

GAO

United States General Accounting Office **129855**
Report to the Ranking Minority Member,
Committee on Veterans' Affairs
United States Senate

April 1986

VA HEALTH CARE

Fiscal Year 1985 Funded Personnel Levels



129855

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Human Resources Division**B-198103**

April 10, 1986

The Honorable Alan Cranston
Ranking Minority Member
Committee on Veterans' Affairs
United States Senate

Dear Senator Cranston:

Pursuant to your April 12, 1985, request, we have reviewed (1) the extent to which the Veterans Administration (VA) was able to employ 199,426 full-time equivalent employees (FTEES) funded under its medical care, medical and prosthetic research, and medical administration and miscellaneous operating expenses accounts during fiscal year 1985; (2) the basis for VA's decision to employ fewer FTEES and the extent to which the Office of Management and Budget (OMB) influenced that decision; and (3) whether OMB took any actions that violated 38 U.S.C. 5010(a)(4).

When VA's proposed fiscal year 1986 budget indicated that the employment level under the health-care accounts for fiscal year 1985 would drop from 199,426 to 197,191 FTEES, you were concerned that OMB might be violating 38 U.S.C. 5010(a)(4). The statute requires the OMB Director to provide VA with the employment level for which funds are appropriated in a fiscal year and to release the funds to support that level under the three health-care accounts. For fiscal year 1985, funds were appropriated to support an employment level of 199,426 FTEES.

Our review showed that:

1. VA's average employment level was 198,589 FTEES under the three health-care accounts for fiscal year 1985.
2. During the development of the fiscal year 1986 budget, VA's decision to propose reducing employment levels for the remainder of fiscal year 1985 was influenced by OMB's actions to (1) reduce the employment level under the health-care accounts for fiscal year 1986 by 2,277 FTEES and (2) limit VA's supplemental appropriation request to \$72,524,000 and propose that VA absorb \$111,647,000 of the fiscal year 1985 increased pay costs.
3. OMB's actions did not violate 38 U.S.C. 5010(a)(4) because they neither prevented the Administrator of Veterans Affairs from using funds appropriated for fiscal year 1985 to support the 199,426-FTEE level nor mandated VA to reduce that level.

Scope and Methodology

To respond to your request, we interviewed officials in OMB's Labor, Veterans and Education Division and in VA's Office of Budget and Finance (Budget Service), Department of Medicine and Surgery (Resource Management, Budget Formulation, Budget Administration), and Office of Program Planning and Evaluation. We also reviewed relevant documentation. Specifically:

1. To determine the extent to which VA was able to employ 199,426 FTEES, we reviewed VA's management reports concerning average employment levels for the health-care accounts.
2. To establish the basis for VA's decision to propose reducing the employment level under the health-care accounts for fiscal year 1985 and the extent to which the decision was influenced by OMB, we interviewed OMB and VA officials and reviewed relevant correspondence between the agencies. We also reviewed VA's internal operating plans, budget formulation documents, budget administration documents, resource allocation documents, and various management reports.
3. To determine whether OMB took any actions that violated 38 U.S.C. 5010(a)(4), we reviewed OMB's allowance letters, VA's apportionment and reapportionment schedules, and various internal VA documents. We also reviewed the legislative histories of 38 U.S.C. 5010(a)(4) and VA's fiscal year 1985 appropriation acts, Comptroller General opinions, and pertinent case law. We interviewed OMB and VA officials concerning the authorized employment level. In addition, we considered OMB's action to limit VA's supplemental funding for increased pay costs in fiscal year 1985.

As requested by your office, we did not obtain official comments from VA or OMB on this report. However, we discussed the results of our review with officials of both agencies, and have incorporated their views where appropriate. We accepted VA's estimates of the fiscal year 1985 increased pay costs and changes in the employment levels; we did not attempt to verify or recalculate these figures. Except as noted above, our review, done between April 1985 and February 1986, was in accordance with generally accepted government auditing standards.

Extent to Which VA Was Able to Achieve Fiscal Year 1985 Employment Levels

In July 1984, with the enactment of the Department of Housing and Urban Development-Independent Agencies Appropriation Act (Public Law 98-371), the Congress established the fiscal year 1985 employment levels under VA's health-care accounts. The amounts that this act appropriated to these accounts, which included funds to support the specified employment levels, are shown in table 1.

Table 1: VA's Funded Personnel Levels for Fiscal Year 1985

Account	Appropriation	FTEEs
Medical care	\$8,792,165,000	193,941
Medical and prosthetic research	192,695,000	4,625
Medical administration and miscellaneous operating expenses	70,000,000	860
Total	\$9,054,860,000	199,426

In February 1985, the President submitted his proposed fiscal year 1986 budget to the Congress. The budget indicated that VA's fiscal year 1985 employment level under the health-care accounts would drop from 199,426 to 197,191 FTEEs. Table 2 shows proposed changes in VA's employment level for each account.

Table 2: Proposed Changes in Fiscal Year 1985 Personnel Levels Based on Fiscal Year 1986 Proposed Budget

Account	Fiscal year 1985 FTEEs		
	Original	Revised	Change
Medical care	193,941	191,849	-2,092
Medical and prosthetic research	4,625	4,505	-120
Medical administration and miscellaneous operating expenses	860	837	-23
Total	199,426	197,191	-2,235

In addition to the revised fiscal year 1985 employment level for the health-care accounts, the fiscal year 1986 proposed budget also indicated that the accounts would absorb \$111,647,000 of increased pay costs. VA estimated that each account would absorb the following amounts: (1) medical care—\$106,695,000; (2) medical and prosthetic research—\$3,812,000; and (3) medical administration and miscellaneous operating expenses—\$1,140,000. The proposed budget also requested \$72,524,000 as a supplemental appropriation for increased pay costs in the medical care account for fiscal year 1985.

In August 1985, with the enactment of the Supplemental Appropriation Act (Public Law 99-88), the Congress provided \$152,524,000 (\$80,000,000 more than requested) to meet the increased pay costs in

VA's medical care account. With the additional funds, the Congress intended that VA support an employment level under the medical care account of 193,941 FTEEs instead of the revised 191,849 FTEEs proposed by VA in its fiscal year 1986 budget. The act did not provide supplemental funding for either the medical and prosthetic research account or the medical administration and miscellaneous operating expenses account.

In November 1985, VA reported that the average employment level under the health-care accounts was 198,589 FTEEs in fiscal year 1985, divided as follows between the three accounts:

- 193,229 FTEEs under medical care,
- 4,551 FTEEs under medical and prosthetic research, and
- 809 FTEEs under medical administration and miscellaneous operating expenses.

Basis for VA's Decision to Propose Reducing Employment Levels

VA's decision to propose reducing the fiscal year 1985 employment level under the health-care accounts was based on two actions OMB took during the development of VA's fiscal year 1986 budget: (1) the proposed reduction in the fiscal year 1986 employment level of 2,277 FTEEs below the fiscal year 1985 employment level and (2) the proposed absorption of increased pay costs of \$111,647,000 in fiscal year 1985.

During the development of the fiscal year 1986 budget, OMB proposed a fiscal year 1986 employment level under the three health-care accounts of 197,149, which was 2,277 FTEEs below VA's fiscal year 1985 level. VA was concerned about achieving an average employment level of 199,426 FTEEs for fiscal year 1985 and then having to reduce the level to 197,149 FTEEs for fiscal year 1986. Table 3 shows the proposed changes in VA's employment level for each account.

Table 3: Proposed Changes in Employment Level From Fiscal Year 1985 to 1986

Account	1985 FTEEs	Proposed 1986 FTEEs	Change
Medical care	193,941	192,048	-1,893
Medical and prosthetic research	4,625	4,348	-277
Medical administration and miscellaneous operating expenses	860	753	-107
Total	199,426	197,149	-2,277

Also, VA estimated that the increased pay costs for fiscal year 1985 amounted to \$184,171,000 for the three health-care accounts. OMB limited VA's supplemental appropriation request to \$72,524,000, thereby making it necessary for VA to absorb the remaining \$111,647,000 if it was to maintain the 199,426-FTEE level. VA officials told us that VA could not have absorbed the \$111.6 million without reducing the employment levels.

The Congress alleviated both of VA's concerns. First, through a fiscal year 1985 supplemental appropriation, it provided VA \$152,524,000 for increased pay costs, thereby reducing the amount to be absorbed to \$31,647,000. Second, it provided appropriations to VA for fiscal year 1986 to support an employment level of 199,042 FTEEs rather than the proposed 197,149.

OMB's Actions Did Not Violate Statute

OMB's proposal to reduce VA's employment level by 2,277 FTEEs in fiscal year 1986 and limit the supplemental appropriation request to \$72,524,000 influenced VA's decision to propose reducing employment levels in fiscal year 1985. However, we believe that these actions did not violate 38 U.S.C. 5010(a)(4) because they neither prevented the Administrator of Veterans Affairs from using funds appropriated for fiscal year 1985 to support the 199,426-FTEE level nor mandated VA to reduce that level. This statute, standing alone, does not preclude the Administrator from deciding to reduce the FTEE level established by the Congress.

38 U.S.C. 5010(a)(4) requires the OMB Director to provide VA with the employment level for which funds were appropriated and to release the funds to support that level under the three health-care accounts. Further, the Director has a continuing obligation to maintain the funded personnel level throughout the entire fiscal year. OMB could not, for example, impose a hiring freeze that would prevent the Administrator of Veterans Affairs from achieving the funded personnel level in these accounts. National Treasury Employees Union v. Reagan, 663 F.2d 239 (D.C. Cir. 1981).

The statute does not, however, require OMB to request supplemental appropriations for the three health-care accounts in the event there are insufficient funds to maintain the personnel levels set by the Congress. The appropriation committees seem to have acknowledged that OMB had no obligation to request supplemental funding, as indicated by the conference committee report on VA's fiscal year 1985 appropriation. The

report recognized that the amounts appropriated might not be sufficient to maintain VA's personnel levels for the entire fiscal year and that actions in addition to a supplemental appropriation might be needed. It stated,

"... in accordance with established Congressional practice, any additional pay costs necessary to support that FTE[E] level will be borne by the VA, using funds made available by this measure, funds made available through the enactment of supplemental appropriations, or through absorption of the costs, or some combination thereof."

Views of Agency Officials

As requested by your office, we did not send this report to OMB or VA for official comment. However, on February 27, 1986, we discussed the results of our review with officials of both agencies. Both OMB and VA officials agreed with our findings.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time we will send copies to the Administrator of Veterans Affairs; the Director, Office of Management and Budget; the chairmen of the various congressional committees and subcommittees concerned with VA; and other interested parties and make copies available to others on request.

Sincerely yours,



Richard L. Fogel
Director

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