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VETERANS' HEALTH CARE

Improvements Needed to Ensure That Budget Estimates Are Reliable and That Spending for Facility Maintenance Is Consistent with Priorities

GAO Highlights

Accountability * Integrity * Reliability

Highlights of GAO-13-220, a report to congressional requesters

Why GAO Did This Study

VA operates about 1,000 medical facilities—such as hospitals and outpatient clinics—that provide services to more than 6 million patients annually. The operation and maintenance of its facilities, including NRM, is funded from VA's Medical Facilities appropriations account, one of three accounts through which Congress provides resources for VA health care services.

In prior work, GAO found that VA's spending on NRM has consistently exceeded its estimates. GAO recommended that VA ensure that its NRM estimates fully account for this long-standing pattern, and VA agreed to implement this recommendation. GAO was asked to conduct additional work on NRM spending. In this report, GAO examines, for fiscal years 2006 through 2012, (1) what accounted for the pattern of NRM spending exceeding VA's budget estimates; (2) VA's allocation of resources for NRM to its health care networks; and (3) VA's process for prioritizing NRM spending and the extent to which NRM spending was consistent with these priorities. GAO reviewed VA's budget justifications and VA data and interviewed officials from headquarters and selected networks.

What GAO Recommends

GAO recommends that VA determine why it has overestimated spending for non-NRM and use the results to improve future, non-NRM budget estimates. GAO also recommends that VA provide networks with written guidance for prioritizing below-threshold NRM projects. VA concurred with GAO's recommendations.

View GAO-13-220. For more information, contact Randall B. Williamson at (202) 512-7114 or williamsonr@gao.gov.

What GAO Found

During fiscal years 2006 through 2012, the Department of Veterans Affairs (VA) had higher than estimated resources available for facility maintenance and improvement—referred to as non-recurring maintenance (NRM); these resources accounted for the $4.9 billion in VA's NRM spending that exceeded budget estimates. The additional resources came from two sources. First, VA spent less than it estimated on non-NRM, facility-related activities such as administrative functions, utilities, and rent, which allowed VA to spend over $2.5 billion more than originally estimated. Lower spending for administrative functions, utilities, and rent accounted for most of the resources estimated but not spent on non-NRM activities. Given that VA has consistently overestimated the costs of such activities in recent years, VA's budget estimates for its non-NRM activities may not be reliable. Second, more than $2.3 billion of the higher than estimated spending on NRM can be attributed to VA having higher than estimated budget resources available. In some years VA received higher appropriations from Congress than requested and supplemental appropriations for NRM—such as those included in the American Recovery and Reinvestment Act of 2009. The additional budget resources VA used for NRM also included transfers of funds from the agency's appropriations account that funds health care services.

VA allocated about $7.5 billion in resources for NRM to its 21 health care networks from fiscal year 2006 through fiscal year 2012. VA allocated about $4.6 billion of these resources at the beginning of each fiscal year through the Veterans Equitable Resource Allocation—its national, formula-driven system. In addition, VA allocated $2.9 billion during this period from higher than requested annual appropriations and its national reserve account, which is maintained to address contingencies that may develop each fiscal year. In anticipation of such resources, networks typically identify projects that can be implemented if additional funds become available. VA officials told us that they do this to better address the backlog of identified building deficiencies most recently estimated to cost over $9 billion.

To prioritize NRM spending more centrally, VA established a new process for projects above a minimum threshold, and from fiscal years 2006 through 2012 spending on NRM was generally consistent with VA priorities. Prior to fiscal year 2012, VA provided oral guidance to networks for prioritizing NRM spending and relied on its 21 health care networks to prioritize NRM projects to maintain medical facilities in good working condition and address deficiencies. Beginning in fiscal year 2012, as part of VA's Strategic Capital Investment Planning (SCIP) process, VA headquarters assumed responsibility for prioritizing more costly NRM projects using a set of weighted criteria. For fiscal year 2012, the threshold for NRM projects to be included in this centralized process was $1 million, while networks remain responsible for prioritizing "below-threshold" NRM projects. NRM spending during fiscal years 2006 through 2012 was generally consistent with VA priorities: at least 85 percent of the projects funded in each year were identified by networks as priorities. However, VA has not provided written policies for networks on how to apply SCIP criteria to below-threshold projects, which represented over 40 percent of VA's fiscal year 2012 NRM spending. Without such written policies, VA does not have reasonable assurance that network spending for below-threshold NRM projects will be consistent with SCIP criteria.