

# Naval Audit Service



## Audit Report



# Department of the Navy Readjudication Process

**This report contains information exempt from release under the Freedom of Information Act. Exemption (b)(6) applies.**

*Do not release outside the Department of the Navy, post on non-NAVAUDSVC Web sites, or post in Navy Taskers without prior approval of the Auditor General of the Navy*

N2015-0022  
29 May 2015

## Obtaining Additional Copies

To obtain additional copies of this report, please use the following contact information:

**Phone:** (202) 433-5757  
**Fax:** (202) 433-5921  
**E-mail:** [NAVAUDSVC.FOIA@navy.mil](mailto:NAVAUDSVC.FOIA@navy.mil)  
**Mail:** Naval Audit Service  
Attn: FOIA  
1006 Beatty Place SE  
Washington Navy Yard DC 20374-5005

## Providing Suggestions for Future Audits

To suggest ideas for or to request future audits, please use the following contact information:

**Phone:** (202) 433-5840 (DSN 288)  
**Fax:** (202) 433-5921  
**E-mail:** [NAVAUDSVC.AuditPlan@navy.mil](mailto:NAVAUDSVC.AuditPlan@navy.mil)  
**Mail:** Naval Audit Service  
Attn: Audit Requests  
1006 Beatty Place SE  
Washington Navy Yard DC 20374-5005

## Naval Audit Service Web Site

To find out more about the Naval Audit Service, including general background, and guidance on what clients can expect when they become involved in research or an audit, visit our Web site at:

<http://www.secnav.navy.mil/navaudsvc>



**DEPARTMENT OF THE NAVY**  
NAVAL AUDIT SERVICE  
1006 BEATTY PLACE SE  
WASHINGTON NAVY YARD, DC 20374-5005

7510  
2013-087  
29 May 15

**MEMORANDUM FOR ASSISTANT SECRETARY OF THE NAVY (MANPOWER  
AND RESERVE AFFAIRS)**

**Subj: DEPARTMENT OF THE NAVY READJUDICATION PROCESS  
(AUDIT REPORT N2015-0022)**

**Ref:** (a) NAVAUDSVC memo 2013-087, dated 19 Nov 12  
(b) SECNAV Instruction 7510.7F, "Department of the Navy Internal Audit"

**Encl:** 1. Status of Recommendations  
2. Background and Pertinent Guidance  
3. Scope and Methodology  
4. Activities Visited and/or Contacted  
5. Management Response from Office of the Assistant Secretary of the Navy (Manpower and Reserve Affairs) Management Response to the Re-issued Draft Report dated 12 March 2015  
6. Original Draft Report Recommendations  
7. Management Response from Office of the Assistant Secretary of the Navy (Manpower and Reserve Affairs) to the Draft Report dated 6 August 2014

**1. Introduction.**

We have completed the subject audit announced in reference (a). Our audit focused on the Assistant Secretary of the Navy (Manpower and Reserve Affairs) (ASN (MRA)) process for readjudicating<sup>1</sup> the cases of service members<sup>2</sup> who were previously determined to be Fit to continue Naval service but may be limited in their ability to be assigned. We found that ASN (MRA) Fit/Unfit determinations made during the readjudication process did not comply with the intent of Department of Defense (DoD) guidance (see paragraph 5 for detailed audit results and Enclosure 2 for detailed Background and Pertinent Guidance).

---

<sup>1</sup> The ASN (MRA) readjudication process is also referred to as the Secretary of the Navy readjudication process in this report; terms are used interchangeably.

<sup>2</sup> Hereafter called members.

Subj: **DEPARTMENT OF THE NAVY READJUDICATION PROCESS**  
**(AUDIT REPORT N2015-0022)**

We issued an initial draft report on 6 August 2014, and after the ASN (MRA) nonconcurred with the original recommendations (see Enclosure 6) we re-issued the draft report on 12 March 2015. While our audit finding was unchanged in the re-issued draft report, we did revise our recommendation. The re-issued draft report and this final report include the alternate recommendation that provides another acceptable way of addressing the conditions identified during the audit while leaving the readjudication process in the ASN (MRA) office as he desired. Although ASN (MRA) only partially concurred with the alternate recommendation, we determined that the planned actions do in fact meet the full intent of our recommendation; therefore, we are treating them as a concurrence.

Paragraph 7 provides our recommendation to the ASN (MRA), the summarized ASN (MRA) management response,<sup>3</sup> and our comments on the response. Enclosure 1 provides the status of the recommendation. The full text of the management response to recommendation in the re-issued draft report is included in Enclosure 5.

## **2. Reason for Audit.**

The audit objective was to verify that worldwide assignable determinations were made based on objective standards and that internal controls over the process were operating as intended. Specifically, we determined whether ASN (MRA) Fit/Unfit determinations made during their readjudication process were based on objective standards and were supported by case files. This audit was prompted by a Deputy Assistant Secretary of the Navy (Military Manpower and Personnel) (DASN (MMP)) request.

## **3. Background.**

According to SECNAV Instruction 1850.4E, the PEB is an administrative board that is authorized to act on behalf of SECNAV, to make determinations of Fitness/Unfitness by balancing the extent of a member's disability using objective medical<sup>4</sup> and performance<sup>5</sup> evidence, against the requirements and duties that the member may reasonably be expected to perform in his or her office, grade, rank, or rating.<sup>6</sup> As a general rule, a member will only be referred to the PEB for disability evaluation by a medical board that has found the member's Fitness for continued Naval service questionable by reason of physical or mental impairment. Fitness is a finding by the PEB based on evidence that establishes that the member is reasonably able to perform his or her duties. Members found Fit to continue Naval service by the PEB are eligible for appropriate assignment.

---

<sup>3</sup> The Principle Deputy Assistant Secretary of the Navy (Manpower and Reserve Affairs) signed out the response and was Acting Assistant Secretary of the Navy (Manpower and Reserve Affairs) on that day.

<sup>4</sup> According to SECNAV Instruction 1850.4E, typical medical evidence used by the PEB includes a narrative summary written by the Medical Evaluation Board, history and treatment of the injury or illness, referrals to doctors and sick call, and type and frequency of medication.

<sup>5</sup> According to SECNAV Instruction 1850.4E, performance evidence includes non-medical assessments from the member's command, personnel records, promotions, awards, and adverse personnel actions.

<sup>6</sup> Hereafter called duties.

Subj: **DEPARTMENT OF THE NAVY READJUDICATION PROCESS**  
**(AUDIT REPORT N2015-0022)**

According to DoD Instruction 1332.38 and SECNAV Instruction 1850.4E,<sup>7</sup> a member shall be considered Unfit when the evidence establishes that the member, due to a physical disability, is unable to perform his or her duties.

The National Defense Authorization Act (NDAA) of Fiscal Year (FY) 2011 prohibited the involuntary administrative separation of a member based on a determination that the member is unsuitable for deployment or worldwide assignment due to the same medical condition for which the PEB had previously determined the member to be Fit for duty. The NDAA for FY 2011 also stated that the Secretary may direct the PEB to reevaluate any member who has been determined Fit for duty by the PEB if there is reason to believe the medical condition that the member was found Fit for renders the member unsuitable for continued military service based on that medical condition. Subsequently, the Department of the Navy (DON) issued guidance (via a SECNAV memorandum) creating a readjudication process, delegating responsibility to the ASN (MRA) (rather than the PEB) to readjudicate cases for Fitness<sup>8</sup> and assign appropriate disability ratings.<sup>9</sup>

Members found Fit for continued Naval service by the PEB subsequently undergo medical assignment screening<sup>10</sup> to identify ongoing medical conditions that may limit their ability to be worldwide assignable.<sup>11</sup> Navy Personnel Command (NAVPERSCOM) is notified when a member is found to be assignment limited.<sup>12</sup> They track these members and submit packages to the Office of the DASN (MMP) for ASN (MRA) readjudication (Fit/Unfit determination).<sup>13</sup>

#### **4. Scope and Methodology.**

The audit focused on 185 Navy members who were found Fit by the PEB, but who were subsequently determined to be assignment limited. Specifically, we reviewed the 10 cases<sup>14</sup> that were submitted to ASN (MRA) for readjudication, and 175 additional cases<sup>15,16</sup> waiting to be submitted to ASN (MRA) for readjudication. We obtained and analyzed DASN (MMP), NAVPERSCOM, and PEB hard copy documentation to determine whether ASN (MRA) Fit/Unfit determinations were based on objective standards and were supported by case files. (See Enclosure 3 for a detailed explanation of our audit scope and methodology.)

---

<sup>7</sup> SECNAV Instruction 1840.4E implements DoD Directive 1332.18 and DoD Instruction 1332.38.

<sup>8</sup> ASN (MRA) Fit/Unfit determination made following original PEB Fit determination.

<sup>9</sup> According to the SECNAV memorandum, in appropriate cases, ASN (MRA) shall determine the member Unfit and direct the PEB to establish the appropriate disability rating and disposition.

<sup>10</sup> Medical Treatment Facilities conduct medical assignment screening.

<sup>11</sup> Members are found to be either worldwide assignable or assignment limited.

<sup>12</sup> The results of medical assignment screening are forwarded, via a report, to NAVPERSCOM.

<sup>13</sup> The Marine Corps did not submit any cases for readjudication.

<sup>14</sup> As of 29 November 2012 and 3 January 2013; of these ten cases, eight had been finalized.

<sup>15</sup> As of 17 January 2013.

<sup>16</sup> There were approximately 200 cases on NAVPERSCOM's list waiting to be submitted to ASN (MRA) for readjudication as of 13 January 2014.

Subj: **DEPARTMENT OF THE NAVY READJUDICATION PROCESS  
(AUDIT REPORT N2015-0022)**

**5. Audit Results.** We determined that ASN (MRA) Fit/Unfit determinations made during the readjudication process did not comply with the intent of DoD guidance. Specifically, we found that:

- ASN (MRA) found members Unfit without evidence to establish that the member was unable to reasonably perform his or her duties;
- The ASN (MRA) readjudication process was not transparent to members; and
- ASN (MRA) Fit/Unfit determinations were not supported by case files.

The conditions noted above occurred because the SECNAV readjudication process allowed ASN (MRA) to make Fit/Unfit determinations without using information required by DoD guidance.

As a result, DON does not have reasonable assurance that Fit/Unfit determinations made during the readjudication process comply with DoD requirements and that members are being treated fairly/consistently. In addition, there is a potential negative impact on members who were previously found Fit by the PEB, and the potential exists for DON to receive unfavorable publicity.

**a. Information Used in Determinations.**

ASN (MRA) found members Unfit to continue Naval service without evidence to establish that the member, due to physical disability, was unable to reasonably perform his or her duties. The table below highlights the key DoD and SECNAV requirements for establishing that a member is not able to reasonably perform his or her duties. As noted in the table, during the audit we found no evidence of these requirements being met.

**Table 1. Key DoD and SECNAV Requirements.**

Requirement	Evidence that ASN (MRA) met requirement
Review medical records and reports containing medical history, appropriate physical examination, medical tests and results, medical and surgical consultations, diagnoses, treatment, and prognosis. (DoD Instruction 1332.38 and SECNAV Instruction 1850.4E)	No
Review a statement from member’s immediate commanding officer describing impact of medical condition on ability to perform normal military duties and to deploy or mobilize as applicable. (DoD Instruction 1332.38 and SECNAV Instruction 1850.4E)	No

Subj: **DEPARTMENT OF THE NAVY READJUDICATION PROCESS**  
**(AUDIT REPORT N2015-0022)**

Review pertinent personnel records. (DoD Instruction 1332.38 and SECNAV Instruction 1850.4E)	No
Establish that the medical disease or condition interfered with the member's ability to carry out his or her duties. (DoD Instruction 1332.38 and SECNAV Instruction 1850.4E)	No
Relate nature and degree of physical disability of the member to the requirements and duties that member may reasonably be expected to perform. (SECNAV Instruction 1850.4E)	No

According to DoD Directive 1332.18<sup>17</sup> and SECNAV Instruction 1850.4E (the “DON Disability Evaluation Manual”), the sole standard to be used in making determinations of physical disability<sup>18</sup> as a basis for retirement or separation is Unfitness to perform his or her duties. DoD Instruction 1332.38<sup>19</sup> states that findings are to be made based on objective evidence in the record as distinguished from personal opinion, speculation, or conjecture and that determinations of Unfitness shall be made because of medical disqualification or physical disability. DoD Instruction 1332.38 and SECNAV Instruction 1850.4E state that findings about Fitness or Unfitness for Military Service shall be made on the basis of preponderance of the evidence and that a medical impairment or physical defect alone does not constitute a physical disability.<sup>20</sup>

While the PEB originally found eight members Fit to continue Naval service, ASN (MRA) subsequently overturned the original PEB finding and determined three of those eight<sup>21</sup> members were Unfit to continue Naval service. ASN (MRA) directed the PEB to establish the appropriate disability rating and disposition and to issue a finding of Unfit;<sup>22</sup> these three members were then separated from the Navy for disability.

When making Fit/Unfit determinations, ASN (MRA) only used memorandums<sup>23</sup> and an assignment limited report for each member. The memorandums described manning rates, sea/shore flow balance issues, and physical readiness training results. These memorandums also stated that members would be at a competitive disadvantage with their peers, shore billets for deserving Sailors would be suppressed, and that the Navy

<sup>17</sup> Separation or Retirement for Physical Disability dated 1 December 2003; re-issued as DoD Instruction 1332.18 dated 5 August 2014; there were no significant changes in the requirements.

<sup>18</sup> According to DoD Instruction 1332.38 and SECNAV Instruction 1850.4E, physical disability is any impairment due to disease or injury, regardless of degree, that reduces or prevents an individual's actual or presumed ability to engage in gainful employment or normal activity.

<sup>19</sup> DoD Instruction 1332.18 dated 5 August 2014 incorporated and cancelled DoD Instruction 1332.38; there were no significant changes in the requirements.

<sup>20</sup> To constitute a physical disability, the medical impairment or physical defect must be of such a nature and degree of severity as to interfere with the member's ability to adequately perform his or her duties.

<sup>21</sup> Ten cases were submitted to ASN (MRA) for readjudication and eight were finalized.

<sup>22</sup> The PEB issued a directed finding of Unfit pursuant to ASN (MRA) conclusion that the member was Unfit for continued naval service and direction to establish the appropriate disability rating and disposition.

<sup>23</sup> Memorandums from Chief of Naval Personnel; Deputy Chief of Naval Personnel; Assistant Commander, Navy Personnel Command for Career Management (PERS-4); and Director, Medical Programs Division (PERS-82).

Subj: **DEPARTMENT OF THE NAVY READJUDICATION PROCESS**  
**(AUDIT REPORT N2015-0022)**

runs the risk of retaining an increasingly larger pool of non-worldwide assignable personnel. The medical review memorandum<sup>24</sup> did not list the medical condition nor provide any medical details, and the assignment limited report only included an International Classification of Diseases 9 (ICD-9) code(s) and very little or no medical information.<sup>25</sup> No new detailed medical information was used by ASN (MRA) in making Fit/Unfit determinations.<sup>26</sup> The documentation used did not contain the information necessary to assess the member's ability to carry out their duties as required by DoD guidance. The PEB, on the other hand, when making its original Fit determinations for each of the eight members reviewed detailed medical records, non-medical assessments,<sup>27</sup> and desire to continue service in order to assess the member's ability to carry out his or her duties in accordance with DoD guidance.

Finally, a SECNAV memorandum (15 April 2011) provides guidance on the SECNAV readjudication process. However, the SECNAV memorandum does not comply with either of the previously cited DoD or SECNAV Instructions<sup>28</sup> or the new DoD Instruction 1332.18. It does not provide the information that DoD guidance requires be considered to assess a member's inability to carry out his or her duties.

**b. Transparency.**

We found that the ASN (MRA) readjudication process was not transparent to members. This is contrary to DoD and DON's disability evaluation guidance. According to DoD Instruction 1332.38, members shall be afforded the opportunity to be advised of the significance and consequences of the determinations made and the associated rights, benefits, and entitlements. According to SECNAV Instruction 1850.4E, a member shall be carefully counseled in clearly understandable terms by a Physical Evaluation Board Liaison Officer (PEBLO) concerning the significance of action being taken in a case, its probable effect on his or her future, and options available. Counselors shall discuss such other matters as estimated pay, probable grade, potential benefits, insurance programs, benefit plans, and recourse to and preparation of Petitions for Relief. Counseling shall be provided before, during, and after PEB consideration, at each stage of processing, and as questions are raised by the member. Following counseling as to the available options, the member shall indicate acceptance or non-acceptance of the findings.<sup>29</sup>

---

<sup>24</sup> Only six of eight cases contained a memorandum from PERS-82.

<sup>25</sup> The assignment limited reports (for the eight cases that were finalized) were between approximately 6 months and 1 year old at the time the ASN (MRA) Fit/Unfit determination was made.

<sup>26</sup> DASN (MMP), in preparing the cases for ASN (MRA) readjudication, did not review the original PEB files, which included medical records.

<sup>27</sup> Narrative assessment by the Commanding Officer on how the member's medical condition impacts his or her ability to perform military duties.

<sup>28</sup> DoD Directive 1332.18, DoD Instruction 1332.38, and SECNAV Instruction 1850.4E.

<sup>29</sup> If the member is found Fit, they can accept the finding or disagree with the finding and request reconsideration. If the member is found Unfit, they can accept the finding and waive the right to a hearing or disagree with the finding and exercise the right to demand a full and fair hearing.

Subj: **DEPARTMENT OF THE NAVY READJUDICATION PROCESS**  
**(AUDIT REPORT N2015-0022)**

However, we found no evidence in the case files that members were aware that they were going through the ASN (MRA) readjudication process or that they were notified before, during, and after the ASN (MRA) finding. There was also no evidence that a PEBLO was assigned to counsel the member or that the member had the ability to accept/reject findings, request reconsideration, or exercise options throughout the process. Finally, there was no written documentation or signatures of the member/PEBLO documenting decisions made/options exercised throughout the process.

In contrast, for the original PEB process, we found that notification and counseling and written documentation and signatures of the member and PEBLO were documented in the PEB case files as required.

**c. Case File Support.**

We found that ASN (MRA) Fit/Unfit determinations<sup>30</sup> were not supported by case files. According to the DoD Instruction 1332.38, a factual finding that a member is Unfit because of physical disability depends on the evidence that is available to support that finding, and requires Secretaries of the Military Departments ensure that the record of proceedings for physical disability cases supports the findings and recommendations made. However, we determined that ASN (MRA) case files did not contain evidence as to why the original PEB Fit determination was considered correct/incorrect, and there was no evidence explaining the basis for overturning the original PEB decision.<sup>31</sup> In addition, contrary to the 15 April 2011 SECNAV memorandum, ASN (MRA) case files did not contain evidence of an inability of the service to find the member a suitable assignment, did not list the medical condition originally considered by the PEB, and did not contain sufficient detailed explanation of how each identified medical condition limited the assignment. The assignment limited report contained only an ICD-9 code(s) and very little or no medical information. Finally, the case files did not contain evidence of unsuitability for the eight members whose cases were readjudicated and did not contain evidence that the member was not serving in their rate or of the member's inability to perform their duties.

The PEB case files, on the other hand, contained extensive amounts of detailed medical and non-medical information. Each case was reviewed by a board of three senior military officers, who according to the SECNAV Instruction 1850.4E, were selected on the basis of wide medical and/or military experience, performance, education, and clinical experience. The rationale for determinations made was clearly documented.

---

<sup>30</sup> For the eight cases that were readjudicated (finalized).

<sup>31</sup> According to DASN (MMP) personnel, original PEB files were not reviewed when preparing the cases for ASN (MRA) readjudication.

Subj: **DEPARTMENT OF THE NAVY READJUDICATION PROCESS**  
**(AUDIT REPORT N2015-0022)**

**d. Causes.**

The conditions noted above occurred because the SECNAV readjudication process allowed ASN (MRA) to make Fit/Unfit determinations without using information required by DoD guidance.

**e. Impact.**

Although only eight cases in the ASN (MRA) readjudication process had been finalized during the time period covered by our review, the process has the potential to affect many more members. There were approximately 200 cases on NAVPERSCOM's list waiting to be submitted to ASN (MRA) for readjudication,<sup>32</sup> and over 80 cases were added to that list in calendar year 2013. Further, while the future PEB Fit population is unknown,<sup>33</sup> it will likely grow because involuntary administrative separation of these members is prohibited.<sup>34</sup>

As a result of the conditions noted in the report, DON does not have reasonable assurance that Fit/Unfit determinations made during the readjudication process comply with DoD requirements and that members are being treated fairly/consistently. One example of possible inconsistent treatment is that two of the eight members who were originally found Fit by the PEB had nearly the same medical condition, but had different ASN (MRA) determinations (one was found Fit and the other was found Unfit). In addition, there is a potential negative impact on the careers of members who were previously found Fit by the PEB, but who were found Unfit by ASN (MRA)<sup>35</sup> and subsequently separated from the Navy with disability. Finally, the potential exists for DON to receive unfavorable publicity under the ASN (MRA) readjudication process.

**6. Communication with Management.** We provided status briefs and preliminary results to DON leadership during the course of the audit. Specifically, we briefed the ASN (MRA) in February 2014 and September 2014 and the DASN (MMP) in August and November of 2013, and February 2014 and September 2014. We provided the ASN (MRA) and DASN (MMP) the most current audit results in July 2014. In addition, we briefed the Director of the Secretary of the Navy Council of Review Boards in September and November 2013, the Deputy Chief of Medical Operations/Director of Medical Service Corps in October 2013, and the Commander, NAVPERSCOM in January 2014.

---

<sup>32</sup> As of 13 January 2014.

<sup>33</sup> Over 8,000 Active Duty Sailors were found Fit by PEB from FY 2001 – FY 2012.

<sup>34</sup> The NDAA for FY 2011 prohibited the involuntary administrative separation of a member based on a determination that the member is unsuitable for deployment or worldwide assignment due to the same medical condition for which the PEB had previously determined the member to be Fit for duty.

<sup>35</sup> Three service members were originally found Fit by PEB, accepted the PEB Fit finding in writing, and expected to serve.

Subj: **DEPARTMENT OF THE NAVY READJUDICATION PROCESS**  
**(AUDIT REPORT N2015-0022)**

7. **Recommendation and Corrective Action.** Our recommendation, the summarized management response, and our comments on the response follow. The complete text of the ASN (MRA)'s management response to the re-issued draft report is in Enclosure 5.

We recommend that Assistant Secretary of the Navy (Manpower and Reserve Affairs):

**Recommendation 1.** Develop and implement new formal written guidance for the Assistant Secretary of the Navy (Manpower and Reserve Affairs) readjudication process that complies with the mandated Department of Defense Instruction 1332.18 and Secretary of the Navy Instruction 1850.4E requirements for referral into the Disability Evaluation System and for fitness determinations related to disability.

**Management response to Recommendation 1.** Partially concur. The Department of the Navy concurs that it is appropriate to develop and implement new formal written guidance for the current Assistant Secretary of the Navy (Manpower and Reserve Affairs) readjudication process in an effort to formalize incremental improvements to document the information considered in the fitness determination and to increase transparency of the process to service members.

The Department of the Navy is currently in the process of a complete revision of the Secretary of the Navy Instruction 1850.4E, Department of the Navy Disability Evaluation Manual, which will include the Assistant Secretary of the Navy (Manpower and Reserve Affairs) readjudication process along with updates from the related Department of Defense Issuances in August 2014. The goal is to have a draft prepared for publication routing by the end of Fiscal Year 2015; however, any aspects not made clear in the instruction will be clarified in a separate policy memorandum, as needed.

**Naval Audit Service comments on management's response to**

**Recommendation 1:** Actions planned meet the intent of the recommendation; therefore, we consider the Assistant Secretary of the Navy (Manpower and Reserve Affairs) response to be a concurrence. We consider 30 September 2015 to be the target completion date. This recommendation will remain open pending the issuance of guidance that includes the Assistant Secretary of the Navy (Manpower and Reserve Affairs) readjudication process and that complies with the intent of Department of Defense guidance.

**Additional information:**

The Office of the Assistant Secretary of the Navy (Manpower and Reserve Affairs) response stated that the revised report failed to address the critical issues requested; and the response also disagreed with the finding that the current readjudication process does not comply with the intent of Department of Defense guidance. The audit team worked with the Deputy Assistant Secretary of the Navy (Military

Subj: **DEPARTMENT OF THE NAVY READJUDICATION PROCESS  
(AUDIT REPORT N2015-0022)**

Manpower and Personnel) and staff to obtain a good understanding of their concerns and to develop methodology that would address those concerns. We shared our plan of action and explained our methodology and results throughout the audit. As stated in the report, we determined that the Assistant Secretary of the Navy (Manpower and Reserve Affairs) found members Unfit without the necessary evidence, the readjudication process was not transparent, and Fit/Unfit determinations were not supported by case files as required by DoD guidance. We believe that we addressed critical issues that are important to the Department of the Navy as a whole and to the individual members whose lives and careers were or will be affected by this process.

The response also stated that the revised report focused on a rarely utilized process. We disagree with the characterization of the Assistant Secretary of the Navy (Manpower and Reserve Affairs) readjudication process as rarely used. Although only eight cases had been finalized during the time period covered by our review, this readjudication process has the potential to affect many more members. As stated in the report, there were approximately 200 cases waiting to be submitted to Assistant Secretary of the Navy (Manpower and Reserve Affairs) for readjudication.<sup>36</sup> In addition, while the future Physical Evaluation Board Fit population is unknown,<sup>37</sup> it will likely grow because involuntary administrative separation of these members for the same condition is prohibited.<sup>38</sup>

**8. Other Information.**

a. Actions planned by the Office of the Assistant Secretary of the Navy (Manpower and Reserve Affairs) meet the intent of Recommendation 1, which is considered open pending completion of the planned correction action and/or provision of documentation that the action has been taken. The open recommendation is subject to monitoring in accordance with reference (b). Management should provide a written status report on the open recommendation within 30 days after the target completion date.

b. Please provide all correspondence to the Assistant Auditor General for Manpower and Reserve Affairs Audits, Mr. Jonathan Kleinwaks, by e-mail at XXXXXXXXXXXX, with copies to the Director, Policy and Oversight, XXXXXXXXXXXX, and the Naval Audit Service Followup Coordinator, XXXXXXXXXXXX. Please submit correspondence in electronic format (Microsoft Word or Adobe Acrobat file), and ensure that it is in letterhead and includes a scanned signature.

FOIA (b)(6)

FOIA (b)(6)

---

<sup>36</sup> As of 13 January 2014.

<sup>37</sup> Over 8,000 Active Duty Sailors were found Fit by PEB from FY 2001 – FY 2012.

<sup>38</sup> The NDAA of FY 2011 prohibited the involuntary administrative separation of a member based on a determination that the member is unsuitable for deployment or worldwide assignment due to the same medical condition for which the PEB had previously determined the member to be Fit for duty.

Subj: **DEPARTMENT OF THE NAVY READJUDICATION PROCESS  
(AUDIT REPORT N2015-0022)**

c. Any requests for this report under the Freedom of Information Act must be approved by the Auditor General of the Navy as required by reference (b). This audit report is also subject to followup in accordance with reference (b).

d. We appreciate the cooperation and courtesies extended to our auditors.



JONATHAN KLEINWAKS  
Assistant Auditor General  
Manpower and Reserve Affairs Audits

Copy to:  
UNSECNAV  
OGC  
DCMO  
ASN (FMC)  
ASN (EIE)  
ASN (RDAL)  
CNO (VCNO, DNS-33, N40, N41)  
CMC (DMCS, ACMC)  
DON CIO  
NAVINSGEN (NAVIG-14)  
PDASN (MRA)  
DASN (MMP)  
SECNAVCORB  
BUPERS  
DoDIG  
USD (P&R)  
ASD (HA)  
AFAA/DO

Enclosure 1:

# Status of Recommendations

Recommendations							
Finding <sup>39</sup>	Rec. No.	Page No.	Subject	Status <sup>40</sup>	Action Command	Target or Actual Completion Date	Interim Target Completion Date <sup>41</sup>
1	1	9	Develop and implement new formal written guidance for the Assistant Secretary of the Navy (Manpower and Reserve Affairs) readjudication process that complies with the mandated Department of Defense Instruction 1332.18 and Secretary of the Navy Instruction 1850.4E requirements for referral into the Disability Evaluation System and for fitness determinations related to disability.	O	Assistant Secretary of the Navy (Manpower and Reserve Affairs)	9/30/2015	

<sup>39</sup> / + = Indicates repeat finding.

<sup>40</sup> / O = Recommendation is open with agreed-to corrective actions; C = Recommendation is closed with all action completed; U = Recommendation is undecided with resolution efforts in progress.

<sup>41</sup> If applicable.

## Background and Pertinent Guidance

### Background

According to Secretary of the Navy (SECNAV) Instruction 1850.4E, each year the Navy and the Marine Corps separate thousands of Sailors and Marines through their disability evaluation system. As a general rule, a member will only be referred to the Physical Evaluation Board (PEB) for disability evaluation by a medical board that has found the member's Fitness for continued Naval service questionable by reason of physical or mental impairment.

The medical board, which is comprised of physicians, serves to report upon the present state of health of any member of the Armed Forces and as an administrative board by which the convening authority or higher authority obtains a considered clinical opinion regarding the physical status of service personnel. The deliberations of a medical board can be submitted to the PEB for disability adjudication and determination of Fitness for continued service.

The PEB reviews medical evidence and makes determinations of Fitness<sup>42</sup> or Unfitness<sup>43</sup> to continue Naval service. Once a case has been accepted by the PEB, the Informal PEB conducts a record review of the case. If the member does not agree with the preliminary findings,<sup>44</sup> the member can request reconsideration and/or demand/request a personal appearance before a Formal PEB. If a member disagrees with the findings/results of the Formal PEB, the member can petition the Director, Naval Council of Personnel Boards (DIRNCPB).

The Department of the Navy (DON) created a readjudication process after the Ike Skelton National Defense Authorization Act (NDAA) of Fiscal Year (FY) 2011 was released. Members found Fit for continued Naval service by the PEB subsequently undergo medical assignment screening<sup>45</sup> to identify ongoing medical conditions that may limit their ability to be worldwide assignable.<sup>46</sup> Navy Personnel Command (NAVPERSCOM) is notified when a member is found to be assignment limited.<sup>47</sup> They track these members and submit packages to the Assistant Secretary of the Navy (Manpower and Reserve Affairs) (ASN (MRA) for readjudication (Fit/Unfit determination).

---

<sup>42</sup> A finding based on evidence that establishes that the member is reasonably able to perform the duties of his or her office, grade, rank, or rating.

<sup>43</sup> A finding based on evidence, which establishes that the member is unable to reasonably perform the duties of his or her office, grade, rank, or rating.

<sup>44</sup> Decisions concerning a member's Fitness to continue Naval service, disability eligibility, and rating arrived at by the PEB.

<sup>45</sup> Medical Treatment Facilities conduct medical assignment screening.

<sup>46</sup> Members are found to be either worldwide assignable or assignment limited.

<sup>47</sup> The results of medical assignment screening are forwarded, via a report, to NAVPERSCOM.

## Pertinent Guidance

**10 U. S. Code, Chapter 61 “Retirement or Separation for Physical Disability,” §1203, “Regulars and members on active duty for more than 30 days: separation,” dated 3 January 2012,** states that upon a determination by the Secretary concerned, that a service member is Unfit to perform the duties of the service member’s office, grade, rank, or rating because of physical disability incurred while entitled to basic pay or while absent, the member may be separated from the member’s armed force, with severance pay.

**Public Law 111–383, “Ike Skelton National Defense Authorization Act for Fiscal Year 2011,” §534, dated 7 January 2011,** states the Secretary of the military department concerned, may not authorize the involuntary administrative separation of a member based on a determination that the member is unsuitable for deployment or worldwide assignment based on the same medical condition of the service member considered by a PEB during the evaluation of the service member. In addition, the Secretary may direct the PEB to reevaluate any member who has been determined Fit for duty by the PEB if there is reason to believe the medical condition that the member was found Fit for renders the member unsuitable for continued military service based on the medical condition.

**Department of Defense (DoD) Instruction 1332.18, “Disability Evaluation System,” 5 August 2014, reissues DoD Directive 1332.18 as a DoD Instruction and incorporates and cancels DoD Instruction 1332.38.**<sup>48</sup> DoD Instruction 1332.18 states that the Disability Evaluation System (DES) will be the mechanism for determining return to duty, separation or retirement of service members because of disability. The standards for all determinations related to disability evaluation will be consistently and equitably applied to all service members and will be followed unless the Office of the Under Secretary of Defense (Personnel and Readiness) approves exceptions.

According to DoD Instruction 1332.18, disability is any impairment due to disease or injury, regardless of degree, that reduces or prevents an individual’s actual or presumed ability to engage in gainful employment or normal activity. A medical impairment, mental disease, or physical defect standing alone does not constitute a disability. To constitute a disability, the medical impairment, mental disease, or physical defect must be severe enough to interfere with the service member’s ability to adequately perform his or her duties.

A service member will be considered Unfit when the evidence establishes that the member, due to disability, is unable to reasonably perform duties of his or her office, grade, rank, or rating. A service member may also be considered Unfit when the evidence establishes that the service member’s disability represents a decided medical risk to the health of the member or the welfare or safety of other members or the service

---

<sup>48</sup> DoD Instruction 1332.18 was issued the same time as the original draft report.

member's disability imposes unreasonable requirements on the military to maintain or protect the service member. All relevant evidence will be considered in assessing service member fitness, including circumstances for referral. To reach a finding of Unfit, the PEB must be satisfied that the evidence supports that finding.

The Secretary of the Military Department concerned must cite objective evidence in the record, as distinguished from personal opinion, speculation, or conjecture, to determine a service member is Unfit because of a disability. Doubt that cannot be resolved with evidence will be resolved in the favor of the service member's fitness through the presumption that the service member wants to be found Fit for duty. Fitness or Unfitness for military service will be determined on the basis of the preponderance of the objective evidence in the record.

Medical information used in the DES must be sufficiently recent to substantiate the existence or severity of potentially unfitting conditions. The full clinical information, including history, treatment status, and potential for recovery of the service member's medical conditions that may prevent the service member from performing their duties will be documented. The Military Treatment Facility (MTF) will forward cases to the PEB with the Medical Evaluation Board (MEB) documentation and a statement from the service member's immediate commanding officer describing the impact of the member's medical condition on the ability to perform his or her normal military duties.

Service members undergoing evaluation by the DES must be advised of the significance and consequences of the determinations being made and their associated rights, benefits, and entitlements.

**Department of Defense (DoD) Instruction 1332.38, "Physical Disability Evaluation," 10 April 2013**, states that a physical disability is any impairment due to disease or injury, regardless of degree, that reduces or prevents an individual's actual or presumed ability to engage in gainful employment or normal activity. A medical impairment or physical defect standing alone does not constitute a physical disability. To constitute a physical disability, the medical impairment or physical defect must be of such a nature and degree of severity as to interfere with the member's ability to adequately perform his or her duties.

According to DoD Instruction 1332.38, the standards listed for determining Unfitness due to physical disability shall be strictly adhered to, unless exceptions are approved by the Under Secretary of Defense for Personnel and Readiness. Specifically, in making a determination of a member's ability to so perform his/her duties, the following criteria may be included in the assessment:

- The medical condition represents a decided medical risk to the health of the member or to the welfare of other members were the member to continue on active duty or in an Active Reserve status;
- The medical condition imposes unreasonable requirements on the military to maintain or protect the member; and
- The service member's established duties during any remaining period of reserve obligation.

A factual finding that a service member is Unfit because of physical disability depends on the evidence that is available to support that finding. All relevant evidence must be weighted in relation to all known facts and circumstances which prompted referral for disability evaluation.

Findings will be made on the basis of objective evidence in the record as distinguished from personal opinion, speculation, or conjecture. When the evidence is not clear concerning a service member's fitness, an attempt will be made to resolve doubt on the basis of further objective investigation, observation, and evidence.

**SECNAV Instruction 1850.4E, "DON Disability Evaluation Manual," dated 30 April 2002**, states that the DON policy is to operate a system for disability evaluation that makes a single determination of physical Fitness to continue Naval service. The PEB is established to act on behalf of SECNAV in making determinations of Fitness to continue Naval service, entitlement to benefits, and disposition of members referred to PEB. The findings of the PEB are final upon issuance by the President of the PEB, or when the member has agreed with the findings of the PEB and has waived the right to a hearing. The findings may not be changed, modified, set aside, or reopened except for the correction of errors or upon submission of a Petition for Relief (PFR).

A member may petition the DIRNCPB for relief within 15 calendar days of notification of the final determination of the PEB. The DIRNCPB will make a determination on each PFR filed based on the merits of the case, and advise the petitioner by certified letter, with copies to the President, PEB; Chief of Naval Personnel (CHNAVPERS); and Commandant of the Marine Corps (MRA), as applicable.

All relevant evidence must be weighted in relation to all known facts and circumstances that prompted referral for disability evaluation. Within a finding of Fit to continue Naval service is the understanding that the mere presence of a diagnosis is not synonymous with a disability. It must be established that the medical disease or condition underlying the diagnosis actually interferes significantly with the member's ability to carry out the duties of his or her office, grade, rank, or rating. To reach a finding of Unfit, the PEB must be satisfied that the information it has before it supports a finding of Unfitness. Inability to perform the duties of his or her office, grade, rank, or rating in every geographic location

and under every conceivable circumstance will not be the sole basis for a finding of Unfit.

**SECNAV Memorandum “Administrative Separation Policy Guidance,” dated 15 April 2011**, states that in lieu of involuntary administrative discharges, members should either be retained on active duty or have their cases readjudicated for Fitness. Authority to readjudicate such cases and assign appropriate disability ratings is delegated to the ASN (MRA). Each request for Secretarial adjudication in these cases will be submitted by the service personnel chief and must indicate:

- An inability of the service to find a suitable assignment for the member;
- The medical condition(s) originally considered by the PEB that caused the assignment limitation; and
- An explanation of how each identified medical condition limits assignment.

Only medical conditions that are potentially ratable and directly contribute to the inability to assign a member should be submitted for reevaluation. In appropriate cases, ASN (MRA) shall determine the member Unfit and direct the PEB to establish the appropriate disability rating and disposition. An updated medical evaluation of the assignment limiting condition(s) may be required by the PEB to facilitate this rating process. The member’s discharge will then proceed under standard rules for medical separation or retirement.

**Bureau of Medicine and Surgery Instruction 1300.2A, “Suitability Screening, Medical Assignment Screening, and Exceptional Family Member Program (EFMP) Identification and Enrollment,” dated 23 June 2006**, states that Navy members will undergo assignment screening before availability for orders of any kind immediately after the member is found Fit for continued Naval service by PEB. Medical assignment screening identifies ongoing medical conditions that may limit the member’s ability to be worldwide assignable. Medical assignment screening documentation should include:

- Reason/diagnosis for any medical evaluation boards;
- International Classification of Diseases 9 (ICD-9) code(s);
- PEB findings;
- Limiting conditions;
- Prognosis and timeline for improvement; and
- Other pertinent information.

It should also include a determination whether the member is worldwide assignable without limitations or assignment limited. This information is used by NAVPERSCOM

to make assignments to appropriate locations or platforms consistent with the service member's medical limitations, or to make administrative determinations regarding the service member.

**Military Personnel Manual 1306-801, "Enlisted Assignment Screening," dated 6 January 2013,** establishes a requirement to perform an assignment screening for enlisted members being found "Fit for continued naval service" by the PEB. Assignment screening determines whether a member is worldwide assignable or not worldwide assignable.

## Scope and Methodology

This report summarizes information regarding our audit of the Department of the Navy readjudication process -- specifically, cases that were involved with the Assistant Secretary of the Navy (Manpower and Reserve Affairs (ASN (MRA))) readjudication process. We conducted the audit from 19 November 2012 to 6 August 2014. The conditions noted existed for the 10 cases<sup>49</sup> that were submitted to ASN (MRA) for readjudication,<sup>50</sup> and 175 additional cases<sup>51</sup> waiting to be submitted to ASN (MRA) for readjudication.

We obtained a listing of members from Navy Personnel Command (NAVPERSCOM) who were found Fit by the Physical Evaluation Board (PEB) and had either been submitted or were waiting to be submitted to ASN (MRA) for readjudication. In addition, we obtained the following:

- Deputy Assistant Secretary of Navy (Military Manpower and Personnel) (DASN (MMP)) hard copy case files<sup>52</sup> for 10 members that were submitted for readjudication<sup>53</sup>
- NAVPERSCOM hard copy case files<sup>54</sup> for 184 members that were either submitted for or waiting to be submitted for readjudication;<sup>55</sup> and
- PEB hard copy case files<sup>56</sup> for 84 members that were either submitted for or waiting to be submitted for readjudication.<sup>57</sup>

To accomplish this audit, we researched and reviewed applicable Department of Defense (DoD) and Department of the Navy (DON) laws, regulations, and directives. We evaluated compliance with existing guidance and assessed internal controls related to the DON readjudication process. We made inquiries and held discussions with key personnel at the commands and activities listed in Enclosure 4. We determined the key players' roles and responsibilities and documented the medical assignment screening, suitability screening, and readjudication processes. We reviewed 100 percent of the 10

---

<sup>49</sup> As of 29 November 2012 and 3 January 2013.

<sup>50</sup> Nine cases submitted by Navy Personnel Command and one case submitted by the United States Naval Academy.

<sup>51</sup> As of 17 January 2013.

<sup>52</sup> We reviewed memorandums prepared by NAVPERSCOM and the United States Naval Academy, assignment limited reports, and e-mails.

<sup>53</sup> As of 29 November 2012 and 3 January 2013.

<sup>54</sup> We reviewed memorandums, assignment limited reports, Enlisted Assignment Information System screen shots containing personnel and assignment data, and e-mails.

<sup>55</sup> As of 18 January 2013.

<sup>56</sup> We reviewed medical documentation, Non-Medical Assessments, and Joint Disability Evaluation Tracking System Forms (showed if Fit or Unfit).

<sup>57</sup> As of 6 March 2013.

cases<sup>58</sup> that were submitted for readjudication and 100 percent of 175 additional cases<sup>59</sup> waiting to be submitted for readjudication.<sup>60</sup> We reviewed the corresponding PEB cases for 84 of these 185 service members<sup>61</sup> that were submitted or waiting to be submitted for readjudication. We combined case file documentation from DASN (MMP), NAVPERSCOM, and PEB for each member and tracked these cases from when members were found Fit and then submitted or waiting to be submitted for readjudication, through when the ASN (MRA) made a final Fit/Unfit determination. Specifically, we reviewed hard copy case files to determine the information ASN (MRA) and PEB used to make Fit/Unfit determinations. In addition, we reviewed these case files to determine whether ASN (MRA) Fit/Unfit determinations were supported by case files.

We reviewed Naval Audit Service, DoD Inspector General, and Government Accountability Office reports, and found there were no reports published in the past 5 years related to the Assignability of Navy Active Duty Service Members; therefore, no followup was required.

### **Generally Accepted Government Auditing Standards**

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### **Federal Managers' Financial Integrity Act**

The Federal Managers' Financial Integrity Act of 1982, as codified in Title 31, United States Code, requires each Federal agency head to annually certify the effectiveness of the agency's internal and accounting system controls. Recommendations 1-2 address issues related to the internal control over the Department of the Navy Readjudication Process. In our opinion, the weaknesses noted in this report may warrant reporting in the Auditor General's annual FMFIA memorandum identifying management control weaknesses to the Secretary of the Navy.

---

<sup>58</sup> As of 29 November 2012 and 3 January 2013.

<sup>59</sup> As of 17 January 2013.

<sup>60</sup> We reviewed all documentation in the DASN (MMP) and NAVPERSCOM case files.

<sup>61</sup> Based on availability from the PEB.

## Activities Visited and/or Contacted

---

- Assistant Secretary of the Navy (Manpower and Reserve Affairs), Washington, DC\*
- Deputy Assistant Secretary of the Navy (Military Manpower and Personnel), Washington, DC\*
- United States Fleet Forces Command, Norfolk, VA\*
- Commander, Navy Installations Command, Washington, DC\*
- Bureau of Medicine and Surgery, Falls Church, VA\*
- Navy Personnel Command, Millington, TN\*
- Physical Evaluation Board, Washington, DC\*
- Office of the Chief of Naval Operations (N1), Arlington, VA\*
- Office of the Chief of Naval Operations (N12), Arlington VA\*
- Personnel Support Detachment Naval Station Norfolk, Norfolk VA\*
- Personnel Support Activity Detachment, Millington, TN\*
- Naval Medical Center Portsmouth, Portsmouth, VA\*
- Sewell's Point Branch Health Clinic, Norfolk, VA\*
- Naval Branch Health Clinic, Millington, TN\*
- USS *NEW YORK*, Norfolk, VA\*
- USS *PORTER*, Norfolk, VA\*
- Manpower Management Division-Separations and Retirement (MMSR-4)), Manpower and Reserve Affairs, Quantico, VA
- Secretary of the Air Force Personnel Council, Joint Base Andrews Naval Air Facility Washington, MD
- Physical Disability Agency for the Army, Arlington, VA

\*Denotes activities visited

Enclosure 5:

Management Response from Office of the Assistant Secretary of the Navy (Manpower and Reserve Affairs) to Re-issued Draft Report dated 12 March 2015



DEPARTMENT OF THE NAVY  
OFFICE OF THE ASSISTANT SECRETARY  
(MANPOWER AND RESERVE AFFAIRS)  
1000 NAVY PENTAGON  
WASHINGTON DC 20350-1000

APR 15 2015

MEMORANDUM FOR THE NAVAL AUDIT SERVICE

SUBJECT: Department of the Navy Readjudication Process (Draft Audit Report 2013-087 (Reissue))

The Department of Navy (DON) appreciates the opportunity to comment on the Naval Audit Service subject report of March 12, 2015. DON remains fully committed to worldwide assignable determinations based on objective standards and related internal controls and partially concurs with comments detailed below.

Recommendation 1. The revised report fails to address the critical issues requested and remains focused on a rarely utilized process. However, DON concurs that it is appropriate to develop and implement new formal written guidance for the current ASN (M&RA) readjudication process in an effort to formalize incremental improvements to document the information considered in the fitness determination and to increase transparency of the process to Service members. That said, DON continues to disagree with the finding that the current readjudication process does not comply with the intent of Department of Defense (DoD) guidance.

DON is currently in the process of a complete revision of SECNAVINST 1850.4E, DON Disability Evaluation Manual, which will include the ASN (M&RA) readjudication process along with updates from the related DoD Issuances in August 2014. The goal is to have a draft prepared for publication routing by the end of fiscal year 2015, however, any aspects not made clear in the instruction will be clarified in a separate policy memorandum, as needed.

While I commend the Naval Audit Service's efforts to assist in the improvement of the assignability of Service members, the issues that caused me to request this study were not addressed. The DON will continue its efforts to refine the deployability screening and medical separation processes for increased visibility and service member understanding. My point of contact in this matter is Dr. Russell Beland who may be reached at [REDACTED] or via email at [REDACTED].

FOIA (b)(6)

Anne R. Davis  
Acting, Assistant Secretary of the Navy  
(Manpower and Reserve Affairs)

# Original Draft Report Recommendations

---

Below are the recommendations that appeared in the initial draft report (which was issued 6 August 2014.)

We recommend that Deputy Assistant Secretary of the Navy (Military Manpower and Personnel):

**Recommendation 1.** Discontinue the current Assistant Secretary of the Navy (Manpower and Reserve Affairs) readjudication process.

**Recommendation 2.** Notify Commander, Navy Personnel Command to stop submitting cases for readjudication until Recommendation 5 or a similar interim policy is implemented.

**Recommendation 3.** Notify Commandant of the Marine Corps that the current Assistant Secretary of the Navy (Manpower and Reserve Affairs) readjudication process has been discontinued and new policy is being established.

**Recommendation 4.** Take action to rescind Secretary of the Navy Memorandum “Administrative Separation Policy Guidance” dated 15 April 2011.

**Recommendation 5.** Develop policy that establishes a process for the Physical Evaluation Board to reevaluate Navy and Marine Corps service members who were previously found Fit by the Physical Evaluation Board and whose fitness to continue naval service is questionable. Such policy should include organizational roles and responsibilities.

The Assistant Secretary of the Navy for Manpower and Reserve Affairs nonconcurred with each of these recommendations (see Enclosure 7).

Enclosure 7:

Management Response from Office of the Assistant Secretary of the Navy (Manpower and Reserve Affairs) to Draft Report dated 6 August 2014



DEPARTMENT OF THE NAVY  
OFFICE OF THE ASSISTANT SECRETARY  
(MANPOWER AND RESERVE AFFAIRS)  
1000 NAVY PENTAGON  
WASHINGTON DC 20350-1000

SEP 17 2014

MEMORANDUM FOR THE NAVAL AUDIT SERVICE

SUBJECT: Draft Audit Report on the Department of the Navy Readjudication Process

After having thoroughly reviewed the Naval Audit Service subject draft report of August 6, 2014, I non-concur with comment on the report's recommendations for the detailed reasons below.

Recommendation 1. Non-concur with the recommendation to discontinue the current readjudication process. This recommendation is extreme as the analysis failed to address the critical issues requested and focused instead on a rarely utilized process that impacts so few individuals that there were not enough cases analyzed for the results to be statistically significant. However, my office has made changes to the existing process based on other findings such as better documentation of the information considered in the fitness determination and formal notification to those service members found unfit. The notification will detail the readjudication outcome and the process for appeal. Those service members desiring to appeal will be afforded the opportunity for a new medical board (and Physical Evaluation Board (PEB) adjudication), effectively allowing them to go through the DES process a second and final time.

Recommendation 2. For the reasons stated in Recommendation 1, non-concur with the recommendation to notify Commander, Navy Personnel Command (NPC) to stop submitting cases for readjudication until Recommendation 5 or a similar interim policy is implemented.

Recommendation 3. Non-concur with the recommendation to notify the Commandant of the Marine Corps that the current process has been discontinued for the reasons stated in Recommendation 1 above. Additionally, none of the eight individuals that had finalized readjudication cases analyzed were Marines.

Recommendation 4. Non-concur with the recommendation to rescind Secretary of the Navy (SECNAV) Memorandum Administrative Separation Policy Guidance dated 15 April 2011. As the readjudication process is relatively new and has only been used a few times, it is still being refined and standardized as cases are processed. The changes described in Recommendation 1, along with changes occurring simultaneously in NPC and Bureau of Medicine and Surgery related governing instructions, will address the concerns identified.

Recommendation 5. Non-concur with the recommendation to develop policy that establishes a process for the PEB to reevaluate fit but unsuitable service members as My office has already been designated as the appropriate adjudicating office per the SECNAV memorandum Administrative Separation Policy Guidance dated 15 April 2011.

I appreciate your efforts to assist in the improvement of the assignability of service members, but the issues that caused me to request this study were not fully addressed. We will

~~FOR OFFICIAL USE ONLY~~

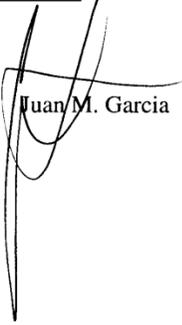
ENCLOSURE 7: MANAGEMENT RESPONSE FROM OFFICE OF THE ASSISTANT SECRETARY OF THE NAVY  
(MANPOWER AND RESERVE AFFAIRS) TO DRAFT REPORT DATED 6 AUGUST 2014

---

SUBJECT: Draft Audit Report on the Department of the Navy Readjudication Process

continue our efforts to refine the deployability screening and medical separation processes for increased visibility and service member understanding. My point of contact in this matter is Dr. Russell Beland who may be reached at [REDACTED] of via email at [REDACTED].

FOIA (b)(6)



Juan M. Garcia

~~FOR OFFICIAL USE ONLY~~

Use this page as

**BACK COVER**

for printed copies

of this report

~~FOR OFFICIAL USE ONLY~~