Department of Veterans Affairs
Office of Inspector General

Attestation of the Department of Veterans Affairs Fiscal Year 2005 Detailed Accounting Submission To the Office of National Drug Control Policy

Report No. 06-00763-66 **January 26, 2006**

VA Office of Inspector General
Washington, DC 20420

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

January 26, 2006

TO: Chief Financial Officer (004)
Chief Financial Officer, Veterans Health Administration (17)

FROM: Director, Financial Audit Division (52CF)

SUBJECT: **Final Report** - Attestation of the Department of Veterans Affairs (VA) Fiscal Year 2005 Detailed Accounting Submission to the Office of National Drug Control Policy. (Report No. 06-00763-66)

1. The Office of Inspector General (OIG) reviewed the detailed accounting submission to the Office of National Drug Control Policy (ONDCP) which includes the accompanying Table of Drug Control Obligations (hereafter referred to as "Resource Summary") and related disclosures of VA's Veterans Health Administration for the fiscal year ended September 30, 2005. VA's management is responsible for the Resource Summary and related disclosures (See attachment).

2. Our review was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and the applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the Resource Summary and related disclosures. Accordingly, we do not express such an opinion.

3. VA management prepared the Resource Summary and related disclosures (attached) in accordance with the requirements of the ONDCP Circular, *Drug Control Accounting*, dated April 18, 2003.

4. Based upon our review, nothing came to our attention that caused us to believe that the accompanying Resource Summary and related disclosures are not presented in all material aspects in conformity with ONDCP requirements, as further described in Disclosure 1 of the attachment.

5. We provided you our draft report to review and you concurred on the draft report with no comments.

6. This report is intended solely for the information and use of the OIG, VA management, the ONDCP, and Congress. This report is not intended to be and should not be used by anyone other than these specified parties.

For the Assistant Inspector General
For Auditing

MARIE A. MAGUIRE

ATTACHMENT

Statement of Disclosures and Assertions for FY 2005 Drug Expenditures Submitted to Office of National Drug Control Policy (ONDCP) for FY Ending September 30, 2005

In accordance with ONDCP's Circular, Drug Control Accounting, dated April 18, 2003, the Veterans Health Administration asserts that the VHA system of accounting, use of actuals, and systems of internal controls provide reasonable assurance that:

Expenditures and Obligations are based upon the actual expenditures as reported by the Decision Support System (DSS).

The methodology used to calculate expenditures of budgetary resources is reasonable and accurate in all material respects and as described herein was the actual methodology used to generate the costs.

Accounting changes are as stated in the disclosures that follow.

January 4, 2006

Disclosure 1: Drug Control Methodology

Decision Support System

The 2005 actuals are based on the Decision Support System (DSS) which replaced the Cost Distribution Report (CDR). The primary difference between DSS and the CDR is a mapping of cost centers by percentage to bed sections or out patient visit groups. DSS maps cost to departments, costs are then assigned to one of 56,000 intermediate products using Relative Value Units (RVU). Relative Value Units basically defined as the determining factor of how much resources it takes to produce an intermediate product. Each Cost Category for example Fixed Direct Labor or Variable Labor has a RVU for each intermediate product. All intermediate products are assigned to an actual patient encounter either inpatient or outpatient using the patient care data bases. In DSS the costs are not averaged rather they are reported by the total of the encounters and can be drilled to patient specific. Also DSS includes all overhead costs assigned to a facility to include Headquarters, National programs and Network Costs. DSS does not pick up the costs of capital expenditures; it picks up the depreciation costs. In synopsis DSS records the full cost of a patient encounters either inpatient or outpatient that can be rolled up to various views.

The Department of Veterans Affairs, through its Veterans Health Administration, operates a national network of 250 substance abuse treatment programs located in the Department's medical centers, domiciliaries and outpatient clinics. These programs include 15 medical inpatient programs, 69 residential rehabilitation programs, 49 "intensive" outpatient programs, and 117 standard outpatient programs.

Veterans Health Administration in keeping with modern medical practice, continues to improve service delivery by expanding primary care and shifting treatment services to lower cost settings when clinically appropriate. Within services for addicted veterans, this has involved a substantial shift over the past 10 years from inpatient to outpatient models of care.

All inpatient programs provide acute, in-hospital care and a subset also provide detoxification and stabilization services, as well. They typically treat patients for 14-28 days and then provide outpatient aftercare. Inpatient programs are usually reserved for severely impaired patients (e.g., those with co-occurring substance abuse and serious mental illness). Inpatient treatment for drug addiction has become rare in VA just as it has in other parts of the healthcare system; only 2,000 drug using veterans received such treatment in 2005. The rest of VA's 24-hour care settings are classified as residential rehabilitation. They are based in on-site VA domiciliaries and in on- and off-site residential rehabilitation

centers. They are distinguished from inpatient programs in having less medical staff and services and longer lengths of stay (about 50 days).

Most drug-dependent veterans are treated in outpatient programs. Intensive outpatient programs provide more than 3 hours of service per day to each patient, and patients attend them 3 or more days per week. Standard outpatient programs typically treat patients for an hour or two per treatment day, and patients attend them 1 or 2 days a week.

VA's Program Evaluation and Resource Center (PERC) completed a Drug and Alcohol Program Survey of 100% of its substance abuse programs in FY 2004, which described their staffing, structure, services and history in detail. This report was provided to many agencies, including ONDCP, and is available online at http://www.chce.research.med.va.gov/chce/pdfs/2004DAPS.pdf. The next iteration of this survey will enter the field in the fall of 2006.

The investment in health care and specialized treatment of veterans with drug abuse problems, funded by the resources in Medical Care, helps avoid future health, welfare and crime costs associated with illegal drug use.

In FY 2005, VHA provided specialty substance abuse treatment to almost 70,000 veterans who used illicit drugs. The most prevalent drug used was cocaine, followed by heroin, cannabis and amphetamines, respectively. About two-thirds of VA drug abuse patients were in Means Test Category A, reflecting very low income. About one-fourth of these patients had a service-connected disability (the term "service-connected" refers to injuries sustained in military service, especially those injuries sustained as a result of military action).

The dollars expended in VHA research help to acquire new knowledge to improve the prevention, diagnosis and treatment of disease, and generate new knowledge to improve the effectiveness, efficiency, accessibility and quality of veterans' health care.

The accompanying Department of Veterans Affairs, Resource Summary was prepared in accordance with the following Office of National Drug Control Policy (ONDCP) circulars (a) Annual Accounting of Drug Control Funds, dated April 18, 2003, and (b) Budget Instructions and Certification Procedures, dated April 18, 2003. In accordance with the guidance provided in the Office of National Drug Control Policy's letter of September 7, 2004 VA's methodology only incorporates Specialized Treatment costs.

VA does not track obligations and expenditures by ONDCP function. In the absence of such capability, actuals have been furnished, as indicated.

VA considers substance abuse to include both alcohol abuse and drug abuse. Both conditions are treated in VA substance abuse clinics. ONDCP has requested that VA provide information only on drug abuse patients. To that end,

VA has determined the percentage of patients treated in substance abuse settings for domiciliary substance abuse, inpatient treatments in specialized substance abuse programs, and outpatient substance abuse clinics.
VA considers Special Treatment costs to be all costs generated by the treatment of patients with drug use disorders treated in specialized substance abuse treatment programs. For the specialized substance abuse treatment programs and clinics, VA used Decision Support System (DSS) data.

VA relies on DSS to determine costs in various bed sections and clinical settings. All expenses for specialized inpatient, outpatient care, and extended care are incorporated in the spending model.

a. Specialized Treatment, Inpatient – FY 2005 obligations were $161.088 million. VA assumed a drug-related percent of 82.56%[1].

b. Specialized Treatment, Domiciliary – FY 2005 obligations were $56.248 million. VA assumed a drug-related percent of 79.14%[2].

c. Specialized Treatment, Outpatient – FY 2005 obligations were $168.315 million. VA assumed a drug-related percent of 92.16%[3].

d. Research and Development – FY 2005 obligations were $10.479 million.

e. FTEs. Specialized FTE is 3,650 and is comprised of the following: Specialized Inpatient FTE = 1,539 (drug-related percent of 82.56%; Specialized Domiciliary FTE = 566 (drug-related percent of 79.14%); and Specialized Outpatient FTE = 1,555 (drug-related percent of 92.16%).

This budget accounts for drug-related costs for VHA Medical Care and Research. It is not all encompassing of drug-related costs for the agency. VA incurs costs related to accounting and security of narcotics and other controlled substances and costs of law enforcement related to illegal drug activity, however; these costs are assumed to be relatively small and would not have a material effect on the aggregate VA costs reported.

Modification of VA's Accounting Methodology

In accordance with the guidance provided in the Office of National Drug Control Policy's letter of September 7, 2004 VA's methodology only incorporates

[1] Percent of all Substance Use Disorder Inpatients seen in a Specialized Substance Use Disorder Unit with a drug diagnosis.
[2] Percent of all Substance Use Disorder Extended Care Patients seen in a Specialized Substance Use Disorder Unit with a drug diagnosis.
[3] Percent of all Substance Use Disorder Clinic Stops made by drug patients.

Specialized Treatment costs and no longer takes into consideration Other Related Treatment costs.

Disclosure 2: Application of Drug Methodology
Drug methodology detailed in Disclosure 1 was the actual methodology used to generate the Resource Summary.

Disclosure 3: Reprogrammings and Transfers
There was no reprogramming of funds that specifically affected drug control-related funding because drug control expenditures are reported on the basis of patients served in various VA clinical settings for specialized substance abuse treatment programs.

Disclosure 4: Fund Control Notices
The data presented are associated with obligations against a financial plan that was based upon a methodology in accordance with all Fund Control Notices issued by the Director under 21 U.S.C., § 1703 (f) and Section 8 of the ONDCP Circular, Budget Execution.

Paul J. Markie
Director, Budget Office (172B)

Calvin L. Seay, Jr.
Supervisory Budget Analyst (172B)

Department of Veterans Affairs
Resource Summary
Budget Authority in Millions

Description	2005 Actual
Drug Resources by Function & Decision Unit:	
Medical Care:	
Specialized Treatment	
Domiciliary	$56.248
Inpatient	$161.088
Outpatient	$168.315
Specialized Treatment	$385.651
Research & Development	$10.479
Drug Resources by Function & Decision Unit, Total	$396.130
Drug Resources Personnel Summary	
Total FTE	3,650
Total Agency Budget (w/o Supplementals, w/Transfers)	$70,801.6
Drug Percentage	.56%

FINAL REPORT DISTRIBUTION

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Chief Financial Officer (004)
Chief Financial Officer, Veterans Health Administration (17)