

**VHA MANAGERIAL COST ACCOUNTING SYSTEM  
(DECISION SUPPORT SYSTEM (DSS))**

- 1. REASON FOR ISSUE:** This Veterans Health Administration Directive mandates use of the Decision Support System (DSS) to meet the federal government's Managerial Cost Accounting (MCA) requirements.
- 2. SUMMARY OF CONTENT:** This VHA Directive defines DSS data timeliness guidelines and certification requirements.
- 3. RELATED ISSUES:** None.
- 4. RESPONSIBLE OFFICE:** The Associate Chief Financial Officer, Managerial Cost Accounting Office (MCAO) (10A3D), is responsible for the content of this Directive. Questions may be addressed at 202-461-6638.
- 5. RESCISSIONS:** VHA Directive 2012-031, dated October 25, 2012, is rescinded.
- 6. RECERTIFICATION:** This VHA Directive is scheduled for recertification on or before the last working day of March 2020.

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## VHA MANAGERIAL COST ACCOUNTING SYSTEM (DECISION SUPPORT SYSTEM (DSS))

**1. PURPOSE:** This Veterans Health Administration (VHA) Directive mandates use of the Department of Veterans Affairs (VA) Decision Support System (DSS) to meet the Federal Government's Managerial Cost Accounting (MCA) requirements, and it defines DSS data timeliness guidelines and certification requirements. **AUTHORITY:** Chief Financial Officers (CFO) Act of 1990 (Public Law 110-576), 38 U.S.C. 7301(b).

### **2. BACKGROUND:**

a. VA Financial Policies and Procedures, Volume XIII, Chapter 5, Cost Accounting Compliance, requires that the Under Secretary for Health and the VHA Chief Financial Officer (CFO) annually certify to the VA CFO that VHA complies with the MCA requirements as stated in the publication (see paragraph 5.a.). These requirements include compliance with the Statement of Federal Financial Accounting Standards (SFFAS) No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government (see paragraph 5.b.); and SFFAS No. 7, Accounting for Revenue and Other Financing Sources (see paragraph 5.c.), that require federal reporting entities to accumulate and report the costs of their activities on a regular basis. SFFAS No. 4 specifically requires agencies of the federal government to:

- (1) Perform cost accounting and implement cost accounting procedures,
- (2) Identify cost products and services by responsibility segments,
- (3) Capture the full cost of products and services,
- (4) Include inter-entity costs as part of full costs, and
- (5) Select and consistently use an acceptable costing methodology.

b. VHA implemented DSS to meet the preceding reporting requirements. In 1998, the Acting Under Secretary for Health approved DSS as VHA's designated MCA system (see paragraph 5.e.). The information derived from DSS provides VA managers with comparable cost and clinical information for use in making clinical resource decisions, managing workload, and controlling medical care costs.

c. DSS has been certified as meeting all mandatory requirements specified by the Government Accountability Office (GAO) as published in the Joint Financial Improvements Program (JFMIP) Managerial Cost Accounting System Requirements. VA Financial Policies and Procedures, Volume XIII, Chapter 5, Cost Accounting Compliance, states that DSS, if properly implemented and used (including the inclusion of full costs), satisfies all of these requirements. Therefore, any VA medical facility with a fully functional DSS system that produces timely (i.e., current year) data is able to certify compliance with these requirements. VA medical facilities whose DSS system is not functional or who cannot produce timely data may be unable to certify compliance.

**3. POLICY:** It is VHA policy that budget formulation, budget allocation, budget execution, determining prices for sharing agreements, and calculating costs to collect revenues must be conducted using DSS cost and workload information; all VHA reports displaying cost and workload information must use DSS-based data.

**4. RESPONSIBILITIES:**

a. **Under Secretary for Health.** In accordance with VA Financial Policies and Procedures, Volume XIII, Chapter 5, Cost Accounting Compliance, the Under Secretary for Health annually certifies that VHA is in compliance with all Federal Managerial Cost Accounting requirements.

b. **VHA Chief Financial Officer.** The VHA CFO serves as the Executive Sponsor for the MCA Program and annually certifies to the Under Secretary for Health that the VHA Office of Finance uses DSS information to support:

- (1) Budget formulation, allocation, and execution,
- (2) Establishing prices for sharing, and
- (3) Reporting the cost to collect revenue.

c. **VHA Office of Finance Managerial Cost Accounting Office.** Managerial Cost Accounting Office (MCAO) is responsible for:

(1) Serving as the DSS Program Office with responsibility for operation and maintenance of DSS,

(2) Preparing all recurring and ad hoc reports required for senior VHA leadership to satisfy internal and external queries for MCA data and information.

(3) Populating and maintaining the MCA Reports Web site (see paragraph 5.g.) as a means of disseminating MCA data and information reports to all levels of VHA.

(4) Assisting the Veterans Integrated Service Networks (VISNs) and VA medical facilities with ongoing training that allows them to process data within the established guidelines. and

(5) Annually providing detailed instructions for VA medical facility certification of DSS records.

d. **Veterans Integrated Service Network Director.** Each VISN Director must annually certify to the VHA CFO and Under Secretary for Health that the VISN uses DSS information to support:

- (1) Budget formulation, allocation, and execution,
- (2) Establishing prices for sharing, and
- (3) Reporting the cost to collect revenue.

e. **Veterans Integrated Service Network Chief Financial Officer.** Each VISN CFO must annually certify to the VISN Director, VHA CFO, and the Under Secretary for Health, that the VISN uses DSS information to support:

- (1) Budget formulation, allocation, and execution,
- (2) Establishing prices for sharing, and
- (3) Reporting the cost to collect revenue.

f. **Medical Facility Director.** Each medical facility Director is responsible for:

(1) Providing an annual certification of their DSS records to the VHA CFO, through their respective VISN CFO and VISN Director, in accordance with published instructions from VHA CFO.

(2) Ensuring that DSS financial data is processed no more than 10 working days after the end of the month and clinical data no more than 20 working days after the end of the month, so VHA can meet cost reporting requirements of external bodies such as Congress, GAO, and the Office of Management and Budget.

(3) Providing dedicated DSS facility team staffing and other resources required to meet this Directive.

**5. REFERENCES:** The following references are available at:

<http://www.va.gov/finance/policy/pubs/volumeXIII.asp> and

[http://vaww.dss.med.va.gov/programdocs/pd\\_fedregs.asp](http://vaww.dss.med.va.gov/programdocs/pd_fedregs.asp). **NOTE:** *This is an internal VA Web site and is not available to the public.*

a. DSS Reports Web site: <https://dssreports.va.gov/>. **NOTE:** *This is an internal VA Web site and is not available to the public.*

b. FASAB, SFFAS No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government.

c. FASAB, SFFAS No. 7, Accounting for Revenue and Other Financing Sources.

d. GAO, CFO Act of 1990.

e. Memo from VHA CFO, Requirements for a VHA Cost Accounting System, November 6, 1998.

f. System Requirements for Managerial Cost Accounting, published by JFMIP.

g. VA Financial Policies and Procedures, Volume XIII, Chapter 5, Cost Accounting Compliance.

h. VA Financial Policies and Procedures, Volume XIII, Chapter 3, Managerial Cost Accounting.

i. VA Financial Policies and Procedures, Volume XIII, Chapter 4, Charges and Full Cost Recovery.

j. VHA Directive 2010-001, Reporting Medical Care Collection Funds Cost to Collect, or subsequent policy issue.

## 6. DEFINITIONS:

a. **Budget Allocation.** Budget allocation is the distribution of funds according to plans set forth in the formulation process. VHA uses the Veterans Equitable Resource Allocation (VERA) methodology to allocate funds in accordance with patient care practices. VERA has included cost information sourced from DSS since fiscal year 2001. Currently, DSS provides all patient cost information used for VERA including the calculations for high-cost patients.

b. **Budget Execution.** Budget execution is the process by which resources are directed toward achieving the agency's objectives. DSS is used to track this process. Costs are displayed at various levels in DSS as direct or indirect and fixed or variable. Inpatient costs are viewable by Treating Specialties or Diagnostic Related Groups. Outpatient costs are viewable at the clinic stop level. The DSS database also provides costs at the intermediate product level (e.g., cost of a specific laboratory test or primary care visit). All cost information in DSS is reconciled to the VA Financial Management System by the VA medical facility staff.

c. **Budget Formulation.** Budget formulation means that the inpatient and outpatient costs are provided in detail for both fixed and variable categories for program performance analysis of long-term and short-term planning scenarios.

d. **Prices for Sharing Agreements.** Prices for sharing agreements in accordance to the Chief Financial Officer Act of 1990 (see paragraph 5.e.) require a bi-annual review of fees, royalties, rents, and other charges imposed by VA for services and things of value it provides. The Chief Financial Officer Act includes recommendations on revising those charges to reflect changes in cost. *NOTE: VA Financial Policies and Procedures, Volume XIII, Chapter 4, Charges and Full Cost Recovery, states that DSS provides the information needed for facilities to certify compliance with this requirement.*

e. **Cost to Collect Revenue.** Cost to collect revenue captures the full cost in the collection process for the Medical Care Collections Fund; VHA requires the use of DSS. Costs are fragmented organizationally at VA medical facilities and VISNs in VHA cost centers with many collateral duties. However, DSS provides the capability to provide the cost of the collection function to include all elements of cost.