VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS

Department of Veterans Affairs

Independent Review of VA's FY 2012 Detailed Accounting Submission to the Office of National Drug Control Policy

March 31, 2013
13-00682-143

To Report Suspected Wrongdoing in VA Programs and Operations:

Telephone: 1-800-488-8244

Email: vaoighotline@va.gov

(Hotline Information: www.va.gov/oig/hotline)

TABLE OF CONTENTS

Department of Veterans Affairs

Memorandum

Date: March 25, 2013

From: Assistant Inspector General for Audits and Evaluations (52)

Subj: Final Report - Independent Review of the VA's FY 2012 Detailed Accounting Submission to the Office of National Drug Control Policy

To: Chief Financial Officer, Veterans Health Administration (10A3)

1. The Office of Inspector General is required to review the Department of Veterans Affairs' (VA) Fiscal Year (FY) 2012 Detailed Accounting Submission (Submission) to the Director, Office of National Drug Control Policy (ONDCP), pursuant to ONDCP Circular: *Drug Control Accounting* (Circular), dated May 1, 2007, and as authorized by 21 U.S.C. § 1703(d)(7).[1] The Submission is the responsibility of VA's management and is included in this report as Attachment A.

2. We reviewed VA management's assertions, as required by the Circular, concerning its drug methodology, reprogrammings and transfers, and fund control notices. The assertions are found in the Submission on page 11 of this report.

3. We conducted our review in accordance with 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. An attestation review is substantially less in scope than an examination. The objective of an examination is the expression of an opinion on the assertions in the Submission. Accordingly, we do not express such an opinion.

4. Our report, *Audit of VA's Consolidated Financial Statements for Fiscal Year 2012 and 2011* (Report No. 12-01284-13, dated November 8, 2012), identified one material weakness, information technology security controls, which is a repeat condition. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance

[1]To view the Circular, please visit http://www.whitehouse.gov/sites/default/files/ondcp/about-content/2007_drug_control_accounting_final.pdf.

with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

5. Based upon our review, except for the effects, if any, of the material weakness discussed in paragraph four, nothing came to our attention that caused us to believe that management's assertions included in the accompanying Submission of this report are not fairly stated in all material respects based on the criteria set forth in the Circular.

6. We provided you our draft report for review. You concurred with our report without further comments.

LINDA A. HALLIDAY

Attachment

Department of Veteran Affairs

Memorandum

Date: March 01, 2013

From: Chief Financial Officer, Veterans Health Administration
Associate Chief Financial Officer, Veterans Health Administration
Director of Budget Services, Veterans Health Administration

Subj: Management Representation Letter for the Independent Review of the VA's FY 2012 Detailed Accounting Submission to the Office of National Drug Control Policy (Project Number 2013-00682-R1-0039)

To: Assistant Inspector General for Audits and Evaluations (52)

1. We are providing this letter in connection with your attestation review of our Detailed Accounting Submission to the Director, Office of National Drug Control Policy (ONDCP).

2. We confirm, to the best of our knowledge and belief, that the following representations made to you during your attestation review are accurate and pertain to the fiscal year ending on September 30, 2012.

3. We confirm that we are responsible for and have made available to you the following:

   a. The Table of Drug Control Obligations and related assertions;

   b. All financial records and related data relevant to the detailed accounting submission; and,

   c. Communications from the Office of National Drug Control Policy and other oversight bodies concerning the detailed accounting submission.

4. No reprogramming or transfer of funds from drug related resources, as identified in the Fiscal Year 2012 financial plan, occurred in Fiscal Year 2012.

5. We understand your review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and 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 and accordingly, you will not express an opinion on the Table of Drug Control Obligations and related disclosures.

6. No events have occurred subsequent to September 30, 2012, that would have an effect on the Detailed Accounting Submission.

Signature: James F. McGaha
James F. McGaha, FACHE
Acting Chief Financial Officer (10A3)
Veterans Health Administration

Signature: ______________________
Mark W. Yow
Associate Chief Financial Officer for Resource Management Office (10A3B)
Veterans Health Administration

Signature: Calvin Seay
Calvin L. Seay, Jr.
Director of Budget Services
Resource Management Office (10A3B)

Attachments

cc: Veterans Health Administration Audit Liaison (10B5)

Attachment A

Statement of Disclosures and Assertions for FY 2012 Drug Control Expenditures Submitted to Office of National Drug Control Policy (ONDCP) for FY Ending September 30, 2012

In accordance with ONDCP's Circular, Drug Control Accounting, dated May 1, 2007, 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 shown in the disclosures that follow.

Attachment A

DEPARTMENT OF VETERANS AFFAIRS
VETERANS HEALTH ADMINISTRATION
Annual Reporting of FY 2012 Drug Control Funds

DETAILED ACCOUNTING SUBMISSION

A. Table of FY 2012 Drug Control Obligations

Description	FY 2012 Final *(in Millions)*
Drug Resources by Drug Control Function:	
Treatment	$617.201
Research & Development	$20.637
Total	**$637.838**
Drug Resources by Budget Decision Unit:	
Medical Care	$617.201
Research & Development	$20.637
Total	**$637.838**

1. Drug Control Methodology

The Table of FY 2012 Drug Control Obligations shown above and Resource Summary (page 9) showing obligations and FTE (Full-Time Equivalent) for Substance Abuse treatment in VHA are based on specific patient encounters. This is for all inpatient and outpatient episodes of care whether provided by VHA staff or purchased in the community. The source data for VHA inpatient care is the Patient Treatment File (PTF). For Outpatient Care it is the National Patient Care Database Encounter file (SEFILE). For contract care it is either the PTF or the hospital payment file. For outpatient FEE Care it is the Provider Payment file.

All of these data sources have a diagnosis associated with the encounter. The primary diagnosis is considered the reason the patient is being treated and is used to determine whether the treatment provided is substance abuse treatment and which type of substance abuse. Below is a list of Diagnosis groups used.

Attachment A

Diagnosis Code	Description
292.xx	Drug Induced Mental Disorders
304.xx	Drug Dependence
305.xx	Nondependent Abuse of Drugs (excluding 305.0 – Alcohol Abuse and 305.1 – Tobacco Use Disorder)

It should be noted that Prescriptions and Lab tests do not have linkages to a specific diagnosis and are not included in the report.

The cost of the VHA provided services is assigned through the Decision Support System (DSS) management cost accounting system and is based on the products consumed by producing departments. Every product is valued and assigned a cost. All the cost of all the products a patient uses are rolled up. A national data extract of patients at the encounter level is created and is the source of the cost. An additional extract at the encounter level also splits out the DSS intermediate product department, (NDE IPD). The cost of the contracted care comes from the Inpatient (Hospital) and Outpatient (FEE) payment systems. The DSS costs and payments are expenditures. These expenditure costs are modified to reflect full VHA obligations. The FTE calculation is based on the DSS staff mapping to DSS Departments which are the production units. As we noted above, all the products are accumulated to an encounter. The DSS NDE IPD extracts show the cost of the encounter by department and the cost by three cost categories; Variable Direct, Fixed Direct and Fixed Indirect. All the costs, including the fixed costs, from all the departments are included in the cost calculation; however, there are no FTE numbers in the extract.

The Monthly Program Cost Report (MPCR) is a secondary DSS cost report which allows for the calculation of FTE at a detailed level. The DSS Department costs and FTE are aggregated to the service level, the clinic stop and the treating specialty. The portion of the DSS Department's costs and FTE can be assigned to these levels based on the DSS IPD extract. The FTE calculation assumes that a proportionate amount of each DSS Department's FTE is associated with each dollar assigned. The FTE calculation only uses the Direct Care Departments costs. The average Direct FTE/Cost is calculated for each Clinic stop and Treating specialty at each medical center/CBOC. The service specific FTE/dollars are multiplied by the cost of the service providing substance abuse care. The result is the FTE.

Attachment A

Year in Review

According to the biannual 2010 *Drug and Alcohol Program Survey* (DAPS), at the start of FY 2011, the Department of Veterans Affairs offered specialty SUD treatment programs at 137 of 140 parent health care facilities. Programs are located in the Department's medical centers, mental health residential rehabilitation treatment programs and outpatient clinics. Seventy-one of 140 VA facilities offer specialty SUD treatment including 24-hour care programs. Of the remainder, 60 facilities offer intensive outpatient programs, and 6 provide standard outpatient programs. All VA facilities currently provide SUD services within a specialty setting, as well as in general mental health settings.

VA provides two types of 24-hour-a-day care to patients having particularly severe substance use disorders. VA offers 24-hour care in residential rehabilitation treatment programs for substance use disorders. Additionally, 24-hour care is provided for detoxification in numerous inpatient medical and general mental health units throughout the VA system. Outpatient detoxification is available for patients who are medically stable and who have sufficient social support systems to monitor their status. Most Veterans with substance use disorders are treated in outpatient programs. Intensive substance use disorder outpatient programs provide at least three hours of service per day to each patient, and patients attend them three or more days per week. Standard outpatient programs typically treat patients for an hour or two per treatment day and patients attend one or two days a week.

VHA is steadily expanding the availability of opioid agonist treatment for opioid-dependent Veterans. In FY 2012, evidence-based medication assisted treatment for opioid dependence, including office-based treatment with buprenorphine, was available at 141 of the 152 VA Medical Centers (93%). Including Community-Based Outpatient Clinics separate from the medical centers, over 250 total sites of service provided at least some buprenorphine. VA operates methadone maintenance programs at 28 facilities and 25 VHA facilities maintain contractual arrangements for providing these services through community-based licensed opioid agonist treatment programs.

VHA has also expanded access to other SUD treatment services with continued special purpose funding for 406 SUD staff assigned to work in large community based outpatient clinics, mental health residential rehabilitation programs, intensive SUD outpatient programs and post traumatic stress disorder (PTSD) teams. Active monitoring is ongoing for replacing any positions that become vacant.

4 of 9

Attachment A

The Homeless Programs are funding 100 SUD specialists to support the Department of Housing and Urban Development - VA Supportive Housing (HUD-VASH) program. In addition, there are approximately 80 SUD Specialists working in Health Care for Homeless Veterans (HCHV) programs including 32 newly funded HCHV SUD Specialist positions added in FY 2012. These specialists emphasize early identification of SUD as a risk for maintaining permanent housing, promote engagement or re-engagement in SUD specialty care programs and serve as linkages between Homeless and SUD programs.

In the 3rd Quarter of FY 2012, VHA began electronic implementation of clinical symptom monitoring using the Brief Addiction Monitor (BAM) that transmits responses to the national data base with over 5000 administrations in September 2012. VHA specialty care programs are now able to use BAM as part of software that integrates the assessment process with our electronic health record. The BAM is designed to assist SUD specialty care clinicians in monitoring the progress of patients while they are receiving care for a substance use disorder, serving as a basis for giving feedback to them to enhance their motivation for change, and informing clinical decisions, such as the intensity of care required for the patient.

In FY 2012, VHA provided services to 127,708 patients with a primary drug use disorder diagnosis. Of these, 36 percent used cocaine, 28 percent used opioids and 26 percent used cannabis. Eighty-one percent had co-existing psychiatric diagnoses. (These categories are not mutually exclusive.)

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 May 1, 2007, (b) Budget Instructions and Certification Procedures, dated May 1, 2007, and (c) Budget Execution, dated May 1, 2007. 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.

Attachment A

Specialized Treatment	Obligations *(in Millions)*	FTE
Inpatient	$154.332	684
Residential Rehabilitation and Treatment	$191.373	977
Outpatient	$271.496	1,110
Total	**$617.201**	**2,771**

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

RESEARCH & DEVELOPMENT

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.

Specialized Function	Obligations *(in Millions)*	Drug Control Related Percent	FTE
Research and Development	$20.637	N/A	N/A

2. Methodology Modifications – 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 and no longer takes into consideration Other Related Treatment costs. Drug control methodology detailed in A.1 was the actual methodology used to generate the Resource Summary.

3. Material Weaknesses or Other Findings – CliftonLarsonAllen LLP provided an unqualified opinion on VA's FY 2012 consolidated financial statements. They identified one material weakness. The material weakness is a repeat condition from the prior year audit identified as Information Technology Security Controls. In addition to the material weaknesses, they also reported one significant deficiency related to undelivered orders (UDO) as a partial repeated finding. They found instances that the UDO balance should have been de-obligated because the goods or services had been received. There were no material weaknesses or other findings by independent sources, or other known weaknesses, which may materially affect the presentation of prior year drug-related obligations data.

Attachment A

4. Reprogrammings or Transfers – There were no reprogramming of funds or transfers that adjusted 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.

5. Other Disclosures – This budget accounts for drug control-related costs for VHA Medical Care and Research. It does not include all 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 reported costs.

B. Assertions

1. Drug Methodology – VA asserts that the methodology used to estimate FY 2012 drug control obligations by function and budget decision unit is reasonable and accurate based on the criteria set forth in the ONDCP Circular dated May 1, 2007.

2. Application of Methodology – The methodology described in Section A.1 above was used to prepare the estimates contained in this report.

3. Reprogrammings or Transfers – No changes were made to VA's Financial Plan that required ONDCP approval per the ONDCP Circular dated May 1, 2007.

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.

Attachment A

Mark Yow
Associate Chief Financial Officer
Resource Management Office (10A3B)

2/5/2013
Date

Calvin L. Seay, Jr.
Director of Budget Services
Resource Management Office (10A3B)

2/5/2013
Date

Attachment A

Department of Veterans Affairs Resource Summary Obligations *(in Millions)*	
	2012 Final
Medical Care:	
Specialized Treatment	
Inpatient	$154.332
Residential Rehabilitation and Treatment	$191.373
Outpatient	$271.496
Specialized Treatment	$617.201
Research and Development	$20.637
Drug Control Resources by Function and Decision Unit, Total	$637.838
Drug Control Resources Personnel Summary	
Total FTE	2,771
Total Enacted Appropriations	$125,304.000
Drug Control Percentage	0.51%

9 of 9

Appendix A Office of Inspector General Contact and Staff Acknowledgments

OIG Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
Acknowledgments	Nick Dahl, Director Irene J. Barnett Joseph Vivolo

Appendix B Report Distribution

VA Distribution

Office of the Secretary
Veterans Health Administration
Office of General Counsel
Chief Financial Officer, Veterans Health Administration

Non-VA Distribution

House Committee on Veterans' Affairs
House Appropriations Subcommittee on Military Construction, Veterans Affairs, and Related Agencies
House Committee on Oversight and Government Reform
Senate Committee on Veterans' Affairs
Senate Appropriations Subcommittee on Military Construction, Veterans Affairs, and Related Agencies
Senate Committee on Homeland Security and Governmental Affairs
National Veterans Service Organizations
Government Accountability Office
Office of Management and Budget
Office of National Drug Control Policy

This report is available on our Web site at **www.va.gov/oig**.