VA Office of Inspector General

OFFICE OF AUDITS & EVALUATIONS

Veterans Health Administration

Audit of the
Office of Rural Health

April 29, 2011
10-02461-154

ACRONYMS AND ABBREVIATIONS

CBOC	Community Based Outpatient Clinic
OIG	Office of Inspector General
ORH	Office of Rural Health
VAMC	Veterans Affairs Medical Center
VHA	Veterans Health Administration
VISN	Veterans Integrated Service Network
VRHRC	Veterans Rural Health Resource Center

Report Highlights: Audit of the Office of Rural Health

Why We Did This Audit

The Office of Inspector General (OIG) conducted this audit to assess whether the Veterans Health Administration's Office of Rural Health (ORH) effectively planned and managed $533 million allocated to improve access and quality of care for veterans residing in rural areas during FYs 2009 and 2010.

What We Found

The Veterans Health Administration needs to strengthen the management of rural health care funding to ensure that rural health projects meet ORH's mission of improving access and quality of care for rural veterans. Specifically, we found ORH did not adequately manage the use of fee funds and the proposal selection process. Additionally, ORH did not monitor project obligations and performance measures.

This occurred because of a lack of financial controls, the absence of policies and procedures to ensure staff followed management directives, and inadequate communication with key stakeholders. Also, ORH lacked a project monitoring system, procedures to monitor performance measures, and a process to assess rural health needs. As a result, ORH lacked reasonable assurance that its use of $273.3 million (51percent) of the $533 million in funding received during FYs 2009 and 2010 improved access and quality of care for veterans residing in rural areas.

What We Recommended

We recommended the Under Secretary for Health implement financial controls, establish management policies and procedures, and implement an effective communication plan. We also recommended the Under Secretary establish a project monitoring system, establish procedures to monitor performance measures, and reassess the FY 2012 budget for ORH to align planned use of resources to their greatest rural health needs.

Agency Comments

The Under Secretary for Health agreed with our finding, recommendations, and potential monetary benefits and plans to complete all corrective actions by October 2011. We consider these planned actions acceptable, and will follow up on their implementation.

(original signed by Linda A. Halliday, Deputy Assistant Inspector General for Audits and Evaluations for:)

BELINDA J. FINN
Assistant Inspector General
for Audits and Evaluations

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INTRODUCTION

Objective

This Office of Inspector General (OIG) audit assessed whether the Veterans Health Administration's (VHA's) Office of Rural Health (ORH) effectively planned and managed the allocation of funds designated for improving access and quality of care for veterans residing in rural areas.

Office of Rural Health Program Management

ORH, which is aligned under the Office of the Assistant Deputy Under Secretary for Health for Policy and Planning, is responsible for managing VHA's rural health program. VHA created ORH in February 2007 to conduct rural health research and develop policies and programs to improve health care and services for rural veterans. ORH established three Veterans Rural Health Resource Centers (VRHRCs) to perform these functions and to serve as regional rural health experts. The three VRHRCs are located in White River Junction, Vermont; Iowa City, Iowa; and Salt Lake City, Utah. In addition, ORH coordinates with VHA program offices and Veterans Integrated Service Networks (VISNs) to enhance the delivery of services to rural veterans.

Office of Rural Health Strategic Plan

ORH's strategic plan defines and outlines six areas of focus they use to accomplish their mission of improving health care and services for rural veterans.

1. Improve access and quality of care
2. Optimize emerging technology
3. Maximize utilization of existing and emerging studies and analyses
4. Improve availability of education and training
5. Enhance collaboration to increase service options
6. Recruit and retain medical professionals

Rural Veteran Population

As of September 30, 2009, ORH estimated 3.3 million enrolled veterans were living in rural areas, approximately 41 percent of all veteran enrollees. However, only about 2.2 million (67 percent) of the 3.3 million enrolled rural veterans used VHA services. Men and women from geographically rural areas make up a disproportionate share of service members and comprise about one-third (31.9 percent) of all Operation Enduring Freedom and Operation Iraqi Freedom enrolled veterans.

Funding

In FYs 2009 and 2010, VHA received $533 million to improve health care for rural veterans. Specifically, in FY 2009, ORH received $250 million to implement new rural health outreach and delivery initiatives. In FY 2010, ORH received an additional $250 million for rural health care, $30 million to open 51 rural Community Based Outpatient Clinics (CBOCs) and $3 million for rural hiring initiatives. For FY 2011, VA is seeking $250 million to continue efforts to improve access and quality of care for veterans who live in rural areas.

RESULTS AND RECOMMENDATIONS

Finding VHA Needs To Improve the Management of Rural Health Funding

VHA needs to strengthen the management of rural health care funding to ensure that rural health projects meet ORH's goals of improving access and quality of care for rural veterans. Specifically, we found ORH did not adequately manage the use of fee funds and the proposal selection process. Additionally, ORH did not monitor project obligations and performance measures. This occurred because of the following program weaknesses.

- Inadequate assessment and mitigation of financial risk
- Lack of policies and procedures to ensure staff followed management directives
- Inadequate communication with key stakeholders
- Ineffective project monitoring system
- Lack of procedures to monitor performance measures
- Inadequate assessment of rural healthcare needs

As a result, ORH lacked reasonable assurance that its use of $273.3 million (51 percent) of the $533 million in FYs 2009 and 2010 funding improved access and quality of care for veterans residing in rural areas.

Fee Care Project Funds Inadequately Managed

ORH did not adequately manage funds provided to expand fee care for rural veterans. The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government* states that controls are an integral part of an organization's planning, implementing, reviewing, and accounting for Government resources and achieving effective results. Management controls, such as conducting risk assessments and implementing financial controls, are fundamental for identifying and addressing major performance and management challenges in the Federal Government.

In March 2010, ORH provided $200 million of rural health funds to VISNs to cover fee expenditures for rural veterans through a project called the Rural Health Fee Usage Plan. ORH's goals for the use of the funds were to improve the percentage of fee care dollars spent on rural veterans and the percentage of rural patients utilizing VHA services. In addition, a key challenge associated with using these funds was to ensure that the VISNs obligated the funds during FY 2010. Under this plan, each VISN received a payment based upon their percentage of fee care dollars obligated for fee care provided to rural veterans in FY 2009.

In coordination with ORH, the VHA Chief Financial Officer instructed the VISNs to distribute the funds to their Veterans Affairs Medical Centers (VAMCs) and to have the VAMCs obligate the rural health funds to fee care *previously provided* and *paid* during the 6-month period of October 1, 2009, through March 31, 2010. However, the VAMCs were unable to demonstrate if the use of these funds improved access to care for rural veterans. The following example illustrates the VAMC's inability to demonstrate the effectiveness of fee care funds.

> One VAMC received $3.2 million of Fee Usage Plan funds. The VAMC transferred $3 million of Fee Usage Plan funds to their general account. The VAMC used the funds without any ORH restrictions and were unable to demonstrate how these funds improved access and quality of care for rural veterans. By the end of FY 2010, the VAMC had increased their overall planned fee expenditures by only about $252,000 but did not know how much that amount increased access for rural veterans.

This occurred because ORH did not mitigate the significant financial risks of the plan by implementing adequate controls, such as providing written guidance on the use of rural health funds to ensure VAMCs spent the $200 million as intended and monitoring whether the plan was achieving its goals.

As a result of ORH's ineffective management of the Rural Health Fee Usage Plan, VHA lacks assurance that access to care for rural veterans improved. We interviewed four VISN and four VAMC Chief Financial Officers, and they could not demonstrate how their shares of the funds improved access to care for rural veterans. ORH officials also acknowledged that they did not have performance data that demonstrated how the $200 million obligated toward this plan achieved its goals—improving the percentage of fee care dollars spent on rural veterans and the percentage of rural veterans utilizing VHA services.

Office of Rural Health Proposal Selection Process Not Followed

ORH did not follow their proposal selection process to ensure the proposals approved by ORH improved access and quality of care for veterans living in rural areas. A tenet of *Standards for Internal Control in the Federal Government* is that organizations need to establish control activities, such as implementing policies, procedures, and mechanisms that enforce management's directives.

In FYs 2009 and 2010, ORH issued requests for proposals to identify projects that had measurable impacts on outreach and health care delivery for rural veterans. ORH provided proposal requirements for VHA program offices, VISNs, and VAMCs to submit proposals for competitive ORH funding. ORH also developed review criteria to evaluate the proposals. ORH approved 71 proposals totaling $210.3 million during FY 2009 and approved 117 proposals totaling $44.6 million in FY 2010.

Overall, ORH approved 188 proposals totaling $254.9 million. These projects were in areas such as telehealth, mental health, and other areas designed to meet the unique needs of veterans living in rural settings.

Although ORH had developed an adequate proposal selection process, we found that 74 (39 percent) of 188 proposals that ORH approved did not meet ORH's proposal requirements or review criteria. The total value of these 74 projects was $72.3 million. Table 1 below summarizes the proposal review weaknesses that affected the funding for projects approved for FYs 2009 and 2010.

Table 1

FYs 2009 and 2010 Proposal Review Weaknesses

Review Weaknesses	Number of Proposals	Value of Proposals ($ in Millions)
FY 2009 Requirements Not Met	18	$31.8
FY 2010 Requirements Not Met	43	$12.5
Total Requirements Not Met	**61**	**$44.3**
FY 2009 Review Criteria Not Followed	13	$28.0
FY 2010 Review Criteria Not Followed	0	N/A
Total Review Criteria Not Followed	**13**	**$28.0**
Total	**74**	**$72.3**

Source: OIG analysis of 188 proposals funded by ORH for rural health projects.

Proposal Requirements Not Met

Although ORH's proposal selection process stated that proposals must adhere to all proposal requirements, we found that ORH approved 61 (32 percent) of 188 projects valued at $44.3 million that did not meet proposal requirements. ORH procedures required the proposals to provide such information as the proposed project's objective, strategy, and impact. It also required the proposals to identify specific quantitative and qualitative evaluation measures to assess cost, quality, access, outcomes, and effectiveness. (Appendix B, Tables 3 and 4, show how frequently ORH did not meet proposal requirements.) The following examples illustrate approved projects that did not address proposal requirements.

- A VISN submitted a $4.1 million project proposal to hire providers and purchase equipment needed to provide telemental health services to rural veterans in the VISN. A review team member noted that the proposal lacked adequate information to evaluate whether the health care needs in the area were sufficient to justify this level of effort, questioning basic information such as the number of veterans expected to receive services. In spite of the proposal lacking critical project information, ORH approved $4.1 million for the project.

- A VISN submitted a proposal valued at just under $868,500 for a mobile van to provide breast cancer and aneurysm screenings closer to the residences of rural veterans. However, a reviewer had noted that the proposal needed clarification regarding the type of staff and equipment the VISN proposed to use. In addition, the proposal showed two amounts for equipment, $709,000 and $809,000. Due to mathematical errors, it was unclear which proposed amount was correct. Without sufficient data, ORH could not determine the specific screenings the VISN would be able to provide, the cost of the equipment, or the cost-effectiveness of the proposed van. Even though the proposal lacked key information, ORH used the higher dollar value for the equipment and approved just under $868,500 for the project.

Review Criteria Not Met

In FY 2009, ORH approved 13 (18 percent) of 71 projects totaling $28 million that did not meet ORH's review criteria. A step in the review process required VHA program officials to review proposals in their subject area of expertise. (Appendix B, Table 5 shows how frequently ORH did not meet review criteria.) Specifically, ORH asked VHA program officials to determine whether the proposals:

- Enhanced health care and did not conflict with current strategies instituted within VHA
- Conflicted with policies and procedures of current VHA programs
- Addressed the relevant legal, legislative, regulatory, privacy, confidentiality, and patient safety issues

We interviewed two VHA program officials who reviewed and provided comments to ORH on the 13 proposals that did not meet one or more of the review criteria. Both officials stated ORH staff did not collaborate with them to try to address their concerns or recommendations for disapproval. The following are two examples of the lapses and weaknesses in the review processes that occurred because ORH staff did not address concerns of VHA program officials before approving project proposals. Both program officials stated they would only recommend funding the proposals if ORH staff addressed their concerns.

- An official from VHA's Office of Telehealth Services reviewed a $2.8 million VISN proposal to develop an electronic intensive care unit and virtual response team. The response team would use video conferencing between tertiary medical centers and non-critical care staff at small rural facility intensive care units. The Office of Telehealth Services official expressed concerns that the program sponsors did not adequately document the underlying need for the proposed services and the projected numbers of veterans that would benefit. Thus, it was difficult to

justify the level of need supporting this investment in resources. In addition, the official also had significant concerns that the proposal did not address patient safety and regulatory issues. ORH approved and funded the $2.8 million project without addressing the official's concerns.

- An official from VHA's Office of Geriatrics and Extended Care reviewed a $2.5 million VISN proposal for a contractor to perform a transportation study to analyze the unique transportation challenges encountered by rural veterans in their VISN. The review official rated the proposal very low and expressed concerns that the transportation study was excessively costly, lacked innovation, and would not result in direct benefit to rural veterans in the VISN. ORH proceeded to fund the $2.5 million project without contacting the Office of Geriatrics and Extended Care official to discuss these concerns.

Reasons Selection Process Not Followed

ORH did not follow their proposal selection process because ORH, until recently, did not have the management staff in place that had the knowledge, skills, and experience required to lead and manage a newly established organization. We observed organizational improvements during our audit. For example, ORH hired staff with experience in financial management and budgeting. In addition, staffing is in place to develop and implement management policies and procedures to help ensure ORH staff follow their proposal selection process.

In addition, ORH lacked an effective communication plan that leveraged the knowledge and experience of key stakeholders, such as VRHRCs, VHA program office, and VISN senior staff. These key stakeholders are valuable resources to ORH because of the stakeholders' knowledge of rural health care and their experience providing care to rural veterans. Senior ORH officials acknowledged that they did not sufficiently coordinate or collaborate with key stakeholders to resolve concerns of VHA program officials regarding the officials' reviews of submitted proposals.

Effects of Not Following Selection Process

As a result, ORH officials acknowledged they lack reasonable assurance that their use of $72.3 million (14 percent) of the $533 million funding received in FYs 2009 and 2010 effectively increased access to health care for veterans residing in rural areas.

Monitoring of Rural Health Funds Needs Improvement

We found that ORH did not adequately monitor rural health obligations once ORH transferred the funds to the VISN or VHA program office that sponsored the project. The *Standards for Internal Control in the Federal Government* states that management controls, such as documenting and monitoring of financial transactions, represent fundamental Federal Government controls.

VISN staff did not consistently report their obligated funds at the project level of detail, and ORH staff did not validate the accuracy of obligation data at the project level. Consequently, ORH did not have the necessary financial data to effectively monitor obligations by project. Project sponsors often made requests to move funds designated for a specific project to other rural health needs because they were not able to obligate the allocated funds. ORH staff told us that they often approved these requests, but they did not know if the transferred funds improved access and quality of care for rural veterans. The following example illustrates this problem.

> ORH approved a VISN proposal for $930,145 to expand home-based primary care. The project included hiring providers to manage the veterans' primary care needs as well as purchasing business space and transportation vehicles for the staff. Although the proposal estimated the VISN would admit 120 veterans to the project during the project's initial 6-month period, the VISN only admitted 19 veterans during this period. VISN officials requested a transfer of rural health funds from another project to sustain the home-based primary care project. ORH staff approved the VISN's request without reviewing the project and questioning the VISN as to why the project did not meet its performance goals or what effect the transfer would have on the other project.

Additionally, ORH budget staff found it difficult to monitor the 188 projects approved in FYs 2009 and 2010. This was a particular problem since the VHA program offices, VISNs, and VAMCs independently managed their projects. Although ORH budget staff collected limited information by e-mail and telephone conversations with project sponsors and received monthly financial data at the VISN and VAMC level from the VHA Chief Financial Officer, ORH budget staff did not have project level information that was relevant, reliable, and timely. For example, ORH staff did not effectively monitor the funds obligated for their projects to ensure all of the funds would be obligated by the end of the fiscal year. They did not address this situation until May 2010, when ORH staff determined that they had only obligated $196.3 million (37 percent) of the $533 million received during FYs 2009 and 2010.

Reasons Rural Health Funds Not Monitored

ORH staff did not adequately monitor obligations of funds because they lacked an adequate project monitoring system, such as an Access database on a portal, which could have provided them with program information to manage rural health funds effectively. Establishing an electronic database and monitoring procedures would enable ORH staff to continuously monitor project funding and allow program sponsors to enter required information directly into a central database, thus providing ORH staff

with real time management information that is more relevant, reliable, and timely.

As a result, at the end of FY 2010, ORH did not obligate $16 million (2 percent) of the $533 million received during FYs 2009 and 2010. Of the $16 million, ORH carried-over about $15 million for use in FY 2011. However, the authority to use almost $1 million of these funds ultimately lapsed. This constituted missed opportunities for ORH to improve access and quality of care for rural veterans by not having sufficient controls to ensure the use of all available appropriated funds.

Performance Measures Inadequately Monitored

We found that ORH staff did not monitor projects' performance measures. Another tenet of *Standards for Internal Control in the Federal Government* is that organizations need to establish procedures to monitor performance measures. This enables the organization to compare different sets of data to one another and analyze their relationships to each other so the organization can take appropriate actions.

ORH officials required project sponsors to submit monthly or quarterly reports that addressed the following:

- Summary of issues and accomplishments
- Numbers of veterans served
- Project funding
- Program evaluation measures

The project sponsors monitored their projects and generally submitted the required reports to ORH. However, ORH staff did not monitor these progress reports to determine whether projects were meeting their performance measures. The project sponsors we interviewed stated that ORH staff rarely questioned or commented on their progress reports. This included times when the sponsors had submitted questions or expressed concerns in their reports. ORH officials stated that they used the quarterly reports to develop their reports to Congress, but they did not use the reports to monitor whether projects were meeting their performance measures.

This occurred because ORH had not established adequate procedures to monitor performance measures. ORH senior management stated that due to staffing issues and recent problems encountered in developing an automated monitoring system, ORH was unable to implement adequate procedures to monitor the quarterly reports or the reported performance measures for the 188 projects. By monitoring the projects' performance measures, ORH staff could have made assessments that compared the performance measures with actual performance. This would have detected potential problems and provided an opportunity to find solutions to the problems or make informed decisions on whether to continue the projects.

Because ORH staff did not monitor the performance measures of the projects, ORH officials acknowledged that they did not have the data to determine the impact rural health funding had on improving access and quality of care for rural veterans. In addition, ORH officials did not know how many projects could have been canceled or modified had their performance been adequately monitored.

ORH approved 188 projects with FYs 2009 and 2010 funds, yet they acknowledged that they cannot sustain many of these projects with their requested $250 million appropriation for FY 2011. According to ORH and VHA officials they based their FYs 2010 and 2011 budget proposals on the same appropriated funding they received in FY 2009 rather than assessing the program's actual needs. As a result, ORH plans to allocate $162.2 million in FY 2011 to sustain 114 projects at their current level of service and $70.1 million to sustain the 51 CBOCs funded in FY 2010. In addition, ORH plans to allocate $17.7 million to implement a pilot program required by Congress to provide non-VA health care services through contractual arrangements to eligible rural veterans. ORH was to implement this pilot program in FY 2009.

Given the weaknesses we identified in ORH's proposal selection process, including approving proposals that did not meet requirements or failing to resolve the concerns of technical reviewers, ORH needs to reassess the funded initiatives approved for implementation in FY 2012. Further, the need to perform this budget review is important given the absence of performance data of previously funded project initiatives and program officials acknowledging they will be challenged to sustain many of these projects, ORH needs to increase their accountability of future rural health funds. ORH can improve their stewardship of program funds and safeguard the integrity of their program by reassessing FY 2012 project initiatives to ensure funded projects are necessary and consistent with actual program needs.

Conclusion

By identifying high-impact projects during the formulation of the program's annual budget requests and strengthening its future proposal selection process, ORH has the opportunity to integrate comprehensive rural health projects fully into VHA's health care delivery system. By strengthening their management controls, establishing performance measures, and monitoring the performance of future initiatives funded by ORH, ORH program officials can improve accountability of funds entrusted to them and measure the impact of their program on the health care of rural veterans and their families. These controls are critical for ORH to meet the challenges of increased Government oversight of department budgets and heightened emphasis on Government transparency and efficiency.

Recommendations

Recommendation 1. We recommended that the Under Secretary for Health implement financial controls, such as providing written guidance to program sponsors and implementing a mechanism to monitor the use of rural health funds.

Recommendation 2. We recommended that the Under Secretary for Health establish management policies and procedures to ensure VHA's proposal selection process is followed.

Recommendation 3. We recommended that the Under Secretary for Health implement an effective communication plan to effectively coordinate and collaborate with key rural health care stakeholders in the use of rural health care funds.

Recommendation 4. We recommended the Under Secretary for Health establish a project monitoring system, such as an Access database on a portal and implement monitoring procedures that would provide relevant, reliable, and timely project management information.

Recommendation 5. We recommended that the Under Secretary for Health establish procedures to monitor performance measures to determine the impact of rural health care funding on improving access and quality of care for rural veterans.

Recommendation 6. We recommended that the Under Secretary for Health reassess the rural health initiatives approved for funding by Office of Rural Health in their FY 2012 budget to align planned use of resources to their greatest rural health needs.

Management Comments and OIG Response

The Under Secretary for Health agreed with the finding, recommendations, and monetary benefits and provided acceptable implementation plans. The Under Secretary stated that ORH has implemented new monitoring procedures to track, monitor, and provide oversight of VISN and program office project funding. A Selection Review Committee has been established to rate submitted projects using specific criteria based on broader VA goals. ORH has also established a centralized data sharing system and periodic communication with VA program leads and other federal, state, and local agencies.

ORH deployed an Access database to collect quarterly project performance data and plans to deploy a national web-based data collection, evaluation, and reporting system to provide an accurate assessment of each project. In collaboration with 4 VHA program offices and the Office of Quality and Performance, ORH is developing 6 core access and 47 quality measures to compare project performance across VISNs and against benchmarks. ORH also plans to reassess geographic

and clinical health needs to identify the FY 2012 proposals that address the greatest health care needs and plans to complete all corrective actions by October 2011. We will monitor VHA's implementation of the planned actions. Appendix D contains the full text of the Under Secretary's comments.

Appendix A Scope and Methodology

Scope and Methodology

To accomplish our objectives, we reviewed ORH's planning and management of $533 million provided to ORH during FYs 2009 and 2010. We identified and reviewed applicable Federal laws, Federal regulations, and VHA policies related to ORH management.

We reviewed ORH project allocation spreadsheets and VHA memorandums. We also interviewed ORH staff to identify all of the projects ORH funded using FYs 2009 and 2010 funding and to evaluate the proposal requirements and review criteria. We interviewed senior management and staff at ORH and at all three VRHRCs to determine whether ORH appropriately utilized key stakeholders to ensure projects met ORH's mission and did not duplicate other VHA activities.

We interviewed ORH staff and analyzed the project proposals and reviewer comments for all 188 ORH funded projects to determine whether the proposals met ORH's project selection requirements and whether OHR followed their review process. We did not analyze the decision process used to reallocate funds returned to ORH from the 188 funded projects. To determine whether ORH adequately monitored their project obligations and performance measures, we reviewed funding for one project at each of four randomly selected VHA program offices. We also reviewed funding for 31 of the 188 projects, 18 CBOCs, and the Fee Usage Plan at 4 randomly selected VISNs. Table 2 below shows the number of projects and CBOCs reviewed at each site.

Table 2

Schedule of Reviewed Projects and CBOCs

VISN or VHA Program Office	Projects Reviewed	CBOCs Reviewed
VISN 1: VA New England Healthcare System	4	1
VISN 16: South Central VA Health Care Network	7	9
VISN 19: Rocky Mountain Network	13	0
VISN 23: VA Midwest Health Care Network	7	8
VHA Office of Telehealth Services	1	N/A
VHA Office of Mental Health Services	1	N/A
VHA Office of Geriatrics and Extended Care	1	N/A
VHA Chief Health Informatics Offices	1	N/A

Source: OIG random sample selection performed in consultation with the statistician for the Office of Audits and Evaluations.

For the selected projects, we discussed project obligations, performance measures, and ORH's level of coordination in project selection with VISN management, Chief Financial Officers, VISN Rural Consultants, and project staff at the four VISNs and management officials at the four VHA program offices and CBOCs. We also reviewed Financial Management System reports showing project obligations and funds transfers, invoices, salary data, and reports submitted to ORH to determine the accuracy of ORH's financial data. We also reviewed Veterans Health Information Systems and Technology Architecture and other productivity reports showing progress toward meeting performance measures to determine the accuracy of ORH's performance measurement data.

Reliability of Computer-Processed Data

To test the reliability of computer-processed data, we compared the funding data obtained from VHA's Financial Management System to ORH reports showing project obligations, fund transfers, and other financial data. We found no significant discrepancies and concluded that the data was sufficiently reliable for the audit objective.

Compliance With Government Audit Standards

We conducted our audit work from July 2010 through February 2011. Our assessment of internal controls focused on those controls relating to our audit objectives. We conducted this performance audit in accordance with generally accepted Government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B Projects with Proposal Review Weaknesses

Table 3. FY 2009 Projects That Did Not Meet Proposal Requirements

Table 3 summarizes the results of our review of the 71 proposals totaling $210.3 million ORH approved in FY 2009. We found that 18 proposals (25 percent) totaling $31.8 million (15 percent) did not meet one or more of the proposal requirements as summarized below.

Project Count	Objectives	Strategy	Impact	Program Evaluation Measures	Total Funding Awarded
1				X	$398,284
2				X	277,226
3				X	4,072,660
4	X	X		X	2,273,755
5	X	X		X	334,182
6		X			541,693
7				X	884,579
8				X	1,085,292
9		X		X	1,038,850
10				X	$922,400
11		X		X	5,200,000
12		X			4,482,816
13				X	911,040
14		X			891,235
15				X	117,012
16	X	X	X		981,852
17		X		X	5,558,109
18				X	1,825,884
Total	**3**	**9**	**1**	**14**	**$31,796,869**

X = Program selection requirement not met.

Source: OIG analysis of 71 ORH proposals for rural health projects.

Table 4. FY 2010 Projects That Did Not Meet Proposal Requirements

Table 4 summarizes the results of our review of the 117 proposals totaling $44.6 million ORH approved in FY 2010. Forty-three proposals (37 percent) totaling $12.5 million (28 percent) did not meet one or more of the proposal requirements as summarized below.

Project Count	Objectives	Strategy	Impact	Program Evaluation Measures	Total Funding Awarded
1				X	$67,600
2				X	43,500
3				X	1,100,000
4				X	2,082,000
5			X	X	10,000
6				X	125,000
7				X	27,150
8	X			X	8,000
9				X	212,500
10				X	404,000
11	X	X	X	X	15,000
12				X	95,264
13				X	235,253
14				X	141,351
15	X	X	X	X	52,000
16	X	X	X	X	12,000
17	X	X		X	55,000
18				X	198,000
19				X	119,937
20				X	685,000
21				X	32,995
22		X		X	78,000
23				X	868,477
24				X	916,140
25				X	40,850
26				X	13,278
27				X	126,750
28				X	$76,213
29				X	$41,000
30				X	515,621
31				X	78,000
32				X	248,388
33				X	433,423
34				X	375,000
35				X	1,100,000
36				X	35,889
37				X	155,523
38				X	45,625
39	X	X	X	X	117,750
40	X	X	X	X	42,481
41	X	X	X	X	103,500
42	X	X	X	X	70,000
43	X	X	X	X	1,280,000
Total	**10**	**10**	**9**	**43**	**$12,483,458**

X = Program selection requirement not met.

Source: OIG analysis of 117 ORH proposals for rural health projects.

Table 5. FY 2009 Projects That Did Not Follow Review Criteria

Table 5 summarizes the results of our review of the 71 proposals totaling $210.3 million ORH approved in FY 2009. Thirteen proposals (18 percent) totaling $28.0 million (13 percent) did not meet one or more of the review criteria as summarized below.

Project Count	Impact	Program Evaluation Measures	Review Criteria Not Followed	Total Funding Awarded
1			X	$2,173,217
2	X	X	X	345,700
3		X	X	1,100,000
4			X	4,837,698
5			X	2,533,860
6			X	1,933,252
7			X	1,837,320
8			X	2,136,030
9			X	680,000
10	X	X	X	1,201,665
11			X	2,845,260
12			X	1,712,542
13			X	4,697,000
Total	**2**	**3**	**13**	**$28,033,544**

X = Review criteria not followed.

Source: OIG analysis of 71 Office of Rural Health proposals for rural health projects.

Appendix C Potential Monetary Benefits in Accordance With Inspector General Act Amendments

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs
1	Implement financial controls to improve access and quality of care for rural veterans.		$200 million
2-3	Establish management policies and procedures and implement an effective communication plan to improve access and quality of care for rural veterans.	$72.3 million	
4-5	Establish an electronic database and monitoring system and establish procedures to monitor performance measures.	1.0 million	
	Total	**$73.3 million**	**$200 million**

Appendix D Under Secretary for Health Comment

Department of Veterans Affairs

Memorandum

Date: April 21, 2011

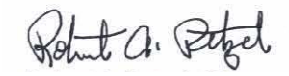
From: Under Secretary for Health (10)

Subj: OIG Office of Audits and Evaluations Draft Report, Audit of the Office of Rural Health (VAIQ 7021558)

To: Director, Seattle Audit Operations

1. I have reviewed the draft report and concur with the report's six recommendations. In addition, I concur with the reports projected estimates of questioned costs of $200 million and $73.3 million in better us of funds. Attached is the Veterans Health Administration's corrective action plan for the report's recommendations

2. Thank you for the opportunity to review the draft report. If you have any questions, please contact Linda H. Lutes, Director, Management Review Service (10B5) at (202) 461-7014.



Robert A., Petzel, M.D.

Attachment

VETERANS HEALTH ADMINISTRATION (VHA)
Action Plan

OIG Draft Report, Audit of the Office of Rural Health (VAIQ 7021558)

Date of Draft Report: March 11, 2011

Recommendations/Actions	Status	Completion Date

Recommendation 1. We recommend that the Under Secretary for Health implement financial controls, such as providing written guidance to program sponsors and implementing a mechanism to monitor the use of rural health funds.

VHA Comments

Concur

The Veterans Health Administration (VHA) concurs with this Office of the Inspector General (OIG) recommendation to implement tighter financial controls. In addition to refining written program guidance provided to program sponsors and implementing more refined and coordinated mechanisms to monitor the use of rural health funds, the Office of Rural Health (ORH) has already taken steps to improve its practices to enhance the overall effectiveness of financial operations.

ORH has hired nine new staff including a Director, Deputy Director, and a Budget Analyst to develop and support a more rigorous financial tracking and monitoring process, including:

- Implementation of processes to use detailed spreadsheets to track funds by appropriation, Veteran Integrated Service Network (VISN), station, and project;
- ORH leadership weekly review of the tracking information;
- Use of an automated system to disseminate budget information to IVSN and Program Offices.

In October 2010, ORH developed the Fiscal Year (FY) 2011 Spend Plan. The plan was approved by the Under Secretary for Health and the Office of the Secretary of Veterans Affairs (SECVA) and cleared by the Office of Management and Budget (OMB) for execution on March 4, 2011. ORH now:

- Coordinates with VISNs and Program Offices to track expenditures;
- Reviews funds execution regularly;
- Has assigned specific staff as liaisons with VISNs and Veteran Rural Health Resource Centers (VRHRC) to track, monitor, and provide oversight of projects and funding for VISN and Program Office projects.

The implementation of VISN Spend Plans and the utilization of ORH staff as liaisons specifically address the requirements in the *Standards for Internal Control in the Federal Government* for monitoring of financial transactions.

ORH leadership has refined existing and created new procedures as well as formalized funding execution requirements. These are included in the documents:

- Funding Execution VHA Programs and VISNS
- Funding Execution VRHRCs.

VISN Chief Fiscal Officers and appropriate Program Office officials have been educated about monitoring, tracking, and reporting standards for funded projects at the project level. These new reporting requirements will ensure appropriate documentation of project spending and correct obligation of all funds at the end of the fiscal year. In addition, ORH leadership designed and implemented a corrective action strategy or Risk Plan to include a re-distribution of funds if project outcomes and measurements are not being met in a timely manner.

Completed

Recommendation 2. We recommend that the Under Secretary for Health establish management policies and procedures to ensure VHA's proposal selection process is followed.

VHA Comments

Concur

VHA concurs with the OIG recommendation to establish management policies and procedures to ensure VHA's proposal selection process is followed. ORH leadership has already implemented two new procedures that meet the requirements of the *Standards for Internal Control in the Federal Government.* These are the:

- Funding Execution VHA Programs and VISN Project/Program Performance Evaluation
- Measures Collection and Analysis.

These establish tight controls for proposal review and approval and include establishing a process to review submitted projects against specific project funding rating criteria. ORH leadership developed this project funding rating criteria based on the SECVA Goals, Priorities and Initiatives, VHA Priorities, and ORH Focus Areas or Strategic Goals and Measurements of Progress. The ORH Director will appoint a Selection Review Committee (SRC) composed of a cross-section of VHA subject matter experts (SMEs) familiar with the mission and goals of the Department of Veterans Affairs (VA),

VHA, and ORH. ORH will rely on the SRC members' knowledge and expertise during the rating and review process.

Additionally, the process document Implementation of the Project/Program Performance and Evaluation Measures Collection and Analysis specifically defines how ORH will evaluate projects once they are funded. The process establishes how and when ORH will collect performance measurement data and validate implemented versus proposed objectives, strategies, and impacts of funded projects. The process details the content of the quarterly reports to ORH leadership in regard to measures and impact data of funded projects. This organized collection of project information allows ORH to review VISN and Program Office management as well as project qualitative and quantitative data continuously.

The newly defined responsibilities of the SRC include a process to resolve member concerns about feasibility, compliance, and appropriateness identified during the proposal review process. First, the Funding Execution requirements include review process guidelines and rating criteria modified from previous reviews to ensure SRC members' concerns are addressed. Second, the process requires the SRC to convene a post-rating and review meeting to address any outstanding concerns before any final funding determination is made.

Completed

Recommendation 3. We recommend that the Under Secretary for Health implement an effective communication plan to effectively coordinate and collaborate with key rural health care stakeholders in the use of rural health care funds.

VHA Comments

Concur

ORH has already taken several steps to improve internal communications, as well as external communications. For example, the ORH Director, Deputy Director, and key staff lead:

- a bi-monthly teleconference with leadership of the VRHRCs,
- a monthly call with the VISN Rural Consultants (VRCs), and
- a weekly meeting with ORH Veterans Affairs Central Office (VACO) staff.

These meetings address budget issues; administrative issues; project updates; and other topics related to the implementation, oversight, and evaluation of ORH-sponsored projects. Minutes are taken and distributed.

In addition, ORH leadership regularly conveys information to VACO and field staff regarding VA leadership priorities and initiatives; new ORH collaborations and

initiatives; VHA and ORH policies; ORH impacts and best practices. Information is shared via teleconference, email, intranet SharePoint site, the ORH internet site, and face to face bi-annual meetings.

All ORH staff, including the VRHRCs and VRCs, have been given access to and are directed to use the ORH Knowledge Management System (KMS). This is a central repository of the shared tools and information necessary to successfully implement and report on each ORH initiative. Examples of shared tools include the

- Clinical needs assessment template,
- ORH outreach materials,
- ORH logos,
- ORH branding guidance,
- PowerPoint templates,
- Stakeholder contact database, and
- Budget reporting templates.

The KMS also contains presentations from past VRC meetings, a central calendar of events such as ORH meetings and conferences, and ORH products such as peer-reviewed publications and on-demand webinars.

In January 2011, ORH released three communications products, all designed to inform stakeholders about the ORH mission, programs, initiatives, and impacts on rural Veterans:

- the completely revised and redesigned ORH website (http://www.ruralhealth.va.gov);
- the quarterly ORH newsletter; and
- monthly ORH Fact Sheets. The monthly ORH fact sheets contain a summary of results from recently published studies on the health and health care of rural Veterans.

The ORH VRHRCs, the VRCs, and individual project leads are contacted regularly with requests to provide content for the newsletter and website.

An Access database containing contact information for key rural health stakeholders was created in March 2011and will allow ORH to disseminate targeted as well as general communications regarding ORH activities to VA/VHA leadership, facility leadership, rural community-based outpatient clinics (CBOCS) and outreach clinics, program leads, clinicians, and support staff; national, state, and local rural health programs; Veteran Service Organizations (VSOs); and Veterans who have opted-in (subscribed) to receive information from ORH. The ORH Communications Team is also leveraging existing VA/VHA communications channels (e.g., VA websites, social media, and publications) to reach stakeholders and rural Veterans.

ORH has also improved communications with key rural health stakeholders by taking a more active role by participating in rural health conferences and outreach events,

connecting with VA/VHA program leads, and meeting with representatives from other federal, state, and local agencies with a rural health focus.

Development of the contact database and implementation of the communications plan will continue to ensure a regular and timely distribution of information to improve internal and external communications.

Completed

Recommendation 4: We recommend that the Under Secretary for Health establish a project monitoring system, such as an Access database on a portal and implement monitoring procedures that would provide relevant, reliable and timely project management information.

VHA Comments

Concur

ORH has designed an Access data collection and project monitoring system targeted for completion and deployment no later than May 31, 2011, to collect measurement and project performance data and information. ORH staff will continue to use the ORH Project and Measurement Excel spreadsheet database pending completion of the Access database computerized tool to ensure data and measures collection, tracking, monitoring and documentation of project activity and management. Also, planning for the design and deployment of a national web-based data collection, evaluation and reporting system is in process.

In Process May 31, 2011

Six rural health access measures and forty-seven quality measures, appropriately specific to each project, have been applied to rural health projects. Output reports have been developed, and all VISNs have reported first quarter FY 2011 performance data for evaluation. Additionally all rural health projects are being evaluated to ensure goals, objectives and milestones are relevant, up-to-date, and assigned to each project.

ORH now requires VRCs and Program Office project managers to submit project milestone progress quarterly reports. Access and quality measurement data for each project are also required to be submitted quarterly. ORH monitors project data to ensure reporting and evaluation of data are timely and provide an accurate assessment of the current status of each project. ORH leadership also regularly review financial reports to ensure efficient and effective utilization and obligation of funds.

In Process October 21, 2011

In summary, structures are now in place and policies and procedures have been implemented to ensure proactive monitoring of projects and to provide support and assistance to VRCs, project leads at the VISNs and stations, and to VRHRC staff in the execution of rural health projects and activities. For example:

- ORH Program Analysts have been assigned to serve as VISN, VRHRC and Program Office liaisons. Their responsibilities include the monthly monitoring of projects (or more often as needed) to ensure resources are utilized as intended in an effective way to improve access and quality of care to Veterans in rural and highly rural areas.
- Quality measures have been identified and applied to all ORH projects.
- Utilization of the Access data collection and monitoring system enables ORH leadership and staff to continuously and proactively monitor and track activities, projects and ORH strategic planning initiatives.

These efforts are specifically related to increasing access and improving quality of care for rural Veterans in a way to ensure the provision of relevant, reliable and timely project management information.

Completed

Recommendation 5. We recommend that the Under Secretary for Health establish procedures to monitor performance measures to determine the impact of rural health care funding on improving access and quality of care for rural veterans.

VHA Comments

Concur

To address this recommendation, ORH has already implemented a Project/Program Performance and Evaluation Measures Collection and Analysis process to monitor performance measures in order to determine the impact of rural health care funding on improving access and quality of care for rural Veterans. An Access Project Tracking Database (PTD) was developed and went live on April 1, 2011. The PTD stores the data from all ORH projects and serves as a national rural Veteran data repository and monitoring system. It links new proposal submissions and funding activities with quarterly documentation of progress, performance metrics, associated milestones and products. It enables quick response when measurement data are inaccurate, incomplete, or missing. To date, ORH has gathered the first quarter FY 2011 performance measure data for nearly three hundred ORH VISN-level projects and programs (representing services to nearly 400,000 Veterans) funded under Public Law 110-329.

Completed

In collaboration with the Office of Quality and Performance (OQP), National Programs including the Office of Telehealth Services (OTS), Geriatrics and Extended Care (GEC), Office of Mental Health Services (OMHS), Office of Academic Affiliations (OAA), VISN leadership and other partners, ORH completed development of a national rural health measurement data set in December 2010. Six core access measures are being used for all ORH funded rural and highly rural VISN level projects, and forty-seven additional quality measures are collected based on the project type. Using these measures, ORH uses project tracking data to compare performance across VISNs and against benchmarks. ORH project measurement data are being continuously tracked, trended, analyzed, interpreted in relation to other programs, then reported to leadership in order to establish the impact of rural care funding on improving access and quality of care for rural Veterans.

In Process October 21, 2011

Output from project/program measurement collection efforts is analyzed in combination with data from VHA Support Service Center (VSSC), OQP, national Program Offices, and publicly reported data sources with anticipated release of an ORH ACCESS Quality Impact report in September 2011. ORH is working with OQP on analysis and reporting of FY 2010 outpatient data as well as data from rural outreach clinics. Target date for reporting this information to ORH is April 30, 2011. Clinical data are obtained from the External Peer Review Program (EPRP) outpatient samples. National and VISN weighted scores are then calculated for the outpatient quality of care clinical composites. Patient satisfaction data from the VHA Survey of Health Experiences of Patients (SHEP) are also used to measure satisfaction scores for Veterans receiving services through ORH-funded projects in rural areas.

In Process September, 30, 2011

In coordination with VSSC, ORH developed the Rural Health Briefing Book (to be released April 2011) and Rural Health Dashboard (rollout is scheduled for May 2011). These new information resources provide timely and relevant socio-demographic, service use, diagnosis, clinical quality, outcomes and cost data about over three million Veterans living in rural and highly rural areas.

In Process May 31, 2011

In addition to sharing the output of ORH's core measure set and data collected in collaboration with Program Office partners, such as OTS, ORH is sharing information about lessons learned using presentations, electronic mailings, national webinars, reports and through the ORH website. This has already begun and will continue.

Completed

<u>Recommendation 6</u>: We recommend that the Under Secretary for Health reassess the rural health initiatives approved for funding by Office of Rural Health in their FY 2012 budget to align planned use of resources to their greatest rural health needs.

<u>VHA Comments</u>

Concur

VHA concurs with the recommendation to reassess previously approved initiatives. To align the planned use of resources to the greatest rural health needs, a reassessment of all ORH rural health initiatives approved for funding by ORH in the FY 2012 budget will be accomplished before September 2011.

Geographic Access Assessments for all VISNs are presently being conducted. Eight have been completed; the remaining thirteen will be completed by June 30, 2011. The methodology for the assessments employs the Arc Geographic Information System (ArcGIS) software and includes the following steps.

- Travel bands are drawn around each VHA facility by highest level of care provided. Specifically, travel times of thirty and sixty minutes around facilities providing primary care; one hundred and twenty minutes to facilities providing acute care; and two hundred and forty minutes around facilities providing tertiary care.
- Gaps in geographic coverage are identified and the number of enrollees in these gap areas is tabulated.
- Further, non-VA community resources including Federally Qualified Health Centers, Rural Health Clinics, Military Treatment Facilities, Indian Health Service facilities and community hospitals are layered on to the maps to identify potential partnerships for providing services to Veterans in underserved areas

The outcomes of these assessments will assist ORH to identify those geographic areas with the most needs in order to align the use of resources to their greatest health care needs.

In Process July 31, 2011

Health Care Needs Assessments are also underway to assess clinical health needs. The assessments will be completed in all VISNs no later than September 30, 2011. These assessments will help to determine unique needs of rural Veterans, how the needs of VAMCs or CBOCs might be different in rural settings, or the needs of providers and staff in rural areas. The focus of these needs assessments will be

determined by the VRC and others within each VISN to ensure that those with specific knowledge of the rural needs of a particular VISN are involved in the assessments. A number of methods will be employed to determine these needs including site visits, focus groups, OMB-approved surveys, comment cards, and program evaluation strategies. Potential data sources include patient, provider, and staff interviews and surveys, field notes from site visits, VISN Corporate Data Warehouse, Austin Automation Center, and the Planning Systems Support Group (PSSG) Rural Portal.

Community agency focus groups have been successfully completed at the Western and Central VRHRCs to assess the needs of Veterans within the community-at-large for both enrolled and non enrolled Veterans. The community agencies represented include aging services, religious groups, VSOs, state offices of rural health, state offices of Veterans affairs, local non-VA clinics and hospitals (usually critical access or federally funded sites), job services, and other formal and informal community entities.

The findings from both geographic and health needs assessments will be evaluated to determine access issues and quality health care needs of Veterans in rural/highly rural areas. This information will be incorporated into a set of criteria to use in review of FY 2012 proposals to support funding for programs that identify the greatest health care needs and health care access needs in rural areas. The results of all findings will be shared with the VISN Strategic Planners to be incorporated into the VHA Health Care Planning Model (HCPM) as appropriate. The HCPM has incorporated a specific section for rural health activities and health professional shortage area.

In Process September 30, 2011

An ORH Strategic Plan "refresh" initiative is also underway. These initiatives will inform FY 2012 funding decisions by integrating initiatives with identified areas of greatest need. This process of alignment of resources with needs assessments will be an iterative process occurring annually.

In Process September 30, 2011

Additionally an evaluation of all ORH components and functions, i.e. VACO, VRHRCs and VRCs, will be accomplished in FY 2011.

In Process July 31, 2011

Veteran Health Administration
April 2011

Appendix E OIG Contact and Staff Acknowledgments

OIG Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720
Acknowledgments	Gary Abe, Director Maria Afamasaga Kevin Day Lee Giesbrecht Marisa Harvey Barry Johnson Issa Ndiaye Tom Phillips Melinda Toom

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