

Accounting End Products Refresher Training

STAR Error Analysis
June 2022

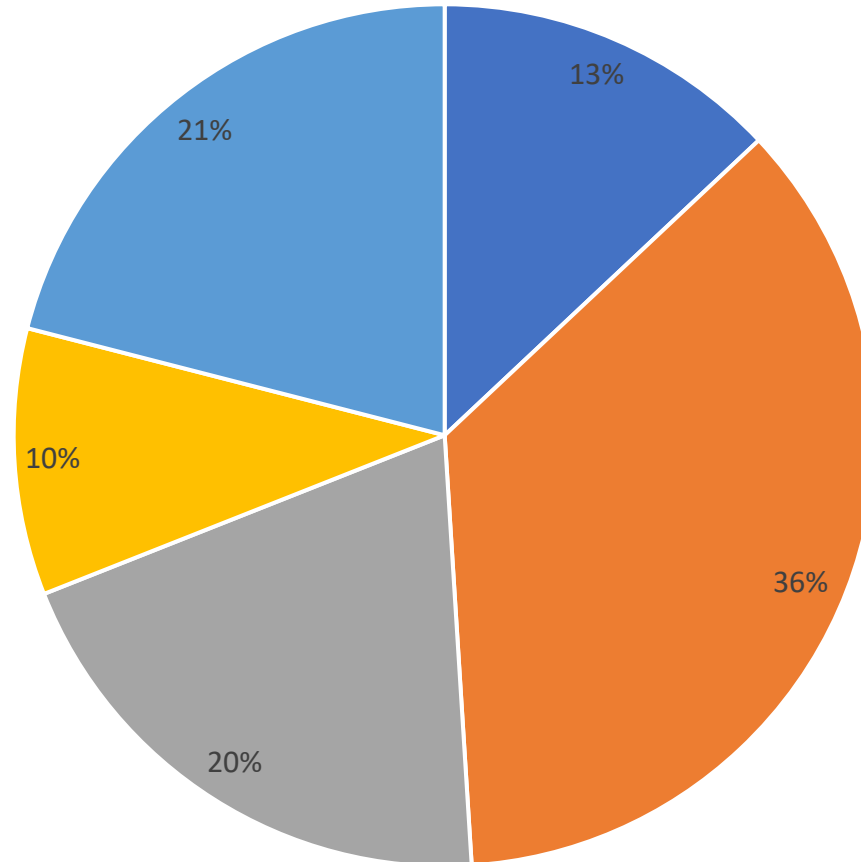
Quality & Oversight Team
Pension & Fiduciary Service



Special Focused Review

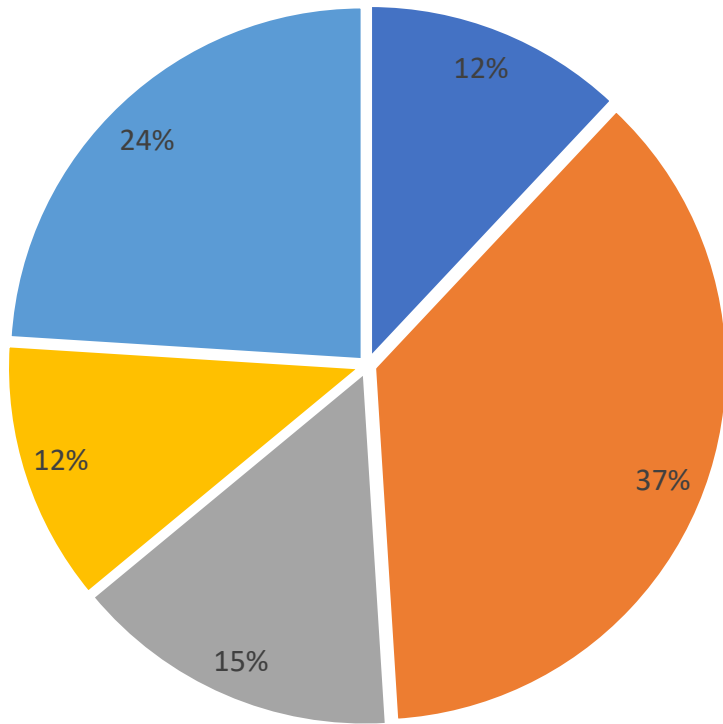
- Background Information
- Purpose
- Methodology
- Findings
- Recommendations

Total Cases with Critical Errors by Hub



■ 319 ■ 326 ■ 327 ■ 330 ■ 341

Accounting Critical Errors by Hub



■ 319 ■ 326 ■ 327 ■ 330 ■ 341

Most Cited Critical Accounting Errors

- A2 = 6
- C3 = 7
- C15 = 6
- D1 = 8

National Quality Checklists

The checklists found in M21-4, Chapter 8, are used in conjunction with:

- Fiduciary Program Manual (FPM)
- M21-4, Chapter 9
- 38 USC 55 and 61
- 38 CFR Part 13
- 38 CFR 14.700

All references can be located using the [Knowledge Management Portal](#).

Incomplete Accounting Form

The accounting was approved without receipt of a complete VA Form 21P-4706b, 21P-4706c and/or financial statements for the entire accounting period.

FPM I.3.A.3.a

- Name of the beneficiary
- VA file number associated with the beneficiary
- Expenses
- Income
- Background information complete
- Financial statements for the entire accounting period

Incomplete Financial Statements – cont.

FPM I.3.C.2.b

- Must confirm financial statements are of record for the entire accounting period.
 - Contain beginning and ending balances
 - All transactions are to include income, expenses, fees and transfers
 - All financial accounts containing funds under management (FUM)

Exception to Submitting Financial Statements

FPM I.3.A.3.g

- Legal entity such as a governmental or State agency,
 - Trust company or bank with trust powers
-
- *Note:* A trust company, which is not the depository, must provide certification by the financial institution for each financial institution account that includes all activity including remaining balances and certified by someone other than the Trust Officer of the trust company.

Missing Credit Report

A credit report has not been obtained and reviewed, if applicable.

FPM I.3.A.3.o

- Must obtain a credit report for all fiduciaries

Exceptions in [FPM, Part I, 2.C.6.d](#)

- an entity, such as a trust department in a bank that provides trust services
- a beneficiary appointed as SDP
- a fiduciary appointed under the EIA process

Frozen Credit Report

FPM I.3.A.3.o

- Request the fiduciary contact a credit agency to unfreeze
- Special Circumstances
 - Obtain adequate explanation
 - Document conversation on VA Form 27-0820
 - Appoint a successor fiduciary

No Bond Verification

The Bond section in the Accounting Audit Tool was not completed to indicate verification of a new or an existing surety bond.

FPM I.3.C.5.e

- Verify the corporate surety bond
- Update all fields of the BOND section of the Accounting Audit Tool

*Note: Blanket bonds held by State agencies was amended June 15, 2022, by 38 CFR 13.230(c)(1)

No Bond Adjustment

The fiduciary was not notified to increase/decrease the surety bond when there was a difference of more than 20 percent between the bond amount and current VA FUM.

FPM I.3.C.5.e

- Must adjust a corporate surety bond for any increase or decrease of more than 20 percent between the corporate surety bond and the current VA FUM.

FPM II.2.B.1.i

- Provide written instruction to the fiduciary to adjust the bond to account for significant changes in the amount of VA benefit FUM.

Accounting Requirements Not Met

FPM I.3.D.1.a

Approve an accounting when

- Complete accounting report received
- Credit report has been obtained and reviewed,
- Differences in the amounts reconciled
- Excess fees reimbursed
- Properly titled accounts per [FPM, Part I, 3.C.2.h.](#)

Note: The fiduciary hub (hub) will not approve an accounting with outstanding corrections due by the fiduciary.

Tips - Fund Usage Reviews (FUR)

Were all required elements of the FUR received prior to completion?

FPM II.1.C.4.p

Complete fund usage review package

- Three consecutive months of all financial statements containing VA funds
- Receipts or invoices for irregular purchases, when needed
- Receipts, invoices, or copies of checks for any check transactions that
 - cannot be associated with a known expense of record
 - exceed \$900.00
 - are part of a financial statement in which three or more checks were cleared in any single month

Fund Usage Reviews continued

FPM I.3.C.2.h

Review for properly titled account

Exceptions in FPM II.1.B.2.a

- Beneficiary's spouse
- State and local government entities
- Institutions
 - Public or private medical care facilities, nursing homes, or other residential care facilities, when an annual accounting is not required, or
- Trust company or a bank with trust powers organized under the laws of the U.S. or a State.

Documenting Funds Under Management (FUM)

FPM, II.2.A.1.c. Policy Regarding Presumption as to Use

Factual evidence is limited to a financial institution document or other proof regarding the actual expenditure of funds.

- Accounting Audit Tool (AAT) – Follows Presumption as to Use Policy to determine FUM.
- AAT does not “Itemize” expenses to a single source of income.
- Separate financial source accounts (factual evidence) documented in AAT = (f)actual VA & Other FUM.
- Verify FUM ([FPM, I.3.C.5.b](#)).
- Bond? - Ensure accuracy based on (f)actual evidence of VA FUM ([FPM, I.3.C.5.c](#)).
- Reconcile Accounting - Notes Section AAT as (f)actual evidence of VA & Other FUM ([FPM, I.3.D.1.e](#))
- Approve Accounting AAT.
- Manually Update Beneficiary Profile - VA and Other FUM as (f)actual evidence of FUM ([FPM, I.3.D.1.g](#)).

Open Discussion

- Best practices from hubs to avoid critical Accounting errors
- Questions and/or suggestions regarding national quality