service MDE Program Office had three contracting officer representatives (CORs) in May 2018. Between June and August 2018, eight new employees were added to the MDE Program Office. In March 2019, three additional new employees were hired. Please note one of the three CORs that were on the staff in May 2018, left in July 2018, for a new position with the Veterans Health Administration.
The MDE Program Office currently has 13 certified CORs. The new employees immediately started their required training and they have all received their COR Level I certification. The breakout below indicates the current COR certification levels.

- **COR Level I** – Requires eight hours of training and no previous experience.*
  - 10 employees are certified at COR Level I.
- **COR Level II** – Requires 44 hours of training and one year of contracting experience.*
  - One employee is certified as a COR Level II.
- **COR Level III** – Requires 64 hours of training and two years of federal contracting experience.*
  - Two employees have completed all necessary requirements and have COR Level III certification.


All employees with COR Level I and Level II certifications are actively engaged in training necessary to acquire the next certification level. Additionally, employees with a Level III certification, will maintain certification through required annual training.

Currently every MDE contract has a COR Level III assigned, split between the two Level III CORs, and an Alternate COR (ACOR). The Compensation Service MDE Program Office considers having the ACORs working closely with the Level III CORs adequate oversight over the MDE contracts. Employees are also working to obtain certification in program/project management (PPM), which further develops them for the Level III certification. In addition, the MDE Program Office is reviewing current hiring practices to work towards acquiring employees with the Level III certification at the time of selection.

VBA requests closure of this recommendation.
# OIG Contact and Staff Acknowledgments

<table>
<thead>
<tr>
<th><strong>Contact</strong></th>
<th>For more information about this report, please contact the Office of Inspector General at (202) 461-4720.</th>
</tr>
</thead>
</table>
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Orlan Braman  
Lauralee Cook  
Robert Grooms  
Stephen House  
Pauline Valdez Schmitt |
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