



Office of Inspector General

MANAGEMENT ADVISORY: SELECTED FINANCIAL OPERATIONS AND EVALUATION OF INTERNAL CONTROLS VA BOSTON HEALTHCARE SYSTEM

*Continued management oversight is
needed to correct control issues.*

**Report No. 9R1-G01-089
Date: April 30, 1999**

Office of Inspector General
Washington DC 20420



DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420

April 30, 1999

Memorandum to:

Director, Department of Veterans Affairs Boston Healthcare System, Boston, MA

Management Advisory: Selected Financial Operations and Evaluation of Internal Controls, VA Boston Healthcare System, Report No. 9R1-G01-089

1. The Office of Inspector General (OIG) audited the Department of Veterans Affairs (VA) Consolidated Financial Statements (CFS) for Fiscal Year (FY) 1998. As part of this audit, we reviewed and evaluated key internal controls at VA Boston Healthcare System, Boston, MA. Financial accounts and controls reviewed included medical facility accounts receivable, expenditures, property, plant and equipment and payroll.
2. Based on our evaluation of internal controls and a review of selected accounting records, we concluded that generally internal controls were effective. However, we identified a number of areas needing greater management attention as discussed in more detail in the Enclosure. These include employee account reviews, verification of accessions and separations, annual timekeeper training, record of payroll adjustments and recording transactions, prior pay period exceptions, and accuracy of employee leave.
3. We previously discussed these conditions with you and your staff and you agreed to take corrective action. As a result, we are not making formal recommendations. However, we will follow-up on the implementation of planned actions during future financial statement audits. We appreciate the assistance of your staff.

For the Assistant Inspector General for Auditing,

(Original signed by:)

THOMAS L. CARGILL, JR.

Director, Bedford Audit Operations Division

Enclosure

cc: Director, Veteran Integrated Service Network 1
Assistant Secretary for Financial Management (004)
Chief Financial Officer, Veterans Health Administration (17)

MANAGEMENT ADVISORY ISSUES

During the audit, we identified a number of areas needing improvement. We concluded that greater management attention is needed in the following areas:

- **Employee Account Reviews**
- **Verification of Accessions and Separations**
- **Annual Timekeeper Training**
- **Record of Payroll Adjustments and Recording Transactions**
- **Prior Pay Period Exceptions**
- **Accuracy of Employee Leave**

Employee Account Reviews

Veterans Health Administration (VHA) Handbook 1730.2, VHA Fiscal Quality Assurance System, provides procedures for medical facilities to use in performing self-assessment reviews to evaluate the quality of work being performed within fiscal operations. The Employee Account reviews should be performed during the second quarter.

We found that Fiscal Service did not perform annual (second quarter) Employee Account reviews. The areas included in these reviews are: verification of accession and separation listings, annual timekeeper training, newly appointed timekeeper training, time and attendance, leave requests, and verification of payroll adjustments. Fiscal management indicated that future employee account reviews will be conducted in second quarter of the fiscal year as required.

Verification of Accessions and Separations

VA Manual MP-6, Part V, Supplement No. 2.3, Chapter 13 requires the “Listing of Accessions and Separations for Verification” report be verified by both the personnel and fiscal activities. The listing includes employee names, social security numbers, effective dates and health benefit codes for employees who enter on duty or separate during a particular month.

We found that payroll personnel verified the June 30, 1998 “Listing of Accessions & Separations”. However, human resource personnel did not verify the listing and indicated they were unaware of the verification requirement. Human resource personnel stated that action will be taken to verify monthly listings as required.

Annual Timekeeper Training

VA Manual MP-6, Part V, Supplement No. 2.2, Change 6, Chapter 1, Section 102.01b2 states that the Employee Accounts Section at each facility should conduct annual refresher training for all unit timekeepers. Further, training for new timekeepers is required to be accomplished within 30 days of appointment.

We found that annual timekeeper training for the 83 part-time and 61 full-time timekeepers was not performed in Fiscal Year 1998. Also, we judgmentally selected 5 timekeepers to determine whether training for newly appointed timekeepers was conducted within 30 days of appointment and found no documentation of timekeeper training. The payroll supervisor indicated that although the training was not documented, timekeepers did receive appropriate training.

Record of Payroll Adjustments and Recording Transactions

VA Manual MP-6, Part V, Supplement 2.3, Chapter 13 requires the payroll staff to initial each transaction and the payroll activity supervisor to certify the “Record of Payroll Adjustments and Recording Transactions for Verification” report after each pay period.

We reviewed a total of 96 payroll adjustments that occurred in pay periods 12 and 13 to determine whether payroll staff initialed each transaction and the payroll supervisor certified each listing. Our review of the payroll adjustments found that the verifying employee did not initial each transaction as required. We found that payroll staff only initialed each page of the listing. However, the payroll supervisor did certify the listing of payroll adjustments. It could not be determined from our examination of the payroll adjustment transaction pages that each transaction was verified. Fiscal management stated that future payroll adjustments will be initialed as required.

Prior Pay Period Exceptions

Prior pay period exceptions occur when payroll data entered into the Enhanced Time and Attendance (ETA) System does not conform to edit checks in the system. We reviewed exceptions for pay periods 13 and 14 for 10 Time and Leave (T&L) units to determine whether exceptions were timely corrected. For 6 of the 10 T&L units, prior pay period exceptions remained outstanding. Exceptions remaining outstanding included annual and sick leave not requested, overtime posted exceeded approved hours, and overtime not requested. The payroll supervisor stated that corrective action would be taken to resolve the exceptions in the next pay period.

Accuracy of Employee Leave

We compared leave requested to leave recorded in the ETA System to determine if employees were correctly charged leave. We selected 10 employees from the June 1998 Monthly Positions Report and obtained leave requested and leave used reports from ETA for these employees. We found discrepancies in the accuracy of employee leave for 6 of 10 employees. The discrepancies follow:

- One employee was charged 8 hours of annual leave but did not submit a leave request,
- One employee was charged 10 hours (scheduled tour) of annual leave but requested only 8 hours, and
- Four employees were charged annual and sick leave based on verbal requests but manual leave requests were not in the possession of the timekeeper.

Based upon our review, the payroll supervisor initiated action to correct these exceptions.