



Department of Veterans Affairs Office of Inspector General

Combined Assessment Program Review of the VA Hudson Valley Health Care System Montrose, New York

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 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 31–April 4, 2003, the Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the VA Hudson Valley Health Care System (health care system), which is part of Veterans Integrated Service Network (VISN) 3. The purpose of the review was to evaluate selected health care 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 176 employees.

Results of Review

Health care system patient care, QM, and financial and administrative controls reviewed were generally operating satisfactorily. To improve operations, management needed to:

- Provide greater management oversight to improve contracting practices.
- Strengthen controls over the Government purchase card program.
- Strengthen accountability over controlled substances.
- Establish controls over engineering supplies.
- Ensure that computer access is terminated for individuals who no longer need access.
- Enhance the program for managing violence in the workplace.
- Establish contracts for recurring procurements.
- Establish controls over annual quality assurance reviews of patients' personal funds.
- Correct minor environment of care issues.

VISN 3 Director and Hudson Valley Health Care System Director Comments

The VISN 3 Director and the health care system Director agreed with the CAP review findings and provided acceptable improvement plans. (See Appendix A, pages 15-20, for the full text of the Directors' comments.) We will follow up on the implementation of recommended improvement actions.

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

Introduction

Health Care System Profile

Organization. Located in Montrose and Castle Point, New York, the health care system provides a broad range of inpatient and outpatient health care services. Outpatient care is also provided at six community-based outpatient clinics (CBOCs) located in Carmel, Middletown, Monticello, New City, Port Jervis, and Poughkeepsie, New York. The health care system is part of VISN 3 and serves a veteran population of about 250,000 in a primary service area that includes 7 counties in New York.

Workload. In fiscal year (FY) 2002, the health care system treated 29,161 unique patients, a 1 percent increase from FY 2001. The inpatient care workload totaled 2,496 discharges, and the average daily census, including nursing home patients, was 365. The outpatient workload was 303,308 visits.

Resources. In FY 2002, the health care system's medical care expenditures totaled \$133.4 million. The FY 2003 medical care budget is \$144.7 million, 8.5 percent more than FY 2002 expenditures. FY 2002 staffing was 1,347 full-time equivalent employees (FTEE), including 63 physician and 362 nursing FTEE.

Programs. The health care system provides medical, ambulatory, surgical, mental health, geriatric, and advanced rehabilitation services. The health care system has 413 hospital beds that includes 180 nursing home beds and operates several regional referral and treatment programs, including the Mental Health Intensive Case Management Program and the Domicillary Substance Abuse Program. The health care system also has sharing agreements with Keller Army Hospital at the West Point Military Academy, the State of New York, and five local community hospitals.

Affiliations and Research. The health care system is affiliated with the New York Medical College and supports one medical resident position in a Gero-Psychiatry training program. In addition, the health care system is affiliated with the State University of New York (SUNY) and supports four resident positions in the Optometry Program. The health care system has nursing rotation affiliations with the New York Board of Cooperative Educational Services, Western Connecticut State University, SUNY, Mount Saint Mary College, Dutchess County Community College, and Pace University. All research projects are coordinated and conducted through the Bronx VA Research and Development Program. Important areas of research include psychopharmacology and HIV quality of care.

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, 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. The review covered the health care system operations for FY 2002 and FY 2003 through February 2003, and was done in accordance with OIG standard operating procedures for CAP reviews.

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

Accrued Services Payable	Government Purchase Card Program
Background Investigations	Information Technology Security
Clinic Appointment Scheduling	Medical Care Collections Fund Billing
Contract Administration	Non-Contract Procurements
Controlled Substances Accountability	Personal Funds of Patients
Delinquent Accounts Receivable	Quality Management
Engineering Supplies Management	Workplace Violence Program
Environment of Care	

Activities that were particularly effective or otherwise noteworthy are recognized in the Organizational Strengths section of the report (page 4). Activities needing improvement are discussed in the Opportunities for Improvement section (pages 5-14). For these activities, we make recommendations or suggestions. 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 VISN and health care system management until corrective actions are completed. For the activities not discussed in the Organizational Strengths or Opportunities for Improvement sections, there were no reportable deficiencies.

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 all health care system employees, 175 of whom responded. We also interviewed 42 patients during the review. The survey indicated generally high levels of patient and employee satisfaction and did not disclose any significant issues. The full survey results were provided to health care system management.

During the review, we presented three fraud and integrity awareness briefings for health care system employees. These briefings, attended by 176 employees, 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.

Results of Review

Organizational Strengths

The QM Program Was Comprehensive and Provided Effective Oversight. The health care system had a comprehensive and effective QM program to monitor overall quality of care. The health care system's quality performance measures exceeded Veterans Health Administration (VHA) standards. Several interdisciplinary committees monitored QM activity in each service line. We determined that physicians were actively involved in performance improvement activities. Also, the peer review process demonstrated that management actions improve quality of care and health care delivery.

Accounts Receivable Billing and Collection Efforts Were Effective. Fiscal Service had effective controls in place for identifying and pursuing health insurance and current/former employee accounts receivable. Medical Care Collections Fund staff were billing insurance carriers within 16 days of the date of service and forwarding accounts receivable to the collection agency 61 days after the bill date. The current and former employee debts were aggressively pursued for collection through offset from current salary and/or referral to the Treasury Offset Program.

Accrued Services Payable Were Reviewed Monthly and Canceled When Not Needed. As of February 28, 2003, the health care system had 270 accrued services payable valued at \$5.1 million. We reviewed a judgmental sample of 20 accrued services payables valued at \$1.8 million. Fiscal Service was reviewing accrued services payable every month, contacting health care system services to determine whether payables were still needed, and promptly canceling payables that were no longer needed.

Employee Background Investigation Process Was Effective. The health care system effectively streamlined its process for conducting background investigations and fingerprinting. New employees are provided background investigation forms to complete before they report for duty or are allowed to receive identification badges. The health care system's security personnel use digital fingerprinting technology to connect directly to the Federal Bureau of Investigation (FBI) and determine if new employees have adverse background information. The FBI provides their review results in 72 hours. Also, in October 2002, Human Resource personnel began reviewing official personnel files to ensure that every employee has appropriate and complete background information on file.

Opportunities for Improvement

Contract Administration – Greater Management Oversight Is Needed to Improve Contract Administration

Conditions Needing Improvement. Health care system management needed to ensure that contracts were administered in accordance with the Federal Acquisition Regulation (FAR) and VA policy. Our review disclosed contract administration deficiencies in the areas of: database searches of prospective contractors, documentation of the contract negotiation process, documentation to exercise contract option years, and contract oversight.

To determine the effectiveness of contract administration procedures, we selected 9 contracts valued at \$4.6 million from the universe of 29 contracts. The FAR requires that documentation be maintained in the contract files in support of significant contractual actions. Examples of the contract administration deficiencies follow:

Excluded Parties Listing. Contracting officers did not conduct database searches for prospective contractors. Federal agencies are required to award contracts to responsible sources. VA policy requires that Government purchases be made from, and Government contracts be awarded to, responsible prospective contractors that have satisfactory records of integrity and business ethics. To prevent doing business with unsatisfactory contractors, contracting officers are required to conduct searches of the Government's Excluded Parties Listing System to determine if prospective contractors are ineligible for Federal contracts. We found that database searches were not performed for four contracts valued at \$1,229,000. The four contracts were awarded for medical transcription services, orthopedic physician services, and two were for the lease of space.

Price Negotiation Memorandum (PNM). Contracting officers did not document the contract negotiation process for a contract. The FAR requires contracting officers to prepare PNMs in order to provide documentation of the most important elements of the contract negotiation process, including a description of the procured services, purpose of negotiations, an explanation for price determination, and identification of the principal contractor and Government officials involved with the negotiation process. A PNM had not been prepared for a contract valued at \$216,000 for the lease of space.

Contract Option Years. Contracting officers did not prepare written justifications in support of exercising contract option years. When an option year is exercised the FAR requires contracting officers to prepare a written justification for the contract file that ensures the action is in accordance with the terms of the option. Three contracts totaling \$1,016,000, for which option years were exercised, did not have written justifications supporting exercising the options. The three contracts were for medical transcription services, orthopedic physician services, and the lease of space.

Contract Oversight. Health care system management needed to strengthen controls over contract oversight of medical transcription services and reduce the risk of over-billing by a contractor. Effective October 1, 2002, health care system management entered into a contract with a vendor to provide medical transcription services that had an estimated total value for the base year and 4 option years of \$496,000.

The Assistant Chief, Health Information Management Services (HIMS) was the contracting officer's technical representative (COTR) identified in the contract for ensuring that services were being provided in accordance with contract terms. We found that the COTR did not properly monitor the contractor's performance. The COTR did not ensure that the contractor provided the health care system with reports required by the contract that included: (1) daily dictation logs that identify the patient, social security number, type of medical report, date and time of occurrence, provider, date and time of dictation, and the number of keystrokes in the report; (2) invoices that identify each transcribed report in the billing period; and (3) monthly quality control reports that include a 10 percent sample of documents transcribed. HIMS personnel certification of contractor invoices was limited to verifying the mathematical accuracy of invoices. The contractor bills the health care system based on the number of keystrokes transcribed per medical report.

The COTR did not conduct quarterly reviews of contractor reports to ensure the accuracy of charges as specified in the contract. As a result, the health care system paid the contractor approximately \$127,000 for the 17-month period ending February 2003 without validating the accuracy of billed amounts.

Recommended Improvement Action 1. We recommended that the VISN Director ensure that the health care system Director implements procedures and controls to:

- (a) improve contract administration in accordance with the FAR and VA policies; and
- (b) provide contract oversight for medical transcription services to ensure accuracy of billed amounts.

The VISN Director and health care system Director agreed with the finding and recommendations, and the VISN Director agreed with the health care system Director's corrective action plan. The health care system Director provided acceptable improvement plans. We will follow up on the planned actions until they are completed.

Government Purchase Card Program – Controls Should Be Strengthened

Conditions Needing Improvement. Health care system management and the Purchase Card Coordinator (PCC) needed to strengthen controls over the Government Purchase Card Program. As of January 31, 2003, the health care system had 117 cardholders and 27 approving officials. We reviewed purchase card activities that occurred from October 1, 2001 through January 31, 2003. During that period, cardholders made 13,248 purchase card transactions totaling \$8.2

million. VA employees must use Government purchase cards for all micro-purchases (those under \$2,500). The FAR also permits use of the purchase card when authorized for the acquisition of goods and services up to \$100,000. Our review identified three areas that needed management attention.

Segregation of Duties. The PCC improperly reconciled and approved purchase card transactions. The PCC is responsible for: ensuring that cardholders and approving officials have been appropriately trained, establishing and maintaining accounts, issuing new cards, and retrieving and canceling cards of any employee who either terminates employment or violates purchase card policies and procedures. VA policy states that the PCC cannot be a cardholder or approving official.

For the period October 12, 2001 through February 20, 2003, the PCC improperly reconciled 509 purchases totaling \$301,576, and improperly approved 434 purchases totaling \$237,777. These purchases involved 87 different cardholders. The purchases were reconciled and approved by the PCC during training sessions with cardholders. As a result, the PCC fostered a weak control environment by performing functions reserved for cardholders and approving officials.

Competitive Procurements. Purchase cardholders did not maintain documentation to support competition for purchases exceeding \$2,500. The FAR requires purchasing officials to promote competition, to the maximum extent possible, to obtain supplies and services from the source whose offer is most advantageous to the Government. Further, a cardholder must consider three sources to promote competition, or document a sole source justification.

We reviewed a judgmental sample of 51 open market transactions, totaling \$427,778, and evaluated the level and appropriateness of competitive purchasing efforts. We found that cardholders did not obtain bids from 3 sources or document sole source justifications for 18 (35 percent) of 51 sampled transactions made from 5 vendors totaling \$129,173, that included products such as fuel oil, salt pellets, and common construction materials. One cardholder made 16 (89 percent) of the 18 non-competitive procurements. This individual was aware of the requirements to seek competitive prices but did not document competitive efforts.

We also determined that designated approving officials inappropriately approved the 18 transactions. Approving officials certified the transactions without ensuring the existence of documentation to support efforts to seek competition. As a result, health care system management did not have reasonable assurance that the most fair and reasonable prices were obtained, or that procurements were made in VA's best interest.

Timeliness of Certifications. Approving official certifications were not always completed within the required time limits. VHA policy requires approving officials to certify 100 percent of reconciled purchases within 14 days of receipt from the cardholder. Approving officials certified 83 percent of cardholder purchases within 14 days. Further, the PCC did not adequately monitor and take appropriate actions to ensure the timely certification of purchases.

We identified 5 approving officials, who accounted for 1,471 (64 percent) of the 2,312 untimely approvals valued at approximately \$1.4 million. These delinquent certifications ranged from 1 to

342 days late. The PCC's actions were limited to two electronic mail messages sent to three of the five approving officials reminding them of their responsibilities to approve all reconciled credit card charges within 14 days of receipt from cardholders. Because approving officials did not approve purchases timely, and the PCC did not adequately monitor and take appropriate action; the facility did not meet the regulatory requirement for timely approval of purchases and reasonable assurance that purchases were legal and proper.

Recommended Improvement Action 2. We recommended that the VISN Director ensure that the health care system Director requires:

- (a) the PCC to discontinue reconciling and approving purchases;
- (b) cardholders to seek competition for purchases exceeding \$2,500 each;
- (c) cardholders to document the solicitation process; and
- (d) approving officials to timely certify purchase transactions.

The VISN Director and health care system Director agreed with the finding and recommendations, and the VISN Director agreed with the health care system Director's corrective action plan. The health care system Director provided acceptable improvement plans. We will follow up on the planned actions until they are completed.

Controlled Substances Accountability – Controls Should Be Strengthened

Conditions Needing Improvement. Health care system management needed to correct weaknesses in controlled substances inspection procedures, pharmacy security and controls, and local controlled substances policy. VHA policy requires an adequate and comprehensive system to include safety and control of stocks for all Schedule II-V controlled substances. To evaluate controlled substances accountability at the health care system, we reviewed monthly controlled substances inspection reports for the 12-month period of February 1, 2002 through January 31, 2003, and local policy related to controlled substances. We observed unannounced controlled substances inspections and conducted interviews with Pharmacy Service personnel, controlled substances inspectors, and the Controlled Substances Inspection Coordinator.

Controlled Substances Inspections. As part of the monthly controlled substances inspection process, VA policy requires inspectors to review a sample of dispensing entries to patient records to verify that controlled substances were appropriately removed from inventories at all inspection sites, including the pharmacy vault and automated dispensing machines. The program for training inspectors should be documented and the health care system Director should appoint controlled substances inspectors in writing. Our review disclosed the following deficiencies:

- Dispensing entries were not reviewed at Castle Point or Montrose pharmacy vaults or the Suremeds, the automated dispensing machines used on nights and weekends.

- Training documentation was not maintained for 42 controlled substances inspectors (27 at Montrose and 15 at Castle Point). However, prior to our on site visit, the health care system began documenting training in the electronic employee training record.
- At Castle Point, inspectors asked the ward nurse for a patient's name for a record to verify, rather than independently selecting a patient's record at random.
- The health care system Director did not appoint the controlled substances inspectors in writing.

Pharmacy Security and Controls. Our review disclosed the following deficiencies:

- VHA policy requires that orders for all controlled substances be delivered directly to the pharmacy and the opening and receipt witnessed by an accountable officer and a pharmacy employee. Pharmacy Service employees at both Montrose and Castle Point acknowledged they received Schedule III, IV and V controlled substances without the required witness. The receipt of Schedule II orders was witnessed at both locations.
- VHA guidance mandates that Pharmacy Service conduct an inventory of all controlled substances in pharmacy stock at a minimum of every 72 hours. We reviewed the inventories conducted during the 3-month period of November 1, 2002 through January 31, 2003. At Castle Point, 5 (16 percent) of the required 31 inventories were not conducted. In addition, 11 of the inventories took place more than 72 hours apart, ranging from 4 to 7 days. At Montrose, all 31 required inventories were conducted. However, 7 inventories were performed more than 72 hours apart, ranging from 4 to 7 days.

Local Policy. The health care system's local policy did not include pertinent guidance, such as the requirement that the Director report the loss of controlled substances to the OIG Office of Investigations and the health care system Police Service. Pharmacy Service had not developed required local policies covering: the ordering and receiving of controlled substances, procedures for outpatient prescriptions not picked up at the outpatient window, and instructions for controlled substances inspectors on how to inspect the Suremeds.

Recommended Improvement Action 3. We recommended that the VISN Director ensure that the health care system Director improve controlled substances accountability by requiring that:

- (a) controlled substances inspectors verify a sample of independently selected pharmacy vault and Suremed dispensing entries during each monthly inspection;
- (b) training for controlled substances inspectors continues to be documented in the electronic employee training record;
- (c) controlled substances inspectors are appointed by the health care system Director in writing;
- (d) pharmacy controls are established and implemented, to include the requirement that the receipt of all Schedule II-V controlled substances be witnessed, and 72-hour inventories be completed as required; and

- (e) comprehensive local policies and procedures relating to controlled substances inspections, including reporting requirements regarding the loss of controlled substances, are developed and followed.

The VISN Director and health care system Director agreed with the finding and recommendations, and the VISN Director agreed with the health care system Director's corrective action plan. The health care system Director provided acceptable improvement plans. We will follow up on the planned actions until they are completed.

Engineering Supplies Management – Controls Should Be Established Over Engineering Supplies

Conditions Needing Improvement. Health care system management needed to establish controls to strengthen accountability and effectively manage engineering supply inventories. In FY 2002, the health care system spent \$576,835 on engineering supplies. VHA policy requires that medical facilities use VA's Generic Inventory Package (GIP) to manage inventories. GIP is a management tool used to establish proper inventory levels, set reorder quantities, and track usage of supplies. In addition, GIP enables inventory managers to accurately account for quantities on hand through periodic physical inventories.

Inventory System. Facilities Management Service (FMS) managers were not utilizing GIP or any system to manage engineering supplies. The quantities and dollar value of engineering supplies on-hand could not be readily determined by management, nor was it possible to identify whether or not engineering supplies currently on-hand were overstocked or adequate to meet health care system needs. Health care system management experienced delays in establishing implementation plans for GIP. In October 2002, an implementation plan was drafted but not submitted to VA Central Office for approval. As a result of our CAP review, the plan has been forwarded to VA Central Office for approval.

Physical Inventory. FMS managers did not conduct annual physical inventories of engineering supplies. The Chief, FMS was unaware of the requirement to conduct an annual physical inventory of engineering supplies. An inventory listing of some supply items was maintained for only three of the five engineering shops. In addition, we found numerous bins of inventory stock that were not labeled. To verify the accuracy of the listings, we reviewed a judgmental sample of 30 supply items. For 24 (80 percent) of the 30 items, the quantities listed were inaccurate. For 12 of the 24 items, the quantities exceeded amounts on the supply listings. For the remaining 12 items, quantities were less than amounts on the supply listings. Without accurate inventory records, it was not possible to account for and safeguard supplies or determine whether existing levels of engineering supplies were overstocked or sufficient to meet demand.

Recommended Improvement Action 4. We recommended that the VISN Director ensure that the health care system Director requires FMS to:

- (a) continue implementing GIP in accordance with the draft implementation plan; and
- (b) conduct a physical inventory of all engineering supply items to obtain an accurate count of all items to be included in the GIP system.

The VISN Director and health care system Director agreed with the finding and recommendations, and the VISN Director agreed with the health care system Director's corrective action plan. The health care system Director provided acceptable improvement plans. We will follow up on the planned actions until they are completed.

Information Technology Security – System Access Should Be Terminated

Conditions Needing Improvement. We reviewed the health care system's information technology (IT) security controls to determine if they were adequate to protect automated information system resources from unauthorized access, disclosure, modification, destruction, or misuse. We found that physical security for the computer room was adequate. However, we identified one IT security deficiency that needed corrective action.

System Access. Access to the Veterans Health Information Systems and Technology Architecture (VistA) system had not been deactivated for individuals who had not accessed the system in the past 90 days. VHA policy requires that facilities review VistA user access and privileges at least every 90 days for appropriate levels of access or continued need.

To determine if VistA access was needed, we reviewed a list of 516 VistA users that included test accounts and non-health care system employees. We found that 221 of 516 (43 percent) users had not accessed VistA in the past 90 days. It should be noted that 118 users had not accessed VistA for at least 12 months and 29 users had never accessed VistA. Information Resources Management (IRM) personnel installed a patch on July 22, 2001, that would automatically delete an account after being inactive for 90 days. However, the patch was not activated. When we brought this to the attention of the Information Security Officer, IRM personnel immediately deactivated access for those individuals.

Recommended Improvement Action 5. We recommended that the VISN Director ensure that the health care system Director requires that VistA access is terminated promptly for all individuals who do not have a continued need for access.

The VISN Director and health care system Director agreed with the finding and recommendation, and the VISN Director agreed with the health care system Director's corrective action plan. The health care system Director provided acceptable improvement plans and we consider this issue closed.

Workplace Violence Program – Systems to Alert Employees Should Be Improved

Conditions Needing Improvement. Our review of the health care system's program for preventing and managing incidents of patient violence showed that the program should be strengthened by posting VistA and Computerized Patient Record System (CPRS) alerts about potentially violent patients.

Computerized Violent Patient Alerts. Computer alerts on potentially violent patients needed to be visible in VistA and the CPRS. We reviewed information on 10 patients who had documented incidents of violent or threatening behavior in calendar year 2002. None of the 10 patients were identified in either VistA or CPRS with alerts indicating that they had histories of violent behavior. The acting coordinator for the program agreed to revise the health care system's policy on the alerts process and to ensure that both systems would alert employees about patients with documented histories of violence.

Recommended Improvement Action 6. We recommended that the VISN Director ensure that the health care system Director implements procedures to post CPRS and VistA alerts about potentially violent patients.

The VISN Director and health care system Director agreed with the finding and recommendation, and the VISN Director agreed with the health care system Director's corrective action plan. The health care system Director provided acceptable improvement plans and we consider this issue closed.

Non-Contract Procurements – Contracts Should Be Established For Recurring Needs

Conditions Needing Improvement. Health care system management should consider establishing contracts for goods and services that are procured on a recurring basis. Establishing contracts for certain goods or services that are procured on a regular basis would allow for a more efficient procurement process and provide a potential for cost savings. The goods and services purchased included: eyeglasses, telecommunications and electric services, fee basis services, and durable medical equipment. Details on the non-contract procurements follow:

- The VISN 3 Network Prosthetics Service made repetitive non-contract purchases of eyeglasses from one vendor for the health care system totaling \$732,000. We compared acquisition costs with an optical contract that was established by VISN 4. VISN 4 officials negotiated a flat rate for single vision, bifocal, and trifocal lenses and there was no extra charge for lense treatments (i.e., progressive, transition). If the health care system had established a contract with a vendor and obtained comparable pricing, the health care system could have saved as much as \$171,000 for the purchase of eyeglasses.

- Health care system managers obtained telecommunications and electric utility services through non-contract transactions. The health care system procured various telecommunication services from two vendors (Verizon-frame relay, and Nextel-cell phones) totaling \$232,000. Further, the health care system procured electric utility services for the Castle Point campus totaling \$456,000 from Central Hudson Electric Company. The use of contracts for these two services could result in cost savings for the Government.
- The VISN 3 Prosthetics Service made repetitive non-contract purchases for durable medical equipment (i.e., hospital beds, wheelchairs, walkerettes, etc.) totaling \$142,000 from three vendors. Establishment of contracts for these items would result in a more effective use of Government funds.

Suggested Improvement Action. We suggested that the VISN Director ensure that the health care system Director consider establishing contracts for the above recurring procurements.

The VISN Director and health care system Director agreed with the finding and suggestion, and the VISN Director agreed with the health care system Director's corrective action plan. The health care system Director provided acceptable improvement plans and we consider this issue closed.

Personal Funds Of Patients – Controls Over Quality Assurance Reviews Should Be Established

Conditions Needing Improvement. Fiscal Service needed to establish controls to ensure annual reviews are conducted of Personal Funds of Patients (PFOP) accounts. VA policy requires that an annual quality assurance review of PFOP accounts be conducted in the second quarter of each fiscal year. These reviews include activities such as account reconciliations, disbursement authorizations, and timely deposits and withdrawals. As of February 28, 2003, the health care system had 406 PFOP accounts valued at \$7.7 million.

Annual Quality Assurance Reviews. Fiscal Service staff had not conducted an annual quality assurance review of PFOP records for 4 fiscal years covering the period of FY 1999 through FY 2002. In March 2003, Fiscal Service staff completed the annual quality assurance review of PFOP accounts. The review noted that five PFOP accounts totaling \$19,272 were inactive for more than 90 days. During our review, the Chief, Fiscal Service initiated action to determine the disposition of the inactive accounts.

Suggested Improvement Actions. We suggested that the VISN Director ensure that the health care system Director establishes controls that will require Fiscal Service staff to conduct annual quality assurance reviews of PFOP accounts.

The VISN Director and health care system Director agreed with the finding and suggestion, and the VISN Director agreed with the health care system Director's corrective action plan. The

health care system Director provided acceptable improvement plans and we consider this issue closed.

Environment Of Care – Some Areas Needed Minor Improvements

Conditions Needing Improvement. We inspected all clinical and administrative areas at both health care system locations and at the New City CBOC. We found the overall environment of care was generally acceptable and well maintained. Public restrooms were kept clean throughout the day. Patient waiting areas were also clean and had appropriate lighting. We observed that facility maintenance personnel were continually making efforts to keep the facility clean. For those areas needing improvement, health care system management agreed with our findings and began taking corrective actions while we were on site. For example, some loose handrails were tightened and refrigerator gaskets were either cleaned or replaced. We provided details of our environment inspections to health care system management.

Suggested Improvement Action. We suggested that the VISN Director ensure that the health care system Director completes actions to correct minor environment of care issues identified in our inspection.

The VISN Director and health care system Director agreed with the finding and suggestion, and the VISN Director agreed with the health care system Director's corrective action plan. The health care system Director provided acceptable improvement plans and we consider this issue closed.

VISN 3 Director Comments

Department of **Memorandum** Veterans Affairs

Date: July 14, 2003

From: Network Director, VISN 3 (10N3)

Subj: Response to Draft Report, CAP - VA Hudson Valley HCS
Project Number 2003-01144-R1-0069

To: Assistant Inspector General for Auditing (52)

1. The following is the reply to Draft Report, CAP – Project Number 2003-01144-R1-0069.
2. We appreciate the opportunity to review and comment on the recommendations. If you need any further information, please contact Michael A. Sabo, Director, VA Hudson Valley HCS, at (914) 737-4400, extension 2400.

JAMES J. FARSETTA, FACHE

Attachment

**CAP REVIEW
HUDSON VALLEY HEALTH CARE SYSTEM
Comments and Implementation Plan**

1. Contract Administration – Greater Management Oversight Is Needed to Improve Contract Practices and Ensure Compliance with VA Policy

Recommended Improvement Action 1. We recommended that the VISN Director ensure that the health care system Director implements procedures and controls to:

- (a) improve contract administration in accordance with the FAR and VA policies; and
- (b) provide contract oversight for medical transcription services to ensure accuracy of billed amounts.

Response: Concur

Implementation Plan:

- (a) The Network Acquisition Program (NAP) is conducting quarterly audits of our contracting files for missing items. In addition, a proactive training program will be implemented to improve staff compliance with documentation of contract actions. Completion Date: June 2003.
- (b) During the CAP Survey, a system was implemented to validate contractor bills and individual reports for medical transcription services to ensure accuracy of billed amounts. Follow-up on implementation of the corrective actions will occur quarterly for six months. Target Completion Date: November 2003

2. Government Purchase Card Program – Controls Should Be Strengthened

Recommended Improvement Action 2. We recommended that the VISN Director ensure that the health care system Director requires:

- (a) the PCC to discontinue reconciling and approving purchases;
- (b) cardholders to seek competition for purchases exceeding \$2,500 each;
- (c) cardholders to document the solicitation process; and
- (d) approving officials to timely certify purchase transactions.

Response: Concur

Implementation Plan:

- (a) The PCC was unaware that purchases were inadvertently reconciled and approved during training sessions with cardholders. In addition, during a short period, the PCC was functioning in the role of Acting Approving Official, temporarily, after the retirement of the

Logistics Manager in January 2001. In March 2003, this issue was corrected prior to the CAP Survey. The PCC is no longer reconciling and approving during training sessions. Completion Date: March 2003.

- (b) Controls to ensure that cardholders seek competition for purchases exceeding \$2,500 will be implemented. Target Completion Date: September 2003.
- (c) Controls to ensure that cardholders follow proper procedures and document the solicitation process will be implemented. Target Completion Date: September 2003.
- (d) Follow-up reports and control audits will be revised and strengthened to ensure timely reconciliation. Target Completion Date: September 2003.

3. Controlled Substances Accountability – Controls Should Be Strengthened

Recommended Improvement Action 3. We recommended that the VISN Director ensure that the health care system Director improve controlled substances accountability by requiring that:

- (a) controlled substances inspectors verify a sample of independently selected pharmacy vault, and Suremed dispensing entries during each monthly inspection;
- (b) training for controlled substances inspectors continues to be documented in the electronic employee training record;
- (c) controlled substances inspectors are appointed by the health care system Director in writing;
- (d) pharmacy controls are established and implemented to include the requirement that the receipt of all Schedule II-V controlled substances be witnessed, and 72-hour inventories be completed as required, and
- (e) comprehensive local policies and procedures relating to controlled substances and inspections, including reporting requirements regarding the loss of controlled substances, are developed and followed.

Response: Concur

Implementation Plan:

- (a) Controlled Substance Inspectors historically have verified a sample of independently selected clinics and ward dispensing entries. However, the inspectors did not verify a sample from the Suremed and vault. The Suremed and vault have now been included in the inspection sample. Completion Date: July 2003.
- (b) Training has been documented since January 17, 2003 when the need for meeting the requirement was identified. Completion Date: January 2003.
- (c) Policy has been changed and the Director now appoints all inspectors in writing. Completion Date: April 4, 2003
- (d) Pharmacy controls have been established and implemented to include the requirement that the receipt of all Schedule II-V controlled substances be witnessed and that 72-hour inventories be completed as required. Completion Date: September 2003
- (e) All local policies will be rewritten, approved, and implemented. Target Completion Date: September 2003.

4. Engineering Supplies Management – Controls Should Be Established Over Engineering Supplies

Recommended Improvement Action 4. We recommended that the VISN Director ensure that the health care system Director requires:

- (a) the FMS to continue implementing GIP in accordance with the draft implementation plan; and
- (b) the FMS to conduct a physical inventory of all engineering supply items to obtain an accurate count of all items to be included in the GIP system.

Response: Concur

Implementation Plan:

- (a) As discussed during the CAP Survey, the health care system is in the initial stages of implementation of GIP. Staff, including a supervisor for GIP, has been selected and implementation has begun. Target Completion Date: October 2004.
- (b) The GIP implementation plan requires creating and maintaining constant physical inventory. Implementing the GIP will satisfy the requirement completely. Target Completion Date: October 2004.

5. Information Technology Security – VISTA Access Should Be Terminated

Recommended Improvement Action 5. We recommended that the VISN Director ensure that the health care system Director requires that VistA access is terminated promptly for all individuals who do not have a continued need for access.

Response: Concur

Implementation Plan:

Corrected during the CAP review with the activation of the patch. Completion Date: April 2003

6. Workplace Violence Program – Systems to Alert Employees Should Be Improved

Recommended Improvement Action 6. We recommended that the VISN Director ensure that the health care system Director implements procedures to post CPRS and VistA alerts about potentially violent patients.

Response: Concur

Implementation Plan:

HVHCS could not implement the alert system because the patch necessary to provide us with the capability to address this issue was not released until March 2003. That patch was installed just prior to the CAP visit and has been tested. As of April 2003, HVHCS developed and implemented a policy and procedure to place a clinical warning in the electronic record and enter a progress note linked to that warning appears to be successful. A copy of this policy and a sample of the progress note was forwarded to the OIG on July 2, 2003. Completion Date: April 2003.

7. Non-Contract Procurements – Contracts Should Be Established For Recurring Needs

Suggested Improvement Action 1. We suggested that the VISN Director ensure that the health care system Director consider establishing contracts for the above recurring procurements.

Response: Concur

Implementation Plan:

Contracts will be considered, however, in some of the cited areas there are no alternative provider of services. Where appropriate, contracts will be considered for recurring procurements. Target Completion Date: January 2004.

8. Personal Funds of Patients – Controls Over Quality Assurance Reviews Should Be Established

Suggested Improvement Action 2. We suggested that the VISN Director ensure that the health care system Director establishes controls that will require Fiscal Service staff to conduct annual quality assurance reviews of PFOP accounts.

Response: Concur

Implementation Plan:

Controls have been established to ensure that Fiscal Service staff conduct annual quality assurance reviews of PFOP accounts as required. The FY 2003 review was completed in March 2003. Completion Date: March 2003.

9. Environment of Care – Some Areas Needed Minor Improvements

Suggested Improvement Action 3. We suggested that the VISN Director ensure that the health care system Director completes actions to correct minor environment of care issues identified in our inspection.

Response: Concur

Implementation Plan:

All corrective actions have been completed. Completion Date: April 2003.

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