

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Veterans Benefits Administration

*Audit of Fiduciary Program's
Management of Field
Examinations*

June 1, 2015
14-01883-371

ACRONYMS

BFBS	Beneficiary and Fiduciary Field System
CY	Calendar Year
F-B	Fiduciary-Beneficiary
FBS	Fiduciary-Beneficiary System
FY	Fiscal Year
IA	Initial Appointment
OIG	Office of Inspector General
P&FS	Pension and Fiduciary Service
VA	Department of Veterans Affairs
VARO	Veterans Affairs Regional Office
VBA	Veterans Benefits Administration

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Report Highlights: Audit of Fiduciary Program's Management of Field Examinations

Why We Did This Audit

The Fiduciary Program was established to protect veterans and other beneficiaries who, due to injury, disease, or age, are unable to manage their VA benefits. Field examinations are a critical tool for the Veterans Benefits Administration (VBA) to assess the competency and welfare of these beneficiaries. We conducted this audit to assess whether the Fiduciary Program scheduled and completed field examinations within timeliness standards.

What We Found

VBA did not meet timeliness standards for about 45,500 (42 percent) of approximately 109,000 pending and completed field examinations during calendar year (CY) 2013. We followed-up by examining reported program performance for the first 9 months of CY 2014 and identified approximately 21,900 field examinations not completed and exceeding VBA timeliness standards, representing an approximately 15 percent increase. This occurred because Field Examiner staffing did not keep pace with the growth in the beneficiary population, VBA did not staff the hubs according to their staffing plan, and did not use all relevant performance measures for field examinations. Untimely field examinations placed about \$360.7 million in benefit payments and about \$487.6 million in estate values at increased risk.

In addition, VBA did not schedule required field examinations for a projected 1,800 beneficiaries in CY 2013. Lapses in scheduling occurred because of inadequate management oversight. As a result, beneficiaries' well-being and approximately \$36.1 million in benefit payments were also placed at increased risk.

What We Recommended

We recommended the Under Secretary for Benefits implement a plan to meet timeliness standards, expand program performance measures, improve controls to identify unscheduled field examinations, and enhance case management system functionality.

Agency Comments

The Under Secretary for Benefits concurred with all of our recommendations. The Under Secretary also included a series of technical comments on our report related to performance measures, fiduciary misuse, and scheduling field examinations.

A handwritten signature in black ink, reading "Linda A. Halliday".

LINDA A. HALLIDAY
Assistant Inspector General
for Audits and Evaluations

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INTRODUCTION

Objective

We conducted this audit to assess whether the Veterans Benefits Administration's (VBA) Fiduciary Program scheduled and completed field examinations within timeliness standards. The audit also assessed whether the program prepared field examination reports, and followed up on reported concerns, as required by policy.

Fiduciary Program

The Fiduciary Program was established to protect veterans and other beneficiaries who, due to injury, disease, or age, are unable to manage their VA benefits. Under the program, VA appoints a fiduciary (individual or entity) to receive and disburse VA benefits on behalf of the beneficiary. The Fiduciary Program reported overseeing more than 147,000 beneficiaries who received approximately \$2.6 billion in VA benefit payments in fiscal year (FY) 2013, which represented the most recent program data reported by VBA at the time of our audit. According to a VBA official, VBA's Pension and Fiduciary Service (P&FS) and the Office of Field Operations have shared responsibilities for the management and oversight of the Fiduciary Program.

Fiduciary Program Hub Consolidation

According to senior VBA officials, in March 2012, VBA completed consolidation of Fiduciary Program operations from 56 VA Regional Offices (VAROs) to 6 Fiduciary Hubs and the Fiduciary activity at the VARO in Manila, Philippines. VA's *FY 2014 Congressional Submission* stated the consolidation was intended to improve operational efficiencies. The hubs are located in Indianapolis, IN; Louisville, KY; Lincoln, NE; Columbia, SC; Salt Lake City, UT; and Milwaukee, WI. Hub managers advised that Field Examiners are located and assigned throughout a region based upon such criteria as the number of beneficiaries in a geographical area.

Field Examinations

Field examinations are a critical tool for VBA to assess the competency and welfare of beneficiaries who are unable to manage their financial affairs. Initial Appointment (IA) and Fiduciary-Beneficiary (F-B) examinations are types of field examinations. An IA field examination assesses the competency and welfare of the beneficiary and, if needed, the appointment of a fiduciary to receive VA benefits. Subsequent to an IA field examination, program staff conduct F-B field examinations periodically to reassess the welfare of the beneficiary and the continued suitability of the fiduciary.

Other Information

- Appendix A provides background information.
- Appendix B provides details on our scope and methodology.
- Appendix C provides details on our statistical sampling methodology.

RESULTS AND RECOMMENDATIONS

Finding Opportunities Exist To Improve Fiduciary Program Field Examination Operations

VBA did not meet timeliness standards for about 45,500 (42 percent) of approximately 109,000 field examinations for calendar year (CY) 2013.¹ Of the 45,500 field examinations that did not meet timeliness standards in CY 2013, approximately 18,100 (40 percent) were still not completed as of December 31, 2013. We followed-up on this data by examining reported program performance for the first 9 months of CY 2014. As of September 2014, approximately 21,900 field examinations were not completed and exceeded VBA timeliness standards, which represented an approximately 15 percent increase in CY 2014.

VBA did not consistently complete field examinations timely because Field Examiner staffing did not keep pace with the growth in the beneficiary population and they did not staff hubs according to their 2011 staffing plan targets for Field Examiners. During CY 2013, the beneficiary population under the supervision of the Fiduciary Program grew 10 percent, while the number of Field Examiners assigned grew 2 percent.

According to a P&FS official, the staffing plan set a target of 1 Field Examiner for every 325 beneficiaries. However, as of December 31, 2013, the program had only 1 Field Examiner for every 379 beneficiaries. We validated that this trend continued through the first 9 months of CY 2014. As of September 30, 2014, VBA employed 1 Field Examiner for every 386 beneficiaries supervised under the Fiduciary Program. In addition, VBA did not use all relevant performance measures for the field examination function, which may have contributed to untimely field examinations.

Field examinations are the primary means for VBA to assess the welfare of these beneficiaries through contact with the beneficiaries. When field examinations are not conducted, or not completed timely, the general health and well-being of beneficiaries, and their estates, are placed at increased risk. Field examinations not completed and untimely at the end of CY 2013 placed about \$360.7 million in benefit payments made during CY 2013 and approximately \$487.6 million in estate value as of December 31, 2013, at increased risk.

¹ CY 2013 is comprised of the last three quarters of FY 2013 and the first quarter of FY 2014.

In addition, we found Fiduciary Hubs did not schedule required field examinations for a projected 1,800 beneficiaries in CY 2013. Lapses in field examination scheduling occurred because of inadequate management oversight to ensure that required field examinations were scheduled in the case management information system. As a result, the projected 1,800 unscheduled field examinations placed beneficiaries' well-being and an additional \$36.1 million in benefit payments as of December 31, 2013, at increased risk.

Our audit disclosed no issues concerning whether field examination reports were prepared by VBA staff in accordance with policy and the adequacy of follow-up actions by VBA on concerns identified in field examination reports.

**Field Examination
Timeliness
Standards**

VBA policy requires program staff to complete:

- IA field examinations within 45 days of a request for appointment of a fiduciary.
- F-B field examinations within 120 days of the scheduled due date.

**Untimely Field
Examinations**

The Fiduciary Program did not meet VBA timeliness standards for about 45,500 (42 percent) of approximately 109,000 pending and completed field examinations during CY 2013. The approximately 45,500 untimely field examinations consisted of about 13,800 IAs and 31,700 F-Bs.

- The average time for IA field examinations that did not meet timeliness standards was 118 days, which ranged from 1 to 1,163 days late (or more than 3 years).
- The average time for F-B field examinations that did not meet timeliness standards was 347 days, which ranged from 1 to 2,040 days late (or almost 6 years).

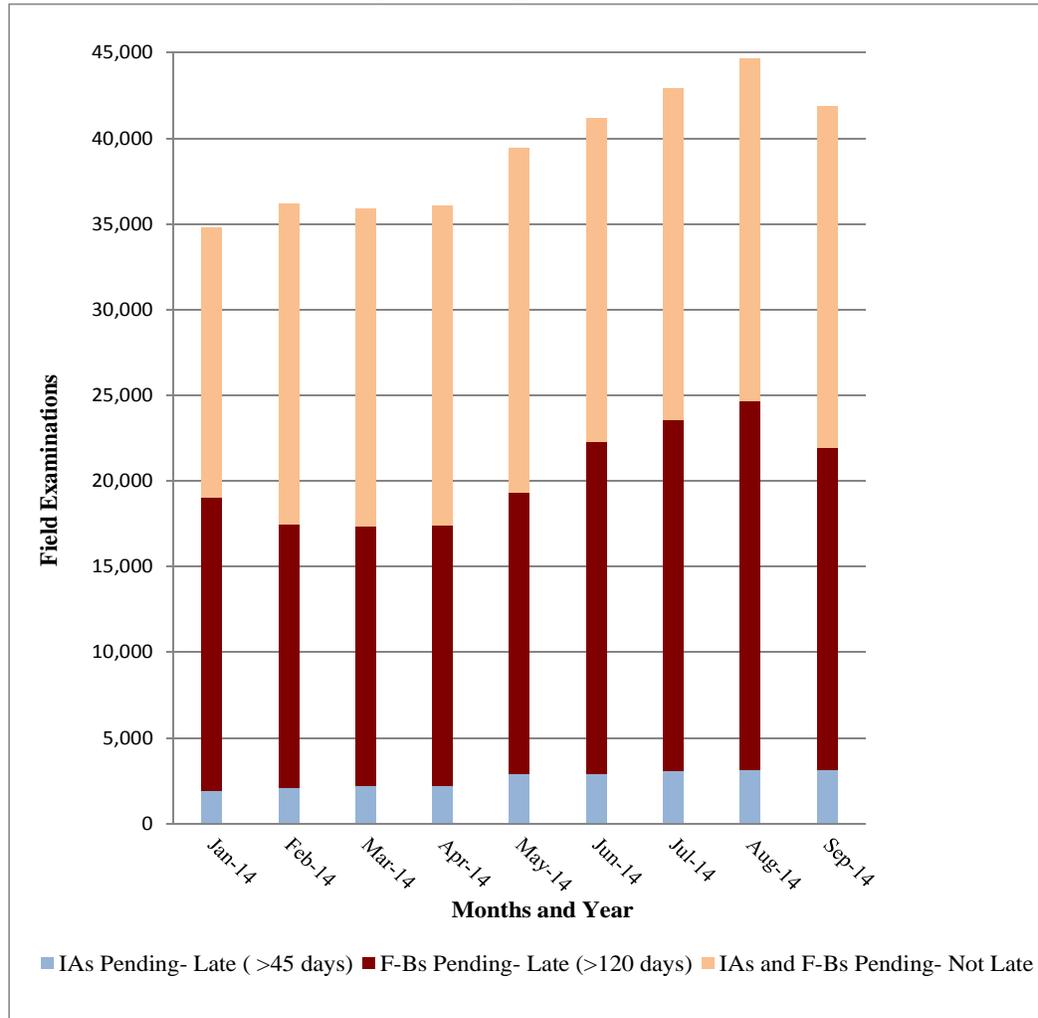
Of the 45,500 scheduled field examinations that did not meet timeliness standards in 2013, approximately 18,100 (40 percent) were still pending as of December 31, 2013. According to benefit payment information extracted from VBA's Corporate Database, the 18,100 untimely field examinations placed about \$360.7 million in benefit payments and \$487.6 million in estate values at increased risk.

**CY 2014 VBA Field
Examination
Reports**

In order to follow-up on CY 2013 timeliness data for field examinations, we analyzed VBA reported field examination data for the first 9 months of CY 2014. As shown in Figure 1, field examinations not completed and already exceeding timeliness standards increased approximately 15 percent from about 19,000 in January 2014 to approximately 21,900 in September 2014. VBA's overall field examination workload also increased. Total field examinations requiring completion increased by approximately

20 percent, from about 34,800 in January 2014 to approximately 41,900 as of September 2014.

**Figure 1: National Pending Workload of Field Examinations
January 2014– September 2014**



Source: *OIG Analysis of VBA Pending Field Examinations Data*

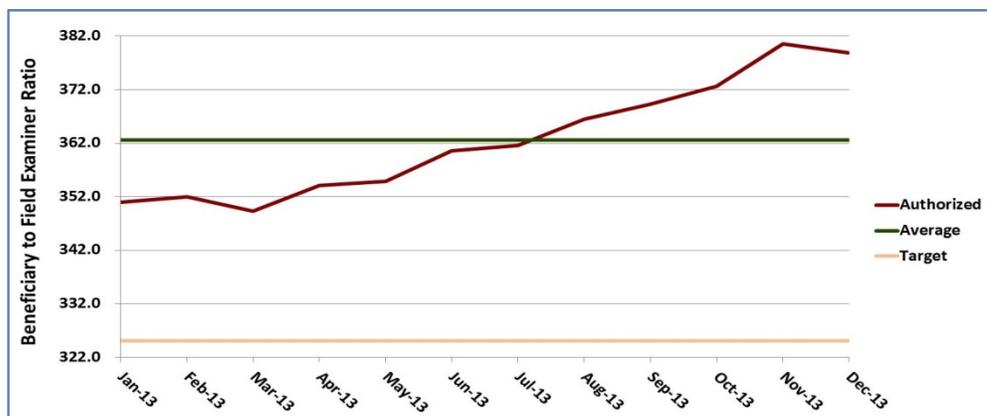
The increase in untimely field examinations occurred primarily at the Indianapolis, Lincoln, Columbia, and Salt Lake City Fiduciary Hubs. As of September 2014, the Indianapolis Hub accounted for about 45 percent of the program’s untimely field examinations. The Under Secretary for Benefits’

April 2014 response to an Office of Inspector General (OIG) Hotline review of the Indianapolis Hub² provided assurance the hub’s untimely field examinations would be completed by the end of FY 2015. However, the hub’s untimely field examinations increased 3 percent from about 9,700 in April 2014 to approximately 10,000 in September 2014.

Staffing Has Not Met Planned Targets

VBA did not consistently complete field examinations timely because Field Examiner staffing did not keep pace with the growth in the beneficiary population. They did not staff the hubs according to their 2011 staffing plan targets for Field Examiners. According to a P&FS official, the 2011 VBA staffing plan set a target of 1 Field Examiner for every 325 beneficiaries. However, our analysis of VBA staffing reports for the period of January 2013 through December 2013 showed the Fiduciary Program had an average of 1 Field Examiner for every 363 beneficiaries. As shown in Figure 2, Field Examiner staffing ratios ranged from a high of 1 Field Examiner for every 381 beneficiaries in November 2013 to a low of 1 Field Examiner for every 349 beneficiaries in March 2013. The following figure shows that the planned ratio of field examiners to beneficiaries requiring program services is increasingly exceeding VBA’s available staff resources.

Figure 2: Comparison of Field Examiner Staffing and Authorized Ratios January 2013 –December 2013



Source: *OIG Analysis of VBA Staffing and Beneficiary Reports*

Although there have been variances between the hubs in meeting VBA’s staffing target for Field Examiners, Table 1 shows that, as of

² We substantiated an OIG Hotline allegation that the Indianapolis Hub had a large backlog of pending examinations. We reported that more than 11,000 (69 percent) of 16,000 pending field examinations exceeded VBA timeliness standards (*Review of Alleged Mismanagement at the Eastern Area Fiduciary Hub*, Report No. 13-03018-159, May 28, 2014).

December 2013, none of the hubs met VBA's staffing target of 1 Field Examiner to 325 beneficiaries.

Table 1. Beneficiary/Field Examiner Ratios, by Hub

Hub	Beneficiaries per Field Examiner January 2013	Percent Above Target	Beneficiaries per Field Examiner December 2013	Percent Above Target
Columbia	339	4%	367	13%
Indianapolis	357	10%	378	16%
Lincoln	315	-3%	384	18%
Louisville	395	22%	394	21%
Milwaukee	358	10%	363	12%
Salt Lake City	343	5%	388	19%
National Average	351	8%	379	17%

Source: OIG Analysis of VBA Staffing and Beneficiary Reports

We found this trend had continued through the first 9 months of CY 2014. As of September 30, 2014, VBA employed 1 Field Examiner for every 386 beneficiaries supervised under the Fiduciary Program.

While Field Examiner staffing has generally increased, the Fiduciary Program did not meet its staffing goal for Field Examiners in part due to the substantial growth in the beneficiary population. Specifically, although the beneficiary population increased by 10 percent from January 2013 through December 2013, the number of field examiners increased only 2 percent during this same period. The only hub (Louisville) that increased the number of Field Examiners at a rate greater than the growth in the beneficiary population performed better in terms of field examination timeliness compared to other hubs during CY 2013. Table 2 shows the increase in the number of beneficiaries and Field Examiners, by hub, from January 2013 through December 2013.

Table 2. Increase in Beneficiaries and Field Examiners

Hub	January 2013 Beneficiaries	January 2013 Field Examiners	December 2013 Beneficiaries	December 2013 Field Examiners	Percent Increase Beneficiaries	Percent Increase Field Examiners
Columbia	26,075	77	26,393	72	1%	-6%
Indianapolis	39,645	111	42,372	112	7%	1%
Lincoln	14,812	47	17,293	45	17%	-4%
Louisville	20,169	51	22,038	56	9%	10%
Milwaukee	15,018	42	17,790	49	18%	17%
Salt Lake City	25,022	73	29,082	75	16%	3%
Total	140,741	401	154,968	409	10%	2%

Source: *OIG Analysis of VBA Staffing and Beneficiary Reports*

According to a senior P&FS official, a supplemental request was sent to Congress in July 2014 for an additional 307 Field Examiners. However, the P&FS official stated that they did not receive additional funding for the supplemental request.

Field Examination Oversight Measures Should be Expanded

In addition, VBA did not use all relevant performance measures for the field examination function, which may have contributed to untimely field examinations. Although VBA workload reports track other aspects of field examination timeliness, VBA uses average days pending as the sole performance measure for pending field examinations when evaluating Regional Office and Hub Manager performance. Using this measure, a hub is considered timely when average days pending for field examinations is at or below 45 days for IAs and 120 days for F-Bs.

VBA's use of only this performance measure, while representing a measure of hub productivity, presents an incomplete and inaccurate representation of field examination timeliness. For example, the current performance measure shows the Salt Lake City Hub had a 41-day average for IAs in April 2014, even though more than 37 percent of the hub's IAs exceeded the 45-day VBA timeliness standard. In order for VBA to better evaluate hub field examination timeliness, standard performance measures used by program officials should also include the percentage of field examinations exceeding timeliness standards as an additional oversight control.

Hubs Not Ensuring Scheduling of Some Field Examinations

VBA policy requires all dates for scheduled field examinations to be entered into the program's case management information system. Without entering these dates, Field Examiners do not know if and when a field examination should be completed. We found staff at 2 of the 4 hubs visited did not enter the date for required field examinations in 6 of 160 (4 percent) beneficiary files in our sample. The six field examinations identified as not scheduled in FBS remained unscheduled until we notified hub staff during our site visits.

According to an Office of Information and Technology official, when that office transferred electronic beneficiary files from FBS to BFFS in May 2014, field examinations unscheduled in FBS continued to be unscheduled in BFFS.

We found that hub staff did not schedule all required field examinations because of inadequate management oversight to ensure that required field examinations were scheduled in the case management information system. Our fieldwork disclosed some hub managers did not use available Fiduciary-Beneficiary System (FBS) reports to identify instances when staff did not enter dates for required field examinations into the program's case management information system. The importance of scheduling field examinations is shown in the following example.

In May 2011, a hub received a request to perform an IA field examination to determine the need for a VA fiduciary to manage the funds of a beneficiary receiving approximately \$8,000 a month in VA benefits. However, the hub did not schedule a field examination into the program's case management information system. The hub was not aware a field examination was needed until we brought the issue to management's attention in April 2014. By VBA not conducting the required field examination prior to appointing a fiduciary during this 3 year period, it placed the general health and well-being of the beneficiary at risk and the possibility of inappropriate use or loss of approximately \$290,000 in VA benefits.

VBA and Office of Information and Technology officials stated BFFS addressed field examination scheduling issues by automatically scheduling the next F-B for an existing beneficiary. However, our testing of BFFS functionality disclosed it does not require a scheduled F-B field examination date for a beneficiary before exiting the system. For example, we found that BFFS would allow hub staff to inadvertently enter a date that precedes the current date, thus a future field examination will not exist in the system. As a result, VBA lacks reasonable assurance that hub staff have scheduled and performed all required field examinations.³

Based on our sample results, we projected 1,800 field examinations were not scheduled nationwide as required, placing beneficiaries' well-being and approximately \$36.1 million in VA benefit payments at risk.

³ A senior P&FS official provided us a copy of a February 2015 update that addressed a defect in BFFS identified during our audit which allowed hub staff to enter a date that precedes the current date. Follow-up testing verified that prior dates could no longer be entered into BFFS. However, BFFS still allows hub staff to exit the system without entering a date for F-B field examinations.

Conclusion

The Fiduciary Program can improve the protection of VA's most vulnerable beneficiaries by ensuring field examinations are scheduled and completed according to VBA timeliness standards. We found that VBA did not meet timeliness standards for a significant amount of field examinations during CY 2013, placing benefit payments and estates at risk of potential misuse. This occurred because Field Examiner staffing did not keep pace with the growth in the beneficiary population, VBA did not staff the hubs according to their staffing plan, and did not use all relevant performance measures for the field examination function. In addition, we found that Fiduciary Hubs did not schedule some required field examinations, placing the well-being of beneficiaries, their benefit payments and estates at risk. We did not identify any issues concerning whether field examination reports were prepared by VBA staff in accordance with policy and the adequacy of follow-up actions by VBA on concerns identified in field examination reports.

Recommendations

1. We recommended the Under Secretary for Benefits implement a plan to ensure field examination workload is completed in compliance with timeliness standards.
2. We recommended the Under Secretary for Benefits use the percentage of untimely field examinations in addition to the average days pending performance measure to better evaluate completion of field examinations.
3. We recommended the Under Secretary for Benefits require hub managers to use Beneficiary and Fiduciary Field System reports to identify and correct unscheduled field examinations at least once per quarter.
4. We recommended the Under Secretary for Benefits implement a plan to ensure the Beneficiary and Fiduciary Field System's functionality is enhanced to require a date for scheduled Fiduciary-Beneficiary field examinations be entered before exiting the system.

**Management
Comments and
OIG Response**

In response to our draft report, the Under Secretary for Benefits concurred with all of our recommendations. The Under Secretary also included a series of technical comments on our report, which we address below.

In response to not using all relevant performance measures, the Under Secretary stated existing VBA fiduciary workload reports include average days pending, percentage of untimely field examinations pending, average days to complete, and percentage of untimely field examinations completed. In addition, VBA publishes the percentage of untimely field examinations on a monthly basis to the VBA Aspire Dashboard for internal and external stakeholders. The Under Secretary further stated these measures are used by VBA to monitor and evaluate the timeliness of field examinations and did not contribute to untimely field examinations.

While we agree these measures are available, we disagree that VBA is using them to evaluate Regional Office Directors' and Hub managements' performance. Our audit disclosed VBA is currently using only average days pending to evaluate Regional Office and Hub management performance. As discussed in the report, the use of average days pending as the sole measure of performance can provide an incomplete and inaccurate representation of pending field examinations. A more complete evaluation of Regional Office and Hub management performance should include, at a minimum, both average days pending and the percentage of field examinations exceeding timeliness standards as evaluation measures.

In response to our example of the importance of scheduling field examinations, the Under Secretary stated VA benefits paid to a beneficiary, or in this case the Veteran's court-appointed conservator, prior to appointment of a fiduciary, are not at risk of fiduciary misuse. While the VA benefits may not be technically at risk of "fiduciary misuse" prior to a fiduciary being appointed, the VA had no oversight of a beneficiary whose medical evidence indicated they were not competent to manage their VA benefits. By failing to conduct the required IA field examination for 3 years, as required as part of the fiduciary appointment process, VBA's Fiduciary Program did not fulfill its legally required oversight responsibility for this beneficiary. As a result, the program placed the general health and well-being of the beneficiary and approximately \$290,000 in benefits unnecessarily at risk. We revised the report to make our concerns clearer to the reader.

In addition, the Under Secretary commented on the program's case management system (BFFS) not requiring a scheduled IA field examination date before exiting the system. The Under Secretary stated BFFS maintains control of an initial appointment field examination through a work item that is assigned to a field examiner for processing. The work item maintains the date the field examination was received, and hub staff should not enter a date into BFFS. According to VBA and Office of Information and Technology officials, BFFS addresses field examination scheduling issues by automatically scheduling IAs. We tested BFFS to validate whether this functionality exists and found BFFS did not automatically schedule IAs. Subsequent to issuance of our draft report, VBA now states a scheduled date is not required in BFFS for IAs. Our follow on testing confirmed BFFS does not require a scheduled date for IAs prior to exiting the system. We revised the report to address the Under Secretary's comments specific to the scheduling of IAs in BFFS. However, BFFS still allows hub staff to exit the system without entering a date for F-B field examinations. Recommendation 4 addresses this concern.

The Under Secretary concurred with Recommendations 1 through 4. Related to Recommendations 3 and 4, the Under Secretary initiated actions with target completion dates of September 30, 2015, and July 31, 2015,

respectively. We consider these planned actions acceptable, and will follow up on implementation of actions taken.

The Under Secretary requested closure of Recommendations 1 and 2 based on actions already taken by VBA. In regards to Recommendation 1, the Under Secretary stated VBA received funding for some additional staffing in FY 2015 and requested funding for additional staff in FY 2016. However, VBA has not provided a plan for meeting timeliness standards for field examinations. Therefore, we will keep the recommendation open until VBA provides us with the requested plan to ensure field examination workload is completed in compliance with timeliness standards

The Under Secretary requested Recommendation 2 be closed because VBA already publishes the recommended measures for the program. However, in order to address our concerns, VBA needs to demonstrate that standard performance measures used by program officials to evaluate program performance include the percentage of field examinations exceeding timeliness standards as an additional oversight control. Therefore, Recommendation 2 will remain open pending this change in program performance measurement. Appendix D contains the full text of the Under Secretary's response.

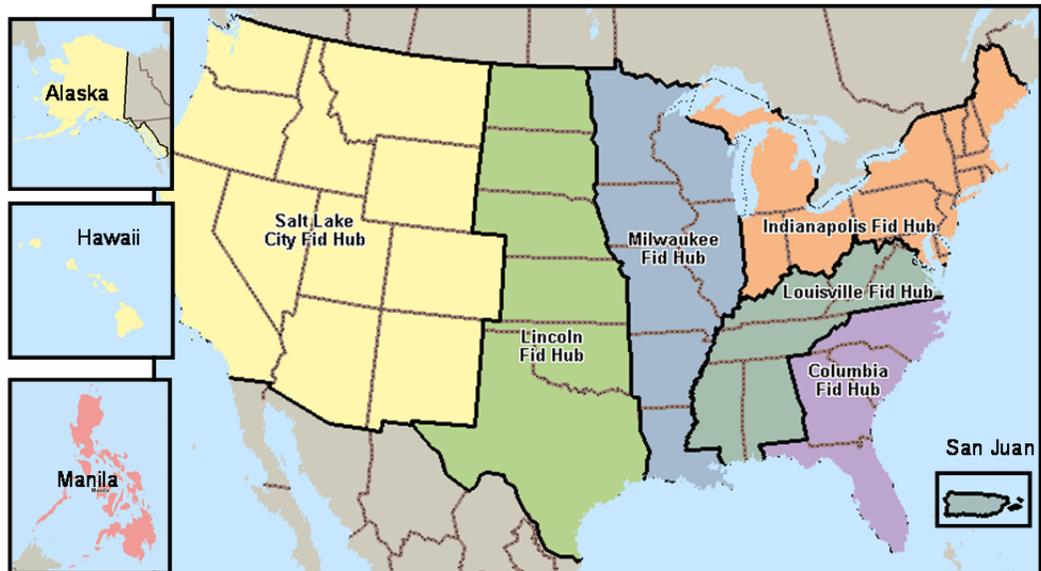
Appendix A Background

Fiduciary Program The Fiduciary Program oversees VA benefits paid to beneficiaries who are incapable of handling their funds because of either injury, disease, the infirmities of advanced age, or the beneficiary is under 18 years of age. Once a beneficiary is determined to need a fiduciary based upon medical evidence indicating that the beneficiary cannot manage his or her financial affairs, VA appoints a fiduciary (individual or entity) to receive and disburse VA benefits on behalf of the beneficiary.

Organizational Structure According to congressional testimony, former VA Secretary Shinseki consistently noted the need for heightened awareness with regard to many of VA's most vulnerable beneficiaries, who rely on the services of VA-appointed fiduciaries to properly manage their VA benefits. In April 2011, VBA established P&FS to more directly control and implement the Fiduciary Program to focus on the unique needs of these beneficiaries and to strengthen oversight of VA-appointed fiduciaries.

According to senior VBA officials, in March 2012, VA completed consolidation of individual VARO fiduciary activities into six regional Fiduciary Hubs and the Fiduciary activity at the VARO in Manila, Philippines. Under the hub model, the Fiduciary Hub Manager administers VA's fiduciary activities within an assigned geographic region and reports to the Director of the VARO where the hub is located. Figure 3 depicts hub geographic areas of responsibility.

Figure 3. Fiduciary Hub Alignment Map



Source: Pension and Fiduciary Service

Field Examinations

The purpose of every Initial Appointment (IA) or scheduled Fiduciary-Beneficiary (F-B) field examination is to:

- Assess the competence, adjustment, and personal welfare of the beneficiary
- Review fund usage, method of payment, and the performance of the fiduciary
- Develop information affecting entitlement to current or additional benefits
- Evaluate the situation in light of all the facts and take any and all appropriate actions
- Ensure that the beneficiary's dependents, if any, are adequately provided for with the funds available

An IA field examination assesses the competency and welfare of the beneficiary and, if needed, the appointment of a fiduciary to oversee the beneficiary's estate. VBA policy requires program staff to complete IA field examinations within 45 days of the receipt of a request for appointment of a fiduciary. Subsequent to an IA field examination, program staff conduct F-B field examinations periodically to reassess the welfare of the beneficiary and the continued suitability of the fiduciary. VBA policy requires program staff to complete F-B field examinations within 120 days of the scheduled due date.

Program Case Management System

According to an Office of Information and Technology representative, in May 2014, VBA replaced its case management system, FBS, with BFFS. Fiduciary personnel use BFFS as a database for beneficiary records and tracking actions, such as scheduling and reporting completion dates of field examinations. According to the BFFS User Guide, features also include:

- Guided data input and retrieval
- Access to information about beneficiaries in the Fiduciary Program and their VA-appointed fiduciary
- Automated correspondence generation
- Comprehensive report generation

Prior Fiduciary Program Reports

The OIG previously reported FBS did not possess data that would allow the agency to provide effective management oversight of the Fiduciary Program in *Audit of the Fiduciary Program's Effectiveness in Addressing Potential Misuse of Beneficiary Funds* (Report No. 09-01999-120, March 31, 2010). In addition, OIG's *Review of Alleged Mismanagement at the Eastern Area Fiduciary Hub* (Report No. 13-03018-159, May 28, 2014), identified the Eastern Area Fiduciary Hub in Indianapolis, IN, had a large backlog of pending field examinations that exceeded VBA timeliness standards.

Appendix B Scope and Methodology

This audit focused on whether field examinations were scheduled and completed within VBA timeliness standards during CY 2013. We also analyzed P&FS reported data by month for all pending field examinations nationwide from January 2014 through September 2014.

We performed audit work from March 2014 through January 2015 at VA Central Office in Washington, DC, and the Fiduciary Hubs in Columbia, SC; Salt Lake City, UT; Louisville, KY; and Lincoln, NE. We selected a statistical sample of 200 beneficiary files from FBS for attribute testing and traced the sample to supporting documentation. We also verified the sample extracted from FBS was not materially altered as a result of migrating the data to BFFS in May 2014.

We tested management controls to ensure Fiduciary Hub personnel scheduled and completed field examinations, and determined whether field examination reports were prepared in accordance with policy. We also assessed the adequacy of follow-up actions on concerns identified in field examination reports. In addition, field work also included testing at all four hubs, to address a hotline complaint received in April 2013, which alleged Field Examiners at the Columbia Fiduciary Hub were not being held accountable for completing the minimum number of required field examinations. We did not substantiate the allegation and found controls were in place to ensure field examiners completed a minimum number of field examinations.

Our methodology included reviewing applicable laws, regulations, and VA guidance. We interviewed Office of Field Operations, and Pension and Fiduciary Service management at VA Central Office in Washington, DC. We also interviewed management and personnel at Fiduciary Hubs in Columbia, SC; Salt Lake City, UT; Louisville, KY; and Lincoln, NE. In addition, we interviewed the Office of Information and Technology Project Manager of BFFS.

We statistically selected a sample of 40 beneficiary files for each of the four Fiduciary Hubs visited and traced the sample to supporting documentation to verify whether field examinations were scheduled and completed in accordance with VBA policy. We also tested whether field examination reports were prepared in accordance with policy and the adequacy of follow-up actions on concerns identified in field examination reports. In addition, we statistically selected a sample of 10 beneficiary files for each of the four Fiduciary Hubs and traced the sample to supporting documentation to verify whether files for beneficiaries who were no longer in the program, due to a competency rating or death, were correctly closed.

Fraud Assessment The audit team assessed the risk that fraud, violations of legal and regulatory requirements, and abuse could occur in VA's Fiduciary Program. The audit team exercised due diligence in staying alert to any fraud indicators by taking actions, such as verifying that program controls ensured:

- Identification of potential fiduciary misuse of funds
- Benefits were paid to valid beneficiaries

We identified one potential occurrence of fiduciary misuse of funds, which we referred to the OIG Office of Investigations.

Data Reliability We used computer-generated data from FBS for the period of January 1, 2013, through December 31, 2013, to support the scope of our audit, which was the most recent annual data available when we started the audit. We performed follow-up work using data from January 1, 2014, through September 30, 2014. To test the reliability of this data, we interviewed VA officials and staff responsible for maintaining FBS and performed basic checks, such as checking for missing information and duplicate records. We also compared relevant electronic data with source documentation for 120 beneficiary records. While we did not test the 9 months of 2014 data, we interviewed VA officials responsible for maintaining the data and believe it is sufficiently reliable for supporting the reporting of the increasing trend in untimely field examinations. We consider the computer-generated data to be sufficiently reliable to support our audit objective, conclusion, and recommendations.

Government Standards Our assessment of internal controls focused on those controls relating to our audit objectives. We conducted this performance audit in accordance with generally accepted government auditing standards. These 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix C Statistical Sampling Methodology

To determine the effectiveness of management controls, we sampled beneficiary records within the Fiduciary Program.

Population

We used information extracted from FBS to identify a total beneficiary population of 178,767 as of December 31, 2013. Of the 178,767 records, 155,868 related to active beneficiaries files that showed \$3.0 billion in VA benefits and \$3.7 billion in estate value were managed by fiduciaries. The remaining 22,899 records related to beneficiaries whose files were no longer subject to Fiduciary Program management because of a change in competency rating or beneficiary death.

Of the 155,868 active beneficiary files, FBS indicated 110,392 beneficiaries were scheduled for fiduciary oversight work, such as a field examination or an accounting review. FBS also indicated the remaining 45,476 beneficiaries were not scheduled for any fiduciary oversight work.

Sampling Design

We used a 2-stage stratified sampling methodology to statistically select 200 beneficiary files for testing. In the first stage of the sample, we used the beneficiary population to stratify the six Fiduciary Hubs into two groups. We then used random sampling without replacement to select four Fiduciary Hubs.

In the second stage of the sample, we used stratified random sampling to select 50 beneficiary files from each of the 4 hubs selected in the first stage as follows:

- Twenty beneficiary files from the beneficiaries FBS indicated were scheduled for fiduciary oversight work
- Twenty beneficiary files from the beneficiaries FBS indicated were not scheduled for any fiduciary oversight work
- Ten beneficiary files from beneficiaries FBS indicated were no longer subject to program management

Weights

We calculated estimates in this report using weighted sample data. Sampling weights are computed by taking the product of the inverse of the probabilities of selection at each stage of sampling.

Projections and Margins of Error

We used WesVar software to calculate the weighted population estimates and associated sampling errors. WesVar employs replication methodology to calculate margins of error and confidence intervals that correctly account for the complexity of the sample design. The margins of error and confidence intervals are indicators of the precision of the estimates. If we repeated this audit with multiple samples, the confidence intervals would

differ for each sample, but would include the true population value 90 percent of the time.

Table 3 provides the estimates associated with not scheduling the field examinations in FBS to ensure the Fiduciary Program monitors the beneficiaries' well-being and fiduciaries' activities. We used the lower limit of the 90 percent confidence interval as a conservative estimate due to the large margin of error. We found hub staff did not enter the date for required field examinations in 6 (4 percent) of 160 beneficiary files in our sample. As a result, we projected the Fiduciary Program did not schedule at least 1,800 field examinations in FBS to ensure the well-being of these beneficiaries and placed \$36.1 million in beneficiary benefits payments at risk.

Table 3. Summary of Estimates, Margins of Error and Potential Benefit Payments and Beneficiary Estates at Risk

Type of Exception	Estimate	Margin of Error	90 Percent Confidence Interval Lower Limit	90 Percent Confidence Interval Upper Limit	Sample Size
Field Examinations Not Scheduled in FBS	6,800	5,000	1,800	11,800	160
Benefit Payments	\$143.3 million	\$107.2 million	\$36.1 million	\$250.5 million	160
Estate Value	\$83,000	\$84,800	\$58,400	\$168,000	160

Source: VA OIG statistical analysis of Field Examinations Not Scheduled in FBS

Note: True lower limit cannot be less than known errors identified in the finding.

Appendix D Under Secretary for Benefits Comments

Department of Veterans Affairs

Memorandum

Date: May 13, 2015

From: Under Secretary for Benefits (20)

Subj: OIG Draft Report—Audit of Fiduciary Program's Management of Field Examinations
[Project No. 2014-01883-R9-0097]—VAIQ 7591938

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

1. Attached is VBA's response to the OIG draft report: Audit of Fiduciary Program's Management of Field Examinations.
2. Questions may be referred to Catherine Milano, Program Analyst, at 461-9216.

(original signed by:)

Allison Hickey

Attachment

Attachemnt

Veterans Benefits Administration (VBA)
Comments on OIG Draft Report
Audit of Fiduciary Program's Management of Field Examinations

The Veterans Benefits Administration provides the following general comments:

The fiduciary program protects the benefits paid to our most vulnerable beneficiaries, who because of disease, injury, or infirmities of advanced age, are unable to manage their Department of Veterans Affairs (VA) benefits. In fiscal year (FY) 2014, VA's fiduciary program protected more than 172,800 beneficiaries, which is a 41 percent increase in the number of beneficiaries from FY 2011 (122,271).

The fiduciary program has experienced considerable change in the last three years, including consolidation of fiduciary activities into six regional fiduciary hubs, policy enhancements, implementation of standardized procedures, and technological advances. During this transition, the program also faced dramatically increasing workload through program growth.

The Office of Inspector General (OIG) conducted its audit of the fiduciary program in the midst of change, as VBA was implementing the following initiatives to modernize the program:

- Published proposed fiduciary regulations to prescribe new rules for all aspects of the program's administration. Final regulations are under development.
- Deployed a new information technology system, the Beneficiary Fiduciary Field System (BFFS), to enhance service to beneficiaries and improve workload management.
- Established claims processing teams in the fiduciary hubs to produce beneficiaries' final ratings of incompetency, initiate monthly benefit payments to fiduciaries, and release retroactive awards to fiduciaries.
- Issued policies and procedures to expand the use of streamlined oversight for certain less vulnerable beneficiaries. These policies and procedures provide for more frequent oversight through telephone calls or correspondence for beneficiaries whose well-being is monitored by a spouse, another agency, or a licensed facility.
- Promoted standardized practices for field personnel through a National Training Curriculum, centralized field examiner training, standard

procedures for establishing debt collection activities, and an accounting audit tool.

- Initiated a work measurement study of all fiduciary work tasks to evaluate current performance standards for field personnel and refine fiduciary program resource requirements.
- Deployed knowledge management, an electronic system, as a single repository for all fiduciary program reference material in an easily searchable format.
- Developed mandatory Misuse Training for all fiduciary staff.
- Provided standardized training to fiduciaries through A Guide for VA Fiduciaries and a computer-based training module available through the fiduciary program Internet site.

The above initiatives reflect VBA's priority and focus on improving and enhancing our oversight of beneficiaries to ensure their well-being, and appointing and conducting oversight of fiduciaries who manage their benefits. OIG did not recommend policy or procedural changes to enhance the oversight of our beneficiaries or increase the efficiency of program operations. Instead, OIG focused its findings on the need for additional fiduciary resources. VBA agrees that additional fiduciary resources are needed, and the fiduciary hubs are currently in the hiring process and will augment fiduciary staff with additional full-time employees (FTE) before the end of FY 2015. Increased resources were also requested in the 2016 budget.

VBA provides the following technical comments:

Page 7, paragraph 2, line 1:

"In addition, VBA did not use all relevant performance measures for the field examination function, which may have contributed to untimely field examinations."

VBA Comment: VBA fiduciary workload reports include average days pending, percentage of untimely field examinations pending, average days to complete, and percentage of untimely field examinations completed. In addition, VBA publishes the percentage of untimely field examinations on a monthly basis to the VBA Aspire Dashboard for internal and external stakeholders, http://www.benefits.va.gov/reports/aspire_dashboard.asp. All of these metrics are used by VBA to monitor and evaluate the timeliness of field examinations and did not contribute to untimely field examinations.

Page 8, paragraph 2, line 7:

“As a result, approximately \$290,000 in VA benefits already paid to the beneficiary were placed at risk of potential misuse.”

VBA Comment: This statement is not correct. The VA benefits paid to a beneficiary, or in this case the Veteran's court-appointed conservator, prior to appointment of a fiduciary, are not at risk of fiduciary misuse.

Page 8, paragraph 3, line 4:

“However, our testing of BFFS functionality disclosed it does not require a scheduled IA field examination date for a new beneficiary before exiting the system.”

VBA Comment: As of August 1, 2014, the fiduciary hubs are responsible for finalizing incompetency ratings at the expiration of the due process period. Fiduciary hub staff should not input a diary for a field examination prior to the finalization of the incompetency rating and the initial appointment of a fiduciary. Instead, the initial appointment work item is assigned to a field examiner for processing and maintains the date the field examination request was received. A date in the “Next Field Exam Date” field should not be entered when conducting an initial appointment field examination, as that date is used to create the follow-up field examination work item.

Page 8, footnote 3, line 4:

“However, BFFS still allows hub staff to exit the system without entering a date for both IA and F B field examinations.”

VBA Comment: BFFS maintains control of an initial appointment field examination through a work item that is assigned to a field examiner for processing. The work item maintains the date the field examination was received, and hub staff should not enter a date into BFFS.

BFFS contains two fields to diary a follow-up field examination at the time a fiduciary is appointed. The follow-up field examination fields “Next Field Exam Date” and “Field Examination Type” should not be required until after the initial appointment field examination is conducted and a fiduciary is appointed.

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

Recommendation 1: We recommended the Under Secretary for Benefits implement a plan to ensure field examination workload is completed in compliance with timeliness standards.

VBA Response: Concur. In FY 2014, VBA's fiduciary program protected more than 172,800 beneficiaries, which is a 41 percent increase in the number of beneficiaries from FY 2011 (122,271). An increase in the total number of beneficiaries receiving VA benefits and an aging population are the primary causes for this program growth. With this dramatic increase, VBA recognized current fiduciary field staffing levels are inadequate to properly oversee all beneficiaries.

From FY 2011 to FY 2014, VBA increased the field fiduciary FTE allocation 22 percent (703 FTE to 855 FTE); however, staffing has not kept pace with program growth. Even though fiduciary hubs are completing more work through FTE increases and recent efficiencies, the backlog of pending field examinations continues to grow. In July 2014, VBA notified Congress of a need to hire 307 FTE to address the increase in fiduciary workload. VBA is grateful for the funding received in FY 2015 to hire 50 fiduciary FTE and has requested funding for FY 2016 through the budget process to hire another 85 fiduciary FTE.

VBA requests closure of this recommendation.

Recommendation 2: We recommended the Under Secretary for Benefits use the percentage of untimely field examinations in addition to the average days pending performance measure to better evaluate completion of field examinations.

VBA Response: Concur. VBA publishes the percentage of untimely field examinations on a monthly basis to the VBA Aspire Dashboard for internal and external stakeholders, http://www.benefits.va.gov/reports/aspire_dashboard.asp. Internal VBA fiduciary workload reports include average days pending, percentage of untimely field examinations pending, average days to complete, and percentage of untimely field examinations completed. VBA currently uses percentage of untimely field examinations pending and percentage of untimely field examinations completed to monitor and evaluate completion of field examinations while prioritizing the oldest pending field examinations.

VBA requests closure of this recommendation.

Recommendation 3: We recommended the Under Secretary for Benefits require hub managers to use Beneficiary and Fiduciary Field System reports to identify and correct unscheduled field examinations at least once per quarter.

VBA Response: Concur. Pension and Fiduciary (P&F) Service created a "Field Examinations Review and Action" report within BFFS that identifies field examinations requiring review and action. Each quarter, VBA will require fiduciary hub managers to correct unscheduled field examinations.

Target Completion Date: September 30, 2015

Recommendation 4: We recommended the Under Secretary for Benefits implement a plan to ensure the Beneficiary and Fiduciary Field System's functionality is enhanced to require a date for scheduled field examinations be entered before exiting the system.

VBA Response: Concur. P&F Service requested a BFFS enhancement to require a scheduled follow-up field examination date when VBA completes the fiduciary appointment. The requested enhancement is scheduled for release in July 2015.

Target Completion Date: July 31, 2015

Appendix E Office of Inspector General Contact and Staff Acknowledgments

OIG Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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Acknowledgments	Timothy J. Crowe, Director Dennis Capps Charles Chiarenza Hope Favreau Pilar Gamble Johnny McCray Thomas McPherson Mark Mullery Brandon Parrinello Nelvy Viguera Butler Richard Wright
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Appendix F Report Distribution

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