CHAPTER 4

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0401 OVERVIEW

This chapter reflects the Department of Veterans Affairs (VA) financial policies and procedures relating to the administrative management of Personal Funds of Patients (PFOP) accounts. PFOP represents funds initially deposited in non-interest bearing accounts at VA health care facilities by, or on behalf of, inpatients for safekeeping.

These accounts are designated as either "unrestricted" or "restricted" in accordance with determinations made by the Veterans Health Administration (VHA) medical center review panel. Unrestricted PFOP accounts are managed by the patients themselves. Patients who have been deemed incompetent have their accounts designated as "restricted" and they are placed under trusteeship and managed by the VA health facility medical director or designee. When these patients are released from VHA facilities and re-located elsewhere for care, their restricted accounts are managed by the Veterans Benefits Administration (VBA). The PFOP accounts are re-labeled as “PFOP/Funds Due Incompetent Beneficiaries (FDIB)” accounts (PFOP/FDIB) while under VBA control.

This chapter prescribes only general guidance to further the goal of achieving effective fiscal control and accountability over both PFOP and PFOP/FDIB accounts. Both VHA and VBA have their own specific implementing instructions to guide their management of the PFOP and PFOP/FDIB accounts. The VHA guidance is identified in the Authority and Reference section of this chapter (040309-040310), while the VBA guidance can be found at 040311.

In accordance with 38 U.S.C. 5504, VA deposits and maintains two deposit fund accounts, one for PFOP (36X6020) and the other for PFOP/FDIB (36X6021). In this regard, VA adheres to the financial reporting and disclosure requirements as prescribed in Financial Accounting Standards Advisory Board (FASAB), Statement of Federal Financial Accounting Standards (SFFAS) No. 31, Accounting for Fiduciary Activities.

040101 UNRESTRICTED FUNDS. VA will maintain accounts in the Veterans Personal Finance System (VPFS) and reconcile them on a regular basis with the general ledger. Living patients, deemed competent, have a personal stake in the management of their own financial matters, including the use of funds in their PFOP accounts. Upon their death, VA will determine the appropriate person(s) entitled to receive the remaining money in their PFOP funds, including any known beneficiary or if necessary, the potential transfer of the funds to the General Post Fund for return to the appropriation. If the Veteran’s whereabouts are unknown, VA will send the funds to the U.S. Treasury.

040102 RESTRICTED FUNDS. VA will maintain restricted accounts either in the VPFS for PFOP accounts or in the Benefits Distribution Network (BDN)/VETSNET system for PFOP/FDIB accounts, make deposits in a timely manner, and reconcile the accounts.

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1 The VETSNET suite of applications includes those C&P applications that establish, develop and rate claims; prepare awards; notify the Veteran; generate payment information; and manage information reports, which run on the underlying VETSNET architecture. BDN will be converted to VETSNET, but conversion is not complete.
monthly with the general ledger. These restricted accounts will be managed under the trusteeship of either VHA or VBA depending upon the current physical location of the patients who lack the capacity to manage their own funds. VA can withdraw necessary funds to meet these patients’ health needs, spending requirements and other incidentals. Upon their death, VA will determine the appropriate person(s) entitled to receive the remaining funds adhering to the same laws and regulations as for unrestricted funds.

0402 POLICIES

040201 UNRESTRICTED FUNDS

A. DEPOSITS. VA will encourage patients to deposit all funds with the Agent Cashier, unless needed to satisfy some immediate personal needs. Agent Cashiers will deposit any funds they receive directly on behalf of the patient. Any funds derived from other sources, such as bonds, will be deposited to the PFOP account and be used to meet the patient’s needs.

B. MAINTENANCE OF PFOP ACCOUNTS. VA will register patients in the VPFS as long as their records already existed in the Veterans Health Information Systems and Technology Architecture (VistA) Patient File. VA will maintain a separate account for each patient in a manner to discern the portion of the account balances derived from gratuitous benefits and from other sources. VA must maintain manual signature cards to reflect the patient’s signature for identification purposes.

C. WITHDRAWAL OF FUNDS. VA will allow patients with unrestricted accounts, except for any residual balance on discharge, to make withdrawals in cash or by Treasury check. VA may release funds directly to patients in the ward (the area where the patient is registered) when they cannot physically present themselves to the Agent Cashier.

D. DISCHARGE. VA will provide patients any remaining balances in their unrestricted accounts upon discharge. If the balance is large, VA may issue a Treasury check in lieu of cash, except for small immediate cash needs of the discharged patient.

E. DECEASED PATIENT ACCOUNTS. VA will deliver all funds to any designee, executor or administrator of the deceased patient if a request is made after death and within 90 days following the mailing of notice to the designee. When no designee is named, the facility Finance Activity will take the appropriate action to dispose of the funds to the person(s) legally entitled to the funds. Where disposition cannot be made under 38 C.F.R. Part 12, VA will deposit the funds to the proper appropriation account. See Appendix A for further procedures to follow regarding deceased patient accounts.

F. SYSTEMS SECURITY. VA will ensure adequate safeguards are in place for any authorized employee who has access to the VPFS, which contains information on all
PFOP accounts. For PFOP/FDIB accounts, discussed below, VBA will maintain effective safeguards over account access in BDN/VETSNET.

G. COLLECTION ACTIVITIES ON PFOP SHORTAGES. VA will make a determination on the cause for any shortages in PFOP accounts and seek the appropriate collection activities for restoring funds to the PFOP accounts. Similar action will apply to PFOP/FDIB accounts.

H. TRANSFERS BETWEEN FACILITIES. Patients can only have a single patient account in the VPFS, which can be transferred to another site if the patient moves. Transfer of funds between facilities depends on whether the transfer is to be permanent or temporary and the transfers will be sent via a VA Form 4-4564, Transfer of Disbursing Authority (TDA). Patients who have accounts within BDN/VETSNET can only have a single account as well.

I. TRANSFERS RELATING TO UNKNOWN PATIENT WHEREABOUTS. VA will ensure that any PFOP balances, having been on deposit with the Treasury for more than one year and representing monies belonging to patients whose whereabouts are unknown, are transferred to the Treasury trust fund account “Unclaimed Moneys of Individuals Whose Whereabouts Are Unknown.” Any future claims that VA may receive for these monies, subsequent to transfer, will be paid from the Treasury trust fund account. The transfer and future payment action also apply to PFOP/FDIB accounts.

J. TRANSFERS TO GENERAL POST FUND. Balances in the PFOP accounts will be transferred to the General Post Fund only after it has been determined that the Veteran is believed to have died without a will and did not leave a spouse, heir or next of kin entitled under the laws of the Veteran’s domicile. Assets of the Veteran’s estate, which have been deposited to the General Post Fund, are subject to valid claims of an heir, next of kin or other person found to be legally entitled to the Veteran’s personal property. Balances in PFOP/FDIB accounts will also be transferred to the General Post Fund after a similar determination has been made.

K. PFOP ACCOUNT RECONCILIATIONS. VA will analyze PFOP accounts on a regular basis and reconcile them monthly with the general ledger control accounts. Reconciliations of PFOP Deposit Funds (36X6020 and 36X6021) will be completed at fiscal yearend, along with any reclassification of any fund amounts. Similar analyses and reconciliations are performed for PFOP/FDIB accounts on a similar basis. At yearend, the PFOP/FDIB Deposit Funds (36X6021) will also be reconciled, along with any reclassification action being taken.

040202 RESTRICTED FUNDS

The policies and procedures for unrestricted accounts above are generally applicable to restricted accounts. The policies below apply to both PFOP restricted and PFOP/FDIB restricted accounts.
A. DEPOSITS. VA will consider funds deposited to restricted accounts as derived from other sources, except those made by VA on behalf of the Veterans. For Treasury checks and money orders made payable to the patient, their handling will depend upon whether the patient has a fiduciary. For Treasury checks representing VA benefit payments, the facility director will endorse the checks and deposit the funds as a gratuitous benefit. All cash found in the possession of patients with restricted accounts will be deposited with the Agent Cashier for deposit to PFOP or PFOP/FDIB accounts.

B. MAINTENANCE OF RESTRICTED PFOP ACCOUNTS. VA will document maximum and minimum balances in the restricted PFOP or PFOP/FDIB records. VA will ensure that these records distinguish between funds derived from gratuitous benefits and those derived from other sources. All restricted accounts must be reviewed at least semiannually to validate the current restricted account status.

C. WITHDRAWAL OF FUNDS. VA will consider all expenditures from restricted accounts as coming from gratuitous benefits, but they cannot exceed the extent of deposit of such benefits. VA will stipulate a maximum withdrawal amount on each restricted PFOP and PFOP/FDIB account record. VA must ensure any item purchased for the patient is not of a nature that it should be furnished at Government expense. VHA and VBA should delineate in its procedures the types of withdrawals that can be made. Withdrawals from restricted accounts for the purchase of U.S. Savings Bonds on behalf of the Veterans are authorized from only nongratuitious funds.

D. DISCHARGE. VA will maintain restricted PFOP and PFOP/FDIB accounts for patients to be discharged for admission to a community nursing home until payment can be made directly to the Veteran or until payment to a guardian is authorized.

E. DECEASED PATIENT ACCOUNTS. VA will determine the source of funds on deposit in PFOP and PFOP/FDIB accounts immediately upon the death of a Veteran. The policies identified under unrestricted accounts for dispositions made upon the death of the patient will be adhered to for restricted accounts.

0403 AUTHORITY AND REFERENCES

040301 31 U.S.C. 1321 Trust Funds

040302 31 U.S.C. 1322 Payments of Unclaimed Trust Fund Amounts and Refund of Amounts Erroneously Deposited

040303 38 U.S.C. 5504, Administration of trust funds

ROLES AND RESPONSIBILITIES

040401 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department’s programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. Specific responsibilities include the direction, management and provision of policy guidance and oversight of VA’s financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

040402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, and other key officials have the responsibility to implement financial policies and procedures established by the CFO, including compliance with the policies and procedures set forth in this chapter.

040403 The Veterans Health Administration (VHA) and Veterans Benefits Administration (VBA) are responsible for the management of PFOP and PFOP/FDIB accounts.

PROCEDURES

The procedures for VHA’s and VBA’s administration and management of PFOP accounts are contained as appendices to this chapter. Appendix A includes implementing procedures relating to both unrestricted and restricted PFOP accounts by
VHA. Appendix B includes similar procedures for administering only restricted PFOP/FDIB accounts by VBA.

0406 DEFINITIONS

040601 Benefits Delivery Network (BDN)/VETSNET. The BDN is a legacy VBA system that processes entitlements for Compensation and Pension, Education, Vocational Rehabilitation and Employment. BDN will be converted to VETSNET, which is a suite of applications being implemented to convert all Veterans’ records now housed on BDN to conform to the VETSNET corporate database structure.

040602 Certification. The authority vested in a Veterans Service Center Manager to make payments to designated payees in accordance with 38 CFR 13.55 (c).

040603 Convenience Checks. A payment and/or procurement tool intended only for use with merchants who do not accept purchase cards and for other authorized purposes where charge cards are not accepted. They are a part of the charge card program and are not linked to checking accounts. They are, in essence, paper versions of the Government charge card, not third party drafts.

040604 Deposit Fund. A deposit fund account established by Treasury’s Financial Management Service (FMS) to record monies that do not belong to the Federal Government and represent a liability to VA.

040605 Escheat. The transfer of property to Government ownership when its owner dies without a will or any heirs.

040606 Fiduciary Activities. As defined in SFFAS No. 31, these activities relate to those of a person or legal entity, appointed by a court of competent jurisdiction or a person or legal entity appointed by the VA Secretary, to receive VA benefits for the use and benefit of the eligible person. Fiduciary activities relate to the collection or receipt and the management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold. Non-Federal parties must have an ownership interest in assets held by the Federal entity under provision of law, regulation or other fiduciary arrangement, usually including an ownership interest in any related income generated. For there to be a fiduciary activity under this standard, there must be a fiduciary relationship based on statutory or other legal authority and evidence that the Government activity is in furtherance of that relationship. The ownership interest must be enforceable against the Federal Government. Judicial remedies must be available for the breach of the fiduciary obligation.

040607 Field Facilities. Field facilities include hospitals, medical centers, domiciliary activities, supply depots and other offices over which VA has direct and exclusive administrative jurisdiction and excludes State, county, city, private and contract
hospitals and hospitals or other institutions operated by the United States through agencies other than VA.

040608 Gratuitous Benefits. Funds on deposit in PFOP accounts that were deposited by VA under laws administered by VA (e.g., compensation payment), as opposed to any funds derived from other sources. All deposits made to the account, except those deposits made by VA on behalf of the Veterans, are considered funds derived from other sources. Expenditures from the PFOP account will be considered to have been made from gratuitous benefits not to exceed the extent of deposit of such benefits.

040609 Incompetent. A mentally incompetent person is one who because of injury or disease lacks the mental capacity to contract or to manage his or her own affairs, including disbursement of funds without limitation.

040610 Institutional Award. Payments made on behalf of an incompetent Veteran who is entitled to pension, compensation or retirement pay, to the chief officer of a VA or non-VA institution, when no fiduciary has been appointed or when payments to an unsatisfactory fiduciary have been discontinued; or when the Veterans Service Center Manager certifies that a fiduciary is not furnishing the chief officer funds required for the Veteran's comforts and desires not otherwise provided by the institution.

040611 Legal Guardian. A person appointed by a court of appropriate jurisdiction to make decisions for an individual who has been judicially determined to be incompetent.

040612 Non-gratuitous Funds. All funds in patients' accounts except those described as gratuitous (e.g., interest on U.S. savings bonds purchased from gratuitous funds is considered non-gratuitous).

040613 Patient. Individuals receiving hospital, nursing home or domiciliary care under VA auspices. Also individuals whose funds are managed by the VA following their release from authorized medical care.

040614 Patient Funds Patient Account Cards. A window-based display within VPFS reflecting account transaction information for each current patient.

040615 Patient Service Lookup (PSL) Facility. The facility limits access to sensitive patient information within VPFS based on the nature of the information and on the authorization level of the system user. Before access is granted to a sensitive patient record, an alert will be displayed. A bulletin will be sent to the Information Security Officer and an entry created in the Security Log file.

040616 PFOP (Personal Funds of Patients). Funds deposited in non-interest bearing accounts at VA health care facilities by or on behalf of patients for safekeeping.

040617 Restricted Accounts. Patient accounts are managed by the facility director, who serves as trustee. Directors may designate, for temporary periods, certain
“restricted” accounts as “unrestricted” and may authorize the patient to use the account, within prudent limits, as an unrestricted account if such use will aid the patient’s therapeutic progress or will help to determine clinically the patient’s capability to handle the funds. Deposited in this type of account are personal funds belonging to the following types of patients:

A. All patients who have been adjudged incompetent by a court.

B. All patients who have been rated incompetent by VA.

C. All patients who have been determined to be incompetent by a review panel as defined in this policy.

D. Psychiatric patients whose funds should be restricted because of their ward status or because an incompetency rating is pending.

040618 Review Panel. Review panels make and review determinations of competency. Review panels will be comprised of the VA medical center director, except where the director has designated the treatment team to determine the patient’s competency, associate director, chief of staff and a mental health professional. Members of the treatment team for the patient being evaluated are prohibited from being review panel participants.

040619 Unrestricted Accounts. Accounts of patients capable of handling personal funds that are deposited for safekeeping. Such accounts are not subject to the trusteeship of the director, and the funds in these accounts are available for return to the patients on demand.

040620 Veterans Personal Finance System (VPFS). New Web-based system used by VHA to manage PFOP accounts. The VPFS maintains all of the same functionalities of the original PFOP automated system, except for a few that are no longer needed due to new built-in security controls. VPFS allows authorized users across VA to access the same centralized application using a Web browser over the VHA secure Intranet. VPFS stores all data for all sites in one centralized database.

040621 VistA. An automated environment that supports day-to-day operations at local VHA health care facilities to manage the accounts of patients in the VA hospital system. Access to the data in the new VPFS is controlled by security software that limits access according to the specific Veterans Health Information Systems and Technology Architecture (VistA) site and user role.

**0407 RESCISSIONS**

0408 QUESTIONS

Questions concerning these financial policies and procedures should be directed as shown below:

VHA VHA Accounting Policy (Outlook)
VBA VAVBAWAS/CO/FINREP (Outlook)
All Others OFP Accounting Policy (Outlook)
APPENDIX A: PROCEDURES – VHA

This appendix will eventually provide the necessary procedures, when developed, for the administration of the PFOP accounts under the control of the Veterans Health Administration (VHA). Current VHA documentary procedures are contained in VA Handbook 4020, Personal Funds of Patients Procedures, dated October 17, 1994, but are not in the format to be presented in this chapter.
APPENDIX B: PROCEDURES – VBA

This appendix will eventually provide the necessary procedures, when developed, for the administration of the PFOP accounts under the control of the Veterans Benefits Administration (VBA). Current VBA documentary procedures are contained in the linked reference cited in the Authority and References section on page 6, but are not in the format to be presented in this chapter. The link is added for ready reference as: http://vbaw.vba.va.gov/bl/21/M21-1MR/pt08/ts_field/pt08_ch04_field_06-17-09.doc