



# Office of Inspector General

## **MANAGEMENT ADVISORY: SELECTED FINANCIAL OPERATIONS AND EVALUATION OF INTERNAL CONTROLS VA PITTSBURGH HEALTHCARE SYSTEM**

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

**Report No. 9R1-G01-090  
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 Pittsburgh Healthcare System,  
Pittsburgh, PA**

**Management Advisory: Selected Financial Operations and Evaluation of Internal  
Controls, VA Pittsburgh Healthcare System, Report No. 9R1-G10-090**

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 tested selected transactions and key internal controls at the VA Pittsburgh Healthcare System. Financial accounts and controls reviewed included medical facility accounts receivable, expenditures, property, plant and equipment, and payroll.
2. Based on audit tests of internal controls and selected accounting transactions, we concluded that generally internal controls were effective and that transactions were recorded accurately and completely. However, we identified a number of areas needing greater management attention as discussed in more detail in the Enclosure. These include accounts receivable-follow-up and review, inventory of nonexpendable equipment, unit timekeeper audits, 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 4  
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:

- **Accounts Receivable-Follow-up and Review**
- **Inventory of Nonexpendable Equipment**
- **Unit Timekeeper Audits**
- **Annual Timekeeper Training**
- **Record of Payroll Adjustments and Recording Transactions**
- **Prior Pay Period Exceptions**
- **Accuracy of Employee Leave**

### **Accounts Receivable-Follow-up and Review**

VA Manual MP-4, Part VIII requires VHA facility staff to follow-up on delinquent accounts receivable. The initial claim document, second, and third notices are sent to insurance carriers. Facility staff should conduct telephone follow-up with third party payers at the time the third notice is sent.

We reviewed a sample of 40 third party accounts receivable valued at \$1,264,449 to determine the validity of account receivable as of September 30, 1998. We found that 6 of the 40 receivables reviewed totaling \$223,802 were not valid accounts receivable as of September 30, 1998. We determined the following through discussion with MCCR staff:

- A veteran's insurance carrier was billed for inpatient care on April 10, 1990 for \$59,175. However, the patient's insurance coverage had expired prior to receiving care. The insurance carrier should not have been billed and facility staff should have cancelled the bill prior to September 30, 1998.
- A cancellation of a duplicate bill for inpatient care totaling \$45,162 was processed in June 1991. However, facility staff were unaware that the cancellation had not been accepted into the system and remained on the facility records as of September 30, 1998.
- An insurance carrier under a Medigap policy was billed \$45,006 for medical care provided from June 1, 1998 to August 18, 1998. However, the patient's quarterly medicare deductible had been paid under a previous bill. The \$45,006 bill should have been cancelled prior to September 30, 1998.

- A bill for nursing home care totaling \$74,195 was prepared on March 29, 1990. This bill was excluded in error from a compromise agreement with an insurance carrier in February 1993. Due to the age and collectibility of the receivable, the bill should have been cancelled prior to September 30, 1998.
- A cancellation of a duplicate bill for an outpatient visit totaling \$148 was processed in September 1992. However, facility staff were unaware that the cancellation of the bill had not been accepted into the system and remained on the facility records as of September 30, 1998.
- A bill for \$116 was prepared for an outpatient visit on April 20, 1990. However, facility staff were unable to verify whether either the patient appeared for the visit or received medical care.

As a result of OIG inquiry, in November 1998, facility personnel processed adjustments for the above invalid accounts receivable totaling \$223,802.

### **Inventory of Nonexpendable Equipment**

VA Handbook 7127 Part 4, Section 5302.3 requires VA facilities to perform physical inventories of nonexpendable equipment and reconcile the inventory counts to accountable records. Facility staff use the last inventory date and accuracy rate for each Equipment Inventory List (EIL) to determine when the next inventory should be performed.

We reviewed the Fiscal Year 1998 equipment inventory and found that 227 (89 percent) of the 256 departments did not furnish Acquisitions & Materiel Management Service (A&MMS) with nonexpendable equipment inventory results. The total acquisition value (TAV) of the EILs not completed as of September 30, 1998 totaled approximately \$68.5 million (98 percent) of the total value of \$70 million. All 256 EILs were required by a local decision to be inventoried during FY 1998 due to a reorganization. A&MMS officials attributed the shortfall in completed EILs due to the reorganization where service/functions were either split/combined/redistributed. Officials indicated that many of the EILs were still in process with estimated completion dates of December 31, 1998.

### **Unit Timekeeper Audits**

VA Manual MP-6, Part V, Supplement No. 2.2, Change 6, Chapter 1, Section 102.01b3 states that the Employee Accounts Section should perform desk audits of timekeepers at least semiannually. We found no documentation that semi-annual audits of timekeepers were performed in FY 1998.

Human Resource personnel stated that Time and Leave (T&L) units were randomly selected for review but were not completed in accordance with a specific schedule. Human Resource personnel stated that semi-annual audits of timekeepers will be conducted 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.

We found that refresher annual timekeeper training for the 133 part time and 9 full time timekeepers was not performed in Fiscal Year 1998. However, timekeepers were informed of any new changes or updates through electronic mail. The payroll supervisor indicated that annual training for all unit timekeepers will be conducted.

### **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 86 payroll adjustments that occurred in pay periods 18 and 19 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 18 and 19 for 10 T&L units to determine whether exceptions were timely corrected. For 2 of the 10 T&L units, prior pay period exceptions remained outstanding. Exceptions remaining outstanding included sick leave not requested, authorized absence not approved, and requested leave not coinciding with tour of duty. The payroll supervisor initiated corrective action to resolve the exceptions.

### **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 4 of 10 employees. The discrepancies follow:

- Two employees requested annual leave of 8 and 9 hours, but were not charged,
- One employee requested 40 hours of authorized absence, but was charged for 32 hours, and
- One employee was charged for 16 hours of annual leave, but had not requested leave for the two days.

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