Department of Veterans Affairs

Office of Inspector General

AUDIT OF DEPARTMENT OF VETERANS AFFAIRS MINOR CONSTRUCTION AND NONRECURRING MAINTENANCE PROGRAMS

Current and thorough reviews of project needs and project scopes will enable better use of funds.

Report No. 9R5-D02-118
Date: June 14, 1999

Office of Inspector General
Washington DC 20420

DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420

Memorandum to the Under Secretary for Health (10)

Audit of Department of Veterans Affairs Minor Construction and Nonrecurring Maintenance (NRM) Programs

1. The purpose of the audit was to assess whether construction funds were managed effectively and expended for projects that met VA goals. Specifically, the audit evaluated (i) the effectiveness of controls at the VA Medical Center (VAMC) and Veterans Integrated Service Network (VISN) levels to ensure that projects were justified and that construction funds were used to meet department goals; (ii) the methodology for allocating Minor Construction and NRM funds to the VISNs; and (iii) the timing of Minor Construction and NRM obligations. This was a national audit of the Minor Construction and NRM programs and included 68 projects statistically selected for review from a national universe of 1,106 Minor Construction and NRM projects valued at $451 million.

2. We concluded that construction funds were managed effectively. However, while each VAMC and VISN had a process to review project requests, at least 6 of the 68 projects in our statistical sample were not justified or needed to be reduced in scope. The questioned costs in these six projects totaled over $1.7 million. Based on the sample results, we projected that the Fiscal Year (FY) 1998 Operating Plan contained at least $20.4 million of construction items that were not needed. During the audit, we issued separate reports for the six projects in question.

3. We also found that VHA had adopted a new allocation methodology for Minor Construction and NRM funds for FY 1999 that will be phased in over a 3-year period in equal increments. This will allocate available funds to the VISNs in a manner more closely related to patient workload, rather than the size of the facilities, and we believe it will result in a more equitable distribution. We also identified that a number of construction fund obligations were clustered at year-end at 12 of the 20 medical centers we visited. However, we did not identify any material impact, because of the clustering, on the awarding or completion of the projects.

4. In order to improve project planning and prioritization, we recommended that you require VAMC officials to ensure that project requests are based on current and accurate information and that project needs are thoroughly assessed prior to including projects on the Operating Plan. We also recommended that you require VISN officials to verify information submitted by VAMC officials and more thoroughly assess project needs prior to approving them for the Operating Plan. You concurred with the recommendation, and you prepared acceptable implementation plans. We consider all audit issues resolved and will follow up on the implementation plans until they are completed. You estimated the monetary benefits to be $14 million because you believed the FY 1998 Operating Plan was oversubscribed by 30 percent. After further analysis, we continue to believe our monetary benefits estimate of $20.4 million is still valid.

For the Assistant Inspector General for Auditing

(Original signed by:)

WILLIAM D. MILLER
Director, Kansas City Operations Division

TABLE OF CONTENTS

Page

Memorandum to the Under Secretary for Health (10)..... i

RESULTS AND RECOMMENDATION

1. Current and Thorough Reviews of Project Needs Will Enable Better Use of Funds 1

   Conclusion 4

   Recommendation 4

2. The Method of Allocating Minor Construction and NRM Funds to the Veterans Integrated Service Networks (VISNs) Has Changed and Will Result in a More Equitable Distribution 6

3. Other Matters 8

APPENDIXES

I OBJECTIVES, SCOPE AND METHODOLOGY 9

II BACKGROUND 10

III SAMPLE METHODOLOGY AND RESULTS 11

IV MONETARY BENEFITS IN ACCORDANCE WITH IG ACT AMENDMENTS 13

V MEMORANDUM FROM THE UNDER SECRETARY FOR HEALTH 14

VI FINAL REPORT DISTRIBUTION 16

RESULTS AND RECOMMENDATION

1. Current and Thorough Reviews of Project Needs Will Enable Better Use of Funds

Although each Veterans Affairs Medical Center (VAMC) and Veterans Integrated Service Network (VISN) had a process to review project requests, at least 6 of the 68 projects (9 percent) in our statistical sample were not justified or needed to be reduced in scope. This occurred because workload information and statistical data submitted with VAMC project requests were not current and accurate. Also, VAMC management and VISN officials needed to thoroughly review project scopes and justification. Improved project reviews will enable better use of at least $20.4 million of Minor Construction and Nonrecurring Maintenance (NRM) funds.

Universe of Minor Construction and NRM Projects (Operating Plan)

Each fiscal year (FY), as part of the budget process, Veterans Health Administration (VHA) staff develop an Operating Plan. This Plan lists the Minor Construction and NRM projects that are needed for the FY. The FY 1998 Operating Plan contained 1,106 projects totaling $451 million.

We randomly selected a statistical sample of 68 projects for review to determine whether the projects were justified. After a cursory review of project submissions for these 68 projects, 24 projects were selected for an on-site review. The on-site review consisted of 7 Minor Construction and 17 NRM projects involving 20 VAMCs and 10 VISNs.

Each VAMC/VISN Had a Process in Place to Review Project Requests

All VISNs allocated Minor Construction funds to VAMCs on a competitive basis. Each VAMC submitted a list of projects (Operating Plan) to its VISN officials. The review process was similar at each VISN. Generally, the projects submitted by the VAMCs were placed in priority order by one or more subcommittees. Then the VAMC Operating Plans were combined into one VISN Operating Plan and submitted to VISN management for approval.

NRM funds were allocated by VISN staff by various methods. These methods were summarized into three categories:

> Competitive: Funds were allocated similar to Minor Construction Funds. VAMCs submitted projects to the VISNs and competed for NRM funds with other VAMCs in the VISN. (12 VISNs allocated funds using this method.)

Workload/Square Footage: Funds were allocated based on some objective criteria such as workload and/or square footage. Projects were approved at the VAMC level. (Five VISNs allocated funds using this method.)

Mix: A combination of the above two methods was used to allocate funds. (Five VISNs allocated funds using this method.)

Generally, at the VAMC level, Facilities Management staff initiated/proposed projects for facility management approval. This was usually an informal process in which Facilities Management staff drafted and discussed an Operating Plan with facility management. Facilities Management staff updated the Operating Plan based on these discussions; however, details of the discussions were usually not documented. The Operating Plan was then submitted to the VISN.

Some Projects Were Not Justified or Needed to be Reduced in Scope

Of the six projects that we questioned during our on-site reviews, four needed to be reduced in scope, one needed to be canceled, and one needed further justification. For example:

- A planned construction project to renovate existing space and relocate other services to establish an Adult Day Health Care (ADHC) program was not needed and should be cancelled. (See Audit Report Number 8R5-D02-107.)

- A project to construct a new road entrance included paving the baseball field parking lot. We determined that the existing lot was in good condition and adequately met the needs of the facility. Therefore, that portion of the project was not needed and the scope should be reduced. (See Audit Report Number 8R5-D02-127.)

- The need for a project to construct new space for ambulatory care functions needed further justification. Three other planned or ongoing construction projects and the establishment of outpatient clinics would significantly increase ambulatory care space. (See Audit Report Number 9R5-D02-032.)

Project Requests Contained Inaccurate or Incomplete Information

The project requests for five of the six projects we questioned contained inaccurate or incomplete information. Examples are discussed in the following paragraphs.

- VAMC management used outdated information to justify an ADHC construction project. The needs identified in FY 1995, which were used to justify the ADHC program, were not relevant at the time of our review in 1998.

VAMC management did not currently assess the project justification and consider alternatives, and VISN officials approved the project based on the original justification submitted.

- The project request for an Ambulatory Care Project indicated a need for 12,500 new net square feet, but the request was not supported with an analysis to show how this figure was determined. The only space needs assessment available was one prepared by an Architect/Engineer (A/E) approximately 3 years before. We found several discrepancies in these calculations, and, as a result, the A/E overstated space needs by approximately 22 percent. Also, the project request stated that the ambulatory care area would be remodeled and new construction would be added; however, according to VAMC staff, remodeling was not planned.

- The number of planned operating rooms to be included in a project to renovate the Operating Room Suite was not based on workload. Instead, VAMC and VISN management planned to renovate the existing four operating rooms. We found that anticipated workload only supported the need for three operating rooms.

Project Needs Were Not Thoroughly Assessed

VAMC management and VISN officials did not thoroughly review project scopes and justification, and sometimes did not consider the effect of other projects/initiatives.

- At one VAMC, facility management proposed a project, in part, to pave a baseball field parking lot. This was included in the project scope because a new entrance road would be built adjacent to the parking lot, and facility management wanted to pave the lot in conjunction with the road. We found that this portion of the project did not relate to any VISN strategic goal. Additionally, we found that the existing gravel parking lot was in good condition and adequately met the needs of the facility.

- In planning for new ambulatory care space, facility management did not consider the impact of other construction projects. We identified three other projects, currently in process, which will provide additional ambulatory care space. Although these projects will significantly increase the amount of space available for ambulatory care, they were not mentioned in the facility's assessments of space needs.

  In the same Ambulatory Care project, the project application did not include any analysis to determine the impact that current and planned Community

Based Outpatient Clinics would have on the future workload at the medical center.

- A project to install automated pharmacy equipment was based on increasing workload demands. Our review of pharmacy workload showed that the number of prescriptions written had increased; however, the number of prescriptions filled by VAMC staff had decreased by 35 percent. This occurred because of the implementation of a 90-day refill program and the Consolidated Mailout Outpatient Pharmacy (CMOP) program. The 90-day refill program reduced the number of prescriptions to be filled, since pharmacy staff now refill maintenance prescriptions once every 3 months rather than every month. The CMOP program has also reduced workload, because 80 percent of the facility's mail-out prescriptions are processed by the CMOP.

Conclusion

VAMCs and VISNs had developed a process for reviewing construction needs. However, additional care is needed in preparing project submissions justifying the need for the construction projects. VAMC staffs need to ensure that the information is current and accurate and that it is the most relevant information to assess the need for a project. Also, VISN staffs should review project submissions with a critical eye to ensure the project justifications are reliable and accurately assess the needs of the facility.

At least 6 of the 68 projects (9 percent) in the statistical sample were not justified or needed to be reduced in scope. The questioned costs in these six projects totaled over $1.7 million. Based on the sample results, we projected that the FY 1998 Operating Plan contained at least $20.4 million of construction items that were not needed.

Recommendation

We recommend that the Under Secretary for Health require:

a. VAMC officials to ensure that project requests are based on current and accurate information and that project needs are thoroughly assessed prior to including projects on the Operating Plan. The assessments should include answers to the following questions:

   - Does the current and appropriate workload support the project?
   - Are the calculations supporting the project accurate?
   - Have other recent projects or initiatives affected the need for this project?

b. VISN officials to ensure thorough assessments of project needs prior to including them on the Operating Plan. The assessments should include validating the

information provided by the VAMC. Such validation could include VISN level statistical data comparisons with the statistical data used by the VAMC (e.g., workload, patient population, and previously funded projects at the facility).

The associated monetary benefits for the Recommendation are shown in Appendix IV on page 14.

Under Secretary for Health Comments

Concur. VHA is currently in the process of drafting a directive that will provide additional criteria and guidance to networks and medical centers to assess all of their capital investments which are currently not required to be submitted to the VA Capital Investment Board for evaluation. This policy directive will address the concerns raised by the OIG related to workload accuracy of calculations supporting a project and the affect recent projects or initiatives may have on the need for the project. The final draft of the directive is currently being reviewed by VA field facilities and should be ready for final concurrence review by June 30, 1999. It is anticipated that it will be approved and ready for implementation by September 1, 1999. A copy of the directive will be provided to the OIG for review during the final concurrence process

In Process September 1, 1999

Office of Inspector General (OIG) Comments

The Under Secretary's comments meet the intent of the recommendation and we consider it resolved. We will follow-up until implementation is complete. With regard to the estimated savings, the Under Secretary advised that the FY 1998 Operating Plan was oversubscribed by 30 percent, and, consequently, the estimated savings should only be $14 million. We agree that if the plan is oversubscribed for FY 1998 then $14 million of the $20.4 million projected savings applies to FY 1998. Our audit covered a project universe of 1,106 projects, and the estimated savings of $20.4 million applies to that universe, whether the projects are accomplished in FY 1998 or ensuing periods. Therefore, we believe that our original estimate is valid.

2. The Method of Allocating Minor Construction and NRM Funds to the VISNs Has Changed and Will Result in a More Equitable Distribution

In order to allocate available funds to the VISNs in a manner more closely related to workload, VHA adopted a new allocation methodology for Minor Construction and NRM funds for FY 1999. VHA management believed that facilities should be funded based on patient care workload rather than a methodology based on cost of construction and square footage of the facilities. To reduce the immediate impact on particular VISNs, VHA plans to phase in the change in funding over a 3-year period in equal increments. While the patient care workload allocation methodology will significantly impact the funding amounts for some VISNs, we believe that the planned changes will result in a more equitable distribution. As a result, we did not make any recommendations.

Prior Allocation Methodologies to the VISNs Emphasized Facility Size

In FYs 1997 and 1998, NRM funds were allocated based on (i) cost of construction adjusted for age of buildings and square footage and (ii) patient care workload. For the 2 years, 70 percent of the Minor Construction dollars and 90 percent of the NRM dollars were allocated based on cost of construction adjusted for age of buildings and square footage. The remaining 30 percent and 10 percent, respectively, were allocated based on patient care workload.

Initially for the FY 1998 allocations, a task force established to develop an equitable allocation methodology recommended changing the formulas to reflect a workload-based allocation. This methodology would have resulted in 13 VISNs receiving increased Minor Construction and NRM funds and 9 VISNs receiving decreased funds. The following chart notes the average, smallest, and largest changes within the VISNs, had the new methodology been implemented.

		Change in Allocation		
Program	Number of VISNs And Allocation Change	Average Change	Smallest Change	Largest Change
NRM	13 decrease	($1,514,000)	($131,000)	($5,128,000)
	9 increase	$2,186,000	$184,000	$4,620,000
Minor Construction	13 decrease	($1,064,210)	($141,710)	($4,621,703)
	9 increase	$1,537,193	$ 98,677	$5,256,354

A committee that included VISN directors approved these changes and recommended them to the Under Secretary for Health. However, the Under Secretary for Health did not approve the changes because he believed they had too extreme an impact on certain

VISNs in too short a time span. As a result, the same formulas were applied to the FY 1998 allocations that were used in FY 1997.

The Previously Proposed Patient Care Workload Allocation Methodology Will Be Phased In Over 3 Years

Beginning with FY 1999, VHA allocated Minor Construction and NRM funds on a more workload-based methodology to be phased in over 3 years in equal increments. For FY 1999, the allocation was based 67 percent on the old cost of construction adjusted for age and square footage methodology and 33 percent on the new workload based methodology.

The following chart notes the average, smallest, and largest changes within the VISNs by implementing the new workload based allocation methodology in FY 1999.

		Change in Allocation		
Program	Number of VISNs And Allocation Change	Average Change	Smallest Change	Largest Change
NRM	10 decrease	($581,000)	($45,000)	($2,006,000)
	12 increase	$697,000	$69,000	$1,738,000
Minor Construction	13 decrease	($231,000)	($ 2,000)	($ 862,000)
	9 increase	$489,000	$11,000	$1,494,000

For FY 2000, the allocation will be based 33 percent on the old methodology and 67 percent on the new patient care workload methodology. For FY 2001, and continuing thereafter, the allocation will be based 100 percent on workload. The purpose of shifting to a workload-based allocation was to allocate the funds according to the productivity of the VISNs.

We concluded that the planned changes for allocating funds would result in a more equitable distribution.

Other Matters

During our research for this audit, VA Central Office officials expressed concern about significant amounts of construction funds awarded just prior to the end of the fiscal year. They were concerned that the construction contracts may not be awarded and completed properly if they were clustered at the end of the year and rushed through the completion process.

To determine whether this was occurring, we trended contract awards for FYs 1995 through 1997 for the 20 VAMCs that we visited. We found that, at 12 of the VAMCs, obligations did occur in clusters toward the end of the fiscal year. The reasons for the clustering differed among the medical centers. For example, some of the obligations were for station-level projects and the funding was not allocated by facility management until the end of the year. Also, at one medical center, the VISN held back funds from the facility because management had not properly planned the projects.

Even though clustering of obligations occurred at some of the medical centers, we did not identify any material impact, because of clustering, on the awarding or completion of the projects. Therefore, we did not make any recommendations.

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives

The objective of this audit was to determine whether construction funds were being managed effectively and were expended for projects that helped meet VA goals. Specifically, we conducted on-site reviews to evaluate whether (i) controls at the VAMC and VISN levels were adequate to ensure that projects were justified and that construction funds were used to meet agency goals; (ii) the methodology for allocating Minor Construction and NRM funds to the VISNs was equitable; and (iii) the timing of Minor Construction and NRM obligations was adequate to provide for proper planning and adequate competition.

Scope and Methodology

This was a national audit of the Minor Construction and NRM programs and included 68 projects selected in a statistical sample for review from a national universe of 1,106 Minor Construction and NRM projects valued at $451 million. This universe of construction projects represented the VHA FY 1998 Operating Plan, which listed projects planned for FY 1998. To meet the audit objectives, we reviewed supporting documentation and analyses, interviewed staff and management, and assessed current procedures for project approval at the VA Central Office, VISN, and VAMC levels.

We used the Operating Plan maintained by the San Francisco Customer Support Service Center to identify the universe of projects planned for FY 1998. We verified this information with the VAMC/VISN operating plans and concluded that the data were sufficiently reliable to be used in meeting the assignment's objectives. We also used Decentralized Hospital Computer Program (DHCP) processed information to review Minor Construction and NRM obligations at the sites we visited. The DHCP processed information was not critical to the accomplishment of the audit objectives. In addition, for three of the project reviews we relied on computer processed data in our analyses of these projects. We found this information at the three sites to be reliable for our purposes. See individual site reports (9R5-D02-032, 8R5-D02-139, and 9R5-D02-007).

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. During the audit, we issued a separate report for each of the six questioned projects that are discussed in this report.

BACKGROUND

The Minor Construction program provides for constructing, altering, extending, and improving VA facilities for which the estimated cost of a project is less than $4 million. VAMC projects with a minor improvement (MI) component costing $500,000 or more are funded from this appropriation. VAMC projects with a MI component costing less than $500,000 are funded from the Medical Care appropriation as NRM projects. The MI component is that portion of work within a project that adds value to the structure and is capitalized.

The NRM program provides a system for replacing and repairing major building systems, structural components of buildings, and building service equipment. It is funded from the Medical Care appropriation. There is no cost limitation on NRM work except that the total MI portion of the project must not exceed $500,000.

VHA's allocations for the last two FYs were as follows.

Program	FY 1997 Allocation (millions)	FY 1998 Allocation (millions)
Minor Construction	$142.8	$152.8
NRM	$236.0	$238.3

With the implementation of the VISNs, the process for funding and approving projects changed dramatically, as responsibilities were shifted from the former Regions to the new Networks. As a result of this transition, VA Central Office oversight was reduced. Instead, VISN and VAMC Directors were delegated the responsibility for ensuring that construction funds are used effectively.

In 1997, OIG staff audited the capital budgeting process for funding and approving capital projects. During that audit, OIG staff identified potential problems with the Minor Construction and NRM funding and project selection process. Also, as a result of shifting responsibilities from the former Regions to the new Networks, oversight had been reduced and new procedures were still being developed. Therefore, this audit of Minor Construction and NRM issues was proposed.

SAMPLE METHODOLOGY AND RESULTS

Audit Universe

The audit universe consisted of 1,106 planned Minor Construction and NRM projects, totaling $451,358,510. Of these, 161 projects, totaling $189,425,537, were Minor Construction projects and 945 projects, totaling $261,932,973, were NRM projects. This universe of construction projects represented the VHA FY 1998 Operating Plan and was provided by VISN Customer Support Service Center staff in San Francisco, CA.

Sample Design

The statistical sample was comprised of 68 projects totaling $39,221,945 from the universe of 1,106 projects in VHA's FY 1998 Operating Plan. This sample size was based on a nonstratified attribute sampling design at the 95 percent confidence level with a 5 percent error rate. The 68 projects were randomly selected from the universe of 1,106 projects and included 16 Minor Construction, totaling $21,683,703, and 52 NRM, totaling $17,538,242.

Site selections were based on geographic clustering of projects. Twenty-four projects were reviewed in detail on-site. Since VA management were in agreement with our recommendations, additional site reviews were determined to be unwarranted. For projection purposes only, the projects not reviewed on-site were assumed to be justified.

Sample Results

Based on the sample results, we estimate that, at 95 percent confidence, 98 of the 1,106 projects in the FY 1998 Operating Plan were not justified or needed to be reduced in scope. At a 95 percent confidence, the estimated dollar value of these unjustified projects was between $8.9 million and $48.7 million with a midpoint estimate of $20.4 million.

Population Size	1,106
Sample Size	68
Number With Errors	6

Projected number of projects that were not justified or needed to be reduced in scope.

Error Rate	8.824%
Point Estimate (1,106 x .08824)	98

Projected dollar effect of projects that were not justified or needed to be reduced in scope.

APPENDIX III

	Projectable Costs	Unprojectable Costs	Total Unjustified Costs
Sample Standard Deviation	$264,023	N/A	N/A
Point Estimate	$19,876,721	$487,442	$20,364,163
Lower Limit	$8,416,734	$487,442	$8,904,176
Upper Limit	$48,170,177	$487,442	$48,657,619

MONETARY BENEFITS IN ACCORDANCE WITH IG ACT AMENDMENTS

Report Title: Audit of Department of Veterans Affairs Minor Construction and Nonrecurring Maintenance Programs

Project Number: 8R5-041

Recommendation Number	Category/Explanation Of Dollar Impact	Better Use of Funds	Questioned Costs
1	Better Use of Funds. Amount VA can use elsewhere by ensuring that project requests are based on accurate and complete information and that project needs are thoroughly assessed and reviewed.	$20,400,000	$ -0-
		$20,400,000	$ -0-

MEMORANDUM FROM THE UNDER SECRETARY FOR HEALTH

Department of
Veterans Affairs

Memorandum

Date: May 13, 1999
From: Under Secretary for Health (10/105E)
Subj: OIG Draft Report, Audit of Department of Veterans Affairs Minor Construction and Nonrecurring Maintenance Programs
To: Assistant Inspector General for Auditing (52)

1. The appropriate program officials have reviewed the above referenced report, and there is general concurrence with your findings and recommendations. VHA recognizes the need for Medical Centers and VISN officials to more thoroughly assess project requests prior to including them on the Operating Plan.

2. At the present time we are in the process of drafting a directive that will provide additional criteria and guidance to networks and individual facilities to assess all capital investments that currently are not required to be submitted to the VA Capital Investment Board for evaluation. This new policy directive will address your concerns related to workload, accuracy of calculations supporting a project and the effect recent projects or initiatives may have on the continued need for the project. It is anticipated that the directive will be in effect by September 1, 1999.

3. Although we agree that the estimated monetary benefit of approximately $1.7 million in questioned costs for the six projects reviewed in your statistical sample is reasonable, it is our opinion that the projected savings of $20.4 million in the FY 1998 Operating Plan as a result of construction items not needed is overstated. The estimated monetary benefit, which is based on 1,106 projects totaling $451 million, does not take into consideration that the plan was oversubscribed by approximately 30 percent and not all identified projects would be implemented. It is our opinion that the projected monetary benefit would be more in the range of $14 million, given the project oversubscription. We are confident that the planned improvements in the project review and evaluation process will reduce unneeded construction.

4. Thank you for the opportunity to review the report. If you have questions, please contact Paul C. Gibert, Jr., Director, Management Review and Administration Service (105E), Office of Policy and Planning (105), at 273.8355.

(Original signed by Kenneth W. Kizer:)
Kenneth W. Kizer, M.D., M.P.H.

Attachment

MEMORANDUM FROM THE UNDER SECRETARY FOR HEALTH

Action Plan in Response to OIG/GAO/MI Audits/Program Evaluations/Reviews

Name of Report: *Audit of Department of Veterans Affairs Minor Construction and Nonrecurring Maintenance Programs*
Report number: N/A
Date of Report: Undated draft report

Recommendations/ Actions	Status	Completion Date

We recommended that the Under Secretary for Health require:

Recommendation a. VAMC officials to ensure that project requests are based on current and accurate information and that project needs are thoroughly assessed prior to including projects on the Operating Plan. The assessments should include answers to the following questions:

- Does the current and appropriate workload support the project?
- Are the calculations supporting the project accurate?
- Have other recent projects or initiatives affected the need for this project?

Recommendation b. VISN officials to assure thorough assessments of project needs prior to including them on the Operating Plan. The assessments should include validating information provided by the VAMC. Such validation could include VISN level statistical data comparison with the statistical data used by the VAMC (e.g., workload, patient population, and previously funded projects at the facility).

Concur

VHA is currently in the process of drafting a directive that will provide additional criteria and guidance to networks and medical centers to assess all their capital investments which are currently not required to be submitted to the VA Capital Investment Board for evaluation. This policy directive will address the concerns raised by the OIG related to workload accuracy of calculations supporting a project and the affect recent projects or initiatives may have on the need for the project. The final draft of the directive is currently being reviewed by VA field facilities and should be ready for final concurrence review by June 30, 1999. It is anticipated that it will be approved and ready for implementation by September 1, 1999. A copy of the directive will be provided to the OIG for review during the final concurrence process.

	In Process	September 1, 1999

FINAL REPORT DISTRIBUTION

VA DISTRIBUTION

The Secretary of Veterans Affairs (00)
Assistant Secretary for Financial Management (004)
Office of Management and Financial Reports Service (047GB2)
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 Planning and Analysis (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 2 fiscal years after it is issued.