



Department of Veterans Affairs Office of Inspector General

Combined Assessment Program Review of the VA Long Beach Healthcare System

Office of Inspector General Combined Assessment Program Reviews

Combined Assessment Program (CAP) reviews are part of the Office of Inspector General's (OIG's) efforts to ensure that high quality health care and benefits services are provided to our Nation's veterans. CAP reviews combine the knowledge and skills of the OIG's Offices of Healthcare Inspections, Audit, and Investigations to provide collaborative assessments of Department of Veterans Affairs (VA) medical facilities and regional offices on a cyclical basis. The purposes of CAP reviews are to:

- Evaluate how well VA facilities are accomplishing their missions of providing veterans convenient access to high quality medical and benefits services.
- Determine if management controls ensure compliance with regulations and VA policies, assist management in achieving program goals, and minimize vulnerability to fraud, waste, and abuse.
- Conduct fraud and integrity awareness training for facility staff.

In addition to this typical coverage, CAP reviews may examine issues or allegations referred by VA employees, patients, Members of Congress, or others.

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Executive Summary

Introduction

During the week of March 25–29, 2002, the Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the VA Long Beach Healthcare System (VALBHS). The purpose of the review was to evaluate selected healthcare system operations, focusing on patient care administration, quality management (QM), and financial and administrative controls. During the review, we also provided fraud and integrity awareness training to about 375 employees.

Results of Review

VALBHS patient care and QM activities reviewed were generally operating satisfactorily. VALBHS management actively supported high quality patient care and performance improvement. The QM program was comprehensive and provided effective oversight of the quality of care. Financial and administrative activities were generally operating satisfactorily, and management controls were generally effective. To improve operations, the VALBHS needed to:

- Reconcile accounts receivable every month and pursue delinquent receivables.
- Process insurance bills more promptly and pursue third-party receivables more aggressively.
- Strengthen time and attendance controls for part-time physicians and adjust physician appointment levels based on actual clinical workloads.
- Properly procure controlled substances used in research and improve controlled substances inspections.
- Improve QM monitoring by specifying improvement actions, tracking actions until issues are resolved, and thoroughly analyzing mortality data.
- Reduce excess supply inventories and strengthen inventory controls.
- Improve accountability for research equipment.
- Strengthen Government purchase card program controls.
- Develop contingency and security plans for major Automated Information Systems (AIS).

In addition, the Veterans Integrated Service Network (VISN) 22 Network Business Center (NBC), which has responsibility for many VALBHS procurement and financial activities, needed to improve procedures for cancelling obligations for goods and services no longer needed.

VALBHS Director and VISN 22 Director Comments

The VALBHS Director and the VISN 22 Director agreed with the findings and provided acceptable improvement plans. We will follow up on the implementation of recommended improvement actions.

(original signed by:)
RICHARD J. GRIFFIN
Inspector General

Introduction

Healthcare System Profile

Organization. Based in Long Beach, CA, the VALBHS is a tertiary care system that provides a broad range of inpatient and outpatient health care services. Outpatient care is also provided at four community-based outpatient clinics located in Anaheim, Santa Ana, Cabrillo, and Whittier/Santa Fe Springs, CA. The VALBHS is part of VISN 22 and serves a veteran population of about 1.1 million in a primary service area that includes 5 counties in southern California.

Programs. The VALBHS provides medical, surgical, mental health, geriatric, and comprehensive rehabilitation services. The VALBHS has 237 hospital beds and 99 nursing home beds and operates several regional referral and treatment programs, including a Spinal Cord Injury Unit, Preservation Amputation Care Treatment Program, Women's Health Program, and Radiation Therapy Program.

Affiliation and Research. The VALBHS is affiliated with the College of Medicine at the University of California, Irvine and supports 158.5 medical resident positions in 28 training programs. In Fiscal Year (FY) 2001, the VALBHS research program had 250 projects and a budget of \$5.5 million. Important areas of research include gastrointestinal ulcer pathogenesis, gene therapy and gene expressions, and lipid metabolism.

Resources. In FY 2001, VALBHS medical care expenditures totaled \$204.8 million, and the FY 2002 medical care budget is \$204.8 million. FY 2001 staffing was 1,819 full-time equivalent employees (FTEE), including 117 physician and 337 nursing FTEE.

Workload. In FY 2001, the VALBHS treated 36,800 unique patients, a 3.3 percent increase from FY 2000. The inpatient care workload totaled 3,953 discharges, and the average daily census, including nursing home patients, was 261. The outpatient workload was 392,689 visits.

Objectives and Scope of CAP Review

Objectives. CAP reviews are one element of the OIG's efforts to ensure that our Nation's veterans receive high quality VA health care services. The objectives of the CAP review program are to:

- Conduct recurring evaluations of selected health care facility operations, focusing on patient care, QM, and financial and administrative controls.
- Provide fraud and integrity awareness training to increase employee understanding of the potential for program fraud and of the need to refer suspected fraud to the OIG.

Scope. We reviewed selected clinical, and financial and administrative activities to evaluate the effectiveness of QM, patient care administration, and general management controls. QM is the process of monitoring the quality of patient care to identify and correct harmful or potentially harmful practices or conditions. Patient care administration is the process of planning and delivering patient care. Management controls are the policies, procedures, and information systems used to safeguard assets, prevent errors and fraud, and ensure that organizational goals are met.

In performing the review, we inspected work areas; interviewed managers, employees, and patients; and reviewed clinical, and financial and administrative records. The review covered the following activities:

Accounts Receivable	Information Technology Security
Acute Medical-Surgical Units	Medical Care Collections Fund (MCCF)
Agent Cashier	Nursing Home Contracts
Behavioral Health Care	Part-Time Physician Timekeeping
Controlled Substances Accountability	Pharmacy Security
Clinical Services Contracts	Primary Care Clinics
Enhanced Use Sharing Agreements	Quality Management
Equipment Accountability	Rehabilitation and Extended Care
Employee Quarters	Supply Inventory Management
Government Purchase Card Program	Unliquidated Obligations

As part of the review, we used questionnaires and interviews to survey patient and employee satisfaction with the timeliness of service and the quality of care. Questionnaires were sent to 1,724 clinical healthcare system employees, 344 of whom responded. We also interviewed 30 patients during the review. The survey indicated high levels of patient and employee satisfaction and did not disclose any significant issues. The full survey results were provided to VALBHS management.

During the review, we presented four fraud and integrity awareness briefings for VALBHS employees. About 375 employees attended these briefings, which covered procedures for reporting suspected criminal activity to the OIG and included case-specific examples illustrating procurement fraud, false claims, conflicts of interest, and bribery.

The review covered VALBHS operations for FY 2001 and FY 2002 through March 2002 and was done in accordance with OIG standard operating procedures for CAP reviews.

In this report we make recommendations and suggestions for improvement. Recommendations pertain to issues that are significant enough to be monitored by the OIG until corrective actions are implemented. Suggestions pertain to issues that should be monitored by VALBHS and VISN management until corrective actions are completed.

Results of Review

Organizational Strengths

VALBHS management had created an environment that supported high quality patient care and performance improvement. The patient care administration, QM, and financial and administrative activities reviewed were generally operating satisfactorily, and management controls were generally effective.

The Villages at Cabrillo Program Provided Effective Assistance to Homeless Veterans. The VALBHS participates in the Villages at Cabrillo, a program that provides support and assistance to homeless veterans and also supports other community outreach services, including the Salvation Army and Catholic Charities. The program is a unique partnership between U.S. Vets, a private, non-profit organization, and local and federal Government programs. Services provided at the Villages at Cabrillo include a substance abuse day treatment program that provides housing and meals for 50 veterans, a welfare-to-work program, a Women's Advance Program for veterans who have at least 60 days of sobriety, transitional housing for approximately 160 veterans who are clean and sober, and a weekly half-day medical clinic staffed by a VALBHS physician.

Nursing Home Contracts Were Reasonably Priced. As of March 2002, the VALBHS had 11 VISN-awarded contracts (combined costs = \$584,552) to provide care for VA patients at community nursing homes located throughout California. We reviewed the files for all 11 contracts and found that they contained all required documentation and were well organized. Contract prices were generally based on VA's benchmark of the MediCal rate plus 15 percent. Rates higher than the benchmark had been established using actual costs and had been properly approved by Veterans Health Administration (VHA) Headquarters. The contracting officer's technical representative adequately monitored contractor performance.

Enhanced Use Sharing Agreement Reimbursements Were Reasonable. VA medical facilities may enter into enhanced use sharing agreements to sell services or to rent facility space or land. VISN 22's NBC had 12 enhanced use sharing agreements for the VALBHS (FY2002 value = \$341,348). We reviewed the files for five agreements (combined value = \$94,640) and concluded that the agreements were properly approved and documented. The NBC had negotiated reimbursement rates that covered all VA costs and provided reasonable profits that were used to provide services to veterans.

Opportunities for Improvement

Accounts Receivable – Reconciliations Should Be Done and Delinquent Debts Pursued

Conditions Needing Improvement. VA policy requires that accounts receivable owed to the VA medical center be accurately recorded in accounting records, reconciled to the general ledger each month, and collected promptly. Our review found that monthly reconciliations for accounts receivable had not been performed and delinquent receivables had not been identified and aggressively pursued.

Monthly Reconciliations. To ensure that accounts receivable are accurate, each month the responsible fiscal activity should reconcile the amounts shown as billed, paid, and owed in the Integrated Fund Control Point Activity Accounting and Procurement (IFCAP) system with the general ledger amounts shown in VA's Financial Management System (FMS). The reconciliations for VALBHS accounts receivable were not being conducted because there was a misunderstanding between the VALBHS and the VISN over who was responsible for performing this task. As a result of this misunderstanding, the reconciliations and the quarterly reviews had not been done for at least 2 years; during our review, the issue of responsibility was resolved. The VALBHS will conduct the required reconciliations with the VISN's help.

Collection of Delinquent Accounts Receivable. VALBHS Patient Services staff had not identified and aggressively pursued delinquent accounts receivable. Instead, they relied on the IFCAP system to identify and transfer delinquent accounts receivable to the Treasury Offset Program (TOP) system for collection. However, the TOP system is not intended to be the primary means for collecting accounts receivable. VA policy requires medical centers to identify and aggressively pursue delinquent accounts receivable. Because IFCAP and FMS reconciliations had not been done, we could not determine the precise value of the total accounts receivable. However, based on the unreconciled IFCAP reports, we estimated that as of March 2002, the VALBHS had 5,180 accounts receivable valued at \$2.4 million. Of these, 4,162 (80 percent) with a value of \$1.7 million (71 percent of the total value) were more than 90 days old. Based on review of the available records and discussions with VALBHS Patient Services staff, we concluded that of these 4,162 accounts receivable, 2,592 (62 percent; combined value = \$1,233,350) had a 100 percent collection potential:

- Of the 2,592 accounts receivable, 2,270 (combined value = \$784,541) were for services sold to other federal agencies such as the U.S. Air Force and the Peace Corps.
- Another 278 accounts receivable (combined value = \$357,630) were for overpayments or warranty claims made to large, well-established vendors with which the VALBHS does continuous business, such as Pacific Bell and Federal Express.
- Thirty-nine accounts receivable (combined value = \$35,725) were charges for current employees that can be collected through payroll deductions.

- Five accounts receivable (combined value = \$55,454) were for services, such as specialized pathology services, provided to the affiliated university.

There are several methods available to obtain payment for these accounts receivable, such as aggressively pursuing collection through telephone calls, offsetting the accounts receivable against bills owed to the vendors, and referring accounts receivable to the VA Regional Counsel for legal action when all other collection efforts fail.

Recommended Improvement Action 1. We recommended that the VALBHS Director ensure that: (a) monthly reconciliations of IFCAP and FMS accounts receivable are performed, (b) a one-time project is conducted to clean up delinquent accounts receivable and to write-off uncollectible amounts, (c) controls are established for identifying and pursuing delinquent accounts receivable, and (d) accounts receivable are aggressively pursued to collection or write-off. The Director agreed and reported that a project to clean up delinquent accounts receivable will be completed by December 2002 and that as of May 2002 staff had been assigned to perform monthly reconciliations. The Director also reported that since our review, procedures have been developed to identify and pursue delinquent accounts receivable. The improvement plans are acceptable, and we will follow up on the completion of planned actions.

Medical Care Collections Fund – Billings and Collections Should Be Improved

Conditions Needing Improvement. VALBHS staff needed to bill insurers promptly and more aggressively pursue accounts receivable from insurers. Under the MCCF program, VA may recover from health insurance companies the cost of treating insured nonservice-connected veterans and insured service-connected veterans for nonservice-connected conditions.

Billing Delays. As of February 2002, the VALBHS had about 7,800 unbilled outpatient episodes of care with a total value of about \$2.7 million. For the first half of FY 2002, the average time to initiate a bill was 100 days, which was significantly higher than the VA benchmark of 8 days. According to the Patient Services supervisor, the billing delays occurred primarily because clinic staff did not determine whether veterans had insurance when they received treatment.

Pursuit of Third-Party Accounts Receivable. As of February 2002, the VALBHS had 12,599 third-party accounts receivable with a total value of \$10.6 million (excluding accounts receivable that had been referred to the VA Regional Counsel for collection). Of these, 7,523 with a value of \$5.8 million (55 percent of the total value) were more than 90 days old.

To evaluate the collection potential for these accounts receivable, we reviewed 40 accounts receivable (value = \$123,713) that had been outstanding for more than 90 days. Based on our review and discussions with the Patient Services supervisor, we concluded that 1 of the 40 accounts receivable was not valid and that 26 of the remaining 39 (67 percent; value = \$68,802) accounts receivable required more aggressive collection. Patient Services staff had sent initial collection letters but had not routinely made follow-up calls to insurers to determine why

payments had not been made. To aggressively pursue accounts receivable, multiple collection letters should be sent and follow-up telephone calls should be made.

Based on discussions with MCCF staff, we estimated that if Patient Services staff pursued accounts receivable more aggressively they could increase the collection rate by about 10 percent, which would provide the VALBHS with additional revenue of about \$580,000. (The \$580,000 estimate was calculated by applying a potential collection rate increase of 10 percent to the \$5.8 million value of MCCF accounts receivable older than 90 days.)

Recommended Improvement Action 2. We recommended that the VALBHS Director ensure that: (a) procedures are implemented to identify veterans' insurance companies at time of treatment, (b) insurance billings are done promptly, and (c) accounts receivable are pursued more aggressively. The Director agreed and reported that as of May 2002 procedures had been developed to identify veterans with insurance, to promptly complete billings, and to aggressively pursue accounts receivable. The improvement plans are acceptable, and we will follow up on the completion of planned actions.

Part-Time Physician Timekeeping – Time and Attendance Controls Should Be Strengthened

Conditions Needing Improvement. VALBHS management needed to ensure that part-time physician attendance was properly documented and that appointment levels were in line with workloads. Part-time physicians are hired to work in 1/8th duty time increments, with a 1/8th increment equaling 5 hours of weekly work time. (For example, a physician with a 4/8th appointment would be required to work 20 hours a week.) Timekeepers are responsible for completing timecards to show the part-time physician's assigned tour of duty, the actual hours worked, and any charges to leave. Part-time physicians are required to work their tours of duty, and timekeepers are required to ensure that timecards accurately reflect the hours physicians are present for duty.

Physician Attendance and Timekeeping. To evaluate part-time physician timekeeping controls, we tried to locate 15 physicians during their official tours of duty. When we checked, eight of the physicians were on duty at the medical center, five were on approved leave, and two (surgeons) were not on duty or on leave. For the two surgeons not on duty or on leave, we checked their timesheets the next day to see if they had reported their absences. One had appropriately reported his absence, but the other had reported on his timesheet that he was on duty the day we found him to be absent. We reported this impropriety to the Chief of Surgery, who immediately counseled the physician.

Responsible timekeepers stated that they often did not have personal knowledge of physician time and attendance and that to complete timecards they relied on information from clinic staff, operating room (OR) personnel, and even university staff. The timekeeper's personal knowledge of physician attendance is a key control for accurately completing timecards. The lack of oversight occurred because timekeepers had not received adequate training on the importance of only certifying timecards that reflect actual hours worked.

Surgeon Workload. The absence of part-time surgeons during their tours of duty may be an indicator that their appointment levels are too high or that clinical workload is not effectively distributed. To determine if clinical workloads supported the part-time surgeon appointment levels, we reviewed OR logs, clinic schedules, and other supporting records for the month of January 2002.

Workloads for 31 of the 34 part-time surgeons did not support their appointment levels. For these 31 surgeons, we could account for only 20 to 69 percent of their VA-paid time. (For the other 3 surgeons, VA-paid time accounted for ranged from 75 percent to over 100 percent.) The workloads of the two surgeons that we could not locate illustrate the problem:

- A surgeon had a 7/8th appointment (35 hours per week). During the month of January, he reported 140 hours on duty. However, workload and other supporting records documented only about 66 hours, or 47.1 percent of the required duty time (3 hours performing OR duties, 20 hours for scheduled clinics, and about 43 hours for administrative duties).
- Another surgeon had a 5/8th appointment (25 hours per week). During January, he reported 95 hours on duty. However, workload and other supporting records documented only 64.5 hours, or 67.9 percent of the required time (27.5 hours performing OR duties, about 18 hours for scheduled clinics, and 19 hours for other clinical and non-clinical activities).

Surgery Service management believed that VALBHS was “getting its money’s worth” from part-time surgeons because they were paid according to the timesheets that reported actual hours. Management also believed that part-time surgeons regularly provided on-call coverage and worked additional hours that were not accounted for in workload records. However, they could not provide evidence of this additional work. Further, Surgery Service management acknowledged that they had no reliable way of monitoring part-time surgeon time and attendance and would only know of a surgeon’s absence if the surgeon failed to show up for a scheduled procedure or clinic.

Excused Absences For Physicians. During our review, we learned of another timekeeping practice that required management attention. Some VALBHS managers and physicians incorrectly believed that if a full-time physician worked at least 5 hours of a normal 8-hour tour of duty, then the physician could be routinely granted an excused absence for the remainder of the tour. Human Resources acknowledged that timekeepers had been trained to follow this local practice. This practice does not comply with VHA timekeeping policy, which allows excused absences but requires that these absences must be recorded in time and attendance records, cannot be granted more than twice in a pay period, and must never be granted to permit a physician to engage in remunerated activities outside VA.

Because no records were available, we could not readily determine the extent to which physicians had been improperly granted excused absences. However, we did identify one full-time physician who acknowledged that for the past several years he was routinely granted excused absences 2 afternoons a week to perform paid duties at the affiliated university hospital.

In our opinion, VALBHS timekeeping practices for part-time surgeons and the practice of improperly granting excused absences on a routine basis present a risk of improprieties occurring. At the least, there is a risk of the appearance of impropriety – the appearance that physicians are working at the affiliate or their private practices on VA-paid time. To address these issues, VALBHS should establish controls to ensure that part-time physicians are only paid for actual on-duty time, surgeon appointment levels are analyzed to be sure they are consistent with workloads, and the practice of not charging leave to full-time physicians who do not work their full tour of duty is discontinued.

Recommended Improvement Action 3. We recommended that the VALBHS Director ensure that: (a) effective controls are established to account for all part-time physician duty time, (b) part-time surgeon appointment levels are evaluated and adjusted as necessary to be consistent with workloads, (c) physicians are only granted excused absences when VA criteria are met, and (d) all physicians, their supervisors, and timekeepers receive training on VA time and attendance policies. The Director agreed and reported that new physician timekeeping controls will be implemented by July 2002 to account for all part-time physician duty time and that VAMC managers will monitor and evaluate part-time surgeon workloads. The VALBHS also plans to develop a training program on VA time and attendance policies by October 2002. The improvement plans are acceptable, and we will follow up on the completion of planned actions.

Controlled Substances Accountability – Procurement and Inspection Procedures Should Be Strengthened

Conditions Needing Improvement. The VALBHS needed to address weaknesses in controlled substances accountability and inspection procedures and to implement a formal training program for inspectors. VA medical facilities are required to conduct monthly unannounced inspections to ensure that controlled substances are properly accounted for. To evaluate controlled substances accountability, we reviewed inspection reports for the 12-month period March 2001–February 2002, observed unannounced inspections of selected areas where controlled substances were stored and dispensed, interviewed the Narcotic Inspection Coordinator and selected controlled substances inspectors, and assessed the physical security of drug storage areas. We identified numerous weaknesses in controlled substances accountability, including serious deficiencies in the Research Health Care Group (HCG) and in the nonprofit Long Beach Research Foundation, which is collocated with the Research HCG.

Controlled Substances Used in Research Improperly Procured and Monitored. VHA policy requires that controlled substances used in research (animal or human) be ordered through the pharmacy, that VA Forms 10-2638 (“green sheets”) be prepared as administration records for the drugs, and that the drugs be included in monthly controlled substances inspections. We identified three deficiencies in the procurement and inspection of controlled substances for research:

- Both the Research HCG and the Long Beach Research Foundation ordered and received controlled substances directly from vendors instead of ordering through the pharmacy.

- Although the Research HCG was included in monthly inspections, the inspections were limited to the drugs stored in the locked safe in the Research HCG administrative offices. The inspections did not include drugs stored or dispensed in research laboratories.
- The Long Beach Research Foundation did not obtain or maintain green sheets for stored or dispensed controlled substances, and the foundation was not included in monthly controlled substances inspections.

These deficiencies occurred because the Research HCG and Long Beach Research Foundation staff were not aware of VHA policies pertaining to controlled substances procurement and accountability and because the Narcotic Inspection Coordinator and the Chief of Pharmacy were not aware that the research foundation was obtaining controlled substances directly. Training research staff would help ensure that proper procurement and monitoring procedures are followed for controlled substances used in research laboratories. Ensuring that thorough monthly inspections are conducted in both the Research HCG and the Long Beach Research Foundation will provide needed controls for controlled substances accountability.

Inspection Procedures Not Consistent with VA Policy. In addition to the deficiencies pertaining to controlled substances used in research, we identified four facility-wide weaknesses in inspection procedures and training:

- Inspections did not cover excess, outdated, and unusable controlled substances stored in the pharmacy vaults.
- Inspectors did not consistently compare a sample of ward dispensing entries with patient medical records to verify that medications removed from clinic or ward inventories were supported by physician medication orders and drug administration records. For the 132 inspections documented during the 12-month review period, 33 percent did not include the required sample review of dispensing entries.
- The VALBHS Director did not appoint in writing the controlled substances inspectors. Instead, the Director appointed the Research HCG Business Managers as inspectors and they in turn assigned inspectors from their areas.
- The Narcotic Inspection Coordinator did not maintain training records for all controlled substances inspectors. However, she stated that she would begin tracking this information in April 2002, when inspection assignments are scheduled to change.

There were two reasons for the deficiencies. First, VALBHS written procedures for appointing and training controlled substances inspectors did not comply with VHA policy. Second, the VALBHS did not have a formal training program for all new inspectors. Instead of formal training for all inspectors, the VALBHS provided training primarily to the Research HCG Business Managers, who were then expected to provide on-the-job training to the inspectors selected from their respective Research HCGs. In addition, several of the inspectors stated that periodic refresher training would be useful, especially since most inspectors only perform inspections three to four times a year. More structured and frequent training would better ensure

that inspectors are familiar with correct inspection procedures, inspection deficiencies are corrected, and inspections provide the intended level of controlled substances accountability.

Recommended Improvement Action 4. We recommended that the VALBHS Director ensure that: (a) controlled substances inspection policies are revised to comply with VHA policy, (b) training is provided to research staff on controlled substances procurement and accountability, (c) the Long Beach Research Foundation is included in monthly controlled substances inspections, (d) inspections for the Research HCG and the Long Beach Research Foundation include drugs stored and dispensed in research laboratories, and (e) the Narcotic Inspection Coordinator and pharmacy staff implement a training program for inspectors.

The Director agreed and reported that as of May 2002 the controlled substances policy had been revised, training on controlled substances procurement and accountability had been provided to research staff, and the Long Beach Research Foundation laboratories had been added to the schedule of monthly inspections. Further, in May 2002 a comprehensive training program was developed for all inspectors. The improvement plans are acceptable, and we will follow up on the completion of planned actions.

Quality Management – Follow-Up on QM Issues Should Be Improved and Mortality Data Should Be Thoroughly Analyzed

Conditions Needing Improvement. The QM program was comprehensive and provided appropriate oversight of patient care provided at the VALBHS. However, we identified two issues that warranted management attention.

First, when the various quality review processes identified opportunities for improvement VALBHS managers did not always clearly state the actions that would be taken to improve performance and did not consistently follow up on action items. For example, a review of arterio-venous grafts for hemodialysis had been identified as a performance improvement project, but we found no subsequent monitoring on the topic. Also, the Patient Education Team noted that the annual VA Patient Satisfaction Survey had indicated a need to improve scores on questions related to patient education but did not define specific actions to achieve that improvement. The quality review results needed to be reviewed by an appropriate committee, addressed with appropriate action items that are assigned to specific responsible managers, and tracked until resolution is achieved. The Performance Improvement (PI) Coordinator agreed that the VALBHS needed a more effective process and told us that senior managers were in the process of changing the committee structure to better manage the flow of data. They also planned to improve the format of committee minutes and the tracking of follow-up items.

Second, managers were not thoroughly analyzing mortality data to determine trends or patterns. According to April 2000 guidance from VHA's Chief Network Officer, each medical facility is expected to analyze mortality data to determine if any trends or patterns exist. Although VALBHS had just initiated this process, the PI Coordinator agreed that the analysis could be more thorough and trended over time.

Suggested Improvement Action. We suggested that the VALBHS Director ensure that: (a) a procedure is implemented for the VALBHS to monitor all significant action items until completed, and (b) the analysis of mortality data is improved and continued. The Director agreed and reported that procedures for tracking and following up on significant action items would be reviewed and improvements implemented by July 31, 2002. The Director also stated that the Network Associated Clinical Services Officer would implement improvements for analyzing, tracking, and trending mortality data. The improvement actions are acceptable, and we consider the issues resolved.

Supply Inventory Management – Excess Inventories Should Be Reduced and Controls Improved

Condition Needing Improvement. The VALBHS needed to reduce excess inventories of medical, prosthetic, engineering, and pharmaceutical supplies and make better use of automated controls to more effectively manage supply inventories. In FY 2001, the VALBHS spent \$19.5 million on medical, prosthetic, engineering, and pharmaceutical supplies. VHA's October 2000 inventory management handbook states that medical centers should maintain inventory levels that meet current operating needs. Inventories above those levels should be avoided so funds are not tied up in excess inventory.

Generally, current needs can be met with inventories of no more than a 30-day supply. For pharmaceutical supplies, current needs can be met with a 10-day supply because the prime vendor can usually deliver pharmaceuticals within 1 day of ordering. With medical centers having inventories of thousands of items, often in multiple storage locations, and with frequent deliveries to and distributions from storage locations, automation is the only effective way to track receipts, quantities on hand, demand, and distribution. The review results for the four types of supplies are discussed below.

Medical Supplies. The Materiel Management Section used the Generic Inventory Package (GIP) to manage inventory. The VALBHS medical supply inventory was stocked in the Supply Processing and Distribution (SPD) Section. However, staff were not fully using GIP features to accomplish their stated inventory goal of 30 days or less. A physical inventory of supplies had never been performed. In addition, staff tended to enter inventory receipts, but not issues, into GIP. This practice overstated the quantity of stock on hand which, in turn, inflated GIP's number of days of stock on hand, as well as the value of the stock on hand.

The GIP inventory of SPD medical supplies consisted of 1,163 items with a stated value of \$822,560. To test the reasonableness of the SPD inventory levels, we reviewed a sample of 10 high-cost supply items. GIP showed a value of about \$115,200 for the stock on hand of the 10 items. We determined that the actual value of the stock on hand for the 10 items was about \$9,600, which meant that the GIP value was overstated by about 1200 percent. Seven of the 10 items had stock on hand that exceeded a 30-day supply. The average stock level for the seven items was 109 days. The estimated value of stock exceeding 30 days for the 7 items was \$5,300, or 55 percent of the \$9,600 total value for the 10 items. Because the GIP data was inaccurate, we could not precisely determine the actual value of stock on hand for the entire inventory.

However, applying the 55 percent estimate of excess stock for the sampled items to the entire stock would put the value of all stock at about \$68,800, of which the value exceeding current needs would be about \$37,800. Materiel Management Section officials agreed that inventory should be reduced, a complete inventory was needed to update GIP, and staff should be required to post accurately to GIP.

Prosthetic Supplies. The Prosthetics Section used the Prosthetics Inventory Package (PIP) automated system to control inventory. PIP allows inventory managers to set reorder points, but does not allow them to set normal stock levels. The Prosthetics Section maintained a supply inventory of 776 line items valued at \$206,300. To test the reasonableness of prosthetic inventory levels, we reviewed a sample of 10 high-cost items. We found that PIP was generally accurate. However, 4 of the 10 items had stock on hand that exceeded a 30-day supply, with the inventory levels ranging from 220 days to 13 years of supply. Based on PIP data and our sample review, we estimated that the value of the prosthetic supply inventory exceeding current needs was \$129,145 (63 percent of the total inventory value). Prosthetics Section managers acknowledged that the section had too much stock in the past and stated that they had been trying to reduce inventory levels. To illustrate their efforts, all four of the sample items with excess stock had reorder points set at zero so that no additional stock would be ordered.

Engineering Supplies. The Engineering Section did not use an automated inventory system and did not have any other inventory records to manage engineering supply inventories. The absence of an inventory system hindered Engineering Section staff from using basic inventory controls such as establishing normal stock levels, analyzing usage patterns to determine optimum order quantities, and conducting periodic physical inventories. Instead, supply managers relied on their experience and on informal estimates of usage to determine when and how much to order. The lack of written inventory records and normal stock level standards caused supply managers to purchase engineering supplies that exceeded current needs. We reviewed the quantities on hand and asked Engineering Section staff to estimate the usage rates for a judgment sample of 10 supply items. For 8 of the 10 items the stock on hand exceeded the 30-day standard, with inventory levels ranging from 120 days to 4 years of supply. Because Engineering Section did not maintain inventory records, we could not estimate the value of engineering supply inventories or the amount of inventory that exceeded current needs.

Pharmaceutical Supplies. Pharmaceutical inventory levels were significantly lower than inventories of other types of supplies because of the efficiency of the prime vendor's supply order system and next-day delivery service. Although Pharmacy Section did not use an automated inventory control system to manage pharmaceutical inventories, supply managers were using some good nonautomated inventory management practices, such as manually establishing normal stock levels and monitoring and ordering supplies daily. However, written inventory records and usage data were not available, and supply managers relied on experience and judgmental estimates of usage to determine when and how much to order. Our review of 20 sample items found that inventory levels for 12 items were below the 10-day standard, 7 items had levels between 10 and 25 days, and 1 item had a stock level of 454 days. Because the Pharmacy Section did not maintain inventory records, we could not estimate the value of pharmaceutical inventories or the amount of inventory that exceeded current needs.

Suggested Improvement Action. We suggested that the VALBHS Director ensure that: (a) automated inventory controls are effectively used to manage supply inventories, (b) Materiel Management and Prosthetics Sections staff review procedures for setting stock levels and reduce stock to levels consistent with current needs, (c) Materiel Management Section conducts physical counts of all medical supplies to update GIP records, (d) Engineering Section includes engineering supply items in GIP, and (e) Pharmacy Section makes use of the prime vendor's inventory management software. The Director agreed and reported that programs and plans were being implemented to automate inventories and increase their accuracy. The target date for completing these actions is October 2002. The improvement actions are acceptable, and we consider the issues resolved.

Equipment Accountability – Research Equipment Should Be Properly Accounted For

Conditions Needing Improvement. We evaluated VALBHS procedures for accounting for equipment and concluded that Research HCG controls over equipment needed improvement. As of February 2002, the VALBHS had 138 active Equipment Inventory Lists (EILs) showing items valued at \$5,000 or more. The 138 active EILs listed a total of 2,183 equipment items with a total value of \$77.4 million. Generally, VALBHS equipment accountability was effective. The loss rate for equipment was low, staff researched missing equipment, and physical inventories were conducted on schedule.

To determine if equipment was properly accounted for, we reviewed a judgment sample of 25 nonexpendable items (combined value = \$788,562) assigned to 15 of the 138 active EILs. Inventory records were generally accurate with the exception of three Research HCG items. Two Research HCG items could not be located (a stress test monitor and a laser jet color printer with a combined value of \$14,287). Research HCG had not reported these two items as missing in their last inventory dated December 2001. In addition, one item (a computer printer with an estimated value of \$5,000) was not listed on the EIL because Research HCG had not reported the printer purchase to the Materiel Management Section.

Suggested Improvement Action. We suggested that the VALBHS Director ensure that: (a) the Research HCG EIL is inventoried and records updated to accurately reflect the status of all equipment, and (b) the Research HCG reports all purchases over \$5,000 to the Materiel Management Section to be included in the Research HCG EIL. The Director agreed and reported that by August 2002 the Research HCG EIL would be inventoried and records updated. The Director also reported that the Research HCG Administrative Officer would ensure that all purchases over \$5,000 are reported to Materiel Management Section for inclusion in the Research HCG EIL. The improvement actions are acceptable, and we consider the issues resolved.

Government Purchase Card Program – Controls Should Be Strengthened

Condition Needing Improvement. Overall, the Government purchase card program was effectively controlled and managed. During the 5-month period October 2001–February 2002, cardholders made 10,543 purchases totaling \$10.2 million. Cardholders met or exceeded timeliness standards for promptly completing transaction reconciliations, with 88.2 percent completed within 10 days and 94.8 percent completed within 17 days. Approving officials also exceeded their timeliness standard, completing 98.8 percent of their certifications within 14 days. Purchase card accounts had been promptly cancelled for cardholders who had terminated employment and monthly quality reviews of purchases were regularly conducted.

Our review identified one deficiency that warranted management attention. VHA policy states that cardholders are not allowed to let others use their purchase cards. We found that a cardholder routinely allowed her approving official to make purchases with her card. Over the 18-month period October 2000 through March 2002, the approving official used the cardholder's card to make 132 separate supply purchases totaling \$21,475. In addition to ordering supplies with the purchase card, the approving official also reconciled and approved his own transactions. Even if the approving official had been an authorized cardholder, cardholders are not allowed to approve their own transactions. We reported these improprieties to the assistant purchase card coordinator who immediately counseled the approving official and cardholder.

Suggested Improvement Action. We suggested that the VALBHS Director ensure that approving officials and cardholders receive refresher training on the policy that prohibits the sharing of cards and on the need to maintain separation of duties in approving purchases. The Director agreed and reported that during FY 2002 refresher training would be provided to cardholders and approving officials. The refresher training would include the prohibition of the sharing of cards and the need to maintain separation of duties. The improvement action is acceptable, and we consider the issue resolved.

Information Technology Security – Contingency and Security Plans Should Be Developed

Condition Needing Improvement. We reviewed VALBHS information technology security to determine if controls were adequate to protect AIS resources from unauthorized access, disclosure, modification, destruction, or misuse. We concluded that the physical security for computer rooms and equipment was adequate, that on-site generators provided adequate emergency power for Local Area Network (LAN) computers, and that critical data were backed up on a regular basis and stored off-site. However, we identified a compliance issue that needed corrective action.

VALBHS did not have contingency plans for their major computer systems or security plans for the LAN and Private Branch Exchange (PBX) telephone systems. VHA facilities are required to develop and implement AIS contingency plans. These plans should be designed to reduce the

impact of disruptions in services, to provide critical interim processing support, and to resume normal operations as soon as possible. AIS security plans should contain detailed technical information about the system, the system security requirements, and the controls implemented to provide protection against its vulnerabilities. The Information Security Officer and the Chief of the Information Resource Management Section agreed to develop these required contingency and security plans, with full implementation to be completed by April 2003.

Suggested Improvement Action. We suggested that the VALBHS Director ensure that contingency plans for all major computer systems and security plans for the LAN and PBX are developed. The Director agreed and reported that as of May 2002 the VISTA contingency plan had been updated and the security plans for the LAN and PBX were being revised with a target date for completion of April 2003. The improvement actions are acceptable, and we consider the issues resolved.

Unliquidated Obligations – Unneeded Obligations Should Be Promptly Cancelled

Condition Needing Improvement. The NBC's Financial Management Section, which is responsible for monitoring obligations for the VALBHS, needed to improve the review and cancellation of unneeded obligations so that the obligated funds can be used to meet other needs. As of February 2002, the VALBHS had 1,647 unliquidated obligations totaling \$53.4 million.

To determine if the Financial Management Section staff reviewed obligations each month and cancelled delinquent obligations when appropriate, we reviewed a judgment sample of 40 obligations valued at \$13 million (20 undelivered orders valued at \$8.8 million and 20 accrued services payable valued at \$4.2 million). Of the 40 obligations reviewed, 2 (value = \$66,273) were no longer needed and should have been cancelled. Both obligations had been established in FY 2001 and could have been cancelled before the end of the fiscal year, which would have allowed the funds to be used to meet other needs. The obligations had not been cancelled because Financial Management Section staff were not performing adequate monthly reviews. Financial Management Section staff acknowledged that they did not contact the initiating services on a routine basis to determine whether the obligations were still needed.

Suggested Improvement Action. We suggested that the VISN Director ensure that: (a) the Financial Management Section staff establishes effective controls to review unliquidated obligations, and (b) unneeded obligations are cancelled before the end of the fiscal year so that the funds can be made available for other uses. The VISN Director agreed and reported that their standard operating procedures would be revised. Fund Control Officials and the Fiscal Officer would be required to perform a quarterly review of undelivered orders. The target date for completing these actions is August 2002. The improvement actions are acceptable, and we consider the issues resolved.

Monetary Benefits in Accordance with IG Act Amendments

Report Title: Combined Assessment Program Review of the VA Long Beach Healthcare System

Report Number: 02-01171-108

<u>Recommendation</u>	<u>Explanation of Benefit</u>	<u>Better Use of Funds</u>
1	Better use of funds through more aggressive collection of delinquent accounts receivable.	\$1,233,350
2	Better use of funds through improved collection of MCCF accounts receivable.	<u>\$580,000</u>
	Total	\$1,813,350

VA Long Beach Healthcare System Director and VISN 22 Director Comments

**Department of
Veterans Affairs**

Memorandum

Date: May 29, 2002

From: Director, VA Long Beach Healthcare System, Long Beach, CA (600/00)

Subj: CAP Review – March 25-29, 2002

To: Director, OIG Seattle Audit Operations Division (52SE)
Atten: Myra Taylor

Thru: Network Director, VA Desert Pacific Healthcare Network (10N22)

1. We are pleased to submit the enclosed responses to the recommendations and suggestions contained in your draft report, following your CAP review of the VA Long Beach Healthcare System, March 25-29, 2002.

2. If you require any additional information or clarification, please feel free to contact Stuart Singer, my Executive Assistant, at (562) 826-5726.

(Original signed by:)

Ramon J. Reevey

Enclosure

**LONG BEACH HEALTH CARE SYSTEM
COMMENTS AND IMPLEMENTATION PLAN**

Accounts Receivable – Reconciliations Should Be Performed and Delinquent Debts Should Be Pursued.

a. Monthly Reconciliation of IFCAP and FMS Accounts Receivable are Performed

Concur with recommended improvement action.

1. Chief, Resources Healthcare Group will identify staff responsible to accomplish this task.
2. These staff members will receive training on the accounts receivable reconciliation process between IFCAP, Accounts Receivable, and FMS. This will ensure that accounts receivable are accurate between the two systems.
3. It is anticipated that the projected additional revenue will be offset due to the additional costs that will be incurred.
4. Target date – June 2002

b. A One-time Project Is Conducted To Clean Up Delinquent Accounts Receivable And To Write Off Uncollectible Amounts

Concur with recommended improvement action.

1. This task will be completed under the direction of the Chief Resources Healthcare Group. The projected cost of completing the clean-up delinquent account receivables is approximately \$ 25,000 (300 man-hours). Targeted completion date - December 31, 2002.
2. The Chief of Resources Health Care Group also will develop a plan, in collaboration with the Network Business Center, for utilization of contract staff. Targeted completion date - September 30, 2002
3. While there is concurrence with the recommendation to write-off uncollectible amounts, all possible means to collect full or partial payment will be exhausted to ensure that these are indeed uncollectible.

c. Controls Are Established For Identifying And Pursuing Delinquent Receivables.

Concur with the recommended improvement action. The following controls already are in place to identify and pursue delinquent receivables:

1. Various reports, available from the Integrated Billing package, are utilized to identify receivables that are outstanding. The Accounts Receivable staff aggressively pursues delinquent receivables through weekly telephone calls and correspondence.
 2. For “First Party Payments”, veterans are contacted as to their outstanding balances and strongly encouraged to pay the amount in full. If this is not successful, the staff then will inform veterans of their option to utilize a payment plan. It also is explained to the veteran that, if the debt is not satisfied, the delinquent receivable will be referred to the Treasury Offset Program (TOP).
 3. On a weekly/monthly basis, third Party payers are contacted by telephone and through correspondence. Depending on the information provided by the payer, the staff makes a determination either to decrease/close-out the account, provide additional information that has been requested or continue to pursue payment. If payment is not received within 90 days of the billing date, the debt automatically is referred to Transworld System Incorporated (TSI), a collection service. TSI sends a series of five letters to third party payers, which range from a request to a demand for payment. Simultaneously, appeals continue to be made by Accounts Receivable and Utilization Review staffs. Appeals made by Utilization Review may either be from nurse-to-nurse, nurse-to-physician, or physician-to-physician. If payment still is not received, the case then is referred to Regional Council.
- d. Receivables Are Aggressively Pursued To Collection Or Write-off
1. See item “c” above.
 2. To ensure consistency for cross-training purposes, standard operating procedures are being developed. Targeted completion date - September 30, 2002.
 3. New opportunities to improve this process will be pursued through continued utilization of reports such as Diagnostic Performance Measure Reports (1st & 3rd Party Follow-Up), staff suggestions and direction from the VISN.

Medical Care Collections Funds – Billing and Collections Should Be Improved

- a. Procedures Are In Place to Identify Veterans Insurance Companies At Time Of Treatment

Concur with the recommended improvement action. The following procedures already are in place:

1. An outside contracted group helps identify veterans with insurance even when the veteran denies having coverage.
2. Class III software enables access to insurance information and automatically updates the insurance buffer file.
3. Centralized Scheduling staff has been trained to obtain insurance information from patients at the time their appointments are scheduled.
4. The VA Long Beach Healthcare System also has recommended this system be implemented at other facilities and currently leads all medical centers in VISN 22 identifying patients treated with billable insurance.

b. Insurance Billings Are Done Promptly

Concur with the recommended improvement action.

1. This is an on-going monitoring/process improvement project in the billing department. Recently a flowchart process for insurance billings has been implemented.
2. Timely checkout of patients has been a problem and resulted in delays in billing. The Data Capture Unit in the HIMS department monitors the actions required daily, which has resulted in improvements in the timeliness of the check out process. This also has enabled coding to be completed expeditiously and should eliminate the need to transfer information back and forth between coding, clinicians, and billing.
3. In addition, two new electronic programs called Electronic Data Interchange (EDI) and QuadraMed are being initiated. These two systems should improve billing lag time.

c. Receivables Are Pursued More Aggressively

Concur with the recommended improvement action.

1. The daily tasks of Accounts Receivable are reviewed and modified on an on-going basis. Workflow analysis is done to ascertain areas of duplicated effort or processes. Where identified, these are modified to reduce the ever-growing workload of the staff at a time when staffing has remained unchanged.
2. It is of concern that aggressive pursuit of receivables may continue to increase veterans' dissatisfaction with this process and may have an impact on meeting customer satisfaction performance measures or impede veterans from seeking needed care. To address that, the Patient Advocate team is evaluating interventions that will enable us to achieve our financial goals through an aggressive pursuit of collections but which also will seek to better educate and inform our veterans.

Part-Time Physician Timekeeping – Time and Attendance Controls Should Be Strengthened

- a. Establish effective controls to account for all part-time physician duty time.

Concur with recommended improvement action.

1. Physicians will be paid only for the time they worked at the VA.
2. Sign-in sheets” will be reviewed for all sub-specialties and the process standardized across all Surgical Health Care Groups for part-time physicians.
3. Sign-in sheets will be collected in the morning and sign-out sheets will be collected in the afternoon.
4. Target date for improvement actions – July 1, 2002

- b. Part-time surgeon appointment levels are evaluated and adjusted as necessary to be consistent with workloads.

Concur with recommend improvement action.

1. The workload and productivity of part-time surgeons (number of operations, procedures, encounters, visits and uniques) by surgical sub-specialties is being tracked and evaluated bimonthly by the Surgical Clinical Practice Council. Data will be utilized to accurately assess surgeons’ workloads.
2. Surgeons are being educated as to correct data entry procedures to ensure that actual workload is recorded accurately and completely. As a point of information, workload comparison data from a recent VISN 22 Surgery Consolidation Workgroup indicated that Long Beach surgeons are the most productive in terms of the number of cases per surgeon FTEE.

- c. Physicians are only granted excused absences when VA criteria are met.

Concur with recommended improvement action.

1. Supervisors will be held accountable for the time and attendance of physicians under their supervision.

2. In conjunction with Human Resources and Payroll, a training program on VA time and attendance policies is being developed to ensure that all physicians, their supervisors, and timekeepers are fully aware of the requirements to comply with all VA regulations regarding approval for and documentation of absences.
 3. Target date for completion – October 1, 2002
- d. All physicians, their supervisors, and timekeepers receive training on VA time and attendance policies.

Concur with recommended improvement action.

1. Time and attendance policies are discussed with physicians as part of their orientation program.

Controlled Substances Accountability – Inspections Should Be Strengthened

Concur with suggested improvement actions.

- a. Medical Center Policy on controlled substances has been rewritten to comply with VHA policy.
- b. Training will be provided to research staff on controlled substances procurement and accountability. Target completion date 5/31/02.
- c. Inspections of the individual Research foundation laboratories have been placed on the schedule of monthly inspections.
- d. All controlled substances for the Research HCG and the research foundation now will be ordered through the Pharmacy. Target completion date 5/31/02
- e. A class has been established in TEMPO for tracking of the training of all controlled substances inspectors. Training of the inspectors will be:
 - Yearly for all new inspectors at the beginning of their assignment
 - Refresher training yearly for all inspectors
 - The training will include classroom training, handouts and hands on training to ensure that the inspectors are prepared to perform their assignments. This training will be conducted by the Narcotic Inspection Coordinator and a pharmacist.

Additionally, the following changes have been made in inspection procedures:

- Effective March 2002, controlled substances inspectors are being appointed by the Director in writing.
- Inspectors now are comparing a sample of the ward dispensing entries with patient medical records to verify that medications were administered as ordered.
- A log has been created for excess, outdated and unusable substances stored in the pharmacy vaults.

Quality Management – Follow-Up on Identified Issues Should Be Improved and Mortality Information Should Be Thoroughly Analyzed

Concur with suggested improvement actions:

- a. The committee structure at VALBHS is under review. The review includes the flow of data, the manner in which items are tracked and the format of minutes to facilitate the follow up of action items. Targeted completion date for suggested improvement action - July 31, 2002.
- b. Mortality data for VA Long Beach Healthcare System continues to be collected at the local level. Improved methodologies for analysis, tracking and trending of this data will be implemented by the Network Associate Clinical Services Officer.

Supply Inventory Management -- Excess Inventories Should Be Reduced and Controls Improved.

Medical Supplies

Concur with suggested improvement actions:

An Omnicel Performance Team has been established to improve automated inventory controls and reduce supply levels to be consistent with current needs. Software communication problems between the automated supply cabinets and GIP has been corrected. An update of GIP records and a wall-to-wall inventory will be completed following implementation of the Omnicel Performance Team recommendations.

Prosthetic Supplies

Concur with suggested improvement actions:

Although there were prosthetic inventory items that far exceeded the 30-day or less mandate, there has been a significant decrease in the overall excess of Prosthetic inventory during the last 6 months. This is directly attributed to Prosthetic Service Line approved procedures that have been developed and put in place by the facility's Prosthetic Manager.

a. Procedures used to eliminate excess inventory and reduce dollar value:

1. Regular review of the Prosthetic Inventory Package and visual inspections of the on-hand inventory to check for quantities of stock that are beyond the 30-day level based upon issue rate.
2. Once those items are identified, implement the process to eliminate excess inventory by:
 - a) Providing Prosthetic Representatives, within our VISN, a list of excess inventory.
 - b) Providing Prosthetic Representatives, in other VISN's, a list of excess inventory.
 - c) Arrange for delivery any requested items to facilities, local and nation-wide.
 - d) Submit a VAF 2237, Request, Turn-In and Receipt For Property or Services, to the Network Business Center once all other options to eliminate excess inventory have been exhausted.

b. Procedures to maintain a 30-day inventory level and minimum dollar value:

- 1) Manager will review all requests for stock before purchase, ensuring the item and quantity are required to replenish stock and maintain 30-day inventory.
- 2) Prosthetic Service Line Director and Manager are working with local and national vendors to provide just-in-time inventory and next-day delivery for prosthetic appliances. Additionally, we are working with vendors to provide some inventory on consignment, which would prevent "tying-up" expenditures for inventory that would normally sit on the shelf.
- 3) Utilize VISN and National Blanket Purchase Agreements and Contracts to obtain best prices for commonly stocked prosthetic items.

Engineering Supplies

Concur with suggested improvement actions.

1. Facilities Management Healthcare Group is working with Material Management to formulate a strategic plan for implementation of the Generic Inventory Package. Material Management will take the lead to provide training and guidance for initial plan implementation. Targeted date for implementation – October 2002.

Pharmacy Supplies

Concur with suggested improvement actions:

1. The Inpatient Pharmacy stock is being consolidated to one area. The procurement technician has received training in the use of automated inventory controls. The use of automated inventory controls to reduce supply inventories to levels consistent with the current needs has now been implemented
2. Pharmacy has assigned an individual to implement the prime vendor's inventory management software. Pharmacy will utilize this software to generate reports to assist in the proper management of pharmaceutical inventories.

Target date for implementation of all – October 2000

Equipment Accountability -- Research Equipment Accountability Should Be Strengthened

Concur with suggested improvement actions:

1. Research Health Care Group (HCG) EIL will be inventoried and records updated to accurately reflect status of all equipment, under the assignment of a designated individual. A "Report of Survey" will be completed for the missing equipment and a police report filed. All "excess" equipment will be disposed of following established procedures. A sampling of the EIL will be performed for internal quality control.
2. When equipment priced over \$5,000 is delivered by Material Management without a property tag attached, the Research HCG Administrative Officer will ensure that all purchases over \$5,000 are reported to Material Management for inclusion in the Research HCG EIL.
3. Target date for completion – August 2002

Purchase Card Program – Controls Should Be Strengthened

Concur with the suggested improvement action.

1. Yearly refresher training for cardholders and approving officials has been in place since FY 00. This training is mandated by the Director's office and is monitored by Resources HCG. Subject matter included in this training includes the policy prohibiting the sharing of cards and the need to maintain separation of duties.

2. Details of the annual refresher training are as follows:
 - a. Purchase Card Coordinator/Alternate arranges with the Education Department to schedule time and training room for hands on training.
 - b. The VA Long Beach Healthcare E-mail messages are generated to all cardholders and approving officials of available times and location of training and the mandated local requirement of attendance.
 - c. Training attendance is entered into our Tempo database for monitoring.
 - d. After attendance, cardholders, approving officials, and trainers are required to sign VA Form 0242 entitled “ Government Wide Purchase Card Certification Form”. This is to certify that training has been conducted and cardholders and approving officials accept responsibility to follow rules and regulations of the program and understand the information presented to them regarding the program to include the proper use of the credit card. This form is kept on file within Materiel Management Section of Resources Healthcare Group.
 - e. Attendance is verified by the Purchase Card Coordinator/Alternate in Resource HCG.
 - f. Health Care Group Chiefs are notified of all cardholders or approving officials that are non-compliant with this mandated refresher training.
 - g. Once the Healthcare Group Chief is notified and there is still non-compliance, the Associate Director is notified. The cardholder and/or approving official at this point would have their card revoked and/or approving official functions canceled.

Information Technology Security – Contingency and Security Plans Should Be Developed

Concur with suggested improvement actions:

Since the IG visit, the following actions have occurred:

1. The contingency plan [Veterans Health Information Systems and Technology Architecture (VISTA) Contingency Plan, VA Long Beach Healthcare System] for the major computer System Local Area Network (LAN) recently has undergone a major upgrade with installation of new NT servers, and network routers and switches. The security plan is being revised to reflect the hardware changes.

2. The security plan for the Private Branch Exchange (PBX) telephone system is contained in Healthcare System Policy 00-22. A new telephone system recently was installed and the new policy reflecting the system changes is being updated. Targeted completion date – April 2003.

Unliquidated Obligations – Unneeded Obligations Should Be Promptly Cancelled.

Establish Effective Controls to Review Unliquidated Obligations and Cancel Unneeded Obligations Before the End of the FY

Concur with recommended improvement action.

1. The NBC Financial Management Section will prepare written standard operating procedures for employees to follow for the review of outstanding undelivered orders.
2. A review of relevant manual references refer to “quarterly” reviews of undelivered orders. A listing of undelivered orders will be provided each Fund Control Official and Fiscal Officer on a quarterly basis for their review and follow-up.
3. Targeted completion date of recommended improvement action – August, 2002

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