



Veterans Affairs
Canada

Anciens Combattants
Canada

THIRD PARTY ADMINISTERED ACCOUNTS AUDIT

Final: October 2010



Canada 



*This report was prepared by the
Audit and Evaluation Division*

ACKNOWLEDGEMENT

Audit and Evaluation Division acknowledges the time and effort given by departmental managers and staff to provide information associated with this audit.

The Audit Team consisted of the following persons:

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EXECUTIVE SUMMARY

The Third-Party Administered Accounts Audit was recommended for inclusion in the Veterans Affairs Canada (VAC) Multi-Year Risk-Based Internal Audit Plan 2010-2013 by VAC's Departmental Audit Committee (DAC) on March 18, 2010. The purpose of the audit was to examine the Department's responsibilities, both in making expectations clear to administrators and in monitoring their performance.

Third-party administration refers to the arrangements put in place when a client requires assistance in managing their personal or financial affairs. VAC will direct an award be payable to a third party only when considered absolutely necessary in the interests of the client. The Department investigates the particular circumstances related to that client before making a decision for administration.

As of June 2010, 45 clients were coded on the Client Service Delivery Network (CSDN) as third party administered accounts. If these 45 clients remain active for the 2010 calendar year, they would receive almost \$340,000 in benefits from VAC.

AUDIT OBJECTIVES

The objectives for the Third-Party Administered Accounts audit were to:

1. Assess the adequacy of the policies, procedures, and guidelines surrounding third party administration.
2. Assess compliance with governing authorities, and reasons for departure, if any.
3. Assess the integrity of the control framework exercised by the Department over the activities of the appointed administrators.

RECOMMENDATIONS AND OVERALL OBSERVATIONS

The audit team identified weakness where management should focus. Management should ensure that the accounts are closed upon the death of the client. Because these clients require assistance managing their financial affairs, the Department should monitor these clients. Roles and responsibilities need to be clarified in terms of the role of the third party administrator and VAC's responsibilities in regards to third party administrators. Accurate coding and reporting is required to ensure that management is collecting useful information and staff are aware of which administered accounts they are responsible for. Finally, financial follow up and reporting needs to be timely and needs to be completed on an annual basis. While there has been turnover in the organization responsible for managing these accounts, the current team is committed to the care of the clients.

R1 (*Essential*)

It is recommended that the Director General, Centralized Operations Division (COD), implement a process to ensure Third Party Administration Annual Accounting Reports are sent to administrators in the year of the client's death for the purpose of closing the account.

R2 (*Essential*)

It is recommended that the Director General, Centralized Operations Division, enhance the process to include a visit by the Case Manager on an annual basis.

R3 (*Important*)

It is recommended that the Director General, Centralized Operations Division, implement a revision to the PEN100 form and VAC539 to ensure that audit rights and responsibilities of VAC and the third party administrator are clear.

R4 (*Important*)

It is recommended that the Director General, Centralized Operations Division, create a report of all Third Party Administered Account clients within each District Office and ensure the report is available to Case Managers.

R5 (*Important*)

It is recommended that the Director General, Centralized Operations Division, implement a process to 1) restrict the input of options in the CSDN to the ones that are currently valid, 2) revise instructions to staff to ensure the current instructions are being used and 3) management should review the current data to determine if data clean-up is needed.

R6 (*Critical*)

It is recommended that the Director General, Centralized Operations Division, ensure Third Party Administration Annual Accounting Reports are sent annually and follow-up procedures are performed on a timely basis.

OVERALL AUDIT OPINION

Audit and Evaluation Division (AED) concludes with a high level of assurance that improvements are required to the processing of Third Party Administered Accounts to ensure the business procedures are being followed.

In the opinion of the Chief Audit Executive (CAE), improvements are required to the management control framework applicable to the Third Party Administration of Accounts. There is one critical recommendation identified in the report for which mitigating measures have not reduced the residual risk to an acceptable level.

STATEMENT OF ASSURANCE

In the professional judgment of the CAE, sufficient and appropriate audit procedures have been conducted and evidence has been gathered to support the accuracy of the opinion provided in this report. This opinion is based on the conditions, as they existed at the time of the audit. The opinion is only applicable to the entity examined and for the scope and time period covered by the audit. The evidence was gathered in compliance with Treasury Board policy, directives, and standards on internal audit and the procedures used meet the professional standards of the Institute of Internal Auditors (IIA), with the exception that the external assessment prescribed by Standard 1312 for the purpose of the quality assurance and improvement program has not been completed. This external assessment of the internal audit function at VAC is currently in progress by the Office of the Auditor General (OAG).

The evidence has been gathered to be sufficient to provide senior management with the proof of the opinion derived from the internal audit.

Original signed by

October 20, 2010

Orlanda Drebit
Chief Audit Executive

Date

1.0 BACKGROUND

The Third-Party Administered Accounts Audit was recommended for inclusion in the Veterans Affairs Canada (VAC) Multi-Year Risk-Based Internal Audit Plan 2010-2013 by VAC's Departmental Audit Committee (DAC) on March 18, 2010. The purpose of the audit was to examine the Department's responsibilities, both in making expectations clear to administrators and in monitoring their performance.

Third-party administration refers to the arrangements put in place when a client requires assistance in managing their personal or financial affairs. VAC will direct an award be payable to a third party only when considered absolutely necessary in the interests of the client. These situations most often occur when a client did not appoint a power of attorney before their incapacitation. Whereas a power of attorney authorizes a person to act on someone else's behalf in a legal or business matter, the authorization must be granted before the grantor becomes incapacitated due to a physical or mental illness. In addition, public trustees, for the most part, will not administer accounts for clients who still have living family members.

The Department must investigate the particular circumstances related to that client before making a decision for administration. To ensure administrators are fulfilling their responsibilities, the Department should monitor administered clients through Case Manager (CM) visits and the annual accounting form which must be completed by the third party administrators.

VAC recognizes the importance of the independence of its clients and will not interfere unless there is evidence that the client is not capable of managing their own affairs. The Department will first provide information to clients and/or their families as to the various alternatives available. The Department will not consider third-party administration until all alternatives have been explored. In addition, the Department will only act as an administrator or appoint an administrator as a last resort.

The main reason for placing an account under administration is to protect the client against situations in which they may be unable to cope. These situations may occur when a client suffers a sudden, debilitating health change such as a stroke. In circumstances such as these, payments on behalf of the clients are made by their administrator for items such as rent, food, and medical supplies.

2.0 AUDIT OBJECTIVES

The objectives for the Third-Party Administered Accounts audit were to:

1. Assess the adequacy of the policies, procedures, and guidelines surrounding third party administration.

2. Assess compliance with governing authorities, and reasons for departure, if any.
3. Assess the integrity of the control framework exercised by the Department over the activities of the appointed administrators.

3.0 SCOPE

The audit examined accounts which were coded as Third Party Administered Accounts on the Client Service Delivery Network (CSDN) as of April 1, 2010. This included a review of all of these client's files to the extent pertinent to this audit.

The audit examined legislation including the:

- *Pension Act*, paragraph 41(1)(a) of the *Pension Act* which states the Minister may direct that the award payable to a person under the *Pension Act* may be administered by the Department or a person or agency (third party) selected by the Minister.
- *War Veterans Allowance Act*, subsection 15(2) of the *War Veterans Allowance Act* which states the Minister may direct that monies payable to a recipient under the *War Veterans Allowance (WVA) Act* be administered by the Department or a person or agency (third party) selected by the Minister.

The audit reviewed whether the program is in compliance with departmental policies and procedures such as delegated authorities, program payment methods, program governance/administration, and quality assurance responsibilities.

The team conducted a comprehensive review of the legislation, regulations, policy and directives to assess the adequacy of controls and to determine whether policies, procedures, and guidelines were being followed.

4.0 METHODOLOGY

The audit engagement was conducted in accordance with the Institute of Internal Auditors' (IIA) Standards for the Professional Practice of Internal Auditing, as required under the Treasury Board Policy on Internal Audit. The standards require that the audit be planned and performed to obtain reasonable assurance that Third Party Administered Accounts are administered in accordance with governing authorities.

Also included in the audit was a review of the management framework and internal controls; interviews were held with VAC staff who hold responsibilities (operational and functional) in the management of administered accounts.

Audit procedures consisted of a preliminary survey and interviews with senior departmental officials to gather corporate information regarding their interpretation of the administration of administered accounts. Additionally, the audit team conducted a review of reports and working papers of previous audits conducted on other types of administered accounts. These efforts were undertaken to identify areas of risk for detailed analysis.

During the audit, the audit team conducted interviews with staff who are responsible for the management and administration of third party administered accounts. Interviews were conducted with Head Office (HO), Regional Office (RO), and District Office (DO) staff to obtain an understanding of the process for the appointment of administrators. Interviews were also conducted to assess the overall management of administered accounts. Interviews were not conducted with third party administrators. In developing their audit program, the auditors determined that there would be limited added value by conducting procedures with third parties due to the low financial risk and the compensating control framework. Furthermore, as identified in Recommendation 3, the Department's audit rights are not clearly defined in the documentation given to the administrators.

Due to the small number of clients which were classified as Third Party Administered Accounts, the audit did a complete file review of all clients, with corresponding CSDN documentation, rather than a sample. All living clients as of April 2010 were chosen for this review. Results of this review are presented throughout the report and the audit program for the file review is available in Appendix A. In addition, a sample of four deceased clients was chosen to determine what methods were completed to finalize administered accounts upon death.

5.0 STATEMENT OF ASSURANCE

In the professional judgment of the Chief Audit Executive (CAE), sufficient and appropriate audit procedures have been conducted and evidence has been gathered to support the accuracy of the opinion provided in this report. This opinion is based on the conditions, as they existed at the time of the audit. The opinion is only applicable to the entity examined and for the scope and time period covered by the audit. The evidence was gathered in compliance with Treasury Board policy, directives, and standards on internal audit and the procedures used meet the professional standards of the IIA with the exception that the external assessment prescribed by Standard 1312 for the purpose of the quality assurance and improvement program has not been completed. This external assessment of the internal audit function at VAC is currently in progress by the Office of the Auditor General (OAG).

The evidence has been gathered to be sufficient to provide senior management with the proof of the opinion derived from the internal audit.

6.0 AUDIT RESULTS

The observations, categorized by each audit objective, are provided below.

To assist management in determining the impact of the observations, the following definitions are used to classify observations presented in this report.

Risk Rankings for Audit Recommendations	
Critical	Relates to one or more significant weaknesses for which no adequate compensating controls exist. The weakness results in a high level of risk.
Essential	Relates to one or more significant weaknesses for which no adequate compensating controls exist. The weakness results in a moderate level of risk.
Important	Relates to one or more significant weaknesses for which some compensating controls exist. The weakness results in a low level of risk.

6.1 Assess the adequacy of the policies, procedures, and guidelines surrounding third party administration.

The audit team reviewed existing policies, legislation, and procedures to determine if all the parts are present to deliver the program. In addition, through interviews with key stakeholders and program delivery staff, the audit team gained input from staff who use the policies and procedures within day-to-day activities (HO and DO staff).

Observation

The National Business Process for the Disbursement of Estate Funds held by VAC describes the guiding principles and roles for staff involved in the closing of a clients account upon death. The process contains no requirement for annual accounting forms to be sent out in the year of a clients death.

In practice, there is no evidence of annual accounting reports being sent out in the year of the clients death. A file review of four recently deceased third party administered clients revealed that there was no accounting form completed in the client's year of death. Management also indicated that they do not normally send out a form in the year of the client's death.

The Undertaking By Administrator For Administration of Account (PEN100) states that:

In the event of death, marriage or removal from the home of any person on whose account you are receiving monies for administration, you should notify the Department immediately. Your notification should include information as to the actual balance of funds in the account and you should make no further disbursements from the account pending receipt of the Department's instructions. Also, any cheques received after the change in circumstances states above should be returned for proper adjustment of the account.

On death of the client/dependent, after obtaining approval of Veterans Affairs Canada, you should pay the balance of the funds to the estate of the client.

The undertaking outlines certain responsibilities for the administrator and the Department upon the death of a client. While the audit team found that the administrator did inform the Department of the client's death, the balance in the account was not documented in CSDN. Further, it has not been the practice in the Department to send out annual accounting statements in the year of the client's death. This is a control weakness because the Department cannot ensure the appropriateness of the disbursement of funds. Not requesting final accounting forms and having a process in place to close a client's account increases the risk of third party administrators not complying with the undertaking.

R1 (*Essential*)

It is recommended that the Director General, Centralized Operations Division (COD), implement a process to ensure Third Party Administration Annual Accounting Reports are sent to administrators in the year of the client's death for the purpose of closing the account.

Management Response

Management agrees that appropriate steps need to be taken in the year of the client's death.

Management will review the third party administered clients files and determine the level of risks associated with their accounts. For administrators of clients determined to be in low risk situations, the annual accounting report could be waved in the clients year of death based on the specific circumstances, and as an alternative, limited inquiries and fact cross-checking would be carried out. Information to be considered will include, for instance, information contained in Client Notes on CSDN, the amount of pension under administration and other applicable documented information. The normal steps to be followed when VAC is notified of the death of a client "in pay" will be followed.

Management Action Plan

Corrective Action to be taken	OPI (Office of Primary Interest)	Target Date
1.1 Request the creation of a System Generated Work Item (SGWI) that will alert Benefits Adjudication of the death where 3 rd Party Administration is involved;	COD	March 31, 2011
1.2 Revise the Business Process to reflect the change noted above.	COD	March 31, 2011

Observation

The June 2003 Administered Accounts Procedures states that “a CM will visit the client and provide a written report regarding the client’s well-being.” However, the May 2010 National Business Process for the Administration of Clients’ Monies states that “the CM’s written report (Memo, Client Note or CM Assessment) should include, but is not limited to, information regarding the client’s well-being, whether they are satisfied with the management of their monies and confirm that their future needs are being met.”

The June 2003 procedures indicated that the CM must visit the client however the May 2010 process has had that portion deleted thereby creating a grey area. Due to the varied workload of CMs and the number of clients within their district, many Area Counsellors (ACs) are not familiar with which of their clients are administered by third parties. This unfamiliarity creates a risk that administered clients may not be visited by their ACs as was the original intent of the procedures.

R2 (Essential)

It is recommended that the Director General, Centralized Operations Division, enhance the process to include a visit by the Case Manager on an annual basis.

Management Response

Management agrees that a form of regular contact is needed with the client to assess the client’s well being. At the same time, management will exercise a degree of discretion to integrate other departmental processes and take into consideration previous reviews(for example Veterans Independence Program (VIP) nursing assessments), information contained in Client Notes in CSDN, the amount of pension under administration, and other applicable documented information to determine whether a visit by the CM is required.

Management Action Plan

Corrective Action to be taken	OPI (Office of Primary Interest)	Target Date
2.1 Meet with Service Delivery Management Division (SDMD) to review existing Business Processes;	COD	October 31, 2010
2.2 With SDMD, ensure any required revisions to procedures are disseminated.	COD	March 31, 2011

Observation

The audit team reviewed documentation required to support administration, including forms and business processes. While the documentation provided high level roles and responsibilities, there is no clear indication in the procedures or the work documents as to what access VAC has to the third party administrators and their documents.

The Undertaking By Administrator For Administration of Account (PEN100) states that "it is suggested that you retain all accounts and receipts and a record of expenditures made, as these will be of value to you in preparing the annual statement to the Department." The form also states the administrator "will furnish an accounting under oath as to all monies received and expended." In addition, the form states that "if funds are misappropriated or misspent, (the administrator) will have to indemnify Her Majesty in the Right of Canada and Veterans Affairs Canada against any claims resulting from the administrator and replace said funds."

The Third Party Administration Annual Accounting Report (VAC539) also lacks a statement which clearly indicates whether VAC can interview or audit the third party administrators.

The May 2010 National Business Process for the Administration of Clients' Monies states that "if the VAC monies are greater than the reported expenses and no accrual of funds are reported (VAC539), this may be an issue requiring corrective action such as a phone call to the administrator to determine where the excess funds are." This process indicates one action which may be undertaken but it does not list the actions available to VAC for auditing purposes.

Although the above mentioned forms and procedures indicate that funds must be attended to properly, there is no declaration of VACs right to audit the administrator or request a review of receipts. The lack of a clear statement of VACs rights in this situation creates potential for confusion in the relationship between the administrator and VAC.

R3 (Important)

It is recommended that the Director General, Centralized Operations Division, implement a revision to the PEN100 form and VAC539 to ensure that audit rights and responsibilities of VAC and the third party administrator are clear.

Management Response

Management agrees with this recommendation.

Note: The VAC539 contains the note “*Please retain copies of receipts and other documents, in the event that they are required for further review*”. This statement will be expanded to explain the result of non-compliance could be the suspension of payments.

Management Action Plan

Corrective Action to be taken		OPI (Office of Primary Interest)	Target Date
3.1	Consult with Legal Services and SDMD concerning form changes required as a result of this recommendation;	COD	October 31, 2010
3.2	Review procedures and forms and make changes, as required.	COD	March 31, 2011

Observation

During interviews with DO staff, it was stated that CMs are not always aware of all of the third party administered clients within their district. Due to the number of clients counselled within each CM's district, it is often difficult to keep up-to-date on all of the changes in a client's circumstances. In addition, some CMs were unaware of their ability to request reports.

Although CMs can request ad hoc reporting from Head Office to access this

information, a large number of these requests would put unnecessary strain on the staff who create reports. A standard monthly batch report from HO would ensure all CMs are aware of Third Party Administered clients within their district.

R4 (*Important*)

It is recommended that the Director General, Centralized Operations Division, create a report of all Third Party Administered Account clients within each District Office and ensure the report is available to Case Managers.

Management Response

Management agrees in principle with this recommendation.

A report will be created from the Reporting Database that will be updated regularly and available for HO and DO use.

Management Action Plan

Corrective Action to be taken		OPI (Office of Primary Interest)	Target Date
4.1	Meet SDMD to determine the most effective and efficient report to create for this purpose;	COD	October 31, 2010
4.2	In consultation with SDMD, establish and communicate the report and its purpose to all identified employees.	COD	December 31, 2010

Observation

The coding of third party administration clients on the CSDN is inconsistent. The staff are not using consistent coding practices to record these accounts in the CSDN, which is the Department's system of record. For example, some accounts are coded as "family administration" when the administrator is an arm's length third party. In other cases, accounts are coded as "third-party administration" when the administrator is a family member (70% of the 45 clients coded as third party administrations are being administered by family members), meaning that similar accounts are coded differently. Overall, there is a lack consistency.

The information provided to auditors also indicated there were cases where the clients were coded as third party administered accounts, however upon further investigation they were clients which were not being administered under the *Pension Act* or the *WVA Act*. These were not administered accounts, they were in fact cases where the “administered account” data field was being used to store information to accommodate the record keeping and processing requirements of another program.

While staff in the Benefits Processing area and others intimate with the program may know of this inconsistent usage of terminology and coding, others in the Department may not. This process increases the risk of confusion and incorrect coding on the CSDN.

R5 (*Important*)

It is recommended that the Director General, Centralized Operations Division, implement a process to 1) restrict the input of options in the CSDN to the ones that are currently valid, 2) revise instructions to staff to ensure the current instructions are being used and 3) management should review the current data to determine if data clean-up is needed.

Management Response

Management agrees. With respect to item #1, the use of the particular field for tracking other New Veterans Charter information is a technical arrangement of which we are aware. For items 2 and 3, Management will take the necessary steps to ensure the appropriate Administration Type option is selected and will ensure that accounts are updated as they are reviewed.

Management Action Plan

Corrective Action to be taken	OPI (Office of Primary Interest)	Target Date
5.1 As cases are reviewed, data in the CSDN will be reviewed and corrected, as required;	COD	December 31, 2010
5.2 In consultation with SDMD, prepare and disseminate an Operational Directive outlining the appropriate Administration Type option to be used.	COD	March 31, 2011

6.2 Assess compliance with governing authorities, and reasons for departure, if any.

In order to assess the Department's compliance with governing authorities, the audit team primarily reviewed the *Pension Act*, *WVA Act*, and related policies before identifying specific areas for compliance testing. Due to the small number of third-party administered clients, the entire population of clients was chosen for compliance testing, rather than just a sample.

Annual accounting of Third Party Administered Accounts is required at the beginning of each new calendar year to ensure that monies have been administered appropriately. Funds must be expended for the benefit of the client. At HO, staff within Benefits Adjudication initiate the annual review process which requires the completion of the Administered Discretionary Review Letter (CDN 2258) and the Third Party Administration Annual Accounting Report (VAC 539). Third party administrators are required to complete the requested information and return the form within 60 days. After 60 days, if the form has not been returned, Benefits Adjudication will set up a Work Item in the CSDN for follow-up. If no response at all is received from the administrator, Benefits Adjudication will set up a Work Item to have a CM visit the client (i.e. the Veteran, survivor, orphan, etc.) and provide an update.

When reviewing the Third Party Administration Annual Accounting Report, if any issues are noted, Benefits Adjudication will initiate corrective actions. If there are no issues, Benefits Adjudication will send an acknowledgement letter to the third party administrator advising them that the annual accounting report has been accepted and that third party administration will continue for another year.

Observation

VAC is not adhering to all of the business processes for Third Party Administered Accounts. The annual accounting forms were not sent out in 2009 for the 2008 calendar year as per the terms of the business processes. In addition, annual accounting for the 2009 calendar year were sent out in 2010 but these have not been processed.

According to the business processes, "an annual accounting is required at the beginning of each new calendar year, once a third party or the Department has been appointed to administer the client's monies."

In addition, the business process states that, "the third party administrator will be required to return the following information within 60 days from the date of the request:

- an accounting of VAC monies received for the previous year and how the funds have been expended;

- an accounting of any accrual of funds and accumulated interest;
- a statement regarding the client's well-being and any changes in the client's circumstances;

If no response is received from the Third Party, Benefits Adjudication will set up an action Work Item in CSDN to have a CM visit.”

The audit team's file review indicated that in the majority of cases the Work Item was not initiated on the CSDN after 60 days.

Program management was aware of the issues in regards to the annual accounting forms. They indicated that there were a lack of resources and an increased workload in the Benefits Processing area. They have indicated that training is in progress with a focus on rectifying this situation. The Third Party Administration Annual Accounting Report (VAC 539) increases the likelihood that funds are being used for the client's benefit and is therefore an important document which must be completed annually to ensure the accountability of administrators.

R6 (Critical)

It is recommended that the Director General, Centralized Operations Division, implement a process to ensure Third Party Administration Annual Accounting Reports are sent annually and follow-up procedures are performed on a timely basis.

Management Response

Management agrees with this recommendation.

Management Action Plan

Corrective Action to be taken	OPI (Office of Primary Interest)	Target Date
6.1 In consultation with SDMD, a Reporting Database report of administered accounts will be created to be used when annual reviews are required (See Recommendation # 4 for type of report)	COD	December 31, 2010
6.2 The Annual Review process will be updated to include a set follow up period, which will be implemented by the end of the current fiscal year.	COD	March 31, 2011

6.3 Assess the integrity of the control framework exercised by the Department over the activities of the appointed administrators.

Paragraph 41(1)(a) of the *Pension Act* states that the Minister may direct that the award payable to a person under the *Pension Act* may be administered by the Department or a person or agency (third party) selected by the Minister. In addition, subsection 15(2) of the *WVA Act* states that the Minister may direct that monies payable to a recipient under the *WVA Act* be administered by the Department or a person or agency (third party) selected by the Minister.

A decision to either appoint the Department or a third party will only be made if:

- the client is incapable of managing their own affairs by reason of infirmity, illness or other cause; or
- the client is mentally competent and has consented to or requested departmental administration.

In the DOs, clients are served by Client Service Agents (CSAs), CMs, and a District Office Health Care Team (DOHCT). One of the DOHCT's responsibilities is to review the client's ability to manage their personal and financial affairs. In cases where a power of attorney was not acquired and a client is no longer considered to be competent to manage their affairs, CMs will inform clients and/or their representatives of the alternative arrangements available. When Third Party Administration is required, CMs will also complete the required documentation to initiate the appointment of a Third Party Administrator.

The documentation required to appoint a Third Party Administrator include:

- Documentation to support the mental health of the client (PEN6209, Doctor's Letter, Certificate of Incapacity)
- A Record of counselling and/or client consent (VAC540)
- A CM Assessment
- A DOHCT decision
- A signed application to be appointed as a 3rd party administrator (PEN100)
- A letter of appointment of the 3rd party administrator (CDN220)

When necessary, the DOHCT will make a recommendation to HO on whether or not the proposed administrator is suitable to accept the responsibility and obligation to administer a client's account.

Observations

As of June 2010, VAC had 45 clients coded on the CSDN as third party administered accounts and they will receive up to \$340,000 in VAC benefits during the 2010 calendar year. Despite the low volume of third party administered clients, VAC is providing an essential service to Veterans and their families because public trustees, for the most part, will not administer accounts for clients who still have living family members.

Interviews with CMs indicated that clients are being advised to consider pursuing a power of attorney to manage their affairs in the event of a sudden illness. This is a commendable practice which reduces the risk of a client being left in a position of having no one to manage their affairs for a certain unknown period of time. This practice also ensures that the client is represented by their chosen administrator instead of having one appointed.

The file review indicated that almost all clients have the correct documentation on file to support administration. The majority of packages of documents submitted to the DOHCT and to the Benefits Processing Unit in HO for approval are complete.

As discussed earlier, the file review indicated that the majority of administrators are family members. Other administrators range from guardians to nursing homes. Considering many of the administered clients are in nursing homes and the majority of clients have low dollar pensions, the risk of loss or misappropriation of funds is reduced.

In conclusion, the control framework exercised by the Department over the activities of the appointed administrators is adequate. As discussed in Section 6.2, the only major problem was that these procedures were not followed in 2009, therefore there is no recommendation in regards to Objective 3.

7.0 DISTRIBUTION

Deputy Minister
Chief of Staff to the Minister
Departmental Audit Committee
Senior Assistant Deputy Minister, Policy, Program and Partnerships
Assistant Deputy Minister, Service Delivery and Commemoration
Assistant Deputy Minister, Corporate Services
Director General, Centralized Operations Division
Director General, Communications Division
Director General, Departmental Secretariat and Policy Coordination
General Counsel, Legal Service Unit
Manager, Benefits Processing
Executive Advisors to the Deputy Minister
Director, Briefing, Coordination and Liaison
Office of the Comptroller General (Internal Audit Registrar)
Office of the Auditor General

APPENDIX A

Audit Program for File Review

Assessment of Client

1. Is there documentation on file to support the mental health of the client? (PEN6209, Doctor's Letter, Certificate of Incapacity)
2. Is there a VAC540 on file? (Record of counselling and/or client consent)
3. Is there an AC Assessment on file/CSDN?
4. Is there a DOHCT decision on file regarding the client and the appointment of the administrator?

Appointment of Third Party Administrator

5. Is there a signed application on file to be appointed as a third party administrator (PEN100)?
6. Do we have the copy of the letter of appointment of the third party administrator (CDN220)?
7. Is the CSDN consistent with what is on the letter of appointment?

Annual Accounting

8. Is there a copy of the administered discretionary review letter (CDN2258)?
9. Is there a copy of the Third Party Administration Annual Accounting Report (VAC539)?
10. If the VAC539 was not received within 60 days, was a work item set up in the CSDN to set-up a visit?
11. If a work item was set up in the CSDN, is there a written report from the CM on the status of the client?
12. If the funds are not all accounted for, is a call made to the third party administrator to determine location of excess funds?
13. If there are any issues, what action has been taken by VAC to remedy them? (VAC administer the account)
14. Is there a letter to the third party administrator acknowledging receipt of the annual accounting report and that the process will continue (CDN2207)?

Benefit Rec'd

15. What is the Monthly Pension/WVA amount received?