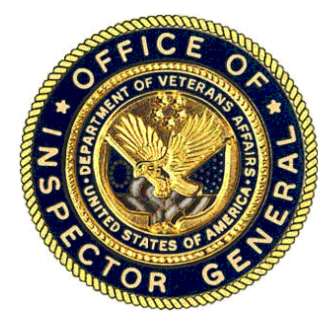
VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Department of Veterans Affairs

Independent Review of the FY 2014 Detailed Accounting Submission to the Office of National Drug Control Policy

March 5, 2015
15-00874-131

ACRONYMS

DSS	Decision Support System
FY	Fiscal Year
OIG	Office of Inspector General
ONDCP	Office of National Drug Control Policy
VA	Department of Veterans Affairs
VHA	Veterans Health Administration

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EXECUTIVE SUMMARY

The Office of Inspector General is required to review the Department of Veterans Affairs' (VA) Fiscal Year 2014 Detailed Accounting Submission (Submission) to the Director, Office of National Drug Control Policy (ONDCP). This is pursuant to ONDCP Circular: *Accounting of Drug Control Funding and Performance Summary* (Circular), dated January 18, 2013, and as authorized by 21 U.S.C. §1704(d). The Submission is the responsibility of VA's management and is included in this report as an Attachment.

We reviewed VA's 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 9 of this report.

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.

Our report, *Audit of VA's Financial Statements for Fiscal Years 2014 and 2013* (Report No. 14-01504-32, dated November 12, 2014), identified one material weakness, information technology security controls, which is a repeat condition. We also identified two significant deficiencies, financial reporting and accrued operating expenses. 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 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.

Based upon our review, except for the effects, if any, of the material weakness discussed in the previous paragraph, 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. The Department concurred with our report without further comments.

NICK DAHL
Director
Bedford Audit Division

VA's Management Representation Letter

Department of Veterans Affairs **Memorandum**

Date: December 18, 2014

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 VA's Fiscal Year 2014 Detailed Accounting Submission to the Office of National Drug Control Policy (Project Number 2015-00874-R1-0047)

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

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).

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, 2014.

1. 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.

2. No reprogramming or transfer of funds from drug related resources, as identified in the Fiscal Year 2014 financial plan, occurred in Fiscal Year 2014.

3. We understand your review will be 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.

4. No events have occurred subsequent to September 30, 2014, that would have an effect on the Detailed Accounting Submission.

Signature: ______________________
Kathleen M. Turco, M.B.A
Chief Financial Officer (10A3)
Veterans Health Administration

Signature: ______________________
Mark W. Yow
Associate VHA Chief Financial Officer
Resource Management (10A3B)

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

cc: Veterans Health Administration Audit Liaison (10B5)

VA's FY 2014 Detailed Accounting Submission

Statement of Disclosures and Assertions for FY 2014 Drug Control Obligations Submitted to Office of National Drug Control Policy (ONDCP) for FY Ending September 30, 2014

In accordance with ONDCP's Circular, Drug Control Accounting, dated January 18, 2013, the Veterans Health Administration asserts that the VHA system of accounting, use of obligations, and systems of internal controls provide reasonable assurance that:

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

The methodology used to calculate obligations 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

DEPARTMENT OF VETERANS AFFAIRS
VETERANS HEALTH ADMINISTRATION

Annual Reporting of FY 2014 Drug Control Funds
DETAILED ACCOUNTING SUBMISSION

A. Table of FY 2014 Drug Control Obligations

Description	FY 2014 Final *(Millions)*
Drug Resources by Budget Decision Unit:	
Medical Care	$646.550
Medical & Prosthetic Research	$23.664
Total	**$670.214**
Drug Resources by Drug Control Function:	
Treatment	$646.550
Research & Development	$23.664
Total	**$670.214**

1. Drug Control Methodology

The Table of FY 2014 Drug Control Obligations (above) and the Resource Summary 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.

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)

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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 (services) generated by producing departments. Every product is valued and assigned a cost. Costs are assigned to patients based on the products utilized during their care. The national data extracts reflect the cost of care at a specific patient (encounter) level. Data from the FEE System is brought into DSS to reflect the payments made to Non-VA providers. The DSS costs and FEE 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 National Data Extract Intermediate Product Department 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, FTE is not reflected in these extracts.

The Monthly Program Cost Report (MPCR) is a secondary DSS cost report which reflects cost and FTE based on type of care (not patient specific). The DSS Department costs and FTE are aggregated to the care level through the use of the clinic stop and the treating specialty NDE data. The FTE calculation assumes that a proportionate amount of each DSS Department's FTE is associated with each dollar assigned.

MEDICAL CARE

Year in Review

According to the 2012 Drug and Alcohol Program Survey (DAPS, the most recent survey results available pending re-administration in early 2015), at the start of FY 2013 56 percent of VA facilities were able to offer 24-hour Substance Use Disorder (SUD) care on-site, 41 percent of facilities offered intensive outpatient services as their highest intensity of SUD care, and 82 facilities (59%) reported offering stand-alone intensive outpatient treatment that was not a component of a 24-hour care program. In FY 2012, 97 percent of facilities offered either 24-hour care or intensive outpatient programming on site. All VA facilities currently provide SUD services within a specialty setting, as well as in general mental health settings.

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Attachment

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 2014 evidence-based medication assisted treatment for opioid dependence, including office-based treatment with buprenorphine, was provided to patients at all but 7 VA Medical Centers (over 95 percent of the total). Over 300 total sites of service provided at least some buprenorphine, including Community-Based Outpatient Clinics separate from the medical centers. VA operates federally regulated Opioid Treatment Programs that can provide methadone maintenance on-site at 31 larger urban locations and at a growing number of VHA facilities that maintain contractual arrangements or arrange non-VA care for providing these services through community-based licensed Opioid 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 posttraumatic stress disorder (PTSD) teams. Active monitoring is ongoing for replacing any positions that become vacant.

Consistent with principles of recovery, VA is setting the standard for a new and emerging health care profession, known as "Peer Specialists." As of September, 2014, VHA had hired 870 Peer Specialists and Peer Apprentices, exceeding the hiring goal set in President Obama's August 31, 2012, Executive Order aimed at improving access to mental health services for Veterans, service members and military families. Through the development of position descriptions that clearly outline the job duties of both Peer Specialists and Peer Support Assistants, certification of training requirements for both positions and consistently-defined, job-specific competencies, Peer Specialists and Peer Support Assistants are poised to provide a unique set of services to Veterans seeking care for mental health and substance use disorders.

Attachment

VA continues to pursue a comprehensive strategy to promote safe prescribing of opioids when indicated for effective pain management. The purpose of the Opioid Safety Initiative is to ensure pain management is addressed thoughtfully, compassionately and safely. Based on comparisons of national data between the quarter beginning in July 2012 and the quarter ending in September 2014, several aspects of the Opioid Safety Initiative have begun to show positive results. Despite an increase in the number of Veterans who were dispensed any medication from a VA pharmacy, 50,896 fewer Veterans received an opioid prescription (including short and long-term use) from VA, 38,408 fewer Veterans were on long-term opioids, and 20,533 fewer Veterans received opioid and benzodiazepine medications. There has been an increase in the number of Veterans (by 63,962) on long term opioid therapy who have had at least one urine drug screen. The average dose of selected opioids has begun to decline slightly in VA, demonstrating that prescribing and consumption behaviors are changing.

Programs to end Homelessness among veterans have SUD specialists to support the Department of Housing and Urban Development – VA Supportive Housing (HUD-VASH) program. In addition, there are SUD Specialists working in Health Care for Homeless Veterans (HCHV) programs. 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. All VA medical centers have at least one designated Veterans Justice Outreach (VJO) Specialist (172 total full-time); most of these are centrally-funded positions, dedicated to serving justice-involved Veterans on a full-time basis.

During FY 2014, VHA continued implementation of clinical symptom monitoring using the Brief Addiction Monitor (BAM) that transmits responses to the national data base with over 7,700 Veterans assessed at the beginning of a new episode of SUD specialty care during the 4th quarter of FY 2014. The BAM is designed to assist SUD specialty care clinicians in initial treatment planning and 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 addition to items addressing risk and protective factors for recovery, the BAM assesses self-reported substance use in the prior 30 days including an item asking about days of any use of illicit or non-prescribed drugs as well as items on use of specific substances.

In FY 2014, VHA provided services to 131,915 patients with a primary drug use disorder diagnosis. Of patients with any confirmed drug use disorder diagnosis (i.e., diagnosed at two or more outpatient visits or one inpatient discharge), 33 percent used cocaine, 25 percent used opioids and 37 percent used cannabis. Eighty percent had co-existing psychiatric diagnoses. (These categories are not mutually exclusive.)

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Attachment

The accompanying Department of Veterans Affairs Resource Summary was prepared in accordance with the following Office of National Drug Control Policy (ONDCP) circulars (a) Accounting of Drug Control Funding and Performance Summary dated January 18, 2013, (b) Budget Formulation, dated January 18, 2013, and (c) Budget Execution, dated January 18, 2013. 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.

Specialized Treatment	Obligations *(Millions)*	FTE
Inpatient	$161.111	743
Residential Rehabilitation and Treatment	$210.196	1,153
Outpatient	$275.243	1,160
Total	**$646.550**	**3,056**

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

MEDICAL & PROSTHETIC RESEARCH

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 *(Millions)*	Drug Control Related Percent	FTE
Research and Development	$23.664	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.

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Attachment

3. Material Weaknesses or Other Findings – CliftonLarsonAllen LLP provided an unqualified opinion on VA's FY 2014 consolidated financial statements. They identified one material weakness and two significant deficiencies. The material weakness is a repeat condition from the prior year audit identified as Information Technology Security Controls, and the significant deficiencies relate to Financial Reporting and Accrued Operating Expenses. 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.

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 2014 drug control obligations by function and budget decision unit is reasonable and accurate based on the criteria set forth in the ONDCP Circular dated January 18, 2013.

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 January 18, 2013.

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 9 of the ONDCP Circular, Budget Execution.

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Attachment

Mark Yow Associate Chief Financial Officer Resource Management (10A3B)	12/18/2014 Date
Calvin L. Seay, Jr. Director of Budget Services Resource Management (10A3B)	December 18, 2014 Date

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Attachment

Obligations *(Millions)*	
	2014 Final
Medical Care:	
Specialized Treatment	
Inpatient	$161.111
Residential Rehabilitation and Treatment	$210.196
Outpatient	$275.243
Specialized Treatment	$646.550
Medical & Prosthetics Research: Research and Development	$23.664
Drug Control Resources by Function and Decision Unit, Total	$670.214
Drug Control Resources Personnel Summary	
Total FTE	3,056
Total Enacted Appropriations	**$152,022.000**
Drug Control Percentage	**0.44%**

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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 Jenna Lamy Joseph Vivolo

Appendix B Report Distribution

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