



Department of Veterans Affairs Office of Inspector General

MANAGEMENT LETTER: DEPARTMENT OF VETERANS AFFAIRS FISCAL YEAR 2004 SPECIAL DISABILITIES CAPACITY REPORT

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

TO: Under Secretary for Health (10B5)

SUBJECT: Management Letter: Department of Veterans Affairs Fiscal Year 2004
Special Disabilities Capacity Report (Report No. 05-01542-02)

1. The United States Congress has required VA to submit the Special Disabilities Capacity Report (Capacity Report) annually, beginning April 1, 1999, as a means to measure compliance with Title 38 United States Code, Section 1706. This statute requires that the Veterans Health Administration (VHA) maintain its capacity to provide for the specialized treatment and rehabilitative needs of disabled veterans at a level not below that of October 1996. Since Fiscal Year (FY) 2001, the Office of Inspector General (OIG) has conducted an annual audit of the Capacity Report to comply with the VA Health Care Programs Enhancement Act of 2001 (Public Law 107-135), which set forth this reporting requirement.

2. On August 18, 2005, VA's General Counsel (GC) determined that the statutory reporting requirement expired after April 1, 2004, and that the FY 2004 Capacity Report be provided to Congress for informational purposes only.¹ As a consequence, we discontinued work on the FY 2004 Capacity Report audit and are providing the results of the completed survey work.

3. The survey showed that, as reported in past years, data relating to spinal cord injury/disorders, blindness, prosthetics and sensory aids, and traumatic brain injury were adequately supported. The survey also found that the data reported for specialized mental health programs (including staffing, numbers of programs, and expenditures) were adequately supported. Our previous audits of the FY 2001 through 2003 Capacity Reports had concluded that the data for specialized mental health programs were not adequately supported.² In response to our previous audit findings and recommendation,

¹ Memorandum from General Counsel to the Under Secretary for Health concerning VA's Report on Maintenance of Capacity for Specialized Services, August 18, 2005.

² Audit of Department of Veterans Affairs Fiscal Year 2001 Special Disabilities Capacity Report, Report No. 02-01202-164, September 12, 2002. Review of Department of Veterans Affairs Fiscal Year 2002 Special Disabilities Capacity Report, Report No. 03-01356-10, October 24, 2003. Audit of Department of Veterans Affairs Fiscal Year 2003 Special Disabilities Capacity Report, Report No. 04-01972-41, November 29, 2004.

VHA implemented a new reporting process for the FY 2004 Capacity Report that eliminated the majority of the data reporting problems that we identified in previous annual reviews.

4. VHA's new reporting process replaced the VA's Cost Distribution Report as the primary source of mental health capacity data with the Decision Support System (DSS). DSS is a "derived database," in that information is taken from existing VA systems [e.g., Veterans Information Systems and Technology Architecture, Financial Management System, National Patient Treatment File, etc.] and used for management analysis. We found that the new reporting process and use of DSS for mental health programs has resulted in significantly improved data reliability. We noted only a six facilities where specialized mental health programs are identified without an appropriate number of corresponding specialized mental health staff. The extent of these staff reporting discrepancies is not significant (usually less than 0.5 Full-time Equivalent Employees (FTE) and not more than 2 FTE) and does not affect the overall materiality of the data reported.

5. We also noted that, because of the changes implemented by VHA in the data reporting process, FY 2004 data for the specialized mental health programs are not comparable with prior year data. As a consequence, VHA added a separate set of "extrapolated" data to facilitate comparison with prior year data. This was done in order to address the Capacity Report's primary purpose which is to assess changes in staffing, funding, and workload levels since FY 1996.

6. Finally, we noted that a change in the cost reporting methodology for the opioid substitution program resulted in substantially lower costs for FY 2004 for all facilities. VHA program officials advised that the Capacity Report will be annotated explaining the basis of the cost reporting change and the consequences as far as prior year data comparability are concerned. Based on our review results, we consider the FY 2004 Capacity Report data to be adequately supported and our prior audit recommendation which was to more accurately present staffing and related data to have been implemented. Because VA has discontinued completing the Capacity Report based on the GC's recommendation, we are discontinuing plans to review their data for FY 2005 unless the Department is instructed to resume reporting and we are specifically requested by the Secretary of Veterans Affairs or Congress to continue overseeing this initiative.

(original signed by:)

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Assistant Inspector General
for Auditing

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