



# Office of Inspector General

## ADVISORY REPORT

### Review of Financial Internal Controls at VAMC Buffalo

**Report No.: 7R1-G01-045**

**Date: February 14, 1997**

Office of Inspector General  
Washington DC 20420



**DEPARTMENT OF VETERANS AFFAIRS**  
**Office of Inspector General**  
**Washington DC 20420**

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**(52BN)**

**Memorandum to:**

**Director (10N2), Department of Veterans Affairs (VA),  
Veterans Integrated Service Network 2**

**Review of Financial Internal Controls at VAMC Buffalo  
Advisory Report No. 7R1-G01-045**

1. The Office of Inspector General (OIG) Bedford Audit Operations Division (52BN) has completed the internal controls assessment you requested. As agreed, the focus of our assessment was to evaluate internal controls as they apply to fiscal activities at VA Medical Center (VAMC), Buffalo, N.Y.

2. In support of Veterans Health Administration goals of reducing administrative overhead and streamlining functions, the Administrative Leadership Board and Executive Leadership Council of the Western New York (WNY) Healthcare System recommended approval of a plan for reorganizing financial operations. The WNY Healthcare System consists of three VA medical facilities under the leadership of the Director, VAMC Buffalo. The plan was submitted to your office on June 3, 1996 and subsequently approved.

3. Through discussions with key personnel and review of applicable documentation, we determined that the reorganization resulted in the following:

- The Chief, Human Resource Service, was designated as Chief, Payroll Operations in addition to his current duties.
- The Chief, Acquisition and Material Management Service, assumed additional responsibilities as Chief, Finance, encompassing Accounting, Voucher Audit, and Agent Cashier Activities.
- The Acting Chief, Fiscal Service, was designated as Manager, Financial Planning and Decision Support System (DSS) Operations, responsible for all budgetary activities and DSS program duties.

A comparative analysis of the actual fiscal activity structure before and after reorganization is indicated in the attachment.

4. We discussed internal control procedures with the Manager, Financial Planning and DSS Operations, and the Chief of Finance. Based on these discussions, and prior audit experience, we determined that the greatest potential for a break down in internal controls would be in not performing VHA required risk assessments and value audits. We also determined that required separation of duties must be maintained as they were prior to the reorganization.

These same concerns were addressed by the VHA Chief Financial Officer (CFO) in a memorandum to all network Directors and Medical Center Directors dated December 2, 1996 in which he stated that the accuracy of financial information and internal controls must be maintained in considering any consolidation of financial activities.

In order to address the concerns of the VISN Director and the VHA Chief Financial Officer, we performed such reviews of internal control areas as we felt necessary in order to maintain the integrity of the financial entity at VAMC Buffalo:

- **Certification of Financial Records:** VA policy requires that an annual certification of accounting records be performed and jointly signed by the Fiscal Officer and Director of each VA facility. We also noted that the VHA CFO emphasized that due to departmental policy, only qualified individuals perform certain financial functions.

Our review showed that the Manager, Financial Planning and DSS Operations supervised the certification of the accounting records for fiscal year 1996 and that the records were signed by the Chief of Finance, and the facility Director. The Manager, Financial Planning and DSS Operations, was the former Acting Chief, Fiscal Service, and possessed the proper qualifications to perform this type of certification. We also noted that areas of concern identified during the certification process were adequately addressed and appropriately explained as required.

- **Prohibition of Dual Functions (Separation of Duties):** VA policy also requires in the interest of sound internal controls, that certifying and disbursing functions not be performed by the same employee. For example, agent cashiers would be prohibited from performing duties that include certifying vouchers or serving as a patients' fund clerk or payroll clerk, simultaneously. Also prohibited would be assigning individuals with duties that include performing both accounts payable and voucher audit functions, or purchasing agent and accounts payable clerk functions.

Through discussions with key financial management and review of current organizational charts, we determined that appropriate separation of duties had been addressed during the reorganization and that no one person is performing both certifying and disbursing functions.

- **Agent Cashier Functions:** In addition to requirements for separation of certifying and disbursing functions, the agent cashier position is subject to strict policy relating to the safeguarding of funds. VA policy requires that the Fiscal/Finance Officer assure that individual accountability be established for funds entrusted to each employee of the Agent Cashier Section. In order to adhere to this policy, access to funds by other than the agent cashier or alternate is limited to the Director of the facility in the presence of the Fiscal/Finance Officer. The agent cashier funds are also subject to unannounced audits every 90 days.

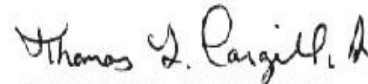
We discussed these responsibilities with the Finance Officer and found that he has been thoroughly instructed on his duties relating to the safeguarding of agent cashier funds. We also reviewed unannounced audits of the agent cashier that were performed prior to and after the reorganization of Fiscal Service. We found that all audits were performed in a timely and effective manner by independent and qualified personnel.

- **Quality Assurance Reviews (Value Audits):** In order to maintain the quality of work performed within fiscal operations, VA policy requires that risk assessments and quality assurance reviews be performed annually. Office of Management and Budget circular A-123 allows the requirement for risk assessments to be met by utilizing the results of other management control system reviews in order to assess the level of vulnerability of an issue. We found that the facility Director met circular A-123 requirements by utilizing the results of the annual self-assessment quality assurance reviews at VAMC Buffalo. Areas covered by the facility quality assurance reviews included fiscal management, agent cashier, accounting, employee accounts, patients' funds, voucher audit, and general post funds.

We found that, except for the patients' fund review, the timeliness and quality of the facility internal reviews were adequate. We concluded that better oversight of quality assurance reviews would have improved the timeliness and quality of the patients' fund review.

5. We discussed the results of our review with the Director, VAMC Buffalo and in doing so pointed out the need and importance of quality assurance reviews being performed in a timely and effective manner, and that all financial related positions be filled by knowledgeable and qualified personnel. We also suggested that since circular A-123 risk assessments were the responsibility of the facility Directors, that the annual self-assessment quality assurance reviews be monitored at the facility Director's level in order to ensure they are performed by qualified personnel and that they satisfy circular A-123 requirements.

6. We appreciated the opportunity to assist you in your effort to ensure that internal controls related to the financial activity remain in place after the reorganization. If you have any questions or wish to request additional assistance in the future, please contact me at 617-687-3120.



THOMAS L. CARGILL JR.

Director, Bedford Audit Operations Division

Attachment

cc: Under Secretary for Health (105E)  
VHA Chief Financial Officer (17)  
Director, WNY Healthcare System (00)

## ATTACHMENT 1

### **PRIOR TO REORGANIZATION**

#### **Financial Management**

Financial Operations Manager  
Secretary

#### **Data Analysis/DSS**

Program Analyst  
2 Budget Analysts

#### **Accounting Section**

Supervisory Accountant  
2 Accountants  
Sr. Accounting Technician  
5.5 Accounting Technicians  
4 Voucher Examiners  
1.5 Agent Cashiers

#### **Employee Accounts Section**

6 Civilian Pay Technicians

### **SUBSEQUENT TO REORGANIZATION**

#### **Financial Planning & DSS Operations**

Financial Manager  
Secretary  
2 Budget Analysts  
Program Analyst  
Clinical Coordinator  
Program Specialist

#### **Acquisition & Material Management Service**

Supervisory Accountant  
2 Accountants  
Sr. Accounting Technician  
5.5 Accounting Technicians  
3.0 Voucher Examiners  
1.5 Agent Cashiers

#### **Human Resources Service**

5 Civilian Pay Technicians<sup>1</sup>

As indicated above, the reorganization consisted of three major movements:

- consolidation of Financial Management and DSS Operations,
- movement of the Accounting Section to Acquisition and Material Management Service, and
- movement of the Employee Accounts Section to Human Resource Service.

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We were informed by the Chief, Human Resource Service, that the number of civilian pay technician positions will be reduced after implementation of PAY VA.