



# Office of Inspector General

**Audit of Adult Day Care/Clinics  
Construction Project  
At Department of Veterans Affairs Medical  
Center  
Asheville, North Carolina**

*A more cost-effective  
alternative to the  
construction project is  
available.*

**Report No. 8R5-D02-107  
Date: May 28, 1998**

Office of Inspector General  
Washington DC 20420



**DEPARTMENT OF VETERANS AFFAIRS**  
**Office of Inspector General**  
**Washington DC 20420**

**Memorandum to the Director, Veterans Integrated Service Network (VISN) 6**

**Audit of Adult Day Care/Clinics Construction Project**  
**At Department of Veterans Affairs (VA) Medical Center (VAMC)**  
**Asheville, North Carolina**

1. The purpose of the audit was to determine if the construction project was necessary or whether alternatives existed that would provide the required services in a more cost-effective manner. We performed the audit as part of a national audit of Minor Construction and Nonrecurring Maintenance (NRM) projects. This Minor Construction project was included in 68 projects we selected for review, using statistical sampling techniques, from a national universe of 1,106 Minor Construction and NRM projects.
2. According to the project plans, the first floor of Building 15 would be renovated for an Adult Day Health Care (ADHC) program. In order to accommodate the ADHC, the Mental Health and Psychology Clinics (MHCs) and the Home Based Patient Care (HBPC) program would be relocated, and their new space would be renovated. The plans called for the ADHC program to be operated by a private firm. In return for renovating space for the ADHC center, the private firm would provide a reduced rate for veterans attending the program.
3. Our audit found that the plan was not advantageous for VA and that continuing to contract for the ADHC services would be a more cost-effective alternative. We determined that there were currently only 13 veterans using this program, and 9 of them were nonservice-connected veterans. Non-service connected veterans are not eligible for the ADHC after an initial 262 days. Also, the private firm is planning to open ADHC centers in several other locations within the city in the next few years. This would make ample resources available—should additional veterans become eligible for the program. Contracting for the ADHC services would eliminate the need to renovate space for the MHCs and HBPC, since these functions were only being moved to accommodate the ADHC.
4. We concluded that the project was not necessary and the estimated cost of \$913,000 could be better used for other purposes. We discussed our findings with

VAMC management and VISN officials, and they agreed with our conclusions. As a result, we recommended that you cancel the project. You concurred with the recommendation and provided acceptable implementation plans. We consider all audit issues resolved and will follow up on implementation plans until they are completed.

For the Assistant Inspector General for Auditing

*(Original signed by)*

WILLIAM D. MILLER  
Director, Kansas City Audit Operations Division

# **TABLE OF CONTENTS**

## **Page**

|   |          |
|---|----------|
| <b>Memorandum to the Director, VISN 6 .....</b> | <b>i</b> |
|---|----------|

## **RESULTS AND RECOMMENDATION**

|  |   |
|--|---|
| Available Alternative Resources Will Enable Cancellation of the Planned Adult<br>Day Care/Clinics Minor Construction Project ..... | 1 |
| Recommendation .....   | 3 |

## **APPENDIXES**

|  |   |
|--|---|
| <b>I</b> OBJECTIVES, SCOPE AND METHODOLOGY. ....                           | 4 |
| <b>II</b> BACKGROUND .....   | 5 |
| <b>III</b> MONETARY BENEFITS IN ACCORDANCE WITH<br>IG ACT AMENDMENTS ..... | 6 |
| <b>IV</b> MEMORANDUM FROM THE NETWORK DIRECTOR, VISN 6 .....               | 7 |
| <b>V</b> FINAL REPORT DISTRIBUTION .....                                   | 8 |

## **RESULTS AND RECOMMENDATION**

### **Available Alternative Resources Will Enable Cancellation of the Planned Adult Day Care/Clinics Minor Construction Project**

A planned construction project to renovate existing space and relocate other services to establish an on-site Adult Day Health Care (ADHC) program was not needed. The needs identified in Fiscal Year (FY) 1995, which were used to justify the ADHC program, were not relevant at the time of our review. Department of Veterans Affairs (VA) Medical Center (VAMC) management did not currently assess the project justification and consider alternatives, and Veterans Integrated Service Network (VISN) officials approved the project based on the original justification submitted. Another, more cost-effective, alternative was available. By canceling the project, VISN officials can redistribute \$913,000 for better use. Design costs of \$73,000 had already been spent at the time of our review.

### **Management First Planned to Establish the ADHC in FY 1995**

During FY 1995, VAMC management determined that VA would benefit from establishing an ADHC on-site. Management also determined that it would be in VA's best interest to lease the ADHC space to a private firm. The private firm would operate the ADHC and, in return for VA furnishing the space, would provide a reduced rate for veterans attending the ADHC program. This same private firm was providing ADHC services to VAMC Asheville veterans at another location prior to the initiation of this plan.

The original plans called for renovation of the second floor of Building 15 (west) to accommodate the ADHC. However, the private firm identified several disadvantages to that location. Therefore, the plans were revised to:

- Renovate the first floor, Building 15 (west) to accommodate the addition of the ADHC program,
- Renovate the first floor, Building 15 (east) to relocate the Mental Health Clinics (MHCs) from the first floor, Building 15 (west), and
- Renovate the second floor, Building 15 (west) to relocate the Home Based Patient Care (HBPC) service from the first floor, Building 15 (east).

Thus, the MHCs and the HBPC program were being relocated to accommodate the ADHC.

## **The Contract with the Private Firm to Operate the ADHC Was Not Cost-Effective for VA**

Even with the reduced rate for veterans that was to be provided by the private firm, the contract would still not be a cost-effective agreement for VA. In order to renovate existing space and relocate other services to accommodate the addition of the ADHC, the project was estimated to cost \$986,000, including design, construction, equipment, and all other nonrecurring costs. The current price for contract ADHC was \$40 per veteran per day. In return for providing the private firm space to operate the ADHC, VA would receive a daily price reduction of \$10, resulting in a daily cost for each veteran of \$30.

We determined that there were few veterans eligible to use the ADHC benefit. VAMC staff identified an average of nine veterans per month who used contract ADHC services during FY 1996. At the time of our review, 13 veterans were under contract for ADHC services with the private firm. However, 9 of the 13 veterans were nonservice-connected (NSC). VAMC policy states that NSC veterans are entitled to 262 days of ADHC services. Therefore, unless other veterans become eligible, VAMC Asheville may only have four veterans left in the program after the NSC veterans exhaust their eligibility.

With a project cost of \$986,000 and 13 veterans using the ADHC program, we calculated that it would take approximately 29 years ( $\$986,000 \div \$130/\text{day price reduction} \div 260 \text{ patient days/year}$ ) to recover the initial expenses to establish the ADHC program on-site. Since most of the veterans using the program were NSC, it would take longer than the 29 years to recover the costs. We do not believe that this would be a cost-effective commitment for VA.

## **The Private Firm Was Already Planning Other ADHC Locations**

Through discussions with the private firm's management, we determined that four additional facilities are planned to be operational by FY 2002 to meet community needs. The additional facilities will allow for program attendees to choose a convenient location within the community. The private firm plans to establish the first additional facility by October 1, 1998. This facility will, like the existing center, have a capacity of 35-40 daily attendees with an estimated starting enrollment of 10-15 daily attendees. Therefore, this planned facility will allow room for additional veterans to be placed into the community contract ADHC program—should more become eligible in future years.

## **Other Services Were Being Relocated to Accommodate the ADHC**

The project to establish the ADHC program on-site included plans to renovate existing space and relocate other services. VAMC Engineering staff believed that the MHCs and HBPC required relocation and renovations to existing space independent of establishing the ADHC. However, according to MHC, HBPC, and Pastoral Education Service

management, only minor improvements were necessary in their areas. Thus, we suggested to VAMC Engineering Service management that any minor improvements be accomplished using NRM or station level funds.

### **Current Assessment of Project Needs and Alternatives Would Ensure Project Justification**

We found that the continued need for the project had not been assessed since the project's inception in FY 1995. At that time, the project may have been justified, if VA's cost was minimal, based on limited availability of community ADHC resources. Although three years had passed and factors had changed since the project was proposed, VAMC management and VISN officials had not sufficiently monitored the continued need for the project. Periodic reassessment of needs and consideration of alternatives will ensure that projects are justified.

### **Recommendation**

We recommend that the Director, VISN 6:

Cancel the Adult Day Care/Clinics Minor Construction project and ensure that current needs have been assessed when projects are submitted for approval by the VAMCs.

*The associated monetary benefits for the Recommendation are shown in Appendix III on page 6.*

### **Director, VISN 6 Comments**

Concur. We have reviewed the draft report on the Audit of the Adult Day Care/Clinic Construction Project at the Asheville VA Medical Center, Asheville, North Carolina. We concur with your recommendation to cancel this project. VISN 6 will also actively pursue the continual evaluation and assessment of projects submitted for approval to the Network in the future.

### **Office of Inspector General Comments**

The Director, VISN 6 concurred with the recommendations and provided acceptable implementation plans. We consider all audit issues resolved and will follow up on the implementation plans.

## **OBJECTIVES, SCOPE AND METHODOLOGY**

### **Objectives**

The objective of this audit was to evaluate the effectiveness of controls at the VISN and VAMC levels to ensure that projects are justified and that construction funds are used to meet agency goals. Specifically, we conducted this on-site review to determine if the project was justified and if cost-effective alternatives had been considered.

### **Scope and Methodology**

This audit was performed as part of a national audit of Minor Construction and NRM projects. This Minor Construction project was included in 68 projects statistically selected for review from a national universe of 1,106 Minor Construction and NRM projects. To meet the audit objective, we reviewed supporting documentation and analyses at the VISN and VAMC levels, interviewed VAMC staff and management, interviewed management of the private firm that would operate the ADHC center, and assessed current procedures for project approval.

We did not use automated VA data to review the justification for this project. Therefore, we did not assess the reliability of any automated data during our on-site review.

The audit was made in accordance with generally accepted government auditing standards and included such tests of the procedures and records as were deemed appropriate under the circumstances. Internal controls pertaining to the areas reviewed were analyzed and evaluated. The audit included program results, economy and efficiency, and financial and compliance elements.



## **BACKGROUND**

### **VA Medical Center Asheville, North Carolina**

VAMC Asheville services veterans in 20 counties located in Western North Carolina and Northwest South Carolina. During FY 1997, VAMC Asheville had 241 operating beds, with an average daily census of 145; 4,066 admissions; and 101,258 outpatient visits. The 120-bed Nursing Home Care Unit had 279 admissions, 250 discharges, and an average daily census of 107 during FY 1997. The Medical Center is affiliated with Duke University Medical Center.

During FY 1997, VAMC Asheville spent approximately \$1.8 million on construction projects. This total included \$1.7 million for NRM projects, \$75,000 for Minor Construction, and \$21,000 for station level projects.

VAMC Asheville currently contracts with a private firm to provide Adult Day Health Care services for veterans within a 30-mile radius of the medical center. As of January 6, 1997, VAMC Asheville had contracted with the private firm for approximately 4.5 years and provided contracts for approximately 40 veterans for 5,400 days of care.

**MONETARY BENEFITS  
IN ACCORDANCE WITH IG ACT AMENDMENTS**

**Report Title:** Audit of Adult Day Care/Clinics Construction Project at VAMC Asheville, North Carolina

**Project Number:** 8R5-041

| <b><u>Recommendation<br/>Number</u></b> | <b><u>Category/Explanation<br/>of Dollar Impact</u></b>   | <b><u>Better Use<br/>of Funds</u></b> | <b><u>Questioned<br/>Costs</u></b> |
|---|---|---------------------------------------|------------------------------------|
| <b>1</b>                                | Better Use of Funds. Amount VA can use elsewhere by canceling the Adult Day Care/Clinics project. | \$913,000                             |                                    |
|   | Questioned Costs. Amount that VA spent for design of the Adult Day Care/Clinics project.          |                                       | \$73,000                           |
|   |   | <u>\$913,000</u>                      | <u>\$73,000</u>                    |

**MEMORANDUM FROM THE NETWORK DIRECTOR, VISN 6**

Department of  
Veterans Affairs

Memorandum

Date: May 19, 1998

From: Network Director, VISN 6

Subj: Draft Report, Audit of Adult Day Care Project at VAMC Asheville, NC  
To: Assistant Inspector General for Auditing (52)

1. We have reviewed the draft report on the Audit of the Adult Day Care/Clinic Construction Project at the Asheville VA Medical Center, Asheville, North Carolina. We concur with your recommendation to cancel this project. VISN 6 will also actively pursue the continual evaluation and assessment of projects submitted for approval to the Network in the future.
2. Please call me at (919) 956-5541 if you have questions in this regard.

*(Original signed by Patricia O. Pittman for:)*  
Leroy P. Gross, M.D., M.P.H.

For And In  
The Absence Of

**FINAL REPORT DISTRIBUTION****VA DISTRIBUTION**

Secretary (00)  
 Assistant Secretary for Management (004)  
 Under Secretary for Health (105E)  
 Chief Network Officer (10N)  
 Chief Financial Officer (17)  
 Directors, VISNs 1-22  
 Assistant Secretary for Congressional Affairs (009)  
 Assistant Secretary for Policy and Planning (008)  
 Deputy Assistant Secretary for Public Affairs (80)  
 Chief Facilities Management Officer (18)  
 General Counsel (02)

**NON-VA DISTRIBUTION**

Office of Management and Budget  
 U.S. General Accounting Office  
 Congressional Committees:

Chairman, Senate Committee on Governmental Affairs  
 Ranking Member, Senate Committee on Governmental Affairs  
 Chairman, Senate Committee on Veterans' Affairs  
 Ranking Member, Senate Committee on Veterans' Affairs  
 Chairman, Subcommittee on VA, HUD, and Independent Agencies, Senate  
 Committee on Appropriations  
 Ranking Member, Subcommittee on VA, HUD, and Independent Agencies, Senate  
 Committee on Appropriations  
 Chairman, Subcommittee on VA, HUD, and Independent Agencies, House  
 Committee on Appropriations  
 Ranking Member, Subcommittee on VA, HUD, and Independent Agencies, House  
 Committee on Appropriations  
 Chairman, House Committee on Veterans' Affairs  
 Ranking Member, House Committee on Veterans' Affairs  
 Chairman, House Committee on Veterans' Affairs, Subcommittee on Hospitals and  
 Health Care  
 Ranking Member, House Committee on Veterans' Affairs, Subcommittee on  
 Hospitals and Health Care

This report will be available in the near future on the VA Office of Audit web site at <http://www.va.gov/oig/52/reports/mainlist.htm>: *List of Available Reports*.

This report will remain on the OIG web site for two fiscal years after it is issued.