



October 2019

VETERANS BENEFITS

Actions VA Could Take to Better Protect Veterans from Financial Exploitation

Accessible Version

Highlights of [GAO-20-109](#), a report to congressional committees.

Why This Matters

Veterans with disabilities who receive benefits from the Department of Veterans Affairs (VA) can be tempting targets for exploitation and scams. Veterans and their survivors who need help performing everyday activities, like bathing and dressing, can receive increased pension benefits known as aid and attendance.

Key Takeaways

VA paid \$3.2 billion in total pension benefits to 232,000 recipients of aid and attendance in fiscal year 2018. Most recipients were over 80.

Scams that target them include:

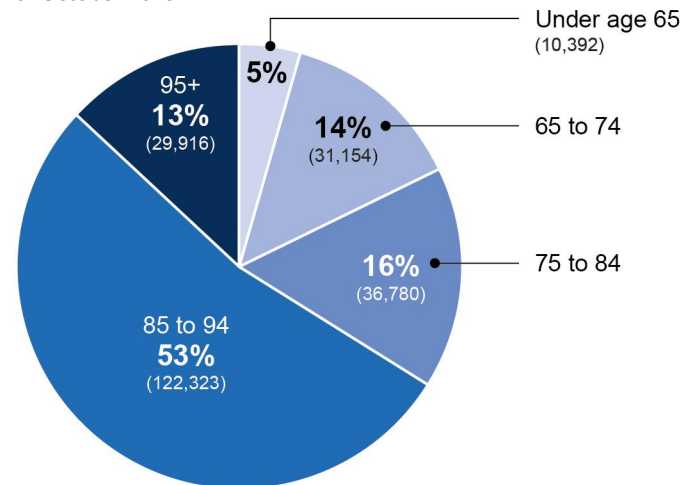
- being overcharged for home care, or charged for services they did not receive, and
- getting bad investment advice from financial services organizations.

VA does not centrally collect and analyze information, such as complaints made against companies, that could show the prevalence of these scams, help VA target outreach to veterans, and help law enforcement go after scammers.

Other threats to veterans include:

- **VA’s applications do not warn them about exploitation or scams:** For example, forms do not warn veterans that they cannot be charged fees for filing claims.
- **Misdirected benefit payments:** VA does not always verify direct deposit information on applications, which could lead to payments being stolen. In contrast, the Social Security Administration verifies this information by reviewing individuals’ checks or account statements.

Age of Veterans and Survivors Receiving Aid and Attendance as of October 2018



Source: GAO analysis of Department of Veterans Affairs (VA) data. | GAO-20-109

What GAO Recommends

We made four recommendations to VA, including that it collect better information on potential financial exploitation, post warnings on applications, and examine if it should take more steps to verify veterans’ direct deposit information. VA agreed in principle with the need to collect better information, but its proposed actions do not fully address our concerns. VA agreed with the other three recommendations.

How GAO Did This Study

We reviewed VA guidance and practices for addressing threats; interviewed VA officials, veterans groups, and other organizations and federal agencies that address financial exploitation about protecting elderly or disabled veterans; and interviewed VA staff who process aid and attendance claims.

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Abbreviations

CFPB	Consumer Financial Protection Bureau
EJCC	Elder Justice Coordinating Council
FTC	Federal Trade Commission
OGC	Office of General Counsel
OIG	Office of Inspector General
PMC	Pension Management Center
VA	Department of Veterans Affairs
VBA	Veterans Benefits Administration
VSO	Veterans Service Organization

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October 3, 2019

The Honorable Johnny Isakson
Chairman
The Honorable Jon Tester
Ranking Member
Committee on Veterans' Affairs
United States Senate

The Honorable Mark Takano
Chairman
The Honorable Phil Roe
Ranking Member
Committee on Veterans' Affairs
House of Representatives

Many veterans with disabilities and their survivors depend on payments from the Department of Veterans Affairs (VA). VA's pension benefit is available to wartime veterans with limited means who are age 65 or older, or have permanent and total disabilities unrelated to their military service. Among others, individuals requiring assistance to perform daily activities, such as bathing, may be eligible to receive a higher level of pension payments, referred to as aid and attendance.¹ With an average beneficiary age of over 80 for those receiving aid and attendance, this population is among the most vulnerable to financial exploitation. Older adults, in general, are more at risk to financial exploitation because they may have diminished capacity to make financial decisions, and may be targeted because they receive ongoing benefits payments. We also previously reported that older veterans may have been charged prohibited fees when applying for benefits, or have been sold financial products that are not in their best long-term interests.²

¹ These benefits are not stand-alone benefits; they increase the recipients' monthly pension payments.

² GAO, *Veterans' Pension Benefits: Improvements Needed to Ensure Only Qualified Veterans and Survivors Receive Benefits*, [GAO-12-540](#) (Washington, D.C.: May 15, 2012).

The Veterans Care Financial Protection Act of 2017 includes a provision for GAO to examine the potential financial exploitation of veterans.³ This report examines: (1) what is known about financial exploitation of veterans eligible for aid and attendance, (2) practices other federal and state agencies identified as effective in addressing financial exploitation, and (3) steps VA is taking to address potential financial exploitation of aid and attendance recipients and what gaps, if any, remain.

To understand the potential exploitation schemes that veterans eligible for aid and attendance face, we reviewed past GAO work, and interviewed VA officials and several veterans service organizations (VSOs)—Disabled American Veterans, Veterans of Foreign Wars of the United States, and the National Association of County Veterans Service Officers. We also conducted a limited search for court cases to identify illustrative examples of threats by searching for selected terms in databases of federal and state court documents. We excluded cases that were still in progress or cases in which a complaint was not substantiated. We also explored if different data sources could be used to describe the extent of financial exploitation. For example, we reviewed data from the Federal Trade Commission, Consumer Financial Protection Bureau, and VA's Office of Inspector General, and interviewed officials familiar with these data to determine whether they could be used to understand the scale of potential financial exploitation of aid and attendance beneficiaries. As discussed in our report, these data could not be used for such purposes. Specifically, the data sources did not allow us to fully identify whether complaints of potential exploitation involved veterans receiving aid and attendance.

To determine which practices state and federal agencies have found effective in addressing financial exploitation, we reviewed past GAO work on elder financial exploitation. We focused our review of the financial exploitation of vulnerable populations on the elderly as it is the population most comparable to the aid and attendance population. We also interviewed representatives of organizations that play a role in protecting the elderly or addressing financial exploitation, including AARP, the National Association of Attorneys General, the North American Securities Administrators Association, the Federal Trade Commission, and the Consumer Financial Protection Bureau. Although we were asked to review potential exploitation of aid and attendance beneficiaries

³ Pub. L. No. 115-131, § 2(b), 132 Stat. 334, 334 (2018).

specifically, the practices we identified can apply to any vulnerable veteran.

To determine the steps that VA is taking to address financial exploitation and related gaps and challenges, we reviewed VA policies and guidance, including those related to VA's outreach to elderly veterans, how staff should address potential fraud, and how staff should consider veterans' expenses when determining benefits eligibility. We also interviewed VA officials from several components, including VA's Office of General Counsel, the Veterans Benefits Administration, and Benefits Assistance Service, and officials from several national VSOs. To provide additional context, we also visited all three of VA's Pension Management Centers—which are responsible for processing aid and attendance claims—to interview management and staff. We compared VA's practices to its policies on reporting fraud and assessing claims information as well as federal internal controls standards related to analyzing risk and communicating program information.

We conducted this performance audit from April 2018 to October 2019 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.

Background

VA's pension benefit is available to certain veterans, and survivors of veterans, who served during a period of war. To qualify, a veteran must either:

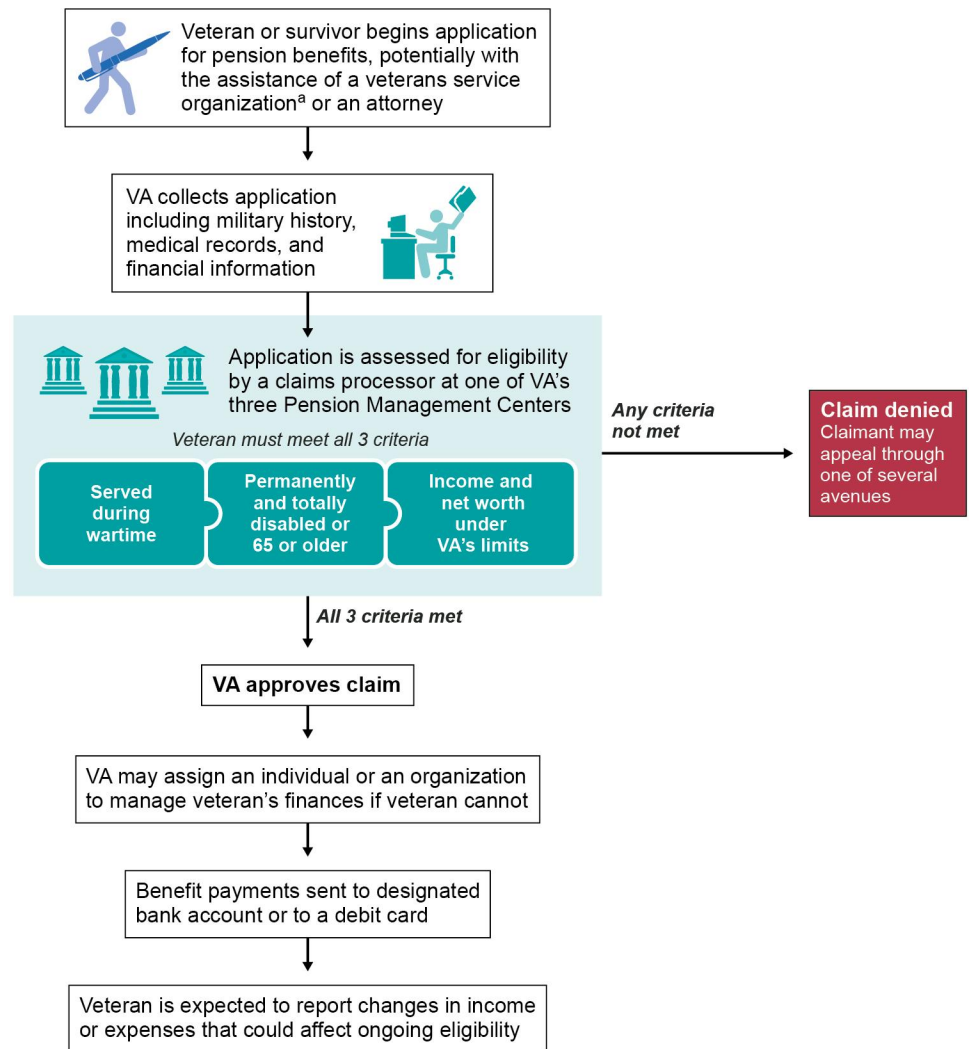
1. be permanently and totally disabled from a non-service-connected disability. Veterans meet this criterion if they are, among other things, a patient in a nursing home for long term-care because of disability, disabled as determined by the Social Security Administration, or unemployable due to disability reasonably certain to continue throughout the veteran's life; or
2. be 65 years of age or older.

The amount of pension payments is based on the number of the claimant's dependents and is income-limited. That is to say the maximum

benefit amount is reduced by any net income that the claimant has. For 2019, the maximum annual pension rate for a veteran without a spouse or dependents is \$13,535. In determining a veteran's net income, VA generally considers and deducts unreimbursed medical expenses for items or services that are medically necessary, that improve the individual's functioning, or that prevent, slow, or ease an individual's functional decline.⁴ Eligibility for pension benefits is also subject to a net-worth limit—about \$127,000 in 2019. Figure 1 shows the process of applying for pension benefits.

⁴ For more detailed information about the types of medical expenses that count for VA purposes, see 38 C.F.R. §§ 3.272(g) and 3.278.

Figure 1: VA Pension Claims Process



Source: GAO analysis of Department of Veterans Affairs (VA) procedures. | GAO-20-109

^aExamples of veterans service organizations include the Veterans of Foreign Wars of the United States and Disabled American Veterans.

Veterans may be eligible for higher monthly pension payments (also known as enhanced pension payments) if they are in need of regular aid and attendance. Individuals who meet this standard include: (1) patients in nursing homes, (2) blind or nearly blind individuals, and (3) individuals who establish a factual need for aid and attendance under criteria that

considers, among other things, inability to dress or feed themselves.⁵ In 2019, the maximum annual enhanced pension rate for a veteran with no spouse or dependents is \$22,577.

VA paid a total of \$3.2 billion in enhanced pension payments to veterans and survivors in fiscal year 2018 (i.e., to the group of veterans who are receiving increased pension benefits on the basis of aid and attendance). VA made such payments to approximately 232,000 individuals, including 49,000 new beneficiaries in fiscal year 2018. These numbers have been relatively stable in recent years. Those receiving aid and attendance are by and large older adults. For instance, the average age of a veteran receiving aid and attendance in 2018 was about 81 years old. Table 1 shows the average age and benefit amount of beneficiaries, and figure 2 shows the distribution in all beneficiary ages—about two-thirds of whom were age 85 or older.

Table 1: Aid and Attendance Benefits as of October 2018

Category	Veteran beneficiaries	Survivor beneficiaries
Number	107,000	125,000
Average age	81 years	88 years
Average annual benefit	\$17,000	\$11,000

Source: GAO analysis of Department of Veterans Affairs data. | GAO-20-109

Note: Figures shown are for individuals receiving VA pensions at the higher aid and attendance amount.

Figure 2: Distribution in Age for Veterans and Survivors Receiving Aid and Attendance as of October 2018



Source: GAO analysis of Department of Veterans Affairs (VA) data. | GAO-20-109

Note: Figures shown are for individuals receiving VA pensions at the higher aid and attendance amount.

⁵ Veterans receiving disability compensation for service-connected disabilities may also be eligible for higher payments if they are in need of aid and attendance. Our review does not focus on this population.

VA's Role in Addressing Financial Exploitation

A number of VA components play a role in detecting or addressing financial exploitation.

- VA's Pension Management Centers (PMC): VA's three PMCs process claims for pension benefits. As such, PMC staff are in a position to identify irregularities or suspicious information in pension claims. VA policy is for staff to report any potential fraud for further review.
- VA Office of Inspector General (OIG): OIG is an independent agency that conducts oversight of VA's programs. OIG is authorized to refer matters, including those involving financial exploitation, to the Department of Justice for prosecution.
- VA Call Centers: VA operates call centers where veterans can report potential financial exploitation. Cases may be referred to a PMC or OIG for further review.
- VA's Office of General Counsel (OGC): OGC is responsible for accrediting attorneys and other representatives to assist veterans in the claims process.⁶ By law, generally only accredited individuals may represent veterans in the claims process. OGC receives and investigates complaints such as veterans being charged improper fees by representatives, or instances in which non-accredited individuals provide services to help veterans apply for benefits.
- VA's Fiduciary Program: The Veterans Benefits Administration (VBA) administers VA's Fiduciary Program to protect veterans and beneficiaries who are unable to manage their VA benefits by appointing an individual or organization to do so. Thirty five percent of aid and attendance beneficiaries had a fiduciary in fiscal year 2018 according to VA data.⁷
- Benefits Assistance Service: VBA's Benefits Assistance Service is responsible for ensuring that timely and accurate benefit information

⁶ VA's accreditation program is intended to ensure that individuals and organizations representing veterans are knowledgeable about veterans benefits and have good character.

⁷ VA's Fiduciary Program was established to protect veterans and other beneficiaries who, due to injury, disease, or age, are unable to manage their financial affairs. VA will only determine an individual to be unable to manage his or her financial affairs after receipt of medical documentation or if a court of competent jurisdiction has already made the determination.

and services are provided to servicemembers, veterans, dependents, and survivors.

Financial Exploitation of Older Adults

GAO has defined elder financial exploitation as the illegal or improper use of an older adult's funds, property, or assets.⁸ Perpetrators may be family members; paid home care workers; financial advisors or legal guardians; or strangers who inundate older adults with mail, telephone, or Internet scams. Elder financial exploitation takes a number of forms, such as withdrawals from bank accounts, misappropriation of assets, and the sale of financial products that may be unsuitable for an older adult's circumstances, such as long-term annuities.

We previously reported that older adults are vulnerable to financial exploitation for a number of reasons, including that they have accumulated wealth over their lifetimes and may have conditions that impair their ability to manage finances.⁹ GAO's work identified steps federal and state agencies can take to better protect the elderly, such as collecting and sharing data on exploitation, and interagency cooperation.¹⁰

We previously reported that a number of federal and state agencies play a role in addressing elder financial exploitation.¹¹ Examples include:

⁸ GAO, *Elder Justice: National Strategy Needed to Effectively Combat Elder Financial Exploitation*, [GAO-13-110](#) (Washington, D.C.: November 15, 2012).

⁹ For example, see [GAO-13-110](#).

¹⁰ GAO's recommendations included that the Elder Justice Coordinating Council develop a written strategy to address elder financial exploitation; the Attorney General launch a website and clarify the process for state and local law enforcement agencies to contact the federal government regarding cases and the support the federal government can provide; the Consumer Financial Protection Bureau develop a plan to educate banks on how to identify and report potential elder financial exploitation and disseminate information on the circumstances under which they may release bank records to law enforcement; and Federal Trade Commission encourage state and local law enforcement to report relevant complaints to the Consumer Sentinel Network. The agencies took steps to implement all of these recommendations. [GAO-13-110](#).

¹¹ See [GAO-13-110](#) and GAO, *Elder Justice: Goals and Outcome Measures Would Provide DOJ with Clear Direction and a Means to Assess Its Efforts*, [GAO-19-365](#) (Washington, D.C.: June 7, 2019).

- State and local adult protective service agencies: These agencies investigate and substantiate reports of suspected elder abuse, including financial exploitation, and can arrange for services to secure their safety and meet their basic needs. They can also refer cases to law enforcement for criminal prosecution.
- State banking, securities, and insurance regulators: Regulators conduct examinations to ensure that rules to protect consumers (e.g., from financial exploitation) are followed and take enforcement actions against institutions that break rules.
- State and local law enforcement agencies: Law enforcement agencies review cases of potential financial exploitation and determine whether to pursue and prosecute alleged perpetrators.
- Federal Trade Commission (FTC): FTC is tasked with protecting consumers against unfair, deceptive, or fraudulent practices, or practices that violate the financial laws and regulations that FTC enforces in the marketplace.
- Consumer Financial Protection Bureau (CFPB): CFPB disseminates information to help consumers in an effort to help prevent common types of fraud and elder financial exploitation, including threats to veterans. Additionally, CFPB takes complaints and roots out unfair, deceptive, or abusive acts by writing rules, supervising companies, and enforcing laws.

The Extent of Financial Exploitation Is Not Fully Known, but Veterans Have Been Targeted by Several Schemes

Information on the Extent of Financial Exploitation of Veterans Is Limited

The extent to which veterans are financially exploited is not fully known. GAO previously reported and stakeholder organizations concerned with elder issues we interviewed told us that it is difficult to measure the extent of elder financial exploitation in general for a number of reasons.¹² For example, individuals may be too embarrassed to report that they have been victimized or hesitant to report if the perpetrator is a family member.

¹² [GAO-13-110](#).

Additionally, individuals may simply not recognize that they have been an exploitation victim. Measuring the extent of financial exploitation is complicated by a lack of reliable data.

Regarding veterans, VA does not have centrally aggregated data on complaints made by veterans or others that would allow it to describe the types or prevalence of potential financial exploitation. Additionally, other potential data sources are not designed to identify whether an individual is a veteran and receiving aid and attendance. For instance, FTC's Consumer Sentinel system serves as a clearinghouse of complaints that can be used by federal, state, or local agencies to aid in investigations. However, this data system has broader uses than the financial exploitation of veterans, and FTC officials told us that complaints in the system are reported by members of the public who may not always indicate whether they are veterans, and therefore potentially eligible for aid and attendance.

Veterans Have Been Targeted When Applying for Benefits and by Organizations Charging Questionable Fees for Services

While we could not determine the extent of potential exploitation, in previous work we reported on a number of financial exploitation schemes that targeted veterans. VA officials and other stakeholder organizations we interviewed told us that these schemes continue.

Pension poaching: In a 2012 report, we identified over 200 organizations that market financial and estate planning services to help pension claimants with excess assets meet financial eligibility requirements for receiving pension benefits.¹³ We found that some financial planners and others helped veterans circumvent asset limits needed to qualify for pension benefits by restructuring assets. However, they sometimes did so in a way that was not in the veteran's best interest, such as by moving assets into annuities that would not generate a return in a veteran's expected lifetime or could limit a veteran's access to the funds when needed. Additionally, if a veteran transferred assets at less than fair-market value, they risked

¹³ GAO, *Veterans' Pension Benefits: Improvements Needed to Ensure Only Qualified Veterans and Survivors Receive Benefits*, [GAO-12-540](#) (Washington, D.C.: May 15, 2012).

losing eligibility for Medicaid coverage for certain long-term care for a period of time.¹⁴ In that report, we suggested that Congress consider establishing a look-back and penalty period for claimants who transfer assets for less than fair market value prior to applying for VA pension benefits, similar to other means-tested programs. Although legislation was not enacted, VA determined it had the authority to establish a look-back and penalty period for the pension program. In September 2018, VA established a look-back and penalty period for claimants who transfer assets for less than fair market value prior to applying. VA stated that it was making these changes to protect the integrity of the pension program and to counteract the hundreds of organizations targeting elderly veterans and spouses with this type of financial scheme. This rule was being implemented during the course of this review. Accordingly, it was too soon to determine the extent of its effect on reducing pension poaching.

Charging inappropriate fees: Federal law generally prohibits certain individuals from charging veterans fees to assist them with applying for benefits. In 2013, we reported that VA had received complaints regarding unaccredited individuals inappropriately charging claimants to apply for benefits.¹⁵ We also reported that one VSO noted that attorneys and agents may be attempting to circumvent the prohibition on charging veterans by labeling fees under a different name, such as “pre-filing consultation fees” as opposed to a fee for completing a claim. We noted that ambiguity around what the veteran is being charged for makes it difficult for claimants and VA to know whether claimants are being charged allowable fees.

VA officials and VSO and state officials we interviewed told us about additional suspicious practices such as:

¹⁴ An asset transfer at less than fair market value occurs when the claimant sells or gifts a resource for an amount that is less than the value of the resource on the open market. When an individual applies for Medicaid coverage for certain long-term care, states conduct a look-back to determine if the applicant transferred assets for less than fair market value prior to applying. Individuals who did so during the 60 months prior to applying may be denied eligibility for long-term care coverage for a period of time, known as the penalty period.

¹⁵ We reported that representatives are not permitted to charge claimants for services related to the initial preparation and filing of their claims, but that representatives can charge fees for any services rendered after VA makes an initial decision on a claim and the claimant initiates an appeal of VA's decision. GAO, *VA Benefits: Improvements Needed to Ensure Claimants Receive Appropriate Representation*, [GAO-13-643](#) (Washington, D.C.: August 1, 2013).

Charging veterans for services of questionable value: Financial planners may charge veterans to restructure assets by, for example, moving assets into a mutual fund to qualify for benefits when no such restructuring was necessary. Planners may recommend restructuring assets unnecessarily to earn a commission on the transaction. Additionally, VA officials told us that some organizations were charging veterans a fee on an ongoing basis to ensure they remain eligible for benefits. For example, these organizations would tell veterans that they would keep their documents in order and ensure continued eligibility; however, VA officials told us such a service is not needed to maintain eligibility. In another scheme, organizations may charge veterans for services that were not provided. For example, VA staff told us of companies that charge veterans for in-home care, and that the care was not provided. In addition to not receiving the service, because these medical expenses can reduce an applicant's income to meet the net income limits for aid and attendance, the veteran may no longer qualify for aid and attendance and may incur an overpayment that must be repaid.

Pension advance loans: According to VA officials and other stakeholders, some organizations provide veterans loans against future pension payments while charging high interest rates (see example in text box).¹⁶

Loan Against Future Pension Payments with High Interest Rate

In 2018 the Virginia Attorney General announced that the state secured over \$50 million in debt relief and civil penalties against a company for making high-interest loans to over 1,000 veterans and retirees. According to the Virginia Attorney General's press release, the suit had claimed that the company disguised its illegal, high-interest loans as "pension sales" that could provide pension holders with a quick lump sum of cash.

Source: November 15, 2018 Virginia Attorney General Press Release. | GAO-20-109

Charging questionable fees for services: VA staff told us that some in-home care providers charge different amounts for the same services and that the providers might purposefully charge more than the actual cost to help veterans obtain the maximum aid and attendance benefit. Although there may be legitimate reasons for these charges, staff said that these claims do seem suspicious and that it is difficult for them to assess whether the charges are reasonable. Staff also said that in some instances it appears that an in-home care provider may overcharge for

¹⁶ GAO has previously reported on the issue of pension advance loans in general. As part of an investigation, we found that some pension advance companies charged interest rates at several times the limit allowed by the states in which they were based. GAO, *Pension Advance Transactions: Questionable Business Practices Identified*, [GAO-14-420](#) (Washington, D.C.: June 4, 2014).

the services they provide. For example, staff told us that care providers may not provide the promised home care services, and instead just provide housekeeping or no services at all. Veterans may also be charged unreasonable amounts for estate planning and other financial services (see text box for example).

Unreasonable Fees for Legal Services

A 2018 opinion of the Supreme Court of Kansas described how a veteran and their spouse paid unreasonable fees for legal services. The couple, who were in their late 80s and had nearly \$500,000 in assets, entered into an agreement with an attorney for estate and long-term care planning. The attorney, among other things, set up two trusts to enable the couple to qualify for VA aid and attendance. Under the agreement the couple was to pay about \$31,000 in fees. An earlier hearing panel had determined that the fees customarily charged in the locality were between \$3,000 and \$8,000, that the fees charged in the case were unreasonable, and that for various violations of the Kansas Rules of Professional Conduct including this one, the attorney should be suspended from practicing law in Kansas for a period of 6 months. The court generally found clear and convincing evidence supporting the panel's factual findings and ordered a 6 month suspension.

Source: In re Crandall, 308 Kan. 1526 (Kan. 2018). | GAO-20-109

Note: In September 2018, VA promulgated regulations establishing a look-back and penalty period for claimants who transfer assets for less than fair market value prior to applying for VA pension benefits.

Information Sharing, Outreach, and Staff Training Are Effective Practices That State and Federal Agencies Use to Address Financial Exploitation

Organizations we interviewed, as well as past GAO work, reported that effective practices that state and federal agencies use to address financial exploitation fall into three broad areas: interagency coordination and data sharing, education and outreach, and staff training.

Interagency coordination and data sharing

GAO previously reported that financial exploitation is a complex problem that spans the jurisdictions of different state, local, and federal agencies, and that sharing data on potential financial exploitation can help inform state and local law enforcement and other agencies about how to respond to problems.¹⁷ Specifically, additional information on which

¹⁷ [GAO-13-110](#).

practices are most effective for investigating and preventing elder financial exploitation could help state and local agencies better allocate their resources.

A number of organizations contribute to information sharing on best practices between state and federal agencies. For example, the Elder Justice Coordinating Council (EJCC)—of which VA is a member—meets twice a year with the goal of better coordinating the response to elder abuse across federal agencies. VA officials said that EJCC meetings served as forums to coordinate responses to elder abuse and exploitation across federal agencies. In 2014, the EJCC adopted a number of recommendations intended to improve federal leadership and agencies' response to elder abuse, and past meetings of the EJCC covered new research regarding elder abuse. Department of Health and Human Services (HHS) officials added that EJCC meetings help identify opportunities to collaborate and coordinate on activities to avoid the duplication of effort and increase the effect of actions related to elder justice.

Additionally, some federal agencies collect data on complaints and cases that could help state and local agencies determine how to best prevent and address elder financial exploitation. For example, the FTC's Consumer Sentinel Network serves as a clearinghouse where federal and state agencies can share information on consumer complaints. FTC officials said that data can contain information on companies that may be committing potential exploitation and the types of schemes. FTC publishes an annual report using Consumer Sentinel data to track trends in reports of exploitations and the categories of schemes and how often they are reported. For example, FTC reported that it received over 38,000 reports of fraud from veterans in 2018.¹⁸ Consumer Sentinel data are available to law enforcement which can use this information to detect trends and identify questionable business practices and targets.

In addition, HHS developed its National Adult Maltreatment Reporting System (NAMRS) to collect state adult protective services data in an effort to provide consistent, accurate national data on the maltreatment of older adults and adults with disabilities. According to HHS, this database

¹⁸ As we note earlier, individuals self-report whether they are veterans. Therefore, there may be more or fewer veterans who are reporting potential fraud to FTC.

will help agencies identify characteristics of those experiencing and perpetrating abuse, and identify gaps in responding to abuse.

Education and outreach

Representatives of organizations that work with veterans and older adults told us that education and outreach are the most effective means of preventing financial exploitation. Outreach methods can take a variety of forms. For instance, organizations told us that they conduct in-person events in nursing homes, produce written materials, and conduct public service announcements. Officials told us that one state securities regulator produced radio and television advertisements about the types of fraud targeted at seniors and ways to report suspicious marketing or interactions with investors. They added that these radio and television spots resulted in a 40 percent increase in reports of potential fraud. Representatives of these organizations also told us that it is important to use different media to maximize outreach, and to also target others beyond veterans, such as family members and caregivers. One organization noted that reaching beyond the vulnerable population itself to family members can help them recognize if their relatives are being exploited. The organization added that using different media is important because it is not clear that some efforts, such as on social media, will reach all older or vulnerable adults.

Additionally, CFPB and the Federal Deposit Insurance Corporation produced a guide on financial management for older adults.¹⁹ The guide is intended to help individuals prevent, recognize, and report financial exploitation. It also offers an instructional guide to help organizations educate the public and target information for specific groups, like veterans or homeowners. CFPB also includes resources for caregivers and financial institutions on how to protect older adults and report exploitation. In addition, CFPB designed a number of financial educational placemats to be used in meal delivery programs to help alert the elderly and their families about various scams, including scams involving aid and attendance. According to CFPB officials, the agency released the placemat in November 2018 in a blog post that highlighted the nature of these scams, possible warning signs, and actions to protect against these scams.

¹⁹ Consumer Financial Protection Bureau, and Federal Deposit Insurance Corporation, *MONEY SMART for Older Adults Resource Guide* (February 2017).

Staff training

In a prior GAO report, we reported that state and local officials told us that individuals who are in a position to identify potential elder financial exploitation need special training because they may be unfamiliar with financial crimes.²⁰ Various federal agencies provide training and produce materials on how staff should interact with those who may have been financially exploited. For example, the Department of Justice provides materials for citizens, law enforcement agencies, and other first responders on how to interact with victims. Additionally, state and federal agencies may provide training on how individuals who serve the elderly can detect fraud. One organization, for instance, told us that state securities administrators developed training for banks and brokers on how to identify the signs of exploitation, and developed systems to better monitor and address issues they identify.²¹

VA Is Taking Some Actions Others Identified as Effective, but Gaps in Its Tracking of Potential Exploitation and Program Management Could Hinder Its Efforts to Protect Veterans

VA Shares Some Information with Other Agencies, but Does Not Centrally Track Information on Financial Exploitation

VA is taking some steps to share information with other agencies on potential financial exploitation—an effective practice in addressing this problem, as discussed above. For example, VA’s OGC sends complaints about both accredited and non-accredited representatives (e.g., attorneys or financial planners) to FTC’s Consumer Sentinel complaint database, which can be used by state and federal agencies to aid with investigations. VA also participates in the EJCC to help develop

²⁰ [GAO-13-110](#).

²¹ In addition, under the Economic Growth, Regulatory Relief, and Consumer Protection Act, certain financial institutions may offer training related to elder financial exploitation to employees, and immunity may then be extended to the institution and certain employees who disclose the financial exploitation of an older adult to certain regulatory or law enforcement agencies. Pub. L. No. 115-174, § 303, 132 Stat. 1296, ____ (2018).

approaches to address financial exploitation. Additionally, officials told us that VA has partnered with the Department of Justice to develop training for VA fiduciary program staff on elder abuse and neglect and financial exploitation by fiduciaries.

However, VA is missing important opportunities to understand threats to veterans and share information internally because the agency does not centrally collect and analyze information gathered by offices within VA on potential exploitation. VA staff told us about some ways that different offices within VA track complaints. For instance, VA's OGC tracks complaints and actions taken against accredited representatives in a database, and PMC staff responsible for coordinating with the VA OIG on fraud said that they individually track their referrals of potential fraud or exploitation that are made to OIG. However, VA headquarters does not centrally aggregate these complaints or complaints to its hotlines. Also, according to VA officials, VA headquarters does not systematically solicit information from PMCs on potential schemes. While it is VA policy for staff to refer fraud to OIG, not all suspicious activity or complaints rise to the level of potential fraud.

VBA officials told us that it is the role of OIG—not VBA—to address potential financial exploitation, and that there is limited incentive to track issues when they involve actions against veterans that do not violate laws or VA rules. For example, officials said that while some potential schemes identified may not be in the best interest of veterans, such as providing loans to veterans to help cover expenses while applying for benefits, they are not against VA rules. VA officials also said that as long as beneficiaries are competent, they can spend their benefits as they see fit, including on products or services that may not be in their best interests. They added that centrally collecting information on potential schemes would have limited use because VA cannot take enforcement action on the types of schemes we discussed earlier. Officials also stated that often veterans are exploited before they begin the claims process with VA, such as when they enter into an agreement before applying for benefits.

Nevertheless, VA's core values include ensuring that veterans and their survivors are cared for and, as a steward of federal funds, VA has an important role to ensure that benefits intended to aid veterans are used to help the veterans and not those who exploit them. According to federal internal control standards, management should use quality information to achieve the agency's objectives and obtain relevant data from reliable sources.

By not collecting and analyzing information centrally, VA is limited in its ability to identify potential instances of financial exploitation and track trends across the agency. For instance, VA cannot determine whether it has received a number of complaints against a particular company or individual, or if veterans are being targeted by new schemes. Centrally collecting and analyzing information on schemes and complaints can help VA protect veterans. For instance, information on emerging schemes or trends in complaints could help VA develop outreach to veterans or VSOs, and inform the guidance VA provides to its staff. Without additional information to assess different risks, VA cannot ensure that its current activities are appropriately targeted, and is limited in its ability to develop responses. In addition, by not systematically tracking issues, the value of any information shared with others seeking to investigate bad actors may be lessened because it is not complete.

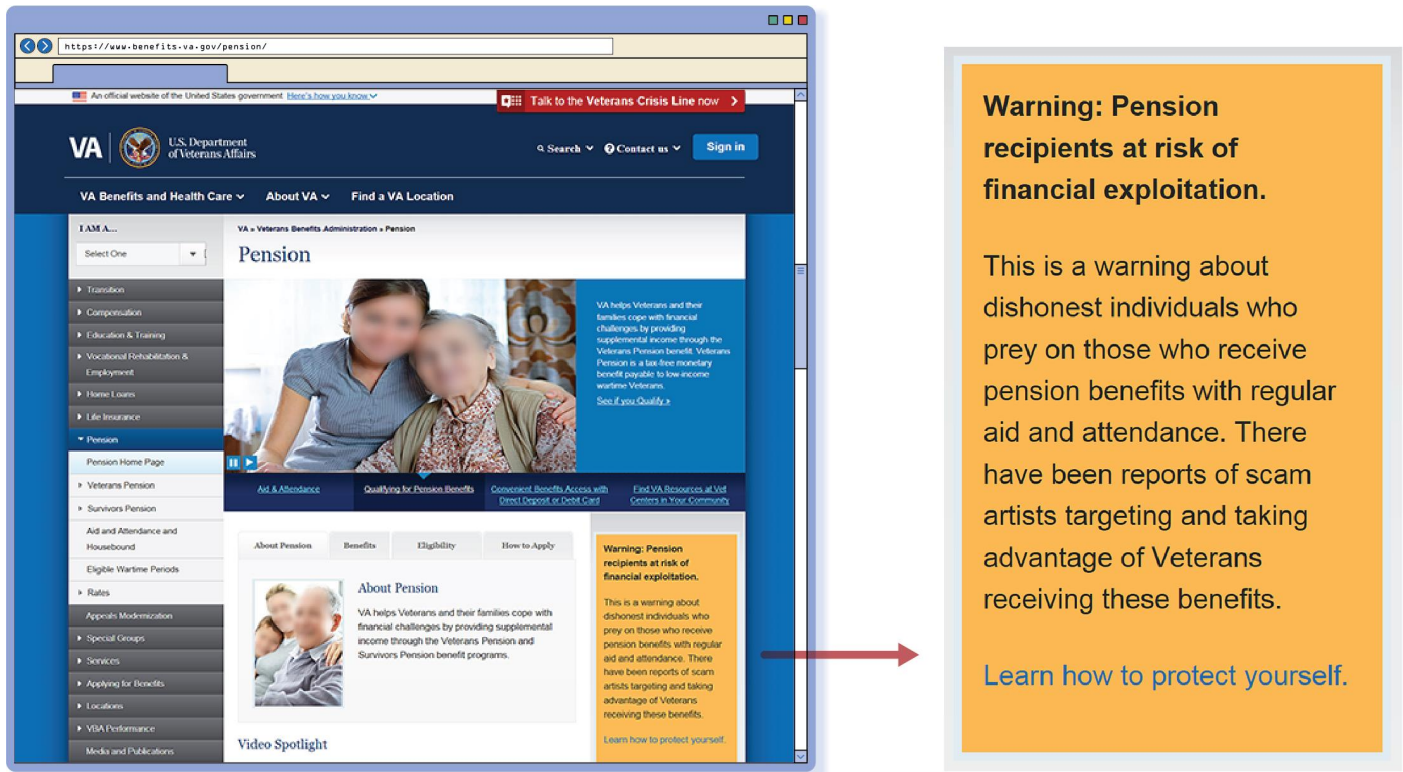
VA Has Taken Steps to Train Staff and Warn Veterans about Potential Exploitation, but Is Missing Opportunities to Extend Its Reach

In line with effective practices we identified earlier, VA staff receive general training on fraud and exploitation. For instance, staff at two of the three PMCs received training on fraud and exploitation from the OIG. Additionally, staff we interviewed generally knew to report suspicious claims to their supervisors or the PMC fraud coordinator for review and potential referral to OIG.

In addition, VA has taken several steps to educate and reach out to veterans, which is consistent with what state and federal agencies identified as effective in addressing financial exploitation. VA has provided written materials on its website to explain pension poaching and the risks of restructuring assets to qualify for pension benefits. Additionally, VA posted on its website a warning aimed at veterans eligible for pension benefits explaining that they may be targeted for financial exploitation (see fig. 3).²²

²² VA officials told us that the agency developed this warning in response to a requirement in the Veterans Care Financial Protection Act of 2017 to include a warning on the financial exploitation of veterans eligible for increased pension on the basis of need for regular aid and attendance.

Figure 3: Warning about Risk of Financial Exploitation on Department of Veterans Affairs Website



Source: Department of Veterans Affairs (VA). | GAO-20-109

Note: Image is from <https://www.benefits.va.gov/pension> (August 5, 2019).

VA's OGC has also posted links on its website that direct users to information describing potential financial exploitation and how to report issues with accredited representatives. Further, VA has developed a welcome kit for veterans with information on VA benefits, and this kit contains a warning that veterans should not be charged for assistance when applying for benefits. Additionally, PMC staff told us that they conduct outreach to veterans in a number of venues, including nursing homes and at VSO conferences. At these outreach events, these PMC staff provide veterans information on how to apply for benefits, explain to veterans that they should not be charged fees for assistance applying for benefits, and explain changes to application requirements for benefits.

However, VA does not include similar warnings on important documents, such as the application for benefits. Having such warnings on these documents could increase the possibility that veterans would learn about and avoid potential financial exploitation schemes. VA's application forms,

including its pension application, provide no notification or warning regarding fees related to assistance in completing the application. Further, such warnings may be in places where some veterans may not see them. For instance, although VA has warnings on its website, PMC staff told us that many veterans still use paper applications when applying for aid and attendance. Federal internal control standards state that management should select appropriate methods to communicate externally, and that factors to consider when selecting a method of communication include the intended recipients of the communication and the availability of the information to the audience when needed.

Additional warnings serve as another opportunity to help prevent financial exploitation from occurring. In discussing warnings on its applications, VA officials told us that it would be difficult to communicate on a form what the rules are for charging fees. Nevertheless, VA has recognized the importance of warnings on electronic and printed materials and, as discussed earlier, has used them on its website and in its welcome kit. Others have recognized the importance of warnings on applications as well. For example, Minnesota enacted a law that requires a person who provides veterans benefits services for a fee to provide each client or prospective client with a written disclosure. A state official in Minnesota told us that the disclosure informs veterans that such services are available for free from a VSO.²³

Gaps in PMC Guidance and Procedures May Present Opportunities for Exploitation

In addition to the issues discussed earlier, we identified gaps that could present opportunities for veterans to be exploited. Specifically:

- Unclear guidance on verifying medical expenses: When applying for pension benefits, VA may deduct some medical expenses when determining a veteran's net income—one criterion for pension eligibility. If claims processors believe that medical expenses claimed are questionable, VA guidance directs them to take steps to verify the medical expenses. Further, VA officials told us that staff should use their judgment in determining what seems reasonable. However, VA's guidance on verifying medical expenses does not define or provide examples of questionable expenses that could assist claims

²³ See Minn. Stat. § 197.6091.

processors in determining what is questionable. As a result, staff we interviewed at VA's PMCs provided differing answers on when they would request additional information on expenses they deemed questionable. One group of claims processors told us that they only request receipts when the applicant claims medication expenses of over \$1,500 per year. Two other groups of claims processors told us that they accept self-reported information unless the information the veteran provides is contradictory. Another group told us that they accept information so long as it is on the correct form.

Federal internal control standards state that management should implement control activities through policies, and should internally communicate the necessary quality information to achieve the entity's objectives. This includes communicating information to enable personnel to perform key roles in addressing risks and supporting the agency's internal control system. Without additional clarity, claims processors will likely continue to apply differing criteria in identifying questionable expenses, and forgo opportunities to identify instances in which veterans may be harmed if expenses claimed are not accurate. Specifically, PMC staff told us that if medical expenses are overstated, this could affect the veteran's eligibility and result in them receiving more benefits than they should. If VA determines an error was made, a veteran may need to repay those benefits.

- Verifying direct deposit information: The application for pension benefits asks claimants to provide their direct deposit information, either on the form or by providing a voided check. However, in cases where a voided check is not provided, claims processors at all three PMCs noted that they have no way of knowing whether the direct deposit information is for the claimant's account. Claims processing staff at a PMC added that verifying banking information with a voided check would be an easy way to help avoid errors. However, VA officials told us that the onus is on the claimant to provide correct information and noted that many veterans do not have checking accounts and receive payments on a debit card. Nonetheless, federal internal control standards state that management should design control activities to achieve objectives and respond to risks, in this case, to ensure the correct payment of benefits. In contrast, the Social Security Administration verifies bank account information by requesting documents such as a personal check, an account statement, or a passbook. By not assessing the potential risk and costs and benefits of checking banking information, veterans may be at risk of their benefits not being appropriately delivered or misdirected by individuals seeking to take veterans' benefits.

Conclusions

The thousands of veterans and survivors who receive aid and attendance are at potential risk for financial exploitation. By not systematically tracking information on potential financial exploitation, VA is missing opportunities to understand its prevalence and identify trends that could harm veterans—affecting those receiving aid and attendance and veterans with disabilities more broadly. This information could help the agency formulate responses within its purview, such as education and outreach, and guide its coordination with other agencies. Further, VA is missing opportunities to lessen potential exploitation in the near-term. By not including warnings to veterans on certain documents, such as electronic or paper applications, VA is forgoing an additional avenue to warn veterans of exploitation risk. In addition, VA's lack of guidance on what constitutes a questionable medical expense may result in staff not requesting proof for these expenses and this in turn may result in some individuals receiving benefits for which they are not eligible, and placing a financial burden on veterans who would need to repay these benefits. Also, by not assessing the costs and benefits of verifying the banking information of claimants, VA may miss opportunities to help ensure that benefits are not intentionally misdirected.

Recommendations for Executive Action

We are making the following four recommendations to VA:

The Under Secretary for Benefits should systematically solicit and collect information on potential financial exploitation from VA's PMCs and other relevant VA components, including OGC, and assess this information to inform plans to address the potential exploitation of veterans receiving pension benefits. Such plans could also address the broader population of veterans with disabilities. (Recommendation 1)

The Under Secretary for Benefits should place additional warnings on paper and electronic documents, including on benefit applications, regarding fees which veterans cannot be charged. (Recommendation 2)

The Under Secretary for Benefits should clarify guidance to claims processors regarding the definition and examples of questionable medical expenses in pension claims. (Recommendation 3)

The Under Secretary for Benefits should explore the costs and benefits of additional steps claims processors could take to verify that the direct deposit information provided by claimants on their applications is for the appropriate party. (Recommendation 4)

Agency Comments and Our Evaluation

We provided a draft of this report to the Department of Veterans Affairs for review and comment. VA provided comments, which are reproduced in appendix I.

VA concurred in principle with our recommendation that it systematically solicit and collect information on potential financial exploitation from its different components; however, its proposed actions would not fully address the underlying issue we identified. VA stated that VBA plans to develop a referral process for beneficiaries to report potential fraud to FTC's Consumer Sentinel system via a link on the VA website, and to publicize the process to beneficiaries. VA added that this information would be available to VA's OIG to aid in investigations. This would be a positive step and would complement efforts that VA's OGC already has in place to report complaints regarding accredited and non-accredited representatives to FTC's Consumer Sentinel system.

However, we believe that additional action is needed to address our recommendation and protect veterans. VA's proposed actions would not fully address whether it will capture information from PMCs and other VA units and staff who may be most familiar with emerging threats to veterans. In addition, information in Consumer Sentinel is only available to law enforcement agencies. As such, it is not clear how VA would use information reported to Consumer Sentinel. As we noted in our report, some of the schemes identified likely do not violate current laws or VA policy according to VA officials. We continue to believe that soliciting information from VA components would allow the department to better identify trends in current and emerging schemes, and develop responses that are within its own ability to address, such as through education and outreach, or policy changes.

VA concurred with our other three recommendations, and provided technical comments which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Veterans Affairs, and other interested

parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-7215 or curdae@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix II.



Elizabeth H. Curda, Director
Education, Workforce, and Income Security Issues

Appendix I: Comments from the Department of Veterans Affairs



THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

AUG 30 2019

Ms. Elizabeth H. Curda
Director
Education, Workforce, and Income Security Issues
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Curda:

The Department of Veterans Affairs (VA) has reviewed the Government Accountability Office (GAO) draft report: ***VETERANS BENEFITS: Actions VA Could Take to Better Protect Veterans from Financial Exploitation*** (GAO-19-655).

The enclosure contains the actions to be taken to address the draft report recommendations, and a technical comment to clarify the VA Office of Inspector General's role in investigations. VA appreciates the opportunity to comment on your draft report.

Sincerely,

A handwritten signature in cursive script that reads "Robert L. Wilkie".

Robert L. Wilkie

Enclosure

Enclosure

Department of Veterans Affairs (VA) Comments to
Government Accountability Office (GAO) Draft Report
**VETERANS BENEFITS: Actions VA Could Take to Better Protect
Veterans from Financial Exploitation**
(GAO-19-655)

Recommendation 1: The Under Secretary for Benefits should systematically solicit and collect information on potential financial exploitation from VA's PMCs and other relevant VA components, including OGC, and assess this information to inform plans to address the potential exploitation of veterans receiving pension benefits. Such plans could also address the broader population of veterans with disabilities.

VA Comment: Concur in principle. The Department of Veterans Affairs (VA) agrees that any exploitation of the elderly and specifically VA beneficiaries should be addressed. VA's Veterans Benefits Administration (VBA) will develop a referral process or procedures to direct VA beneficiaries to the Federal Trade Commission (FTC), and to publicize the referral process to the VA beneficiaries. Data collection will be executed utilizing the existing FTC Consumer Sentinel complaint databases. By providing a link to this database on the VA.gov Web site for Veterans or other beneficiaries, the submitted information would provide VA's Office of the Inspector General (OIG) access to the data on potential exploitation for review and to support investigations. VBA will continue to report circumstances regarding potential fraud and exploitation to OIG as VBA does not have investigative authority. Providing a means for Veterans and other beneficiaries to report potential fraud or exploitation for direct view by OIG would be a more proactive approach.

VBA will work with VA's Office of General Counsel to add this link and language to VA's Web site. VBA will provide OIG and the Government Accountability Office the link when implemented. Target Implementation Date: November 15, 2019.

Recommendation 2: The Under Secretary for Benefits should place additional warnings on paper and electronic documents, including on benefit applications, regarding fees which veterans cannot be charged.

VA Comment: Concur. VBA will place additional warnings on VBA Forms 21P-527, 21P-527EZ, 21P-534, and 21P-534EZ as they are submitted for regularly scheduled updates or needed changes. A targeted completion date cannot be determined at this time.

Recommendation 3: The Under Secretary for Benefits should clarify guidance to claims processors regarding the definition and examples of questionable medical expenses in pension claims.

VA Comment: Concur. VBA will update its guidance to clarify the definition of questionable medical expenses as well as provide examples in the guidance. Target Implementation Date: September 30, 2019.

Enclosure

Department of Veterans Affairs (VA) Comments to
Government Accountability Office (GAO) Draft Report
***VETERANS BENEFITS: Actions VA Could Take to Better Protect
Veterans from Financial Exploitation***
(GAO-19-655)

Recommendation 4: The Under Secretary for Benefits should explore the costs and benefits of additional steps claims processors could take to verify that the direct deposit information provided by claimants on their applications is for the appropriate party.

VA Comment: Concur. VBA will review its processes to determine the most efficient and cost-effective means of verifying direct deposit information provided by claimants. VBA anticipates completing the analysis by January 15, 2020. Once the analysis is complete, VBA will determine if a feasible option exists. A target completion date cannot be provided at this time.

Appendix II: GAO Contact and Staff Acknowledgments

GAO Contact

Elizabeth H. Curda, (202) 512-7215 or curdae@gao.gov

Staff Acknowledgments

In addition to the contact names above, individuals making key contributions to this report were Nyree Ryder Tee (Assistant Director), Daniel R. Concepcion (Analyst-in-Charge), Evan Keir, and Martin Scire. Additional contributors include Seto Bagdoyan, James Bennett, Joy Booth, Nora Boretti, Jason Bromberg, Alicia Puente Cackley, Pamela Davidson, Alex Galuten, Jessica Orr, Karissa Robie, and Almata Spencer.

Appendix III: Accessible Data

Data Tables

Accessible Data for Age of Veterans and Survivors Receiving Aid and Attendance as of October 2018

Age of veteran	Number	Percentage of total
Under age 65	10392	5%
65 to 74	31154	14%
75 to 84	36780	16%
85 to 94	122323	53%
95 or older	29916	13%

Accessible Data for Figure 1: VA Pension Claims Process

1. Veteran or survivor begins application for pension benefits, potentially with the assistance of a veterans service organization^a or an attorney
2. VA collects application including military history, medical records, and financial information
3. Application is assessed for eligibility by a claims processor at one of VA's three Pension Management Centers
 - a. To meet VA criteria, the veteran must have served during wartime; be permanently and totally disabled and/or 65 or older; and have an income and net worth under VA's limits
 - b. If any part of VA's criteria is not met, the claim is denied. The veteran may appeal through one of several avenues
4. If all 3 part of the criteria are met, VA approves claim
5. VA may assign an individual or an organization to manage veteran's finances if veteran cannot
6. Benefit payments sent to designated bank account or to a debit card

7. Veteran is expected to report changes in income or expenses that could affect ongoing eligibility

Source: GAO analysis of Department of Veterans Affairs (VA) procedures. | GAO-20-109

Accessible Data for Figure 2: Distribution in Age for Veterans and Survivors Receiving Aid and Attendance as of October 2018

Age of veteran	Number	Percentage of total
Under age 65	10392	5%
65 to 74	31154	14%
75 to 84	36780	16%
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95 or older	29916	13%

Source: GAO analysis of Department of Veterans Affairs (VA) data. | GAO-20-109

Accessible Data for Figure 3: Warning about Risk of Financial Exploitation on Department of Veterans Affairs Website

Graphic shows the website at <https://www.benefits.va.gov/pension> and highlights the text in a bright orange box on the right edge of the page. The box says “Warning: Pension recipients at risk of financial exploitation. This is a warning about dishonest individuals who prey on those who receive pension benefits with regular aid and attendance. There have been reports of scam artists targeting and taking advantage of Veterans receiving these benefits. The words “Learn how to protect yourself” are also a link to <https://www.justice.gov/elderjustice/financial-exploitation>.”

Source: Department of Veterans Affairs (VA). | GAO-20-109

Agency Comment Letter

Accessible Text for Appendix I Comments from the Department of Veterans Affairs

Page 1

AUG 30 2019

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Director

Education, Workforce, and Income Security Issues

U.S. Government Accountability Office

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Washington, DC 20548

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Page 2

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