



Department of Veterans Affairs Office of Inspector General

Flash Report

American Recovery and Reinvestment Act Oversight Advisory



Staffing Challenges Facing Veterans Health Administration's State Home Construction Grant Program

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Department of Veterans Affairs

Memorandum

Date: August 26, 2009

From: Assistant Inspector General for Auditing (52)

Subj: Flash Report – American Recovery and Reinvestment Act Oversight Advisory – *Staffing Challenges Facing Veterans Health Administration’s State Home Construction Grant Program*

To: Acting Under Secretary for Health (10)
Director, Management Review Services (10B5)

On February 17, 2009, the President signed into law the American Recovery and Reinvestment Act (ARRA) that included \$150 million for Veterans Health Administration (VHA) to provide grants for construction of State extended care facilities. This flash report discusses significant staffing challenges specific to VHA’s State Home Construction Grant Program (SHCG) that administers the grants for construction of State extended care facilities. The SHCG Program assists States to construct, acquire, modify, remodel, or alter hospital, nursing home, domiciliary and/or adult day health care facilities for veterans disabled by age, disease, or otherwise, who by reason of such disability are incapable of earning a living.

The Strategic Planning and Finance Office (SPF) within VHA’s Office of Geriatrics and Extended Care (GEC) is responsible for distributing the \$150 million through the SHCG Program. Both the President and Congress have emphasized the need for accountability, efficiency, and transparency in the allocation and expenditure of ARRA funds. Accordingly, the Office of Management and Budget (OMB) has called on Federal agencies to:

- Acquire sufficient staff with relevant training to oversee grant management and administration.
- Award and distribute funds in a prompt, fair, and reasonable manner.
- Ensure the recipients and use of the funds are transparent to the public and the resulting benefits are reported clearly, accurately, and promptly.
- Ensure funds are used for authorized purposes and to mitigate instances of fraud, waste, and abuse.
- Avoid unnecessary project delays and cost overruns.
- Achieve specific program outcomes and improve results on economic indicators.

ARRA also mandates the OIG provide oversight of programs, grants, and activities funded by ARRA. To accomplish this mandate and assist VHA in achieving ARRA and OMB objectives, we initiated an audit to determine if VHA implemented adequate oversight mechanisms that monitor outcomes of the SHCG Program and provide sufficient accountability and transparency of ARRA funds. While conducting the audit, we identified the following SPF staffing concerns that need immediate management attention to ensure accomplishment of ARRA and OMB objectives.

SPF Insufficient Staffing and Inadequate Training

SPF does not have sufficient and adequately trained staff to accomplish the increased SHCG Program workload related to processing additional grants efficiently and effectively.

- **Additional Grants.** SPF staff workload has and will increase significantly because of ARRA funding and growth in non-ARRA appropriation funding. Program officials expect ARRA funding to result in 49 grants. This represents a 136 percent increase over the regular workload of 36 grants funded by VHA's fiscal year (FY) 2009 appropriation. As a result of ARRA funding, the number of States receiving grants will also increase by 58 percent from 19 to 30 States. In addition, non-ARRA appropriation funding more than doubled from \$85 million in FY 2007 to \$175 million in FY 2009.
- **Monitoring and Reporting Requirements.** To ensure adequate transparency and accountability, SHCG Program staff must monitor and report on grantees performance from the initial grant application to project completion and closeout. Monitoring requirements include mandatory field visits or case examinations for error measurements and compliance with grant rules and regulations. Reporting requirements include, but are not limited to, frequent report development and submission, and accurate and timely data reporting. For ARRA projects, SHCG Program staff must also comply with special posting requirements to agency web sites and Recovery.gov and mitigate unique ARRA implementation risks.
- **Shortened Timeframes.** The shortened timeframe associated with ARRA has and will increase SPF staff workload. Normally, appropriation funding becomes available in October, the beginning of the each FY. However, Congress legislated ARRA funding in February 17, 2009, almost 5 months after the beginning of the FY. To help ensure timely obligation of ARRA funds, VA established a performance measure to obligate \$75 (50 percent) of the \$150 million by the end of FY 2009. As a result, SPF staff had to complete work associated with providing the \$75 million of grant funding in 7 months, instead of the normal 12 months.

Insufficient Staffing. As of July 14, 2009, GEC still needs additional qualified staff. Prior to ARRA, SPF struggled to accomplish workload with available staff. For example, a June 2008 Grant Thornton Limited Liability Partnership (LLP) report on VA's grant management determined only one employee was administering the SHCG Program. (SPF also had a program support assistant whose responsibilities were clerical in nature

and was not responsible for any aspect of financial management.) As a result, segregation of staffing duties, which is a key internal control for minimizing program risks, was insufficient and ineffective.

In May 2008, GEC hired a program analyst bringing the total SPF staffing level dedicated to the SHCG Program to three: a chief, program analyst, and program support assistant. This staffing was adequate to handle the \$85 million FY 2007 grant funding level, but not the \$240 million increase that resulted from the FYs 2008 and 2009 non-ARRA funding (\$90 million increase) and ARRA funding (\$150 million increase). The next SPF staffing change occurred in June 2009 when GEC hired two Presidential Management Fellows (one full-time and one part-time) to alleviate the workload associated with ARRA. These personnel actions increased the total SPF staffing level to four full-time staff and one part-time staff. However, hiring the Fellows did not provide enough trained staff in time to achieve the increased workload. For example, on June 17, 2009, the Chief Consultant stated that SPF had an existing backlog of grant applications estimated at \$100 million that SPF needed to process.

Another event that exacerbated the SPF staffing deficiency was the Chief of the SHCG's resignation in June 2009. Although the former Chief had only one year of experience, the loss of the Chief negatively affected the program because the acting Chief appointed by the Director of GEC has no grant management and administration experience. As of July 20, 2009, to help address the staffing deficiency, SPF was recruiting an additional full-time employee.

Inadequate Training. Generally, SPF staff have not received adequate training or obtained relevant certification. As of June 30, 2009, none of the SPF staff directly responsible for administering the SHCG Program had received any formal training related to grant management. Staff described the only training received as informal, on-the-job training from supervisors or co-workers. Staff would benefit from formal training on subjects such as techniques for monitoring grants, identifying potential problems in grants administration, and analyzing scenarios of potential grantee waste, fraud, and abuse.

SPF staff also had not obtained any certifications related to procurement that could strengthen their grant management and administration skills. For example, none of the staff had obtained Federal Acquisition Certifications for Program and Project Managers. These certifications are designed to teach participants program and project management concepts including skills such as understanding and applying government wide grant requirements, grants management best practices, and principles for managing Federal funds efficiently and effectively. The SPF Director stated she is a certified research administrator, which she considered an acknowledgment of expert skills in grants management and administration. However, the SPF Director is a senior-level program administrator who generally does not perform most grant management tasks and is also responsible for other strategic planning and finance duties.

Conclusion

The significant increase in VHA funding for grants for construction of State extended care facilities associated with ARRA adds new staffing challenges on top of the previously reported Grant Thornton, LLP staffing concerns. At the same time, ARRA presents an opportunity for VHA to make needed or neglected investments in State's acquisition, construction, and remodeling of nursing home, domiciliary, and or adult day care facilities for veterans disabled by age or disease. The SHCG Program's insufficient and inadequately trained staff jeopardizes these opportunities by delaying the obligation of ARRA funds; failing to ensure adequate transparency and accountability of Program performance; and increasing the risk of Program fraud, waste, and abuse. It is management's responsibility to determine the number of SHCG staff needed to effectively administer the SHCG program. The current staffing level is inadequate to process additional grants efficiently and effectively. The Acting Under Secretary for Health should take immediate action to resolve these staffing deficiencies.

Recommendation

We recommended the Acting Under Secretary for Health expedite actions to acquire sufficient trained and experienced staff to meet the increased SHCG Program workload, monitoring and reporting requirements, and accelerated timeframes associated with ARRA spending.

Management Comments

The Acting Under Secretary for Health agreed with the finding and recommendation in the report and provided acceptable implementation plans (see Attachment A for the full text of the Acting Under Secretary's comments). The Acting Under Secretary reported that VHA's GEC is addressing the need for increased staffing support by hiring one Presidential Management Fellow (PMF) on a full-time basis and detailing another PMF on a part-time basis. GEC is also actively recruiting for a new program chief. In addition, the Chief Consultant will assess staffing requirements in relation to workload demands and develop a contingency staffing plan. In regards to training, VHA will immediately coordinate with the Employee Education System to develop an appropriate training and implementation plan to enhance technical training in grants management for program staff. The Acting Under Secretary also clarified that the program workload related to a backlog of grant applications estimated at \$100 million represented nine unfunded Priority Group One projects and therefore does not represent significant additional workload. The target for completing these actions is October 2009.

OIG Response

Although the Acting Under Secretary believes that the workload associated with the \$100 million backlog of unfunded projects is insignificant, the backlog represents 9 (9.6 percent) of 94 FY 2009 planned projects (49 ARRA, 36 funded non-ARRA, and 9 unfunded non-ARRA projects), which in our opinion is significant in light of GEC's

current staffing situation. Regardless, to meet the intent of ARRA, adequate resources need to be in place to ensure accountability, efficiency, and transparency of these funds. We consider the Acting Under Secretary's planned actions acceptable, and we will follow up on their implementation.

(original signed by:)
BELINDA J. FINN
Assistant Inspector General
for Auditing

Acting Under Secretary for Health Comments

**Department of
Veterans Affairs**

Memorandum

Date: AUG 18 2009

From: Acting Under Secretary for Health (10)

Subj: OIG Flash Report: **American Recovery and Reinvestment Act/Oversight Advisory: Staffing Challenges Facing Veterans Health Administration's State Home Construction Grant Program** (Project No. 2009-01814-R3-0100) (WebCIMS 436181)

To: Assistant Inspector General for Audit (52)

1. Thank you for the opportunity to provide comments in response to this advisory report. I concur with your recommendation, and the Geriatrics and Extended Care Service (GEC) has already begun to address acknowledged training needs of staff in the Strategic Planning and Finance Office, which is responsible for distributing American Recovery and Reinvestment Act (ARRA) funding for VHA state home construction grants. Our plan of corrective action is attached.
2. Although I concur, it is necessary to clarify some of the observations you report, particularly in relation to increased workload in this office and availability of experienced staff to meet that demand. While you correctly report a substantial increase in non-ARRA appropriation funding, I would emphasize that the existing backlog of \$100 million reflects only nine of the Priority Group One projects that remain unfunded. Thus, even though the dollar amount is substantial, the backlog actually does not represent significant additional workload for staff, since the number of projects is small in comparison to overall workload.
3. In addition, it is important to understand that the decision to increase staff and provide formal training is affected by a number of factors. GEC identified the need for additional staffing support for this program as a result of the ARRA funds and took action in June 2009, hiring one Presidential Management Fellow (PMF) and detailing another part-time PMF with more than a year of GEC experience to assist with the surge in program workload. As you are aware, the Service is also actively recruiting for a new program chief. Under the close supervision of a manager who is certified in grants management, the staff is currently involved with processing Fiscal Year 2009 funded grant applications, as well as the additional applications for the ARRA supplemental funding. I have been advised that the staff is working diligently to process all applications, and that progress is being made. We are optimistic that accelerated timeframes required by the funding supplemental will be satisfactorily met.

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Acting Under Secretary for Health Comments

OIG Flash Report: **American Recovery and Reinvestment Act Oversight Advisory: Staffing Challenges Facing Veterans Health Administration's State Home Construction Grant** (Project No. 2009-01814-R3-0100).

4. I fully agree that formal staff training in grants management is essential. However, to disrupt current workload demands at this time would be counter-productive. Therefore, such training might have to be delayed until the early part of Fiscal Year 2010. The Chief Consultant, Geriatrics and Extended Care Service, will immediately begin to work with VHA's Employee Education System to identify the best means to meet the training needs of all staff involved with the State Home Construction Grant Program. As part of this action, the Chief Consultant will assess staffing requirements of the program in relation to workload/position-specific demands, and develop a staffing plan based on current workload, as well as a contingency staffing plan for such non-recurring workload as we have experienced with the ARRA supplemental. As deemed necessary, appropriate staff will also receive Federal Acquisition Certification if on-the-job training and experience do not fulfill competency requirements. As noted in our action plan, the staffing assessment and formal training plan should be completed by October 1, 2009, with implementation to follow immediately.

5. I appreciate the opportunity to respond to this initial alert. I know that you will be continuing your audit work on this project, and we welcome your ongoing assistance in assuring that ARRA funds are effectively administered. If additional information is required, please contact Margaret M. Seleski, Director, Management Review Service (10B5), at 461-7245.



Gerald M. Cross, MD, FAAFP

Attachment

Acting Under Secretary for Health Comments

VETERANS HEALTH ADMINISTRATION

Action Plan Response

OIG Flash Report: **American Recovery and Reinvestment Act (ARRA) Oversight Advisory: Staffing Challenges Facing Veterans Health Administration's State Home Construction Grant Program**

(Project No. 2009-01814-R3-0100/WebCIMS 436181)

| Recommendations/ Actions | Status | Completion Date |
|-----------------------------|--------|--------------------|
|-----------------------------|--------|--------------------|

1. We recommend the Acting Under Secretary for Health expedite actions to acquire sufficient trained and experienced staff to meet the increased SHCG Program workload, monitoring and reporting requirements, and accelerated timeframes associated with ARRA spending.

Concur

With workload expansion resulting from ARRA supplemental funding, VHA's Geriatrics and Extended Care Service addressed the need for increased staffing support for this program in June 2009. One Presidential Management Fellow (PMF) was hired on a full-time basis and another PMF with more than a year of GEC experience, was detailed to the program on a part-time basis. The Service is also actively recruiting for a new program chief.

VHA agrees that enhanced technical training in grants management is indicated for all involved program staff, and the Chief Consultant of GEC will immediately coordinate efforts with VHA's Employee Education System to develop an appropriate training and implementation plan. Prior to this, the Chief Consultant will assess staffing requirements of the program in relation to current position-specific workload demands. A contingency staffing plan will also be developed that reflects non-recurring workload surges such as the additional grant applications generated by the ARRA funding.

In the meantime, staff are currently focused on processing both Fiscal Year 2009 funded grant applications and the additional ARRA-related applications. These actions are being carefully overseen by a GEC program manager who is certified in grants management. Because of current workload demands, staff training might have to be delayed until the early part of Fiscal Year 2010, since a disruption now would be unreasonable and of little advantage. We anticipate that a formal training program will be implemented in October 2009.

Planned

October 2009 and Ongoing

OIG Contact and Staff Acknowledgments

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| OIG Contact | Kent X Wrathall (404) 929-5921 |
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| Acknowledgments | Marcia Drawdy Stacey Gavalas Jamillah Mallory Leon Roberts Felicia Stovall Al Tate Steve Wiggins |
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