

**GAO**

Testimony

Before the Subcommittee on Disability Assistance and Memorial Affairs,  
Committee on Veterans' Affairs, House of Representatives

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For Release on Delivery  
Expected at 2:00 p.m. EST  
Thursday, April 22, 2010

## **VA'S FIDUCIARY PROGRAM**

# **VA Plans to Improve Program Compliance and Policies, but Sustained Management Attention is Needed**

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Education, Workforce, and Income Security



**GAO**

Accountability \* Integrity \* Reliability

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Highlights of [GAO-10-635T](#), a testimony before the Subcommittee on Disability Assistance and Memorial Affairs, Committee on Veterans' Affairs, House of Representatives

## Why GAO Did This Study

The Department of Veterans Affairs (VA) pays billions of dollars in compensation and pension benefits to disabled veterans and their dependents. For those beneficiaries who are unable to manage their own affairs, VA appoints a third party, called a fiduciary, to manage their VA funds. Congress, VA's Office of Inspector General (OIG) and GAO have noted that VA does not always have, or adhere to, effective policies for selecting and monitoring fiduciaries and therefore, does not fully safeguard the assets of beneficiaries in the Fiduciary Program.

GAO was asked to discuss the Fiduciary Program and possible ways that it could be improved to better serve veterans, their families, and survivors. This statement is based on GAO's February 2010 report ([GAO-10-241](#)), which examined (1) VA policies and procedures for monitoring fiduciaries and safeguarding beneficiary assets and (2) challenges VA faces in improving program performance and oversight. To conduct that work, GAO reviewed program policies and relevant federal laws and regulations, analyzed a nationally representative random sample of case files, interviewed Central Office managers and staff, and conducted three site visits to Fiduciary Program offices, which accounted for 25 percent of program beneficiaries.

View [GAO-10-635T](#) or key components. For more information, contact Daniel Bertoni at (202) 512-7215 or [bertonid@gao.gov](mailto:bertonid@gao.gov).

## VA'S FIDUCIARY PROGRAM

### VA Plans to Improve Program Compliance and Policies, but Sustained Management Attention is Needed

#### What GAO Found

Inconsistent staff compliance with some Fiduciary Program policies and weaknesses in others hinder VA's ability to effectively safeguard beneficiary assets; however, per GAO's recommendations, VA plans to take steps to improve the program. GAO found that VA did not always take required actions to monitor fiduciaries within established time frames or document in the beneficiary's case file that these actions were taken. Inconsistent staff compliance occurred in four areas: (1) initial visits to beneficiaries and fiduciaries, (2) follow-up visits to beneficiaries and fiduciaries, (3) follow up to obtain annual financial reports, and (4) oversight of surety bonds. For example, in about 18 percent of the cases GAO reviewed, VA was late in conducting required follow-up visits to monitor fiduciaries or did not provide sufficient documentation to show whether these visits were conducted. Similarly, while GAO estimated that about 39 percent of fiduciaries did not submit required annual financial reports on time, VA staff did not consistently follow-up with fiduciaries or failed to document actions that were taken. In addition to compliance issues, VA's policies for conducting on-site reviews of professional fiduciaries who manage funds for multiple beneficiaries do not ensure that these fiduciaries are effectively identified and monitored. For example, the agency's case management system uses the fiduciary's name – which may be entered inconsistently – to match them to beneficiaries, rather than requiring a unique identifier, such as a Social Security number. As a result, VA cannot always identify the fiduciaries that need to be reviewed. Moreover, VA does not have a nationwide quality review process to ensure that on-site reviews are conducted properly and consistently. Per GAO's February 2010 report recommendations, VA agreed to revise its Fiduciary program policies in an effort to enhance its oversight role, increase staff understanding and staff compliance, and better safeguard beneficiary assets.

Two key challenges hinder VA's ability to improve Fiduciary Program performance and oversight, but VA has plans to address these challenges. First, managers and staff said that limitations with VA's electronic fiduciary case management system hinder their ability to capture key information. Per GAO's recommendation, VA has established a work group to evaluate alternative system modifications to meet the program's case management needs. Second, managers and staff indicated that training may not be sufficient to ensure that they have the expertise to properly carry out program responsibilities, as many of them had less than 2 years of program experience. In its response to GAO's recommendations, VA stated that it would begin providing additional standardized training for managers and staff this year. VA is also piloting a consolidated Fiduciary Program unit covering 14 VA regional offices to improve program performance and oversight. VA encountered a number of challenges during the pilot's implementation and has not yet evaluated it, but per our recommendation, plans to do so by September of this year.

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Mr. Chairman and Members of the Subcommittee:

I am pleased to have the opportunity to comment on how the Department of Veterans Affairs (VA) Fiduciary Program can better protect vulnerable veterans and their families. Each year, the VA pays billions of dollars in compensation and pension benefits to disabled veterans and their dependents. For those who are unable to manage their own affairs,<sup>1</sup> VA appoints a third party, called a fiduciary, to help manage and protect the beneficiary's funds. A fiduciary can be a spouse or other family member, or an entity such as a law firm, hospital, or nursing home. In fiscal year 2008, fiduciaries provided services for more than 103,000 beneficiaries, and managed nearly 4 percent of the \$38.6 billion in compensation and pension benefits VA paid out in that year. Moreover, the average annual benefit amount for beneficiaries in this program was approximately \$14,400 in fiscal year 2008, which is about \$4,200 more per year than the average for all VA compensation and pension beneficiaries.

Over the years, both Congress and VA's Office of Inspector General (OIG) have expressed concern that VA's Fiduciary Program is not fully safeguarding beneficiaries' assets. Areas of concern included delays in conducting visits to select fiduciaries and insufficient monitoring of VA fund usage by fiduciaries on behalf of beneficiaries. You asked us to discuss such issues and possible ways that the Fiduciary Program could be improved to better serve veterans, their families, and survivors. My statement draws on our recent report which examined (1) VA policies and procedures for monitoring fiduciaries and safeguarding beneficiary assets and (2) challenges VA faces in improving program performance and oversight.<sup>2</sup>

Our work included reviewing program policies and relevant federal laws and regulations, analyzing a nationally representative random sample of

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<sup>1</sup>VA regulations state that the agency may appoint fiduciaries for beneficiaries and beneficiaries' dependents who are mentally ill (incompetent) or under legal disability by reason of minority or court action. 38 C.F.R. § 13.55.

<sup>2</sup>GAO, *VA's Fiduciary Program: Improved Compliance and Policies Could Better Safeguard Veterans' Benefits*, [GAO-10-241](#) (Washington, D.C.: Feb. 26, 2010).

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205 case files<sup>3</sup> and visiting three Fiduciary Program units located in VA regional offices—St. Petersburg, Florida; Cleveland, Ohio; and Salt Lake City, Utah—where we interviewed managers and staff about program policies, procedures, and internal controls.<sup>4</sup> These units accounted for 25 percent of the program’s beneficiaries. During these visits, we also conducted file reviews of cases where either VA suspected that fiduciaries were inappropriately using beneficiary funds or fiduciaries were seriously late in submitting annual financial reports documenting how beneficiary funds were spent. We also reviewed 12 VA on-site reviews which are examinations of financial records of fiduciaries who oversee multiple beneficiaries, whom we refer to as professional fiduciaries. Finally, we interviewed Central Office officials and staff as well as Veterans’ Service Organizations about the performance of the program. We conducted this performance audit from December 2008 to February 2010, 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.

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## Background

Many individuals receiving monthly compensation and pension benefits from the VA have mental impairments that can prevent them from managing their finances. These conditions may result from injury, disease, or infirmities of age. The VA Fiduciary Program matches beneficiaries who are unable to manage their financial affairs with a fiduciary, giving preference to spouses. If VA is unable to locate a qualified spouse who is willing to serve in this capacity, an individual or other entity, such as a lawyer or nursing home, will be appointed. VA appointed fiduciaries who are not dependents or close family members can collect a fee for their

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<sup>3</sup>We analyzed a sample of case files from a population of about 103,700 adult beneficiaries. This excluded beneficiaries whom VA monitored with alternate methods (such as those who managed their own funds for a probationary period and those who VA monitored through letters or phone calls in lieu of some personal visits), as well as those who had negative estate values. All percentage estimates in this testimony have a margin of error of plus or minus 10 percentage points or less, unless otherwise noted. For additional information on our stratified random sample of cases, file review methodology and the reliability of data from the Fiduciary Beneficiary System (FBS), please see Appendix 1 in [GAO-10-241](#).

<sup>4</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

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services (generally up to 4 percent of a beneficiary's annual benefit amount) and can oversee multiple beneficiaries. Whether a fiduciary is a family member or a professional, the responsibilities are generally the same and may include receiving the beneficiary's VA benefits, paying the beneficiary's expenses, maintaining the beneficiary's budget, and generally seeing to the financial well-being—and, in some cases, the physical well-being—of the beneficiary. Finally, if a court has determined that a beneficiary is unable to handle his or her own affairs and appoints its own fiduciary, VA must assess the performance of that fiduciary to determine if he or she is suitable for managing VA benefits given the needs and welfare of the beneficiary. If VA decides to use the court-appointed fiduciary, the agency generally defers to certain rules set by the court, such as those pertaining to the fee amount that the fiduciary can charge for his or her services.

Fiduciary Program policies and procedures are developed by Fiduciary Program Central Office staff under the Office of Policy and Program Management within the Veterans Benefits Administration (VBA). Individual Fiduciary Program units are generally colocated in VA regional offices that also oversee other VBA programs. One major exception to this is the Western Area Fiduciary Hub, where Fiduciary Program units and files from 14 western VA regional offices were merged into a single unit colocated in the VA regional office in Salt Lake City, Utah, beginning in January 2008.

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## Inconsistent Compliance with Some Policies and Weaknesses in Others Hinder VA's Ability to Safeguard Beneficiary Assets

Our February 2010 report noted that VA Fiduciary Program staff did not always take required actions within established time frames or document in the case files that the required actions were taken. Below are four areas where program staff did not always comply with program policies and, per our recommendations, how VA plans to address them.

- **Initial Visits to Beneficiaries and Fiduciaries.** VA policy states that initial visits to appoint fiduciaries are to be conducted within 45 days of a request for a fiduciary, and VA's performance goal is to conduct at least 90 percent of these visits on time. Conducting timely initial visits is important because beneficiaries cannot begin receiving VA benefits until they are completed.

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We sampled and reviewed 67 case files in which initial visits were supposed to be conducted between July 1, 2006, and June 9, 2009,<sup>5</sup> and found that 37 visits were conducted within the 45-day time frame, and 10 were from 3 to 39 days late.<sup>6</sup> For one case, the file lacked documentation that an initial visit was made at all.<sup>7</sup> Managers and staff in some offices we visited said compliance with the timeliness policy for initial visits was improving, but was still a concern. They attributed some compliance issues to a continued lack of staff and resources.

- **Follow-Up Visits to Beneficiaries and Fiduciaries.** Once the fiduciary is selected, staff conduct periodic follow-up visits to re-evaluate the beneficiary's condition and to determine if funds have been properly used and protected. The first routine follow-up visit generally takes place 1 year after a fiduciary is selected, and subsequent visits typically take place every 1 to 3 years thereafter.<sup>8</sup> According to VA managers, it is VA's policy that follow-up visits to fiduciaries are to be conducted within 120 days of the scheduled date, and the on-time goal for these visits is also 90 percent. Timely follow-up visits are important to determine the continued suitability of the fiduciary and to protect beneficiaries from potential misuse of their funds.

Based on a nationwide sample of VA beneficiaries that had been assigned a fiduciary, we estimated that approximately 61,000 adult beneficiaries were supposed to have had at least one follow-up visit between July 1, 2006, and June 9, 2009. We estimated that 76 percent of these visits

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<sup>5</sup>VA implemented recommendations from the VA OIG's June 2006 report on the Fiduciary Program (Report No. 05-01931-158) by July 1, 2006. Recommendations involved VA's efforts to conduct visits, obtain and review fiduciary financial reports, and obtain fiduciary bonds. As such, we chose this as the start date of our analysis. The concluding date of June 9, 2009, is the date by which we requested all files be sent to us.

<sup>6</sup>We could not determine if VA met its nationwide performance goal of conducting at least 90 percent of initial visits on time because the number of cases in our sample for which we could assess initial visit timeliness between July 1, 2006 and June 9, 2009 was too small to project our results to the population.

<sup>7</sup>In the remaining 19 cases, the files included documentation that an initial visit occurred; however, we were unable to assess the timeliness of these visits because documents lacked the date stamps needed to determine when the visits were requested and/or completed. Lack of date stamps could indicate that the photocopies of the files that VA provided us were of poor quality or that the documents in the original files were never stamped with one or both of the necessary dates needed to assess timeliness.

<sup>8</sup>In some cases, such as when the fiduciary is a spouse or when the beneficiary is institutionalized, some of the subsequent visits may be substituted by letters or phone calls.

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occurred within the 120-day time frame. In about 18 percent of the cases, however, VA did not conduct these required follow-up visits on time or provided insufficient documentation to show whether these visits were conducted at all. For the cases that were untimely (12 percent), they were between 1 to 216 days late. In the most extreme example among the cases with insufficient documentation to show whether visits were conducted (6 percent), the follow-up visit was overdue by 16 months.<sup>9</sup> Similar to initial visits, program managers and staff noted that compliance with the 120-day time frame for follow-up visits can be challenging due in part to a lack of staff and time. Program managers said that conducting visits in a timely manner may be especially challenging in regional offices with only one or two Fiduciary Program staff who may also have responsibilities outside of the Fiduciary Program. In addition, managers and staff noted that conducting timely visits can be challenging in areas where staff must drive long distances to see beneficiaries and fiduciaries.

- **Annual Financial Reports.** VA policy generally requires staff to obtain yearly financial reports and bank statements from some fiduciaries to determine how beneficiary funds were used. When fiduciaries do not submit their financial reports on time, staff are required to follow-up with them and document such actions in the beneficiaries' files. Staff can follow-up with letters, telephone calls, or face-to-face contacts. VA policy requires staff to conduct the first of such follow-up actions when fiduciary financial reports are 35 to 65 days late and again when they are 90 days late. At that time, they may inform the fiduciary of the possible repercussions of a failure to comply, which may include legal actions, a referral to the OIG, or other actions. After 120 days, the financial reports are considered "seriously delinquent," and appropriate action is to be taken. Failure to take aggressive action to secure timely financial reports may result in a finding of negligence, which will require VA to re-issue any misused benefits.

Based on our nationwide sample, we estimate that fiduciaries for about 33,000 beneficiaries were required to submit such reports between July 1, 2006, and June 9, 2009. Of these, 39 percent<sup>10</sup> were submitted between 1

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<sup>9</sup>An additional estimated 6 percent of case files contained the report documenting that the visit had occurred, but lacked the date stamp necessary to assess timeliness.

<sup>10</sup>The margin of error was approximately plus or minus 12 percent.

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and 140 days late and 47 percent<sup>11</sup> were submitted on time.<sup>12</sup> In addition our sample and site visit file reviews showed that follow-up contact was frequently not done or not documented by program staff. Of the 30 case files in our sample where financial reports were submitted more than 65 days late, 19 case files either lacked documentation of any follow-up actions or showed that such actions were not taken within required time frames.<sup>13</sup>

Moreover, we found additional instances of inadequate staff follow-up on seriously delinquent financial reports during file reviews conducted at the three regional offices we visited. We reviewed 20 such cases, and found only 1 where the initial follow-up contact was taken within the required 65 days. For the other 19 cases, contact was either between 3 days and 11 months late or there was not adequate documentation to determine if or when such contact had occurred. In one case, a fiduciary's financial report was submitted more than 2 years later than the original due date, and only after VA initiated action to suspend payment. In another case, a financial report due in June 2006 was not submitted until nearly 2 years later. The file did not indicate that any follow-up actions had occurred, although the case is now being investigated for possible misuse of funds. Staff in all regional offices we visited said that they sometimes did not take follow-up actions or failed to document actions they did take, in part, because they lacked the time or believed that some actions did not warrant documentation.

- **Surety Bonds.** VA generally requires staff to obtain a surety bond from fiduciaries overseeing estates with a value of \$20,000 or more that is attributable to VA funds. A bond ensures that the beneficiary's estate will be reimbursed in the event of fiduciary mismanagement or abuse of beneficiary funds. Our nationwide sample showed that program staff sometimes failed to obtain proof that a fiduciary purchased a bond, when required, or did not adequately document in the beneficiary case files that the bond requirement was waived.<sup>14</sup> Of the 52 case files in our sample for

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<sup>11</sup>The margin of error was approximately plus or minus 13 percent.

<sup>12</sup>It was not possible to determine if or when the remaining 14 percent of the financial reports were submitted, due to poor file documentation, including lack of date stamps. The margin of error was approximately plus or minus 11 percent.

<sup>13</sup>The number of cases in our sample where financial reports were submitted more than 65 days late was too small to project our results to the population.

<sup>14</sup>The number of cases in our sample requiring a bond was too small to project our results to the population.

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which fiduciaries were required to purchase a bond, 8 case files lacked adequate documentation to indicate whether a bond was purchased or that the bond requirement was waived because the fiduciary met conditions for an exception. Some of the 8 cases involved substantial benefit amounts. For example, 2 cases which contained no documentation that bonds were purchased had VA estate values of approximately \$82,000 and \$62,000—leaving these beneficiaries and VA vulnerable to a substantial loss if funds were misused. Some staff in regional offices we visited said that they were often uncertain about what types of bonds are required for certain types of fiduciaries, and this was confirmed by our site visit file reviews. For example, in one case, a Fiduciary Program staff member was told by a fiduciary who was an attorney that an individual bond was unnecessary because the fiduciary had a “blanket” bond that covered all VA responsibilities. Although this staff member documented in the case file that he was unsure if this was correct, he took the fiduciary’s word that an additional bond was not required. However, we were told by managers and staff that a blanket bond was most likely not acceptable in this case, and the staff person should have required the fiduciary to obtain an individual bond.<sup>15</sup>

In regard to the above findings, we recommended that VA ensure that staff understand and carry out policies regarding file documentation, follow-up with fiduciaries for late financial reports, and bond acquisition. VA concurred and, in its comments to our report, outlined several planned actions. For example, VA stated that it would roll out additional training for staff in March of this year and expects to hold a manager’s training conference later in the year. The agency also intends to revise the program’s policy manual this year to clarify existing guidance, establish new policies and procedures, and enhance oversight of fiduciary activities.

In addition to compliance issues, we identified weaknesses in VA’s policy for conducting periodic on-site reviews of professional fiduciaries who manage funds for multiple beneficiaries. Cumulatively, such benefits can be a substantial amount of money. On-site reviews examine the financial records across all beneficiaries that a professional fiduciary manages to detect discrepancies among accounts, which may not be detected by examining annual financial reports for a single beneficiary. We found two

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<sup>15</sup>Central Office managers explained that fiduciaries need a bond for each individual beneficiary unless the fiduciary is a government or nonprofit entity, in which case a blanket bond covering all of their beneficiaries would be acceptable.

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weaknesses associated with the on-site review policy VA developed.<sup>16</sup> First, while VA is required to conduct periodic on-site reviews for professional fiduciaries who oversee more than 20 beneficiaries with combined benefits totaling \$50,000 or more, the agency can not ensure that all fiduciaries who need these reviews are identified. To generate a list of fiduciaries meeting these criteria, each Fiduciary Program unit uses VA's electronic case management system to link or match a fiduciary to all of their beneficiaries. This computer match is based on a fiduciary's name, rather than a unique identifier, such as the fiduciary's Social Security number (SSN) or tax identification number (TIN). However, if fiduciary names are entered inconsistently into the system, a fiduciary for which an on-site review is required may not be identified. While VA's case management system includes a field for unique fiduciary identifiers, VA policy does not require this information for all fiduciaries. Central Office staff acknowledged that requiring a unique identifier would decrease VA's chances of making mistakes in identifying fiduciaries with multiple beneficiaries who require reviews. In response to our recommendation, VA plans to begin requiring that all fiduciaries supply unique identifiers (such as SSNs or TINs) to better track fiduciaries who manage multiple beneficiaries.

We also found that VA lacks a nationwide quality review process to ensure that on-site reviews are conducted properly and consistently. While VA has quality review processes to ensure that actions—such as conducting initial visits and obtaining financial reports and bonds—are carried out in accordance with VA policies, Central Office managers acknowledged that VA lacks a similar process for on-site reviews.<sup>17</sup> Having such a process is not only a key internal control, but it is also important for ensuring that on-site reviews are conducted properly and consistently across all Fiduciary Program units nationwide.<sup>18</sup> Our examination of 12 files from the three regional offices we visited revealed deficiencies in these exams which could be detected through a national quality review process. Four

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<sup>16</sup>On-site reviews were required by the Veterans' Benefits Improvement Act of 2004; VA developed its on-site review policy in 2005, and began conducting these reviews in 2006.

<sup>17</sup>Both regional office managers and Central Office managers and staff regularly review a set number of beneficiary case files on either a monthly or yearly basis.

<sup>18</sup>Internal controls should generally be designed to ensure that ongoing monitoring occurs in the course of normal operations, including regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. See [GAO/AIMD-00-21.3.1](#).

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of the files we examined lacked key case selection information, preventing managers from determining whether they were selected according to VA policy—which states that cases associated with beneficiary complaints or a history of late or questionable financial reports should receive priority. In addition, although VA policy requires that at least 25 percent of a fiduciary’s beneficiary case files (or up to 25 case files) be examined during the on-site reviews, we found that this threshold was not met in four instances. At the time of our review, Central Office staff tracked whether on-site reviews were completed; but, not whether they were conducted in accordance with policy. In response to our recommendation, VA noted that they recently began reviewing all completed on-site reviews to ensure that they conform to program policy and procedures.

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## System Limitations and Insufficient Training Hamper Program Performance and Oversight; However, VA Is Taking Steps That May Help

We identified two key challenges that limit VA’s ability to improve Fiduciary Program performance and oversight. First, VA’s electronic fiduciary case management system does not provide sufficient information to managers and staff about their cases, and it is cumbersome to use. Second, some managers and staff may not have received sufficient training to ensure that they have the necessary expertise to effectively monitor individual fiduciaries and oversee the program. VA is taking steps to build expertise about the case management system and the program itself by developing additional standardized training and piloting a consolidated Fiduciary Program unit covering 14 western VA regional offices.

- **VA’s Electronic Fiduciary Case Management System.** The Fiduciary Beneficiary System (FBS), VA’s electronic fiduciary case management system, does not provide sufficient data to effectively manage the Fiduciary Program. Although it does provide some useful information on individual case files, pending workloads, and program performance, several system limitations hamper its ability to maintain accurate and timely data and provide management with quality information about the program.

FBS data fields are configured to track a fixed number of pending activities, which can limit the accuracy and completeness of information in the system. Staff and managers in the three regional offices we visited said they often need to track more upcoming actions than FBS permits. For example, staff noted that FBS accepts only one due date for upcoming financial reports, even though multiple financial reports may be due simultaneously if one or more is late. In such cases, the due date for the most recent overdue report overrides the older due date, even if the older financial report has not yet been submitted. To compensate for this FBS

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limitation, staff may track pending actions manually outside of the system or keep personal notes as reminder.

In addition, some managers find that FBS management reports are not always easy to generate or helpful in overseeing the program. For example, one manager told us that monitoring staff performance was difficult because the system does not generate a single report that shows all upcoming work that staff need to conduct over a certain period of time. Instead, several reports need to be generated and cross-referenced, which can be cumbersome. In addition, FBS does not store historical information beyond 30 days which would allow managers to examine past issues with fiduciaries or staff performance. For example, managers in two regional offices said that in order to look at historical information on seriously delinquent financial reports, they would have to manually examine monthly paper printouts generated in prior months by FBS, which can be time consuming. A 2007 internal VA report also stated that FBS requires extensive knowledge to use, which inhibits effective oversight and management at all levels of the program.<sup>19</sup> Central Office managers acknowledged the shortcomings of FBS and in response to our recommendations said that they would create a work group to determine the feasibility of enhancing FBS or developing a new case management system.

- **VA's Fiduciary Program Training.** Managers and staff in all three regional offices we visited said the Fiduciary Program is complex and requires a great deal of specialized knowledge to effectively monitor fiduciaries and provide program oversight. Although the Fiduciary Program has a policy manual to guide staff in carrying out their responsibilities, managers and staff said there are many nuances and exceptions that take time to master, particularly since each fiduciary and beneficiary situation may be different. In addition to these program complexities, managers in all of the regional offices we visited said that high staff turnover has contributed to a large number of inexperienced managers and staff in their Fiduciary Program units who need training.<sup>20</sup>

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<sup>19</sup>VA, *Fiduciary and Field Examination Pilot Implementation Team Report*, (Washington, D.C. Nov., 5, 2007).

<sup>20</sup>One common reason managers gave for high staff turnover was that Fiduciary Program positions tend to have low pay grade ceilings, so if staff want to advance beyond these ceilings, they must leave the Fiduciary Program. We attempted to obtain VA data on staff turnover to determine both the Fiduciary Program turnover rate and how it compares to other programs, but we were told that such data was not readily available.

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For example, in two of the three regional offices we visited, only about one-third of staff (15 out of 47) had more than 2 years of experience in the program.<sup>21</sup> During our site visits we were told that limited training for managers and staff may have contributed to various program problems, including failures to properly monitor fiduciaries or document certain actions in beneficiary case files.

VA has provided some training to ensure that Fiduciary Program managers and staff are proficient in carrying out their responsibilities, and some regional offices have developed their own training. VA provides a standardized computer-based training program for new staff who conduct visits to beneficiaries and fiduciaries and for those needing a refresher. Central Office managers and staff also said that they hold monthly teleconferences and conduct periodic visits to individual Fiduciary Program units to discuss selected topics. In addition, managers and staff in all three regional offices we visited said that they conduct their own weekly or biweekly training sessions on selected topics, such as how to determine whether bonds are required, and what kinds of situations constitute misuse. However, they noted that individual training occurs primarily on the job, and the effectiveness and consistency of such training depends on the expertise of staff conducting the training. Central Office managers acknowledged that standardized training would be beneficial and stated that they are increasing training for managers and staff beginning this year.

- **VA's Consolidation of Western Fiduciary Program Units.** From January to September 2008, VA consolidated Fiduciary Program unit managers, staff, and files from 14 western VA regional offices into a single location in Salt Lake City, Utah—referred to as the Western Area Fiduciary Hub—to improve program performance and oversight. VA officials expect the hub to result in increased staff expertise, more consistent training, better leveraging of staff resources, and increased program efficiencies. For example, the hub created specific management positions for the Fiduciary Program and divided staff into teams to focus on specific actions and responsibilities in an effort to build program expertise, including expertise with FBS. In addition, the hub provides opportunities to train more staff at once, which could help to further build staff expertise and potentially increase the consistency of training. The hub also

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<sup>21</sup>The third office, discussed in the next section, was the office which consolidated staff from the fiduciary units in 14 western regional offices.

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eliminated jurisdictional boundaries that prevented staff from conducting visits that were geographically close, but outside of their assigned area of responsibility, which VA expects will help balance workloads among staff and reduce travel time. Additionally, the hub moved from a paper based to an electronic case file system, called Virtual VA, in an attempt to more efficiently transfer information between Salt Lake City hub staff and the staff conducting visits in other offices.

While some VA managers and staff in the hub believe consolidation can help improve Fiduciary Program performance, they described some challenges that have impeded effective implementation of the pilot project. The hub's managers explained that there had been multiple changes in management and that implementation began before appropriate planning and resources were in place. For these reasons, hub managers did not consider the hub to be fully functional until January 2009, which was approximately 1 year after it opened. During our July 2009 visit to the hub, managers and staff mentioned such unforeseen difficulties as: (1) inconsistent access was granted into Virtual VA; (2) paper documents were being scanned into the wrong electronic beneficiary case file and (3) substantial amounts of time were being spent updating old cases that had been improperly maintained by the previous Fiduciary Program units. For some improperly maintained cases, staff had not taken required actions to address seriously delinquent financial reporting and potential misuse of funds had gone unidentified for significant periods of time. This required hub staff to perform necessary follow-up actions, in addition to completing incoming new work. Managers and staff noted that they have gained valuable insight and knowledge in implementing the hub that could help inform future office consolidations.

At the time of our review, the hub was still undergoing multiple changes and had not yet been evaluated, thus it was unclear whether consolidation of Fiduciary Program units has improved program performance and oversight. In response to our recommendation that the Central Office evaluate the performance of the hub, VA responded that it anticipates completing such an evaluation by September 2010.

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## Conclusions

One of VA's most vulnerable populations—beneficiaries who are unable to manage their own financial affairs—rely on VA's Fiduciary Program to ensure that their benefits are safeguarded. To better serve beneficiaries and protect their benefits, VA has taken or plans to take a number of actions intended to increase staff understanding and compliance with

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polices as well as enhance program oversight. Revising program policies and procedures, increasing training, evaluating alternatives to the program's case management system, and evaluating the Western Area Fiduciary Hub are important steps. However, in order for these actions to successfully address the longstanding shortcomings we and others have identified, VA management must pay sufficient attention to this program, including exercising adequate oversight of its staff. Absent sustained management guidance and staff compliance, beneficiaries may remain vulnerable to the consequences of fiduciaries misusing their funds.

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Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions that you or other Members of the Subcommittee may have.

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