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Office of Audits and Evaluations

VETERANS BENEFITS ADMINISTRATION

Review of the Fiduciary Program's Misuse Allegation Process

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Executive Summary

The VA Office of Inspector General (OIG) conducted this review to help protect vulnerable beneficiaries from fiduciaries' misuse of their VA benefits payments. The team examined whether Veterans Benefits Administration (VBA) fiduciary program staff took action consistent with governing guidance for about 1,600 misuse allegation cases completed from April 2024 through March 2025.

The OIG found that fiduciary program hub staff sometimes did not accurately record the earliest date when misuse allegations were received and did not advance all allegations of potential misuse for investigation consistent with requirements. The team confirmed on follow up that the issues persisted as of February 28, 2026. A February 2025 opinion from the Court of Appeals for Veterans Claims, Shorette v. Collins (38 Vet.App.112 (2025)), also highlighted the importance of VBA conducting thorough oversight over fiduciary hub action to ensure veterans' protection. Properly recording fiduciaries' potential misuse of beneficiaries' funds and investigating credible allegations against fiduciaries are vital to stopping financial abuse and reimbursing misused VA benefits to the beneficiary. Credible allegations are those that VA defines as having reasonable grounds to be believable, convincing, or plausible.[1] VA reissued more than $5 million in fiscal year 2025 to beneficiaries after showing fiduciaries did not use the money for beneficiaries' well-being.[2]

The review team provided preliminary findings to the Pension and Fiduciary Service in July 2025 and later met with the service's then–executive director. In January 2026, the team briefed service officials on the review's results. The OIG made four recommendations to help ensure allegations about fiduciaries' misuse of benefits are correctly recognized, recorded, processed, and advanced for investigation. The principal deputy under secretary for benefits concurred with all four recommendations and requested closure of recommendation 4.

What the Review Found

Federal law (38 U.S.C. § 5502) authorizes VA to pay benefits directly to a fiduciary when it serves a beneficiary's interest. To carry out this purpose, VBA's Pension and Fiduciary Service administers and oversees the national Fiduciary Program through six regional hubs. The VA Fiduciary Program Manual specifies procedures for hub staff to follow when VA receives a credible allegation that a fiduciary misused VA benefits meant for a beneficiary's welfare. These steps include documenting misuse allegations in VA's electronic system and deciding when to advance an allegation for investigation.

[1] VA Fiduciary Program Manual, "Misuse Investigations," topic II.3.A.3, August 25, 2023.

[2] VA, *Veterans Benefits Administration Annual Benefits Report: Fiscal Year 2025*.

Based on a statistical sample taken from about 1,600 misuse allegation cases from April 2024 through March 2025, the OIG team estimated that fiduciary program staff recorded the wrong dates for receiving misuse allegations in about 350 cases. The team used statistical projections to determine that, for the estimated 960 cases where fiduciary staff decided investigations were not warranted, investigations should have been conducted for about 240 cases (25 percent), according to the program manual. The OIG confirmed these issues were still present by testing a follow-up sample of cases from January through February 2026.

Contributing causes for these issues included staff confusion about applying unclear provisions in the manual and staff incorrectly applying higher standards of evidence related to the *investigation phase* of the misuse protocol instead of the lower standard for the *allegation phase*. Staff also mistakenly applied provisions in the manual associated with the general fiduciary process, rather than the fiduciary misuse protocol. Finally, the OIG team found that the Pension and Fiduciary Service lacked systematic national monitoring of misuse allegations to detect staff's missteps.

Without clearer guidance on how fiduciary program hub staff should record and investigate misuse allegations, there is a risk that VA benefits will be fraudulently misused and that financial abuse of vulnerable beneficiaries will continue undetected. For example, in fiscal year 2025, OIG criminal investigations resulted in nine indictments of VA-appointed fiduciaries for fraud. More comprehensive oversight of allegations of fiduciaries' misuse of funds would also provide the Pension and Fiduciary Service with greater assurance that staff are correctly recording and processing misuse allegations and appropriately advancing them for investigation.

Next Steps

The comments and action plans from the principal deputy under secretary for benefits, performing the delegable duties of the under secretary for benefits, were responsive and meet the intent of the recommendations. The full response is in appendix C. Based on documentation provided by VBA, the OIG considers recommendation 4 closed. The OIG will continue to monitor VBA's corrective actions and will close the remaining recommendations once VBA provides sufficient evidence that it has addressed the risks identified in this report.

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Introduction

The Fiduciary Program administered by the Veterans Benefits Administration (VBA) was established to protect the most vulnerable beneficiaries—those unable to manage their VA benefits. As stated in 38 C.F.R. § 13.10(a), the program seeks to ensure these beneficiaries' well-being by appointing fiduciaries to manage their VA payments and then overseeing fiduciaries' actions. According to VBA's most recent *Annual Benefits Report*, the fiduciary program served nearly 103,000 beneficiaries who collectively received almost $2.8 billion in benefits payments for fiscal year 2025.[3]

One of the risks to beneficiaries is fiduciaries' misusing their VA benefits. Fiduciary program staff monitor beneficiaries' welfare and their fiduciaries' performance to safeguard VA payments from fraud, waste, and misuse.[4] VBA's *Annual Benefits Report* from fiscal year 2025 noted that VA reissued nearly $5 million to beneficiaries that year after investigations of misuse. The Fiduciary Program Manual defines a misuse allegation as "information received or discovered from varied sources that may indicate the occurrence of misuse of benefits."[5] The manual says fiduciary staff must review misuse allegations and investigate unless there is clear evidence that the allegation is baseless.[6]

The VA Office of Inspector General (OIG) conducted this review to determine whether fiduciary program staff ensured that allegations of misuse completed from April 2024 through March 2025 were properly recorded and processed in compliance with requirements, including that allegations were advanced for investigation unless evidence refuted the potential misuse. In February 2025, in Shorette v. Collins (38 Vet.App.112 (2025)), the Court of Appeals for Veterans Claims highlighted the importance of VBA conducting thorough oversight over fiduciary hub action to ensure it is protecting veterans and family members.

In July 2025, the OIG review team provided preliminary findings of cases the team reviewed to Pension and Fiduciary Service leaders and staff. In August 2025, the OIG team also met with the then–executive director of the Pension and Fiduciary Service and discussed what the review found. In January 2026, the OIG team formally briefed VBA staff and leaders on this report's findings and recommendations.

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[3] VA, *Veterans Benefits Administration Annual Benefits Report: Fiscal Year 2025*. The federal fiscal year runs from October 1 through September 30.

[4] 38 C.F.R. § 13.10(a); VA Fiduciary Program Manual, "Fiduciary Program Responsibilities," topic I.1.B, May 6, 2022.

[5] VA Fiduciary Program Manual, "Misuse Allegations," topic II.3.A.2, August 25, 2023.

[6] VA Fiduciary Program Manual, "Misuse Allegations."

Program Purpose and Authority

The authority for VA's Fiduciary Program comes from 38 U.S.C. § 5502, which allows the VA Secretary to pay benefits directly to a fiduciary when it is in the best interest of a beneficiary. The Secretary also has the authority to oversee fiduciaries and may investigate the fitness of any person appointed as a VA fiduciary under 38 U.S.C. § 5507. Furthermore, 38 U.S.C. § 6106 defines a misuse of benefits as any VA payment that is used for purposes other than for the beneficiary or their dependents, and it authorizes the Secretary to publish related regulations.

Federal regulations in 38 C.F.R. § 13.140 (2025) outline the responsibilities of a fiduciary, which include managing VA funds and monitoring the beneficiary's well-being. The fiduciary has responsibilities to both VA and the beneficiaries they serve. Fiduciaries must use any VA funds only for the care, support, education, health, and welfare of the beneficiary and their dependents.

The Pension and Fiduciary Service

The VA Fiduciary Program is administered by VBA's Pension and Fiduciary Service, which establishes policy and procedures, provides training, and monitors quality. This includes conducting site visits to each of the service's six hubs to ensure compliance with national policy and procedures and to identify areas of concern and best practices. Staff in these six fiduciary hubs across the country are responsible for program activities for their assigned geographic region and are tasked with appointing and managing fiduciaries.[7] The hub staff conduct periodic field examinations to assess a beneficiary's well-being and the integrity of the services provided by a fiduciary.[8] Other hub oversight responsibilities include protecting federal funds from fraud, waste, and abuse; safeguarding a beneficiary's assets from loss or diversion; and investigating a fiduciary's alleged misuse of a beneficiary's funds.[9] Fiduciary hubs assign specific staff (misuse teams) to review allegations and decide whether a misuse investigation is required.[10]

The Fiduciary Program Manual

The VA Fiduciary Program Manual is based on the governing federal laws and regulations previously described and serves as a general guide for providing fiduciary assistance to beneficiaries. The manual is meant to "summarize or restate in plain language the applicable law, clarify any ambiguities, and provide a picture of fiduciary-related processes that is reasonably complete and easy to understand and apply."[11] The manual comprises three main parts: the general fiduciary process, oversight of a beneficiary's estate and funds, and fiduciary appeals.

[7] VA Fiduciary Program Manual, "Organizational Model," topic I.1.A.1, April 25, 2024.
[8] VA Fiduciary Program Manual, "Authority and Purpose of Field Examinations," topic I.2.A.1, November 9, 2020.
[9] VA Fiduciary Program Manual, "Fiduciary Program Responsibilities," topic I.1.B.3, October 15, 2024.
[10] VA Fiduciary Program Manual, "Organizational Model."
[11] VA Fiduciary Program Manual, "Fiduciary Program Manual (FPM) Prologue," November 8, 2022.

The manual outlines a protocol, found in the oversight section, for hub staff to follow when a fiduciary's misuse of benefits is alleged or suspected. The misuse protocol spans three main phases: misuse allegation, investigation, and determination. Fiduciary program staff must complete the entire misuse protocol for any "credible" allegations of misuse (that is, allegations with reasonable grounds to be believable, convincing, or plausible).

This OIG review focused on the allegation phase of the protocol, which involves the review and recording of misuse allegations and then deciding next steps.[12] Hub staff must make two important decisions after receiving an allegation of potential misuse: (1) whether the allegation is credible and (2) whether to advance the allegation to the investigation phase of the misuse protocol. If the allegation is credible, staff establish a record that allows the Pension and Fiduciary Service to document and monitor allegations of misuse. Fiduciary program staff then update the record with the appropriate details of the misuse allegation, including the date it was initially received.[13]

Once the misuse allegation record is established, hub staff must decide whether an investigation is warranted and "must investigate each allegation unless there is clear evidence that the allegation has no basis in fact."[14] Even if a misuse investigation is warranted, this does not necessarily mean that misuse actually occurred. The purpose of the investigation is to make this determination. To make the decision about whether to investigate, hub staff compare the allegation with the documentation in VBA's electronic claims systems, which can include evidence related to accountings (a fiduciary's written report regarding the beneficiary's income and funds under the fiduciary's management), relevant correspondence, and field examinations. In addition, they may contact the complainant, beneficiary, or fiduciary.

According to the manual, the reasons why an allegation of misuse would *not* be investigated include that the allegation is clearly based on the alleger's misunderstanding of the fiduciary's duties and responsibilities, based on the fiduciary's charging a pre-approved fee, or multiple similar allegations were previously reviewed or investigated.[15] Decisions not to investigate must be documented in a misuse allegation memorandum. This memorandum "must clearly indicate there is no evidence to support the allegation of misuse and support the decision with sufficient evidence to confirm the conclusion not to complete a misuse determination," including those detailed in the manual.[16]

It is important to note that there is a higher evidentiary threshold for finding misuse after an allegation is moved to the investigation phase of the misuse protocol, while as described above,

[12] VA Fiduciary Program Manual, "General Information on the Misuse Protocol," topic II.3.A.1, August 25, 2023.
[13] VA Fiduciary Program Manual, "Misuse Allegations."
[14] VA Fiduciary Program Manual, "Misuse Allegations."
[15] VA Fiduciary Program Manual, "Overview of the Misuse Protocol."
[16] VA Fiduciary Program Manual, "Misuse Allegations."

there is a lower threshold when deciding that an investigation of an allegation is warranted. For example, the manual's misuse protocol for the allegation phase states that staff should err on the side of establishing misuse allegations and advancing any credible allegation of misuse for investigation unless clear evidence shows an allegation is not based in fact.[17] However, as described later in this report, this is mistakenly interpreted by some staff to mean that an allegation should not be pushed forward for investigation unless there is a preponderance of evidence of benefits misuse (an investigation phase standard).

[17] VA Fiduciary Program Manual, "Misuse Allegations."

Results and Recommendations

Finding: Allegations of Fiduciaries' Misuse of Funds Were Not Always Properly Recorded or Advanced for Investigation as Required

The OIG team's analysis of the statistical sample of credible allegations completed from April 2024 through March 2025 revealed that staff did not record the earliest date VA became aware of the allegation for about 22 percent of misuse allegation cases—an estimated 350 of about 1,600 cases. Among those 350 cases, fiduciary hub staff sometimes recorded the date of a later allegation rather than that of the earliest report of the same or similar purported wrongdoing. The OIG team also found that, of an estimated 960 out of 1,600 cases where fiduciary staff decided an investigation was not warranted, about 240 (25 percent) should have been investigated.

These issues occurred because of unclear guidance, staff's confusion and misapplication of the Fiduciary Program Manual, and a lack of systematic oversight to detect staff's missteps. Properly recording and investigating credible allegations of the misuse of beneficiary funds is vital to protecting vulnerable veterans from financial abuse and helping to ensure they are properly reimbursed for any misused VA payments.

The OIG team confirmed that the issues persisted as of February 28, 2026, by reviewing a sample of misuse allegation cases completed from January through February 2026. As of May 26, 2026, VBA had developed, but not yet implemented, a national misuse quality assurance program that includes conducting national quality reviews across all stages of the misuse process. This program will expand VBA's oversight of misuse claims processing beyond the activities in place during the review, which include site visits, focused reviews, negligence determinations, and assessments of field compliance with procedures following a misuse determination.

What the OIG Did

The OIG team reviewed applicable laws, regulations, policies, and procedures related to misuse allegations. To assess fiduciary staff's understanding of the Fiduciary Program's guidance and their knowledge of the misuse allegation process, the team visited fiduciary hubs in Columbia, South Carolina, and Milwaukee, Wisconsin. The team also interviewed managers at the Salt Lake City, Utah, fiduciary hub as well as staff and leaders with the Pension and Fiduciary Service. Appendix A provides more details about the scope and methodology used, and appendix B discusses the team's statistical analysis.

In July 2025, the OIG review team provided preliminary findings of cases the team reviewed to Pension and Fiduciary Service leaders and staff. In August 2025, the OIG team also met with the then–executive director of the Pension and Fiduciary Service and discussed what the review

found. In January 2026, the OIG team formally briefed VBA staff and leaders on this report's findings and recommendations. The VBA staff attending that briefing were receptive to the findings presented and provided feedback on the recommendations.

Recording Allegations of Fiduciary Misuse of Funds

According to the VA Fiduciary Program Manual, hub staff must record the earliest date VA becomes aware of an allegation.[18] In the estimated 22 percent of cases identified during the review period in which staff used the wrong dates, the team estimated that the difference between the reported date and actual allegation date averaged at least 19 days—with one sampled case's reported date 214 days after the initial allegation was received. The team estimated that in at least 65 of the 350 cases for which the wrong date was used, VA created a misuse allegation record only after the beneficiary or another party submitted the same or similar allegation more than once.

The OIG team could not determine whether there were any missed allegations, as there was no way to identify potential misuse allegations that were not documented by fiduciary hub staff. There was evidence, however, that initial misuse allegations were not consistently recorded. Example 1 describes a situation when hub staff did not report the correct misuse allegation date.

Example 1

On May 23, 2024, a fiduciary hub staff member's field examination revealed potential misuse because the fiduciary was evasive and did not submit complete financial statements needed for oversight. Although an allegation based on the potential misuse identified in the examination was referred to the hub misuse team on May 28, 2024, the misuse allegation record was not established until September 10, 110 days after the allegation was received from the field examiner.

Correctly recording allegation dates according to Fiduciary Program Manual requirements is important for ensuring timely action and to demonstrate when staff identify credible indications of misuse as allegations.

Misuse Allegations Advanced for Investigation

The Fiduciary Program Manual provides that staff must investigate each allegation unless the allegation has "no basis in fact" and that staff "must" also examine any uncertainty regarding whether an allegation merits investigation.[19] Based on the OIG's projections from a statistical sample, fiduciary hub staff determined investigations were needed in about 640 cases (40 percent) of the estimated 1,600 misuse allegations. For the estimated 960 cases (60 percent)

[18] VA Fiduciary Program Manual, "Misuse Allegations."

[19] VA Fiduciary Program Manual, "Misuse Allegations."

where no investigation was completed, the OIG team determined that misuse allegations should have been investigated in about 240 cases (25 percent). In many of these cases, fiduciary hub staff did not resolve red flags—that is, indicators of misuse—by obtaining relevant documentation, such as complete financial statements, to make certain that a misuse of benefits did not occur.[20] Example 2 describes a case when a misuse allegation was not investigated as required.

Example 2

On August 22, 2024, fiduciary hub staff requested financial statements from a fiduciary (the daughter of the beneficiary) to review how the beneficiary's funds were being used. In late 2024, the beneficiary passed away, and the requested documents had not been received. On February 5, 2025, fiduciary hub staff conducted a field examination to obtain the missing financial statements needed to complete a final accounting, which is required whenever a beneficiary dies.

The field report noted potential misuse and recommended an investigation. Despite this, hub staff determined an investigation was not needed and completed a misuse allegation memorandum documenting the decision. The listed reasons not to investigate were because the fiduciary was the known heir and there was no evidence the daughter used the funds for purposes other than the benefit of the beneficiary.

As to this example, just because a fiduciary is an heir does not absolve staff from advancing the allegation to the investigation of potential misuse on how the funds were used. Evidence of misuse was not required for an investigation to be launched. Because fiduciary staff did not have "evidence that the allegation has no basis in fact," they were required to advance the allegation to the investigation phase.

Investigations of fiduciaries' potential misuse of funds are necessary to protect beneficiaries from financial abuse. The team estimated that at least 110 of the 640 misuse allegations that *were* investigated resulted in the finding of misuse. Example 3 is one of these cases.

Example 3

On January 5, 2024, a field examiner documented potential fiduciary misuse based on suspicious cash withdrawals in March and April 2023. After repeated requests, the fiduciary refused to provide evidence documenting how the withdrawals were used. Fiduciary hub staff conducted a misuse investigation and,

[20] VA Fiduciary Program Manual, "Red Flag Indicators of Misuse, Fraud, or Improper Use," topic I.3.C.6, June 15, 2022.

on September 12, 2024, found the fiduciary misused $66,144 in VA benefits meant for the beneficiary.

Given the potentially large sum of beneficiaries' funds that fiduciaries could misuse and the impact on beneficiaries, it is critical that hub staff investigate misuse allegations unless there is evidence the allegation is baseless. When, after an investigation, a determination is made that misuse has occurred, fiduciary hub staff forward that information for possible criminal investigation.

The criminal investigations and indictments of VA-appointed fiduciaries also highlight the continued risk to vulnerable beneficiaries of having their VA funds fraudulently misused. In fiscal year 2025, criminal investigations conducted by the OIG resulted in nine indictments of VA-appointed fiduciaries for fraud by depriving beneficiaries of their VA benefits. In one recent example, the Department of Justice reported that a VA-appointed fiduciary pleaded guilty and was sentenced to two years in federal prison for stealing and misusing over $53,000 intended to support a military veteran no longer capable of managing their own financial affairs.[21]

Fiduciary hub staff's decisions not to advance some allegations for investigation—despite meeting the guidance threshold—runs contrary to the program's purpose of protecting vulnerable beneficiaries and ensuring VA resources are used appropriately.

Differing Standards and Guidance on Identifying and Processing Misuse Allegations

The Pension and Fiduciary Service provides guidance to its hub staff through the Fiduciary Program Manual and through special-focused review results, site visit reports, checklists, and other communications. However, the OIG team found that the manual provided an evidentiary standard sufficient to trigger an investigation, which differed from the evidentiary standard needed to support a finding after an investigation is completed. But the manual did not provide sufficient direction on the circumstances in which these different standards should be applied and lacked details, resulting in staff confusion. Additionally, inaccurate information presented during past site visits, like reports and checklists about the standards to advance allegations, may have exacerbated misunderstandings.

Identifying Credible Allegations

The team's review of the manual identified unclear guidance about what constitutes a credible misuse allegation. As part of completing the misuse protocol, staff must be able to identify when

[21] *U.S. Department of Justice, U.S. Attorney's Office for the Northern District of Florida*, "Man Sentenced to Federal Prison for Theft of Funds from the Department of Veterans Affairs," news release, March 3, 2026, accessed April 2, 2026, https://www.justice.gov/usao-ndfl/pr/man-sentenced-federal-prison-theft-funds-department-veterans-affairs.

an allegation is credible and accurately report the earliest date that an allegation was received. However, the definition of a credible allegation is not provided until the investigation phase of the protocol; only then does the protocol explain that a "credible allegation is reasonable grounds for the allegation to be believable, convincing and/or plausible." For hub staff trying to determine whether an allegation should be reviewed further, this definition may be difficult to find because it is in the segment of the manual that comes after the allegation phase when an investigation has already begun.[22]

When the OIG team interviewed fiduciary hub staff, some confirmed their confusion about what represents a credible allegation. The OIG team received various answers, ranging from a requirement that there is evidence that supports misuse (such as bank statements of the fiduciary or the beneficiary showing suspicious withdrawals or purchases) to making the assumption that any allegation is credible.

To address issues with identifying credible allegations, the OIG's first and second recommendations are for VBA to review and update the Fiduciary Program Manual to clarify how to properly evaluate misuse allegations and determine whether an investigation is necessary and how potential misuses of beneficiary funds, such as red flag indicators, must be addressed and documented.

Deciding Whether to Advance Misuse Allegations for Investigation

As previously noted, the misuse protocol stops an allegation from being investigated only when there is "clear evidence that the allegation has no basis in fact." The protocol underscores for fiduciary hub staff that when it is uncertain whether an investigation is justified, one must be conducted.[23] However, as the following sections detail, the OIG review found that fiduciary hub staff closed misuse allegations that should have been investigated—even when allegations were not groundless or otherwise refuted by available evidence—because they applied standards from the wrong phase of the misuse protocol.[24] Also, staff sometimes mistakenly relied on provisions in parts of the fiduciary manual unrelated to the misuse protocol.

Standard for Determining Whether an Investigation Is Warranted

Although the manual sets minimal requirements for investigating credible allegations of misuse, the allegation phase of the protocol does not include explanations or examples of what it means to have "clear evidence that the allegation has no basis in fact." In contrast, the investigation phase of the protocol defines the standard of evidence needed to make a misuse determination. It says, "evidence collection and development must continue until there is a *preponderance of*

[22] VA Fiduciary Program Manual, "Misuse Investigations."
[23] VA Fiduciary Program Manual, "Misuse Allegations."
[24] VA Fiduciary Program Manual, "Misuse Allegations."

evidence to support a conclusion" (italics added), further explaining that this standard "refers to the principle that more than 50 percent of the evidence points in a single direction."[25] A preponderance standard is far stricter than the guidance in the allegation phase to move forward any allegation that lacks contrary evidence of being credible.

In some of the cases reviewed by the OIG team, fiduciary hub staff's supporting documentation revealed that allegations were not investigated because the preponderance standard was not met. Specifically, they did not find a preponderance of the evidence demonstrated fiduciary misuse of beneficiary funds. In these cases, hub staff closed the allegations without using the proper standard applicable to the allegation phase. Interviews confirmed misunderstandings about which standard applies. Misuse team managers told the review team the deciding factor to investigate misuse is a preponderance of evidence, which is inconsistent with the allegation phase protocol. However, staff and leaders at the Pension and Fiduciary Service interviewed by the OIG team validated that applying the preponderance standard to the allegation phase is incorrect; they said it should not be used when deciding whether to advance a misuse allegation to the investigation phase.

Confusion about the standard of evidence was also evident in some materials and feedback provided to hub staff by the Pension and Fiduciary Service. For instance, a special-focused review that evaluated the accuracy of fiduciary misuse determinations incorrectly emphasized the importance of applying the preponderance standard and ensuring all facts and evidence are considered at both the allegation *and* investigation stages. In another example, during fiscal year 2025, the Pension and Fiduciary Service provided checklists to the Columbia, South Carolina, and Indianapolis, Indiana, fiduciary hubs that guided hub staff to apply the preponderance standard to the allegation phase of the misuse protocol, even though that standard applies only to later phases. Collectively, the incorrect information in these materials could have contributed to staff's confusion about when to investigate an allegation.

To address confusion in applying the correct standard of evidence, the OIG's third recommendation is to clearly communicate the evidentiary standard staff should use in the allegation phase.

Use of Manual Provisions Outside the Misuse Protocol

The day-to-day tasks of hub staff are covered in a section of the manual relating to the general fiduciary process (such as the appointment of fiduciaries and the routine review of fiduciary financial documents). The misuse protocol, which includes guidance on recording and assessing allegations for potential investigation, is discussed in another part focused on the oversight of beneficiary funds—a section specifically related to fiduciaries' misuse of payments and negligence, as well as the reissuance of benefit payments.

[25] VA Fiduciary Program Manual, "Misuse Investigations."

Misuse allegation memos revealed that hub staff mistakenly relied on the wrong sections when closing credible allegations of misuse. For example, hub staff incorrectly used the general fiduciary process provision relating to accountings that are not received. This provision states, "A fiduciary's failure to submit an approvable accounting alone does not indicate misuse."[26] The reliance on this provision to determine whether investigations were needed, instead of using the misuse protocol, resulted in allegations being prematurely closed. This occurred even when a fiduciary repeatedly did not provide requested financial documents or other information needed to ensure a beneficiary's VA funds were being used properly. Another provision from outside the misuse protocol states that the field examiner "is responsible for requesting creation of a misuse allegation if the evidence supports that the fiduciary has misused the beneficiary's funds and suspension of benefit payments." [27] The provision was used to incorrectly close a misuse allegation because sufficient evidence of misuse, which is what investigations are intended to determine, was not provided by a field examiner along with the allegation. Instead of closing the allegation, additional inquiries should have been made.

The application of standards should be limited to the phase or process indicated in the manual section or protocol and clearly conveyed to staff. Overall, five of eight quality review specialists, considered to be local subject matter experts, and seven of eight misuse team members interviewed said the sections of the manual relating to misuse allegations were open to interpretation or lacked clear definitions.

Quality Monitoring and Oversight of Misuse Allegations

Because there was no systematic national review of misuse determinations, the Pension and Fiduciary Service did not have the capacity to comprehensively monitor how allegations were processed.

The Pension and Fiduciary Service conducts oversight of misuse through site visits at fiduciary hubs and special-focused reviews. However, because site visits are intended to verify the individual hub's compliance with policy and procedures and special-focused reviews concentrate on a particular issue, both are limited in scope and reach. Site visits are conducted only periodically on a relatively small sample of fiduciary-related work and do not include a comprehensive review of the misuse allegation process. Therefore, a systematic national review of the allegation phase of the misuse protocol would strengthen Pension and Fiduciary Service officials' assurances that staff are correctly recording and processing credible misuse allegations in compliance with requirements and appropriately advancing them for investigation.

[26] VA Fiduciary Program Manual, "Follow-Up Activities Following Accounting Non-Receipt," topic I.3.B.4, June 15, 2022.

[27] VA Fiduciary Program Manual, "Handling Accountings Following a Fund Usage Follow-Up Field Examination," topic I.3.E.2, September 14, 2022.

The then–executive director and the assistant director of quality oversight and data analytics for the Pension and Fiduciary Service and the chief of quality and oversight all agreed that reviews concentrating specifically on the allegation phase, such as a special-focused review, would improve oversight. The results of systematically overseeing misuse allegations would help VBA improve oversight over misuse allegation handling. Enhanced oversight would also complement other monitoring mechanisms to help ensure VA's most vulnerable beneficiaries are not endangered or exploited by fiduciaries who misuse funds.

To address the lack of systematic national review of misuse allegations, the OIG's final recommendation is for VBA to develop a plan to implement or enhance the national quality review program to ensure compliance with procedural guidance for processing all phases of misuse allegations.

Conclusion

The OIG found that fiduciary program staff did not always accurately record the date when VA first became aware of fiduciaries' potential misuse of beneficiary funds—sometimes not recording the date until subsequent allegations were received. In addition, some misuse allegations were not investigated despite the Fiduciary Program Manual requirements to initiate investigations unless there is clear evidence that the allegations were not based in fact. Contributing causes included the lack of a clear definition or examples in the allegation phase of the protocol of what constitutes a "credible" misuse allegation, and staff's confusion about the correct standard to apply in determining whether an allegation warrants an investigation. Finally, the OIG found a systematic national review of misuse allegations would have better enabled the Pension and Fiduciary Service to identify and remediate program staff's misunderstandings of how to record and process misuse allegations.

Because the Fiduciary Program is designed to protect beneficiaries unable to manage their VA payments, VBA must ensure any credible allegation of misuse is identified and fully investigated in compliance with clear requirements and guidance. Not investigating allegations could lead to misuse continuing undetected and beneficiaries not being reimbursed in a timely manner for any monetary benefits misused by their VA-appointed fiduciaries, resulting in additional waste of taxpayer dollars.

Recommendations 1–4

The OIG made the following recommendations to the under secretary for benefits:[28]

1. Review and update applicable sections of the VA Fiduciary Program Manual to clarify how to properly evaluate an allegation, including detailing what constitutes a

[28] The recommendations addressed to the under secretary for benefits are directed to anyone in an acting status or performing the delegable duties of the position.

misuse allegation that must be documented and reviewed, and when an investigation is needed, in coordination with the VA Office of General Counsel if necessary.

2. Clarify in the VA Fiduciary Program Manual how potential misuses of beneficiary funds, such as red flag indicators, must be addressed and documented, and reinforce with training or resources as needed.
3. Clearly communicate the evidentiary standard staff should use in the allegation phase to help ensure application of different standards is accurate and easily understood and results in consistent compliance with how investigations are initiated, and consider consulting with the VA Office of General Counsel if necessary.
4. Develop a plan to implement or enhance the national quality review program to ensure compliance with procedural guidance for processing all phases of misuse allegations.

VA Management Comments

The principal deputy under secretary for benefits, performing the delegable duties of the under secretary for benefits, concurred with all four recommendations and provided responsive action plans. A summary of VBA's response to each recommendation follows, with full remarks in appendix C.

For recommendation 1, VBA completed phase 1 of updates to the Fiduciary Program Manual, removing the outdated term "credible misuse allegation" and eliminating guidance that requires staff to assess credibility before taking action. Under the revised procedures, all misuse allegations must now be evaluated, and an investigation is required unless clear evidence shows the allegation has no basis in fact. VBA added formal definitions for "clear evidence" and "no basis in fact." Additional procedural updates related to documentation requirements are planned, and VBA is assessing whether consultation with the Office of General Counsel is needed as part of this next phase. VBA anticipates completing these remaining updates by August 28, 2026.

For recommendation 2, VBA will complete revisions to misuse procedures and trainings by updating procedures and any requisite training courses to clarify how potential misuse must be addressed and documented. In addition, VBA anticipates completing all necessary procedural manual updates and publishing revised training materials by September 30, 2026.

To meet recommendation 3, VBA updated sections of the Fiduciary Program Manual by removing the term "credible" from procedures, thereby ensuring that all reports of misuse are reviewed without requiring staff to make subjective credibility determinations. VBA also established clear definitions for "clear evidence" and "no basis in fact" to guide decisions about whether an allegation can be resolved using existing information or whether further investigation is required. In addition, it removed obsolete guidance related to deciding whether to investigate.

VBA is developing more updates to document these determinations and will consider whether consultation with the VA Office of General Counsel is necessary while making these changes. The anticipated date to complete these updates is August 28, 2026.

In response to recommendation 4, VBA's executive director of the Pension and Fiduciary Service approved the plan to implement a national misuse quality assurance program, which includes conducting national quality reviews of all stages of the misuse process. Through this plan, VBA will extend its oversight of misuse claims processing by conducting site visits and focused reviews, making negligence determinations, and evaluating the field's compliance with procedures following a misuse determination. Based on these actions, VBA requested closure of this recommendation.

OIG Response

The OIG considers recommendation 4 closed as requested based on documentation VBA provided. The OIG will continue to monitor VBA's corrective actions and will close the other three recommendations when VBA provides sufficient evidence that it has addressed the risks identified in this report.

Appendix A: Scope and Methodology

Scope

The VA Office of Inspector General (OIG) review team conducted its work from June 2025 through May 2026, focusing on misuse allegation cases completed from April 1, 2024, through March 31, 2025. The team confirmed its findings were still applicable as of February 28, 2026, by reviewing a sample of misuse allegation cases completed from January 1, 2026, through February 28, 2026.

Methodology

To accomplish the objective, the OIG team assessed applicable laws, regulations, policies, procedures, and guidelines to understand the Fiduciary Program's misuse allegation process. The team visited fiduciary hubs in Columbia, South Carolina, and Milwaukee, Wisconsin, and interviewed managers at the Salt Lake City, Utah, fiduciary hub. The team also interviewed staff and leaders with the Pension and Fiduciary Service.

After obtaining all misuse allegation cases completed from April 2024 through March 2025, the team reviewed a randomly selected sample of 60 cases. To confirm that the issues found in the initial review were still applicable, the team reviewed an additional randomly selected sample of 20 cases. See appendix B for more information on statistical sampling. The cases in the selected sample were reviewed using information in Veterans Benefits Administration (VBA) electronic systems, such as the Veterans Benefits Management System.

The team reviewed relevant VBA systems documentation to determine whether fiduciary hub staff entered the correct dates for allegations of misuse consistent with governing guidance and whether determinations to advance potential fiduciary misuse cases for investigation were also in compliance.

Internal Controls

The team assessed internal controls to determine whether they were significant to the review objective. This included consideration of the five internal control components: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.[29] In addition, the team reviewed the principles of internal controls as associated with the objective and identified two components and four principles as significant.[30] The team

[29] Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-25-107721, May 2025.

[30] Because the review was limited to the internal control components and underlying principles identified, it may not have disclosed all internal control deficiencies that could have existed at the time of this review.

identified internal control deficiencies during this review and proposed recommendations to address those listed in table A.1.

Table A.1. VA OIG Analysis of Internal Control Components and Principles Identified as Significant

Component	Principle	Deficiency identified by this review
Control activities	10. Management should design control activities to achieve objectives and respond to risks.	Misuse allegation guidance provided to fiduciary hub staff was unclear and lacked specificity.
	12. Management should implement control activities through policies.	
Monitoring	16. Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.	The Pension and Fiduciary Service was not sufficiently monitoring and overseeing misuse allegations through national quality reviews.
	17. Management should remediate identified internal control deficiencies on a timely basis.	

Source: VA OIG analysis of internal control components and principles consistent with the Government Accountability Office's Standards for Internal Control in the Federal Government.

Data Reliability

The OIG used computer-processed data from VBA's corporate database. To test for reliability, the team determined whether any data were missing from key fields, had any calculation errors, or were outside the time frame requested. The team also assessed whether the data contained obvious duplicated records, alphabetic or numeric characters in incorrect fields, or illogical relationships among data elements. Furthermore, using information from VBA's electronic systems, the team compared beneficiaries' names, file numbers, dates of claims, and end product closed dates as provided in the 60 sampled records.

Testing showed sufficient reliability for the review objective. Comparison of the data with information contained in the reviewed beneficiaries' records did not disclose any problems with data reliability.

Government Standards

The OIG conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.[31]

[31] Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*, December 2020.

Appendix B: Statistical Sampling Methodology

Approach

The VA Office of Inspector General (OIG) team used statistical sampling to quantify how well fiduciary program staff in the Veterans Benefits Administration (VBA) complied with governing requirements and guidance while taking action to record the correct dates for allegations of misuse and to advance potential fiduciary misuse cases for investigation on about 1,600 allegation cases of fiduciary misuse of beneficiary funds completed from April 2024 through March 2025.

Population

The OIG identified 1,593 misuse allegation cases during the review period. Based on the team's analysis of sampled cases, zero cases were estimated as being outside the scope of the review.

Sampling Design

The review team selected a statistical sample of 60 cases from the population of completed misuse allegation cases.

Weights

Samples were weighted to represent the population from which they were drawn, and the weights were used in the estimate calculations. For example, the team estimated the incorrect rate in the population by first summing the sampling weights of all cases in the sample that were incorrect, then dividing this sum by the sum of sampling weights for all cases in the sample.

Projections and Margins of Error

The projection is an estimate of the population value based on the sample. The associated margin of error and confidence interval show the precision of the estimate. If the OIG repeated this audit with multiple sets of samples, the confidence intervals would differ for each sample but would include the true population value about 90 percent of the time.

The OIG statistician employed statistical analysis software to calculate estimates, margins of error, and confidence intervals that account for the complexity of the sample design.

The sample size was determined after reviewing the expected precision of the projections based on the sample size, potential error rate, and logistical concerns with the sample review. While precision improves with larger samples, the rate of improvement decreases significantly as more records are added to the sample review.

Based on simple random sampling and a normal sampling distribution, figure B.1 shows the effect of progressively larger sample sizes on the margin of error.

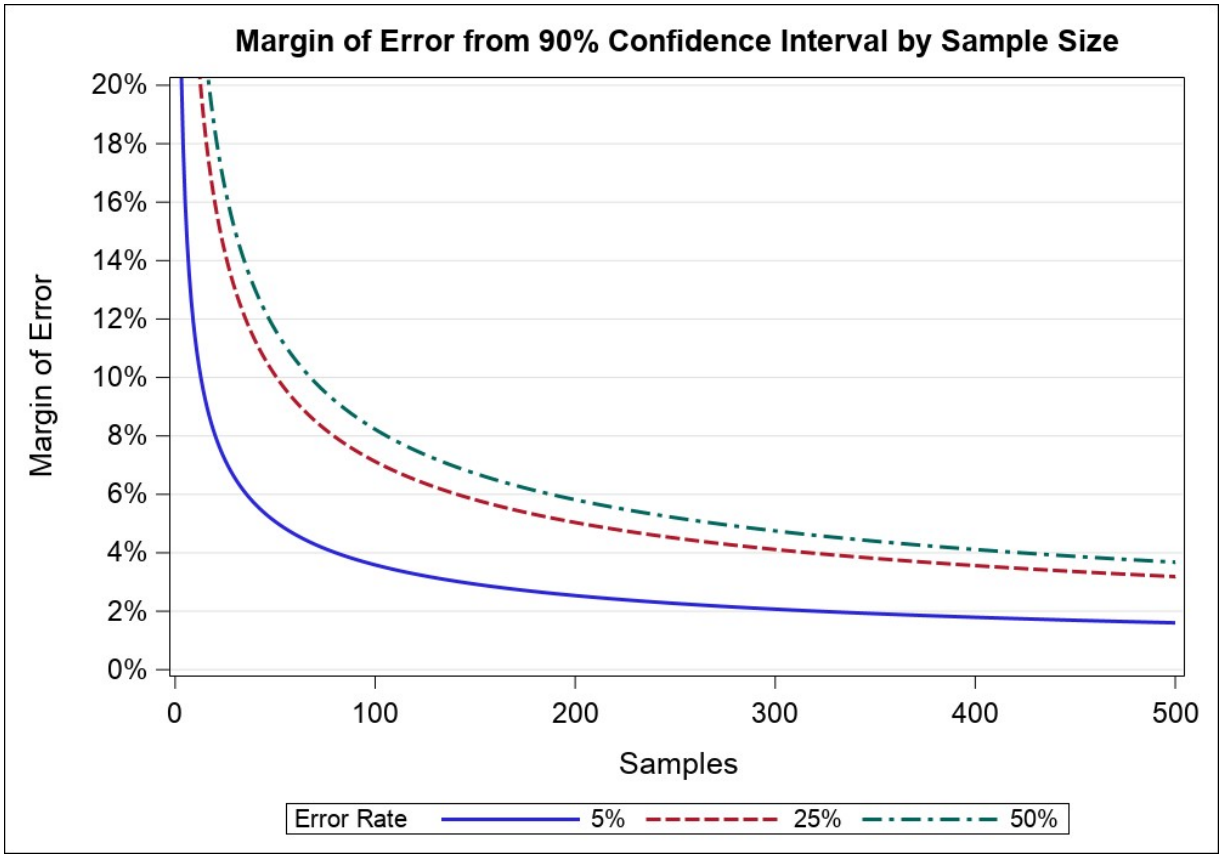

Figure B.1. *Effect of sample size on margin of error.*
Source: VA OIG statistician's analysis.

Projections

Tables B.1 through B.3 on the following pages detail the OIG's analysis and projected results.[32]

[32] The OIG sometimes (as is the case for this report) uses the generalized Clopper Pearson method. The advantage of this method is that the resulting confidence limits are generally very conservative. Based on the method by which Clopper Pearson intervals are constructed, the margin of error cannot be simply subtracted from or added to the estimate to get the lower and upper limits, respectively.

Table B.1. Statistical Projections Summary for Population Estimates of Sampled Misuse Allegations

Estimate name	Estimate number	Margin of error	Lower limit	Upper limit	Sample count/size
In-scope cases	1,593	39	1,515	1,593	60/60

Source: VA OIG analysis of fiduciary program data regarding allegations of fiduciary misuse completed from April 2024 through March 2025.

Table B.2. Statistical Projections Summary for Recorded Date Estimates of Sampled Misuse Allegations

Estimate name	Estimate number	Margin of error, two-sided interval	Lower limit	Upper limit	Margin of error, one-sided lower bound	One-sided lower limit	Sample count/size
Incorrectly recorded allegations	345 (21.7%)	151 (9.5%)	212 (13.3%)	513 (32.2%)	109 (6.8%)	237 (14.8%)	13/60 (13/60)
Incorrectly recorded allegations established after receipt of subsequent allegations*	133	107	53	266	67*	65*	5/60
Mean time difference (in days) between actual and reported recorded dates*	39.5	27.6	11.9	67.2	21.0*	18.5*	13/13

Source: VA OIG analysis of fiduciary program data regarding allegations of fiduciary misuse completed from April 2024 through March 2025.

** For the "incorrectly recorded allegations established after receipt of subsequent allegations" and "mean time difference between actual and reported recorded dates" categories, the one-sided lower bound is used due to poor precision related to the sample. The confidence interval defined by the one-sided lower bound yields a conservative estimate for the total value at the 90 percent confidence level.*

Table B.3. Statistical Projections Summary for Investigation Estimates of Sampled Misuse Allegations

Estimate name	Estimate number	Margin of error, two-sided interval	Lower limit	Upper limit	Margin of error, one-sided lower bound	One-sided lower limit	Sample count/size
Investigated misuse allegations	637 (40%)	176 (11.1%)	467 (29.3%)	819 (51.4%)	137 (8.6%)	501 (31.4%)	24/60 (24/60)
Misuse allegations not investigated	956 (60%)	176 (11.1%)	774 (48.6%)	1,126 (70.7%)	145 (9.1%)	811 (50.9%)	36/60 (36/60)
Misuse allegations that the OIG determined should have been investigated (as percentage of all allegations that were not investigated)	239 (25%)	133 (12.9%)	128 (13.7%)	394 (39.6%)	91 (9.3%)	148 (15.7%)	9/60 (9/36)
Investigated misuse allegations where misuse was found*	186	121	89	331	81*	105*	7/60

Source: VA OIG analysis of fiduciary program data regarding allegations of fiduciary misuse completed from April 2024 through March 2025.

** For the "investigated misuse allegations where misuse was found" category, the one-sided lower bound is used due to poor precision related to the sample. The confidence interval defined by the one-sided lower bound yields a conservative estimate for the total value at the 90 percent confidence level.*

Appendix C: VA Management Comments, Under Secretary for Benefits

Department of Veterans Affairs Memorandum

Date: June 5, 2026

From: Under Secretary for Benefits (20)

Subj: Office of Inspector General (OIG) Draft Report – Review of Fiduciary Misuse Allegation Process [2025-02440-AE-0101]

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

1. Thank you for the opportunity to review and comment on the OIG draft report: – Review of Fiduciary Misuse Allegation Process [2025-02440-AE-0101]. The Veterans Benefits Administration (VBA) provides the attached response to the draft report.

The OIG removed point of contact information prior to publication.

(Original signed by)

J. Margarita Devlin

Principal Deputy Under Secretary for Benefits

Performing the Delegable Duties of the Under Secretary for Benefits

Attachment

Attachment

Veterans Benefits Administration (VBA)
Comments on OIG Draft Report
Review of Fiduciary Misuse Allegation Process
[2025-02440-AE-0101]

VBA concurs with the OIG draft report findings and provides the following comments in response to the recommendations in the OIG draft report:

Recommendation 1: Review and update applicable sections of the VA Fiduciary Program Manual to clarify how to properly evaluate an allegation, including detailing what constitutes a misuse allegation that must be documented and reviewed, and when an investigation is needed, in coordination with the VA Office of General Counsel if necessary.

VBA Response: Concur. On May 15, 2026, VBA updated multiple sections of the Fiduciary Program Manual (FPM) to complete Phase 1 of the procedural updates which aimed to remove the term "credible" and remove obsolete guidance on deciding whether to investigate.

Specifically, VBA removed the phrase "credible misuse allegation." By eliminating this term, VBA clarified that staff are no longer required to identify if an allegation is credible. Instead, every misuse allegation must be evaluated, ensuring consistent treatment of misuse allegations and stronger protection for beneficiaries.

Because the term "credible" was removed, VBA also revised procedures to clarify that staff must investigate an allegation, unless there is clear evidence that the allegation has no basis in fact. To support this requirement, VBA added formal definitions of the evidentiary standards for staff to apply the terms "clear evidence" and "no basis in fact", which provide a more consistent and objective decision-making framework.

Attachments A-G show VBA's communication of the changes and the publication of the manual revisions to FPM I.3.C, FPM I.3.E, FPM I.5.A, FPM II.3.A, FPM II.4.A, and FPM III.1.B. VBA will update procedures that outline documentation requirements for misuse allegations, and consider whether consultation with VA's Office of General Counsel is necessary while developing these additional procedures.

Target Completion Date: August 28, 2026

Recommendation 2: Clarify in the VA Fiduciary Program Manual how potential misuses of beneficiary funds, such as red flag indicators, must be addressed and documented, and reinforce with training or resources as needed.

VBA Response: Concur. VBA will complete wholistic revisions to misuse procedures and trainings. VBA will update procedures and any requisite training courses to clarify how potential misuse must be addressed and documented.

VBA will complete all necessary procedural manual updates and publish revised training materials.

Target Completion Date: September 30, 2026

Recommendation 3: Clearly communicate the evidentiary standard staff should use in the allegation phase to help ensure consistent compliance with how investigations are initiated, and that determining the application of different standards is accurate and easily understood, consider consulting with the VA Office of General Counsel prior to implementing the procedural changes.

VBA Response: Concur. On May 15, 2026, VBA updated multiple sections of the Fiduciary Program Manual (FPM) to remove the term "credible" when a report of misuse is received as all allegations will be reviewed; to define the terms "clear evidence" and "no basis in fact" when deciding if the misuse allegation can be resolved with information on file, or if VA must investigate further and gather additional information; and to remove obsolete guidance on deciding whether to investigate.

VBA will complete additional updates for documenting these determinations and consider whether consultation with the VA Office of General Counsel is necessary while developing these additional procedures.

Attachments A-G show VBA's communication of the changes and the publication of the manual revisions to FPM I.3.C, FPM I.3.E, FPM I.5.A, FPM II.3.A, FPM II.4.A, and FPM III.1.B. VBA will complete all necessary procedural manual updates and field notifications.

Target Completion Date: August 28, 2026

Recommendation 4: Develop a plan to implement or enhance the national quality review program to ensure compliance with procedural guidance for processing all phases of misuse allegations.

VBA Response: Concur. On May 26, 2026, VBA's Executive Director, Pension and Fiduciary Service approved the plan to implement a national misuse quality assurance program, which includes conducting national quality reviews of all stages of the misuse process. Through this plan, VBA will extend its oversight of misuse claims processing beyond current oversight activities which include site visits, focused reviews, negligence determinations, and evaluating the field's compliance with procedures following a misuse determination.

VBA requests closure of this recommendation based on a copy of the plan provided in Attachment H.

The text of VA's management comments is reprinted verbatim as received from the department. For accessibility, the original format of this appendix has been modified to comply with Section 508 of the Rehabilitation Act of 1973, as amended.

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