



GAO

Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

June 15, 2009

The Honorable Daniel K. Akaka
Chairman
The Honorable Richard Burr
Ranking Member
Committee on Veterans' Affairs
United States Senate

The Honorable Stephanie Herseth Sandlin
Chairwoman
The Honorable John Boozman
Ranking Member
Subcommittee on Economic Opportunity
Committee on Veterans' Affairs
House of Representatives

Subject: *Veterans Affairs: Implementation of Temporary Residence Adaptation Grants*

As of May 2009, approximately 34,000 service members had been wounded in action as part of Operation Enduring Freedom or Operation Iraqi Freedom. In response to concerns about the assistance that service members injured in combat receive when they transition back into civilian life, Congress has enacted several laws to improve the benefits available to veterans and service members, including the Veterans' Housing Opportunity and Benefits Improvement Act of 2006.¹ This act authorized the Department of Veterans Affairs (VA) to expand its previously existing adaptive housing assistance grants to include eligible individuals temporarily living in a home owned by a family member, known as Temporary Residence Adaptation (TRA) grants.

Section 101 of the Veterans' Housing Opportunity and Benefits Improvement Act of 2006 mandated us to submit to Congress an interim report by June 15, 2009, and a final report by June 15, 2011, on VA's implementation of TRA. This interim report describes the number and characteristics of TRA grants and grant recipients and provides information on VA's policies and processes for providing the grants.

To address the mandate, we collected and analyzed VA data on TRA recipients; examined VA policies, procedures, and related documents; and interviewed VA and Department of Defense staff and representatives of selected veterans service organizations. For a detailed description of our scope and methodology, see enclosure I. We conducted our work between February 2009 and June 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on

¹P.L. 109-233 (June 15, 2006).

our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Since 1948, VA has provided adaptive housing assistance grants to eligible individuals who have certain service-connected disabilities to construct an adapted home or modify an existing home to accommodate their disabilities.² Today, VA provides adaptive housing assistance primarily through two programs—Specially Adapted Housing (SAH) and Special Housing Adaptation (SHA).³

The SAH grant program provides financial assistance to veterans and service members who are entitled to compensation for permanent and total service-connected disability due to the loss or loss of use of multiple limbs, blindness and limb loss, or a severe burn injury.⁴ Eligible individuals may receive up to three SAH grants totaling no more than 50 percent of the cost of a specially adapted house, up to the aggregate maximum amount of \$60,000, adjusted annually based on a cost-of-construction index.⁵ Grants may be used to construct a house or remodel an existing house, or they may be applied against the unpaid principal mortgage balance of a specially adapted house.⁶ The SHA grant program—which is similar to SAH but is for individuals with slightly less serious disabilities—may be used for slightly different purposes and cannot exceed \$12,000.⁷

In 2006, Congress created the TRA benefit, allowing veterans to apply for a grant to adapt the home of a family member with whom they are temporarily residing.⁸ The benefit was further

²P.L. 80-702 (June 19, 1948).

³38 U.S.C. sec. 2101(a); 38 U.S.C. sec. 2101(b).

⁴Specifically, the veteran's or service member's disability must be service connected and rated as permanent and 100 percent disabling due to at least one of the following: the loss, or loss of use, of both legs in a way that precludes locomotion without the aid of braces, crutches, canes, or a wheelchair; blindness in both eyes and loss of use of one leg; the loss, or loss of use, of one leg together with residuals of organic disease or injury or the loss or loss of use of one arm affecting the functions of balance or propulsion in a way that precludes locomotion without the aid of braces, crutches, canes, or a wheelchair; the loss or loss of use of both arms so as to preclude the use of the arms at or above the elbows; or a severe burn injury (38 U.S.C. sec. 2101(a)(2)). The Veterans' Benefits Improvement Act of 2004 (P.L. 108-454) added the loss or loss of use of both arms so as to preclude the use of the arms at or above the elbows to the list of disability criteria for SAH, and the Housing and Economic Recovery Act of 2008 (P.L. 110-289) added severe burn to the list of disability criteria for SAH and SHA. Regulations on these new criteria have been drafted but have not yet been issued, according to VA officials.

⁵The Veterans' Housing Opportunity and Benefits Improvement Act of 2006 (P.L. 109-233) expanded the SAH and SHA benefits by increasing the number of grants available to eligible individuals from one to three. The Housing and Economic Recovery Act of 2008 (P.L. 110-289) increased the maximum allowable SAH and SHA grants to \$60,000 and \$12,000, respectively, adjusted annually based on a cost-of-construction index.

⁶38 U.S.C. 2102(a)(1)-(4).

⁷Specifically, to qualify for an SHA grant, the veteran or service member's disability must be service connected and rated as permanent and 100 percent disabling due to at least one of the following: blindness in both eyes with 5/200 visual acuity or less; the anatomical loss, or loss of use, of both hands; or a severe burn injury (38 U.S.C. sec. 2101(b)(2)). In addition, SHA grants may be used to adapt a house that an eligible individual or a family member plans to purchase or which the eligible individual or a family member already owns, provided the house is one where the eligible individual intends to reside. SHA grants may also be used to purchase a previously adapted house (38 U.S.C. 2101(b)(1), (3)).

⁸Veterans' Housing Opportunity and Benefits Improvement Act of 2006 (P.L. 109-233), June 15, 2006. A family member is a person related to the grantee by blood, marriage, or adoption (38 C.F.R. sec 36.4401(h)). There is no definition for temporary.

extended to active-duty service members in 2008 with the passage of the Housing and Economic Recovery Act of 2008.⁹ The TRA grant program enables veterans and service members eligible under the SAH and SHA programs to use up to \$14,000 and \$2,000, respectively, to modify a family member’s home. Each TRA grant counts as one of the three grants allowed under either SAH or SHA. TRA grants also count toward the maximum allowable amount, \$60,000 under SAH and \$12,000 under SHA. The TRA grant program will expire on December 31, 2011, unless Congress extends it before then.

VA Has Processed Nine TRA Grants

Utilization of TRA grants has been limited—VA had processed nine TRA grants from the date of the program’s creation on June 15, 2006, through February 28, 2009. (In contrast, VA processed 2,431 SAH and SHA grants during the same period.) As shown in table 1, the dollar amount of the nine TRA grants VA has processed ranged from \$3,575 to \$14,000, and five of the nine grants were for the maximum amount of \$14,000. All nine grants were for SAH-TRA, meaning that all nine grantees suffered from one of the more serious service-connected disabilities described earlier in this report. The nine grantees ranged in age from 26 to 93. We are unable to report how many of the TRA grantees were veterans and how many were still on active duty, since the VA division that administers adaptive housing assistance grants does not collect these data.

Table 1: Characteristics of TRA grants and grantees, June 15, 2006, through February 28, 2009

Grant approval date	Amount of grant	Grant type	State of residence	Age	Male/female
March 16, 2007	\$14,000	SAH	New Jersey	26	Male
April 11, 2007	14,000	SAH	Texas	28	Male
May 22, 2007	14,000	SAH	Pennsylvania	26	Male
December 13, 2007 ^a	11,690	SAH	Wisconsin	63	Male
August 4, 2008	3,575	SAH	Minnesota	48	Male
September 16, 2008	12,471	SAH	Pennsylvania	93	Male
December 1, 2008	14,000	SAH	Georgia	28	Male
February 24, 2009	14,000	SAH	Hawaii	92	Male
Not available ^b	Not available	SAH	California	29	Female

Source: VA

^aThis grantee received a prior SAH grant.

^bThis individual submitted an application for a TRA grant on December 5, 2007. As of February 28, 2009, VA had processed but not yet approved the grant application.

VA staff and representatives of veterans service organizations with whom we spoke suggested several factors that may explain why so few veterans and service members have used the TRA grant program. First, some said that the number of veterans and service members who are eligible for TRA—as distinct from adaptive housing assistance in general—could be very small. According to VA, each year approximately 1,800 individuals become newly eligible for adaptive housing assistance, including SAH, SHA, and TRA. However, in order to be eligible specifically for TRA, individuals must also live or plan to live temporarily with a family member who owns a home. For example, an injured service member returning from Iraq could not use a TRA grant to adapt a home owned by a friend or to adapt a parent’s

⁹P.L. 110-289 (July 30, 2008).

rental apartment. Thus, the population of individuals whose circumstances qualify them for the TRA benefit may be small.¹⁰

Second, TRA may not be a suitable option for some who are eligible for it. Some VA and veterans service organization staff with whom we spoke emphasized the difficulty of the transition period that severely wounded individuals experience when they return from combat. Many of these individuals may not have definite plans for what they will do when they leave the hospital, including where they will live, with whom, and for how long. Such uncertainty may lead some individuals who might be eligible for TRA to delay or opt out of using it.

Third, TRA counts against the maximum amount of adaptive housing assistance available to eligible individuals—\$60,000 in the case of SAH and \$12,000 in the case of SHA. For example, an individual who receives a \$14,000 TRA grant would have \$46,000 available under SAH, rather than \$60,000, to adapt or build a permanent residence in the future. Given the high cost of adapting a house, some VA officials and veterans service organizations with whom we spoke said that some may forego using TRA in order to preserve their full SAH or SHA benefit for future use. They also said that they were aware of some veterans and service members who, in lieu of using TRA to adapt a temporary residence, received assistance from nonprofit organizations or from other VA programs.¹¹ Several representatives of veterans service organizations said they believed that allowing TRA to become a program of its own—so that TRA no longer counted against the maximum funds available under SAH and SHA—or increasing the maximum available benefit under SAH and SHA would increase use of TRA.¹²

Finally, representatives from a few veterans service organizations told us that some eligible individuals may not be aware of the availability of TRA—in particular, active-duty service members, who were not eligible for TRA until July 2008. They said that additional outreach to service members and veterans about the TRA benefit could potentially increase its use.

VA's Processes for Administering TRA Reflect Those of the Overall Adaptive Housing Assistance Program

VA administers TRA as part of its overall adaptive housing assistance program.¹³ The agency bases veterans' and service members' initial eligibility for adaptive housing assistance

¹⁰VA does not collect data on the number of individuals whose living arrangements might qualify them for a TRA grant.

¹¹For example, disabled veterans may use VA Home Improvements and Structural Alterations (HISA) grants to pay for any home improvement necessary for continuing their treatment, allowing access to their home, or modifying a bathroom. Veterans with service-connected disabilities are eligible for \$4,100; veterans with nonservice-connected disabilities are eligible for \$1,200.

¹²H.R. 1169 proposes to increase the maximum allowable SAH benefit from \$60,000 to \$180,000 and the maximum allowable SHA benefit from \$12,000 to \$36,000. The bill was introduced on February 25, 2009, and was under consideration in the Subcommittee on Economic Opportunity, Committee on Veterans Affairs, U.S. House of Representatives, as of May 11, 2009.

¹³See VA M26-12, Revised, Specially Adapted Housing Grant Processing Procedures, Loan Guaranty Operations for Regional Offices (July 19, 2007); VA Circular 26-06-7, Implementation of Public Law 109-233, Section 101 – Specially Adapted Housing (November 8, 2006); and VA Circular 26-08-12, Changes to the Specially Adapted Housing Program Under H.R. 3221 (July 30, 2008).

(including SAH, SHA, and TRA) on a disability rating.¹⁴ The Compensation and Pension Service within VA is responsible for determining these disability ratings and for notifying VA's Veterans Benefits Administration Loan Guaranty Service of those who qualify for assistance. In general, VA contacts an individual who is rated eligible and who has submitted an application for adaptive housing assistance within 30 days of receipt of the application or the rating information to schedule an initial interview.¹⁵ During these face-to-face interviews, SAH agents—field-based VA staff—explain the adaptive housing assistance benefit and assess the individual's circumstances and adaptive housing assistance needs.¹⁶ If the individual wants to pursue the adaptive housing benefit at the time of the initial interview, the SAH agent guides him or her through the application, construction, and other related processes. If the individual chooses to delay use of the benefit, SAH agents told us that they regularly follow up by letter and phone to remind the individual about availability of the benefit.¹⁷

After a veteran or service member submits an application for adaptive housing assistance and decides to take advantage of the benefit, he or she must make a number of decisions related to the project—including arranging for mortgage and construction financing, hiring architects, working with VA to review and approve adaptation plans, and soliciting bids from and selecting contractors—before VA approves the grant. The length of time from submission of an application to VA approval varies. Among the TRA grants we reviewed, it ranged from 77 days to 293 days.¹⁸ Grantees have the freedom to make design decisions related to their projects, provided that the projects meet VA's suitability and feasibility

¹⁴Disability ratings range from 0 percent to 100 percent and determine an individual's eligibility for VA cash disability compensation and certain ancillary benefits (38 C.F.R. 4, Schedule for Rating Disabilities). The assignment of a disability rating generally does not automatically result in the provision of benefits—individuals must submit applications for the benefits they seek. Active-duty service members can request a “memo rating”—a temporary disability rating—from VA in order to qualify for and take advantage of adaptive housing assistance while still on active duty. All veterans and service members who qualify for adaptive housing assistance are 100 percent disabled.

¹⁵An individual does not have to have a disability rating to submit an application for adaptive housing assistance. However, VA will not consider applications for assistance or schedule an interview until an individual receives a qualifying rating, but advises individuals without disability ratings who submit applications to seek their disability ratings from the Compensation and Pension Service. According to VA officials, the agency contacts eligible Operation Enduring Freedom and Operation Iraqi Freedom veterans and service members within 24 to 48 hours.

¹⁶SAH agents are field-based employees of VA's Veterans Benefits Administration Loan Guaranty Service and are located at VA Regional Loan Centers and out-based Regional Offices. SAH agents administer and manage the SAH, SHA, and TRA grant processes.

¹⁷VA field staff with whom we spoke said that SAH agents send annual letters to eligible individuals reminding them of the availability of the benefit. Unless otherwise instructed, SAH agents contact eligible Operation Enduring Freedom and Operation Iraqi Freedom veterans and service members on a more regular basis, generally every 30 days.

¹⁸Among the nine TRA grantees, five submitted applications for assistance before TRA went into effect on June 15, 2006; one had an unknown application date; and one had not been approved as of February 28, 2009. As a result, we were only able to calculate the amount of time from application to grant approval for two grants.

requirements.¹⁹ VA staff told us that the length of time from application to approval is often driven by the amount of time needed by the grantee for project design.

After VA approves a veteran's or service member's grant, construction begins on the project. Among the seven TRA grants that completed construction as of February 28, 2009, the construction phase (which generally refers to the period between the grant approval date and VA's final payment for services) ranged from 20 days to 217 days, with an average of 89 days and a median of 67 days.²⁰

Agency Comments

We provided a draft of this report to VA and DOD for their review and comment. VA provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the Secretaries of Veterans Affairs and Defense and interested congressional committees. In addition, the report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact me at (202) 512-8678 or sciremj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in enclosure II.



Mathew J. Scire
Director, Financial Markets and Community Investment

Enclosures (2)

¹⁹Statute requires that SAH projects be medically feasible for the individual, bear a proper relation to the individual's present and anticipated income and expenses, and are suitable for the individual's dwelling needs (38 U.S.C. 2101(a)(3)). Statute requires that SHA projects be reasonably necessary because of an individual's disability (38 U.S.C. 2101(b)). In cases where the project does not meet these requirements, VA officials said that they work with the individual seeking assistance to resolve the issue (for example, by helping the individual select another plot of land or working with the contractor to revise the renovation plans).

²⁰Construction on two of the nine TRA grants was not complete as of February 28, 2009.

Enclosure I

Objectives, Scope, and Methodology

This report describes (1) the number and characteristics of Temporary Residence Adaptation (TRA) grants and grant recipients and (2) the Department of Veterans Affairs' (VA) policies and processes for providing the grants.

To address the first objective, we analyzed data we requested from VA on the number and characteristics of TRA grants and grantees between June 15, 2006, (the implementation date of TRA) and February 28, 2009. To respond to our data request, VA headquarters staff gathered information on approved TRA grants from the VA Regional Loan Centers.²¹ VA headquarters staff verified the information it received from the Regional Loan Centers against the information for these grants in The Appraisal System to ensure the grants were in fact approved and processed. In addition, we conducted interviews with staff at six Regional Loan Centers (including four that had approved at least one TRA grant) to verify that the data VA headquarters staff provided in response to our request were complete and accurate. We determined these data to be reliable for our purposes. For purposes of comparison, we also obtained data on the number of Specially Adapted Housing and Special Housing Adaptations grantees between June 15, 2006, and February 28, 2009, and we found these data to be reliable for our purposes.

To address the second objective, we reviewed VA policies and procedures for administering the adaptive housing assistance program, as well as other VA reports and documents on the program, and interviewed staff from VA Headquarters and six VA Regional Loan Centers to obtain information on how VA administers the TRA program.²² We also interviewed staff at the Department of Defense, including the Army Warrior Care and Transition Office, to obtain information on the department's role in identifying individuals who may be eligible for adaptive housing assistance and communicating this information to VA.

Finally, to address both objectives, we interviewed representatives of selected veterans service organizations—including American Legion, Blinded Veterans Association, Disabled American Veterans, Iraq and Afghanistan Veterans of America, Paralyzed Veterans of America, Wounded Warrior Project, and United Spinal Association—to obtain information on their and their members' experiences with TRA. We selected these veterans service organizations based on their representation of veterans and service members with disabilities

²¹VA collects data on adaptive housing assistance grantees in The Appraisal System. Because the system was developed prior to the passage and implementation of TRA, VA Regional Loan Center staff entered data on TRA grantees in a notes field in the system. As a result, VA headquarters staff had to request information on TRA grantees directly from the Regional Loan Centers that made the grants. On March 22, 2009, VA launched a new system called SAHSHA to collect data on all adaptive housing assistance grantees, including TRA grantees. VA is in the process of migrating data from The Appraisal System to SAHSHA. VA staff in headquarters oversee the adaptive housing assistance program. VA staff within the Regional Loan Centers administer the program.

²²For example, see VA M26-12, Revised, Specially Adapted Housing Grant Processing Procedures, Loan Guaranty Operations for Regional Offices (July 19, 2007); VA Circular 26-06-7, Implementation of Public Law 109-233, Section 101—Specially Adapted Housing (November 8, 2006); and VA Circular 26-08-12, Changes to the Specially Adapted Housing Program Under H.R. 3221 (July 30, 2008).

that specifically qualify them for adaptive housing assistance.²³ We also considered recommendations from VA and other stakeholders when determining which organizations to interview.

We conducted our work between February 2009 and June 2009 in accordance with generally accepted government auditing standards. The standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

²³Chartered veterans service organizations are federally chartered or recognized or approved by VA for purposes of preparation, presentation, and prosecution of claims under laws administered by the VA—see <http://www1.va.gov/VSO/index.cfm>.

Enclosure II

GAO Contact and Staff Acknowledgments

GAO Contact

Mathew J. Scirè, (202) 512-8678 or sciremj@gao.gov.

Staff Acknowledgments

In addition to the contact named above, Jason Bromberg (Assistant Director), Farah Angersola, Rudy Chatlos, John McGrail, Cory Roman, and Jennifer Schwartz made key contributions to this report.

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday afternoon, GAO posts on its Web site newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to www.gao.gov and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's Web site, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Ralph Dawn, Managing Director, dawnr@gao.gov, (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548