



# **Department of Veterans Affairs Office of Inspector General**

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## **Combined Assessment Program Review of the VA New York Harbor Healthcare System New York, 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.
- Provide fraud and integrity awareness training to increase employee understanding of the potential for program fraud and the requirement to refer suspected criminal activity to the OIG.

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 June 14–18, 2004, the Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the VA New York Harbor Healthcare System. The purpose of the review was to evaluate selected 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 210 employees. The healthcare system is under the jurisdiction of Veterans Integrated Service Network (VISN) 3.

### **Results of Review**

This CAP review covered 14 areas. The healthcare system complied with selected standards in the following seven areas:

- Clinic Waiting Times and Patient Enrollment
- Controlled Substances Accountability
- Environment of Care
- Management of Moderate Sedation
- Medical Care Collections Fund
- Pharmacy Security
- Quality Management

We identified seven areas that needed additional management attention. To improve operations, the following recommendations were made:

- Implement controls and improve monitoring of the Government Purchase Card Program.
- Maintain accurate inventory records and reduce excess medical and engineering supply inventories.
- Submit two contracts for VA Regional Counsel review and improve administration of service contracts.
- Establish controls to prevent the inappropriate cancellation of debts, improve the timeliness of collection activities, and improve the accuracy of financial records of employee and vendor accounts receivable (ARs).
- Strengthen compliance with standards and requirements for the bulk oxygen utility system (OUS).
- Improve coding and billing for colonoscopies and related pathology.
- Perform background investigations on sensitive positions relative to information technology (IT) security.

This report was prepared under the direction of Thomas L. Cargill, Jr., Director, and Jacqueline L. Stumbris, CAP Review Coordinator, Bedford Audit Operations Division.

## **VISN and Healthcare System Director Comments**

The VISN 3 Director and the Healthcare System Director disagreed with our recommendation 3(a) to submit two clinical services contracts to VA Regional Counsel for review. OIG legal and contract audit staff reviewed these contracts and concluded they were personal services contracts and should be submitted to VA Regional Counsel for review. The Healthcare System Director believes they are nonpersonal health care services contracts and did not agree with our recommendation that they be submitted to VA Regional Counsel for review. We referred this issue to the Under Secretary for Health for resolution, who in turn referred the contracts to the VA Office of General Counsel (OGC). Since the VA OGC is reviewing the contracts to determine whether they are personal services contracts, the intent of the recommendation is satisfied. We will continue to follow up with the VA OGC until this issue is resolved.

The VISN 3 Director and the Healthcare System Director agreed with all other findings and recommendations and provided acceptable improvement plans. (See pages 19-30 for the full text of the Directors' comments.) We will follow up on the planned actions until they are completed.

*(original signed by:)*  
**JON A. WOODITCH**  
Acting Inspector General

## Introduction

### Healthcare System Profile

**Organization.** The healthcare system consists of three campuses: the New York campus in Manhattan, the Brooklyn campus in Bay Ridge, and the St. Albans campus in Queens. The New York campus has bed services in acute medicine, surgery, acute psychiatry, neurology, and rehabilitation medicine. The campus is a cardiac surgery and neurosurgical referral center. The Brooklyn campus has bed services in acute medicine, surgery, psychiatry, and substance abuse. Specialized programs exist in comprehensive cancer care and non-invasive cardiology. The St. Albans Primary and Extended Care Center serves the metropolitan New York area with specialized geriatric care. The center's services include extended care rehabilitation, general nursing home care, and a domiciliary providing psychosocial and independent living skills rehabilitation. Outpatient care is also provided at five community-based outpatient clinics located in Harlem, Brooklyn, Staten Island, SoHo, and Bedford-Stuyvesant. The healthcare system serves a veteran population of about 339,350 in a primary service area that includes the borough of Queens in New York City and Kings, New York, and Richmond counties in the State of New York.

**Programs.** The healthcare system provides medical, surgical, mental health, geriatric, and advanced rehabilitation services. The healthcare system has 550 operating hospital beds, 181 operating nursing home beds, and several regional referral and treatment programs, including the Preservation and Amputation Care Team and the Prosthetic Treatment Center, the largest of its kind in VA. The healthcare system also has sharing agreements with the Department of Defense and with various other Federal agencies. The HIV/AIDS, Cardiac Surgery, Rehabilitation Medicine, and Dialysis programs are designated as Veterans Health Administration (VHA) Centers of Excellence.

**Affiliations and Research.** The healthcare system is actively affiliated with many institutions of higher education. Residency programs exist in general medicine, surgery, dentistry, and a wide variety of specialties, such as cardiology and endocrinology. Allied health training programs exist in nursing, pharmacy, social work, and a number of other health sciences. The New York campus' primary affiliations are with the New York University (NYU) School of Medicine and Bellevue Medical Center. The Brooklyn campus is affiliated with the State University of New York (SUNY) Health Science Center at Brooklyn and the NYU School of Dentistry. The healthcare system supports 253 medical resident positions in 28 training programs.

In fiscal year (FY) 2004, the healthcare system research program had 300 projects. The total funding was about \$4.5 million, in addition to over \$10 million at the affiliated medical schools and the healthcare system nonprofit research corporation. Important

areas of research include rehabilitation, cancer, electrophysiology, cardiovascular research, and infectious diseases such as HIV/AIDS.

**Resources.** In FY 2003, healthcare system medical care expenditures totaled \$417.9 million. The FY 2004 medical care budget was \$436.3 million, 4.4 percent more than FY 2003 expenditures. FY 2003 staffing was 3,178.7 full-time equivalent employees (FTE), including 220 physician FTE and 863 nursing FTE.

**Workload.** In FY 2003, the healthcare system treated 56,498 unique patients, a 4.3 percent decrease from FY 2002. The inpatient care workload totaled 10,261 discharges, and the average daily census, including nursing home patients, was 475.8. The outpatient workload was 690,923 visits. According to the Healthcare System Director, the decrease in unique patients in FY 2003 was due to VA Central Office's (VACO's) decision to curtail outreach efforts to veterans and the treatment of fewer non-veterans (active duty military) compared with those seen early in FY 2002 in the months immediately following the events of "9/11."

## Objectives and Scope of the 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 and benefits services. The objectives of the CAP review are to:

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

**Scope.** We reviewed selected clinical, financial, and administrative activities to evaluate the effectiveness of patient care administration, QM, and management controls. Patient care administration is the process of planning and delivering patient care. QM is the process of monitoring the quality of patient care to identify and correct harmful or potentially harmful practices or conditions. 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, financial, and administrative records. The review covered the following activities:

Accounts Receivable	Government Purchase Card Program
Bulk Oxygen Utility System	Information Technology Security
Clinic Waiting Times and Patient Enrollment	Management of Moderate Sedation
Coding and Billing for Therapeutic Colonoscopies	Medical Care Collections Fund
Controlled Substances Accountability	Pharmacy Security
Environment of Care	Quality Management
	Service Contracts
	Supply Inventory Management

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 healthcare system employees and 438 employees responded. We also interviewed 34 patients during the review. The surveys indicated generally high levels of patient and employee satisfaction and did not disclose any significant issues. The full survey results were provided to healthcare system management.

During the review, we presented 3 fraud and integrity awareness briefings that were attended by 210 employees. These briefings 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 facility operations for FY 2003 and FY 2004 through June 18, 2004, and was done in accordance with OIG standard operating procedures for CAP reviews.

Activities needing improvement are discussed in the Opportunities for Improvement section (pages 4–18). For these activities, we make recommendations. Recommendations pertain to issues that are significant enough to be monitored by the OIG until corrective actions are implemented. For those activities not discussed in the Opportunities for Improvement section, there were no reportable deficiencies.



## Results of Review

### Opportunities for Improvement

#### Government Purchase Card Program — Controls Needed To Be Strengthened

**Condition Needing Improvement.** The Head of the Contracting Activity (HCA) and the Government Purchase Card Program Coordinator (PC) needed to monitor open market prosthetic purchases to ensure better prices are obtained, acquisition training is documented for cardholders and approving officials, and controls are implemented to prevent cardholders from exceeding their warrant authorities. As of March 31, 2004, the healthcare system had 255 cardholders and 88 approving officials. For the period October 2002 through March 2004, cardholders made 198,729 transactions totaling approximately \$73 million.

We followed up on recommendations from our prior CAP review of the healthcare system (*Combined Assessment Program Review of VA New York Harbor Healthcare System*, Report No. 00-01223-104, August 3, 2000) to ensure cardholders solicited competition, documented sole source purchases, and stayed within warrant authorities. The Healthcare System Director agreed with the prior CAP review findings and recommendations and informed us that additional training would be provided to cardholders emphasizing these issues. However, based on our review corrective actions were not taken.

Open Market Purchases of Knee and Hip Prosthetic Components. During the period October 2002 through March 2004, 9 cardholders and 3 approving officials processed 197 open market purchases of knee and hip components totaling \$1,408,015. Cardholders were not aware that a Federal Supply Schedule (FSS) contract to procure knee and hip components had been established April 1, 2002. The Federal Acquisition Regulation (FAR) requires cardholders to consider using FSS contracts when purchasing commercial items. We reviewed a sample of 25 purchases totaling \$191,408 made by 6 cardholders from 4 vendors. Cardholders did not document what sources of supply were considered, nor document sole source justifications for any of the 25 purchases as required by the FAR. Comparison of prices paid by the healthcare system to prices offered by the FSS vendor showed that the healthcare system could have paid 52 percent less for like or comparable components. We estimated that the healthcare system could have paid \$99,532 (52 percent x \$191,408) less for knee and hip components if cardholders had purchased these components from the FSS vendor as opposed to purchasing the components on the open market.

On June 7, 2004, VA established two national contracts for knee and hip components in addition to the FSS contract. The use of these contracts is required by VA policy unless a

waiver is sought and granted. We provided management with vendor information and copies of the solicitation, product lines, VA pricing, and training provision.

Training. VA policy requires the HCA and PC to ensure appropriate acquisition training has been provided to cardholders and approving officials and to ensure training has been documented on VA Form 0242, “Governmentwide Purchase Card Certification Form.” The PC stated that training had been completed. However, training was not documented for 24 (9 percent) of 255 cardholders and 7 (8 percent) of 88 approving officials.

Warrant Authorities. We reviewed 45 transactions greater than \$25,000 each and valued at approximately \$1.6 million. Three cardholders made 10 purchases totaling \$499,660 for prosthetic items and home health care services that exceeded the cardholders’ warrant authorities. VA policy requires cardholders to stay within the warrant authorities granted by the HCA.

**Recommended Improvement Action 1.** We recommended that the VISN Director ensure that the Healthcare System Director takes action to implement procedures and controls to ensure: (a) cardholders purchase from preferred sources of supply such as FSS contracts and national contracts when procuring knee and hip components, (b) cardholders document sole source justifications, (c) acquisition training is documented, and (d) cardholders do not exceed their warrant authorities.

The VISN and Healthcare System Directors agreed with the findings and recommendations and reported that cardholders will document the sources of supply that were considered in the procurement process and document sole source justifications. In addition, training for cardholders and approving officials will be documented and cardholders have been re-instructed to stay within their warrant authorities. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

## **Supply Inventory Management — Inventory Records Should Be Accurate and Stock Levels Reduced**

**Condition Needing Improvement.** The healthcare system needed to maintain accurate inventory records and reduce inventories of medical and engineering supplies. VHA established a 30-day supply goal and requires that medical facilities conduct annual inventories and use the Generic Inventory Package (GIP) to manage supplies inventory. Staff can use GIP reports to establish normal stock levels and analyze usage patterns to determine optimum order quantities.

### Medical Supplies

Our prior CAP review found inaccurate quantities and values of medical supplies inventory in GIP as well as stock in excess of a 30-day supply. Although GIP was

implemented at the New York campus at the time of the prior CAP review, it was not being properly used. GIP had not been implemented at the Brooklyn and St. Albans campuses. We recommended that GIP be implemented at all healthcare system campuses, wall-to-wall inventories be completed, and inventories be reduced to appropriate levels. The Healthcare System Director agreed with the findings and recommendations and reported that Supply Processing and Distribution (SPD) staff had conducted wall-to-wall inventories and implemented GIP. In May 2004, the VA Business Site Team conducted a review at the Brooklyn and St. Albans campuses and reported that GIP had not been fully implemented at either campus.

We found that the management of medical supplies inventories, valued at over \$1 million, had not improved since our prior CAP review. Inaccurate quantities and values of medical supplies inventory persist, usage rates and reorder points were not valid, and 39 percent of the medical supplies exceeded 30-day supply levels. Additionally, required annual wall-to-wall inventories had not been conducted at any of the three sites.

During FY 2003, the healthcare system spent approximately \$4.1 million on medical supplies and approximately \$2.4 million during the first half of FY 2004. As of May 24, 2004, the SPD primary inventory consisted of 2,575 line items with a value of \$1.1 million. The “Days of Stock on Hand Report” for May 24, 2004, showed 2,309 line items valued at \$1,082,066 for the New York and Brooklyn campuses and 266 line items valued at \$12,359 for the St. Albans campus. According to the report, the St. Albans inventory consisted of 171 line items with positive values totaling \$21,028 and 95 line items with negative values totaling a negative \$8,669. Negative values occurred because SPD staff did not enter medical supplies into GIP when received, but continued to remove the supplies from inventory when distributed.

Accuracy of Medical Supplies Inventory. The negative values reported in GIP confirmed the inaccuracy of medical supplies inventory at the St. Albans campus, and therefore no testing was necessary. To determine the accuracy of the quantities and value of stock at the New York and Brooklyn campuses, we selected a judgment sample of 36 medical supply line items. The information in GIP did not accurately report the quantities of stock on hand, and the total value of the medical supplies inventory was overstated. According to the “GIP Display Item Reports” printed on the days the inventories were conducted, the 36 line items sampled at the New York campus on June 14, 2004, and at the Brooklyn campus on June 15, 2004, were valued at \$78,859. A physical inventory conducted by us along with the GIP Coordinator and inventory management specialists valued the 36 line items at \$34,139, which was only 43 percent of the GIP reported value. Applying the 43 percent figure to the total value of \$1,082,066 for the New York and Brooklyn medical supplies inventory shown in GIP would yield an estimated value of \$465,288. As a result, medical supplies inventory may be overstated by an estimated \$616,778.

Excess Medical Supplies Inventory. SPD staff also needed to improve supply inventory operations to achieve the 30-day supply goal. GIP data indicated that 744 (32 percent) of the 2,309 line items in the New York and Brooklyn medical supplies inventory had no demand during the 12-month period prior to our review. Based on our physical count, 14 (39 percent) of the 36 sampled line items had stock on hand that exceeded a 30-day supply level, with inventory stock levels ranging from 33 to 1,200 days of supply. The total value of excess stock for the 14 items was \$20,719, or 61 percent of the inventoried value (\$34,139) for the 36 items. By applying the 61 percent of excess stock for the sampled items to the entire stock, we estimated that the value of excess stock was \$283,826 (61 percent x \$465,288 estimated value of stock).

Because GIP had not been effectively implemented, the medical supplies inventory was not accounted for accurately, was not well managed, and was at risk to theft and loss. Without accurate inventory records, managers cannot readily determine whether medical supplies on hand were overstocked or adequate to meet healthcare system needs or whether unaccounted for stock was lost or stolen.

#### Engineering Supplies

GIP had not been implemented at the Brooklyn and St. Albans campuses to manage engineering supplies inventory. Engineering Service staff were in the process of evaluating inventory to determine which line items should be included in GIP.

Engineering Service staff at the New York campus had not effectively implemented GIP. During FY 2003, the healthcare system spent approximately \$800,000 on engineering supply inventory and approximately \$714,000 during the period of October 2003 through May 2004. While other facilities visited on prior CAP reviews maintained over 1,000 engineering supply line items in GIP, as of May 24, 2004, the New York campus inventory of expendable engineering supplies in GIP included only 23 line items with a reported value of \$18,420. For example, the electric shop had only three line items in GIP that consisted of three different types of light bulbs, and the plumbing shop had only two line items in GIP that consisted of two types of sewer drain cleaners.

Despite the small number of items in GIP, inventory management of these items was not effective. Our physical inventory of a judgment sample of 14 engineering supplies line items disclosed that 6 line items had inaccurate quantities recorded in GIP. In addition, 11 of the 14 items had stock on hand that exceeded a 30-day supply, with inventory stock levels ranging from 40 to 1,000 days of supply. The inaccuracies occurred because staff was not updating GIP to reflect receipts and issues. Without accurate inventory records, managers cannot readily account for expenditures on engineering supplies, determine if unaccounted for stock was lost or stolen, or maintain appropriate stock levels.

**Recommended Improvement Action 2.** We recommended that the VISN Director ensure that the Healthcare System Director takes action to: (a) implement GIP, (b)

improve the accuracy of GIP data, (c) reduce supplies inventory to the 30-day supply level, and (d) conduct annual wall-to-wall inventories of supplies.

The VISN and Healthcare System Directors agreed with our findings and recommendations and reported that they had implemented GIP to manage engineering supplies by including supplies purchased on a regular basis (quarterly or more frequently). This totaled 713 line items valued at \$181,581 for the 3 campuses. The VISN and Healthcare System Directors also reported that inventories had been completed in all areas to ensure correct baseline data; the implementation of GIP was helping to reduce the inventory of regular, recurring items to a 30 day supply; and a process is in place to ensure that wall-to-wall inventories are completed each year. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

## **Service Contracts — Contract Administration Needed Improvement**

**Condition Needing Improvement.** We reviewed eight service contracts valued at \$6.2 million that included three competitive and two noncompetitive New York campus contracts and three noncompetitive Brooklyn campus contracts. All eight contracts had issues that require management attention.

- The FAR prohibits agencies from awarding personal services contracts unless specifically authorized by statute. A personal services contract is characterized by the employer-employee relationship it creates between the Government and the contractor's personnel. The following elements are useful in deciding whether a particular contract should be considered a personal services contract: performance on site; equipment furnished by the Government; services are integral to the function or mission; comparable services are performed using civil service personnel; the need for the service is expected to last beyond 1 year; and the service requires Government supervision of contractor employees to protect the Government's interest, retain control of the function, or retain responsibility for the function. The Government is normally required to obtain its employees by direct hire under competitive appointment or other procedures required by civil service laws. Obtaining personal services by contract, rather than by direct hire, circumvents those laws unless Congress has specifically authorized acquisition of the services by contract. OIG legal and contract audit staff reviewed two healthcare system contracts and concluded that the contracts met the criteria for personal services contracts and that there was no statutory authority for such contracts.

Chief of Anesthesia Service Contract. A \$404,200 contract with NYU for the professional services of the Chief of Anesthesia Service appeared to be a personal services contract. Under the contract, NYU was required to furnish a board certified Anesthesiologist to serve as the Chief of Anesthesia Service at the New York campus Monday through Friday, 8:00 a.m. to 4:30 p.m. The physician was

required to perform the functions of the service chief, provide patient care, and establish and operate a VA-NYU anesthesiology residency program.

VA may have paid for services the Chief of Anesthesia Service provided to NYU that were outside the scope of VA duties described in the contract. His employment agreement with NYU showed that he was required to participate in the teaching program for medical students and serve on school committees. He was also required to teach and supervise residents, participate in resident recruitment, and serve on NYU hospital committees. Based on the appearance of a personal services contract and the possibility of VA paying for services outside the contract scope, the contracting officer should have obtained a VA Regional Counsel review before awarding the contract.

The Contracting Officer's Technical Representative (COTR) for the Chief of Anesthesia Service contract needed to ensure payments to NYU were in accordance with contract prices. The contract began on December 22, 2003, and payments to the contractor should have been \$33,683 per month. For the period December 22, 2003, to May 21, 2004, the COTR verified monthly payments of \$42,875, resulting in an overpayment of \$45,960  $[(\$42,875 - \$33,683) \times 5 \text{ months}]$  for the 5-month period. As a result of our review, healthcare system management contacted NYU to seek reimbursement. NYU credited \$33,683 of the overpayment to services provided by the Chief of Anesthesia Service during the period May 22 to June 21, 2004. According to healthcare system management, the remaining \$12,277 would be credited to services to be provided during the period of June 22, 2004, to July 21, 2004.

Chief of Radiology Service Contract. A \$395,000 contract for the services of the Chief of Radiology Service also had the appearance of a personal services contract and the same employment provisions as the Chief of Anesthesia Service contract. NYU was required to furnish a board certified radiologist to serve as the Chief of Radiology Service at the New York campus Monday through Friday, 8:00 a.m. to 4:30 p.m. The physician was to serve as the Chief of Radiology Service, perform radiological studies and interpretations, and supervise trainees at the VA facility. He also appeared to be obligated to perform services for NYU similar to those required of the Chief of Anesthesia Service. The contracting officer should have obtained a VA Regional Counsel review before awarding this contract.

- Contracting officers did not conduct database searches of the Excluded Parties Listing System (EPLS) for ophthalmology and registered nurses contracts valued at \$2.2 million.
- COTRs inappropriately delegated authority for two contracts valued at \$2.4 million. VA policy prohibits COTRs from delegating authority granted by the contracting officer. One COTR inappropriately delegated responsibility to a travel coordinator

for validating services and certifying payments for ambulance services. Another COTR delegated similar responsibilities for ophthalmology services to the Administrative Officer for Surgical Service.

- For 2 contracts valued at \$540,155, contracting officers needed to more promptly initiate background investigations of 10 contracted physicians. VA policy requires contracting officers to initiate background investigations of contracted personnel with access to VA computer systems and sensitive information prior to performing contracted services. Background investigations were initiated 3 to 21 months after the physicians began providing contract services.
- Contracting officers needed to prepare written justifications to exercise option years for ophthalmology and radiology contracts with a combined value of \$491,637. The FAR requires contracting officers to prepare written justifications that include certifications of continued need by the requesting activity, as well as certifications that contract prices remained fair and reasonable and that the contractor's past performance was satisfactory.
- The contracting officer extended the \$190,155 vascular services contract with SUNY for more than 13 months beyond the contract date. The FAR prohibits extending contracts more than 6 months. The base period for the contract was August 1 to December 31, 2002. The contract was extended 9 months to September 30, 2003, and extended again for 4 months to January 31, 2004. Since January 31, 2004, the Brooklyn campus has received vascular services without a contract. In addition, a \$350,000 radiology services contract with SUNY expired on March 31, 2004, and has not been renewed. The base period for the contract was July 1 to September 30, 2003. The contract was extended to March 31, 2004. Since then, the Brooklyn campus has received radiology services from SUNY without a contract. Although negotiations for new contracts for vascular and radiology services were ongoing, SUNY was not contractually obligated to provide services, maintain performance standards, guarantee prices, or maintain licensure and insurance. As a result, VA and VA patients were exposed to increased risk.

**Recommended Improvement Action 3.** We recommended that the VISN Director ensure that the Healthcare System Director requires that: (a) the contracts for the Chief of Anesthesia Service and the Chief of Radiology Service are submitted to VA Regional Counsel for review, (b) COTRs certify payments to contractors in accordance with contract prices, (c) contracting officers conduct database searches of the EPLS, (d) COTRs do not delegate authority granted by the contracting officer, (e) contracting officers initiate background investigations timely, (f) contracting officers prepare written justifications to exercise option years, (g) contracting officers do not extend the terms of contracts more than 6 months, and (h) negotiation efforts to contract for vascular and radiology services are increased.



The VISN and Healthcare System Directors did not agree with the finding and recommendation that the contracts for the Chief of Anesthesia Service and the Chief of Radiology Service are personal services contracts and should be submitted to VA Regional Counsel for review. It is their opinion that these contracts are nonpersonal health care services contracts that were properly issued under FAR 37.401, Title 38, and 38 Code of Federal Regulations (CFR) 17.142. For this reason, they do not agree with our recommendation to submit these contracts to VA Regional Office for review. This issue was referred to the Under Secretary for Health for resolution. The Under Secretary for Health agreed to refer the contracts to the VA OGC for review, and therefore the intent of the recommendation has been satisfied. We will follow up on this issue with the VA OGC until it is resolved. The VISN and Healthcare System Directors agreed with all other findings and recommendations and reported that when required, contracts will be sent to the Medical Sharing Office and a documented training session will be held to clarify this issue. COTR training is being developed specifically for health care contracting and Fiscal Service will be instructed to perform audits to ensure payment amounts are accurate. In addition, an internal checklist has been developed to ensure results of EPLS database searches are documented, background investigations are initiated, and all items required for contracts are included in the contract files. Contract files will be monitored for compliance on a quarterly basis. In addition, contract negotiations will begin in a timelier manner to avoid over-extending the current contracts. The negotiation efforts for the vascular and radiology services contracts are underway. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

### **Accounts Receivable — Controls Are Needed To Properly Cancel Debts, Improve Follow-Up Timeliness, And Ensure Accurate Reconciliations**

**Condition Needing Improvement.** Healthcare system management needed to ensure that debts owed by employees and vendors are not inappropriately cancelled and are promptly followed up for collection. In addition, the Financial Management System (FMS) and the Integrated Funds Distribution, Control Point Activity, Accounting and Procurement (IFCAP) system needed to be reconciled to ensure the accuracy and reliability of financial records.

As of April 30, 2004, the “Verification of General Ledger Balances – AR” report showed that there were 158 ARs valued at \$332,437, consisting of 124 current or former employee debts valued at \$117,196 and 34 vendor debts valued at \$215,241. Forty-two of the 158 ARs valued at \$152,692 (46 percent of the total AR value) were greater than 90 days old. To meet VHA’s performance measure for FY 2004, the ARs greater than 90 days old should be equal to 40 percent or less of the total AR value. We reviewed a judgment sample of 35 debts with a total value of \$232,057, consisting of 14 debts owed by current and former employees valued at \$94,150 and 21 debts owed by vendors valued



at \$137,907. Fourteen (40 percent) of the 35 debts were not appropriately or timely pursued for collection, and a request for a waiver of 1 debt was not promptly followed up. Additionally, not properly reconciling FMS and IFCAP balances for seven debts resulted in inaccurate financial records.

Debt Cancellations. In April and May 2004, Fiscal Service staff inappropriately cancelled 10 vendor debts valued at \$65,076 (8 of which were more than 90 days old and valued at \$53,926). According to VA policy, an AR should only be cancelled when the bill or claim was established in error. Fiscal Service staff confirmed that none of the 10 vendor debts had been erroneously established and therefore should not have been cancelled. Additionally, a former employee debt of \$6,386 and more than 90 days old was incorrectly posted as collected and closed in May 2004. As a result, debts valued at \$71,462 from vendors and a former employee that should be collectable will not be recovered unless reestablished. In addition, the inappropriate cancellation of the nine debts over 90 days old valued at \$60,312 gives the perception that this action may have been taken to affect the performance measure for ARs greater than 90 days old.

Untimely Follow-Up. Fiscal Service staff had not followed up in more than 1 year on three current employee debts valued at \$10,724. For example, no salary offset or payments had been processed against a current employee debt established on April 16, 2003, and valued at \$7,524.

Medical Care Collections Fund (MCCF) staff did not provide timely follow-up on the waiver of a \$47,915 debt of a former employee. The waiver had been approved at the healthcare system and VISN levels, but since the debt was greater than \$40,000, VACO approval was also required. MCCF staff had not followed up with VACO on the status of the waiver in over 9 months.

Inaccurate Financial Records. Fiscal Service staff did not reconcile balances between FMS and IFCAP. Due to processing errors by Fiscal Service staff, seven debts valued at \$28,165 were closed in IFCAP but remained open in FMS, creating an overstatement of ARs. For example, a former employee debt valued at \$18,425 was collected in June 2002 and properly closed in IFCAP. However, it remained open in FMS.

**Recommended Improvement Action 4.** We recommended that the VISN Director ensure that the Healthcare System Director establishes procedures to: (a) correct the errors listed above and reestablish the debts that were improperly cancelled; (b) improve debt collection and MCCF follow-up on waiver approvals; and (c) train Fiscal Service staff on procedures for debt cancellations, closings, and reconciliation of FMS and IFCAP.

The VISN and Healthcare System Directors agreed with the findings and recommendations and reported that Fiscal Service staff will reestablish the debts that were improperly cancelled and provide appropriate follow-up action to correct the errors

listed above. MCCF staff instituted a process to ensure timely follow-up on a waiver of debt and will document all follow-up actions. Fiscal Service staff has reviewed all pertinent policies and procedures and FMS/IFCAP reconciliations will be reviewed monthly. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

## **Bulk Oxygen Utility System — Compliance Needed To Be Strengthened**

**Condition Needing Improvement.** We inspected the OUS at the three healthcare system campuses. During the inspections we interviewed employees, inspected the OUS areas and alarm panel areas, and reviewed contracts and policies. The following deficiencies required management attention.

Monitoring Stations. On April 5, 2004, VHA issued a Patient Safety Alert (PSA) requiring each medical facility to have a minimum of two monitoring stations for OUS. The two stations independently monitor oxygen levels and tank pressures in both the main tank and reserve tank. The monitoring stations must be attended by medical facility staff 24 hours a day, 7 days a week. The purpose of the stations is to ensure that all alarms are tested and operational and that OUS malfunctions are immediately detected and corrected.

The St. Albans campus had installed new monitoring stations that complied with PSA criteria and National Fire Protection Association (NFPA) standards and were fully operational.

The New York campus had also installed new monitoring stations that complied with PSA criteria and NFPA standards. However, the panel alarm in the operator's communication center was not fully operational because employees designated to monitor at this location were not trained in the alarm's use and function.

The monitoring stations used at the Brooklyn campus did not meet PSA criteria and NFPA standards. The bulk oxygen reserve tank at the Brooklyn campus did not have a low-level oxygen alarm or a low-pressure alarm. Management had ordered a new alarm system that would address these shortcomings.

Employee Training. VHA requires that facilities not in compliance with PSA criteria and NFPA standards develop an Interim Life Safety Measure (ILSM) that fully addresses and compensates for non-compliant conditions. Appropriate staff must be trained on the ILSM requirements, and this training must be documented. Brooklyn campus employees designated to supervise oxygen deliveries occurring after midnight had not been trained on ILSM requirements.

Memorandum of Understanding. The healthcare system did not comply with the requirements of the national contract awarded by VA's National Acquisition Center (NAC). The contract provides guidance to the COTR for local administration of the bulk oxygen contract and requires that the COTR establish a Memorandum of Understanding (MOU) with the vendor within 15 days after the contract award. The MOU outlines the COTR's responsibilities, bulk oxygen ordering procedures, and specific details for bulk oxygen delivery. A separate MOU was needed for each facility because detailed instructions were needed for each site. Facilities were also required to provide the NAC with a copy of the MOU. The healthcare system designated two COTRs to save time and travel among campuses, one covering the Brooklyn and St. Albans campuses and the other covering the New York campus. There was no evidence that the COTR for the Brooklyn and St. Albans campuses had developed MOUs. The COTR at the New York campus had an MOU that was not dated or signed by the vendor. The NAC contract representative stated that they did not have MOUs on file for any of the healthcare system campuses.

Supervised Tank Refilling. The St. Albans campus did not have qualified and trained technical staff to monitor tank refilling procedures in accordance with a PSA requirement that became effective on April 30, 2004. The PSA requires facilities to have qualified and trained technical employees, such as Biomedical Engineering technicians, SPD technicians, or pipe fitters present during the refilling of the bulk oxygen tanks. The New York and Brooklyn campuses were in compliance with this requirement.

Excessive Ice Build-Up. Excessive ice build-up was present on the bottom of the main tanks and continued along the supply lines to the evaporators at both the New York and St Albans campuses. Ice normally forms around lines due to condensation. However, excessive ice build-up could be a sign of an open valve or a leak in the lines, valves, gauges, or pipes. Healthcare system staff corrected the condition at the St Albans campus during our inspection.

Utility Shutdown Policy. The three healthcare system campuses have different functions and also differ structurally, so standard operating procedures (SOPs) should be specific to each campus. The New York and Brooklyn campuses had SOPs for unplanned utility shutdowns, as required by the Joint Commission on Accreditation of Healthcare Organizations, but the St. Albans campus did not have an SOP.

**Recommended Improvement Action 5.** We recommended that the VISN Director ensure that the Healthcare System Director: (a) promptly resolves the bulk oxygen system safety deficiencies and brings the systems into compliance with PSA criteria and NFPA standards, (b) provides and documents training for employees responsible for all aspects of the healthcare systems' bulk oxygen utility systems, (c) establishes MOUs with the local vendor that include all of the requirements of the NAC contract and submits the MOUs to the NAC, (d) assigns trained technical personnel to monitor tank filling at the St. Albans campus, (e) resolves and monitors the ice build up on bulk oxygen tanks and

evaporators, and (f) develops an SOP for unexpected utility shut down at the St. Albans campus.

The VISN and Healthcare System Directors agreed with the findings and recommendations and reported that all campuses have completed upgrades and the systems are in compliance with PSA criteria and NFPA standards. Employees responsible for the bulk oxygen systems have been trained and the training is documented. MOUs have been established and submitted to the NAC for the New York and Brooklyn campuses. The St. Albans campus is in the process of completing this requirement. Trained technical personnel have been assigned to monitor tank filling and an SOP for unexpected utility shut down has been developed at the St. Albans campus. In addition, ice build up is monitored at all sites. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

### **Coding And Billing For Therapeutic Colonoscopies — Improved Coding And Billing Will Increase Revenues**

**Condition Needing Improvement.** Coding and billing for therapeutic colonoscopies and the related pathologic examinations needed improvement. During the first quarter of FY 2004, the healthcare system billed third party payers \$59,152 and collected \$18,827 for colonoscopies and related pathologic examinations. During that period, the healthcare system could have billed \$93,208 and collected approximately \$31,000 for these services based on the healthcare system's historical collection rates from the involved insurers. This resulted in a difference of \$34,056 in billings and a loss of approximately \$12,000 in collections for one quarter and an estimated annual loss of \$48,000 in revenues. This loss of revenues was caused by errors in both coding and billing.

Background. Therapeutic colonoscopies are those that include procedures such as biopsies and/or removal of polyps or other tissue, in contrast to colonoscopies performed strictly for colorectal cancer screening or other diagnostics for patients with no need for a therapeutic procedure. Pathological examinations must be performed for all tissue specimens removed during a therapeutic colonoscopy.

Current Procedural Terminology (CPT) codes are standardized five-digit codes used for reporting medical services and procedures performed by physicians. The following CPT codes were applicable to therapeutic colonoscopies and tissue examinations for this review:

45380	Colonoscopy with biopsy, single or multiple
45384	Colonoscopy with removal of tumor(s), polyp(s), or other lesion(s) by hot biopsy forceps or bipolar cautery

- 45385 Colonoscopy with removal of tumor(s), polyp(s), or other lesion(s) by snare technique
- 88305 Surgical pathology, gross and microscopic examination – to include colon biopsy and colorectal polyp biopsy

The therapeutic colonoscopy CPT codes are differentiated by the technique used to remove a lesion or piece of tissue. Colonoscopies should be reported with one CPT code for one technique, or with multiple CPT codes when different techniques are used to remove tissue from separate sites. Pathologic examinations should be reported with one CPT code when only one specimen is examined, or with a specified quantity or multiple codes when multiple specimens removed during the same colonoscopy are examined.

During the first quarter of FY 2004, 17 therapeutic colonoscopies performed at the healthcare system were billable to third party payers. For each of these cases, CPT codes should have been assigned and bills should have been produced to identify and bill: (1) institutional charges for healthcare system services for the colonoscopy, (2) professional charges for the provider who performed the colonoscopy, and (3) professional charges for the pathologist who examined tissue specimens obtained during the colonoscopy. These 17 cases required a total of 51 sets of codes and should have resulted in 51 related bills to third party insurers. Our review showed that only 42 bills were established for these cases. We identified 9 additional billing opportunities for medical services provided but not coded or billed. These missed billing opportunities resulted in a billing loss of \$15,860. Additionally, we found that 22 (52%) of the 42 established bills had coding or billing errors and resulted in under billings totaling \$18,195.

Coding and Billing Errors. Our review of the 17 cases identified coding and billing errors that resulted in a billing loss of \$34,056. The chart below displays the causes, number of bills involved, and dollar amount of the billing loss:

<b>Cause of Billing Loss</b>	<b>Number of Bills</b>	<b>Amount of Loss</b>
Medical care services not billed	9	\$15,860
Established bills did not contain appropriate CPT codes	18	15,318
Multiple colonoscopy techniques or multiple pathology examinations properly coded but improperly billed	4	2,878
<b>Total</b>	<b>31</b>	<b>\$34,056</b>

Nine billable services valued at \$15,860 were not billed. For example, five of the professional fees for colonoscopies totaling \$10,876 were not billed because medical residents had performed the procedures and the attending physicians had failed to

electronically sign (e-sign) the procedure reports or otherwise document their supervision of the residents as required by VA policy. These professional services were not billable without proper documentation of supervision.

Eighteen of the 42 established bills were incorrectly billed at \$27,076 because they did not contain the appropriate CPT codes. If they had been coded correctly, they would have been billed at \$42,394, or an additional \$15,318. For example, in one case the coder assigned the incorrect code (CPT code 45380) for colonoscopy professional services that also affects the institutional services charge. The two services were billed at \$3,292, but if correctly coded (CPT code 45384) would have been billed at \$3,428. All other coding errors for colonoscopy and pathology services resulted from not assigning codes for multiple techniques used in the colonoscopy or multiple specimens examined by the pathologist. For example, the coder assigned CPT code 88305, but did not assign a quantity of three to indicate that three separate specimens from the same colonoscopy were examined. As a result, the pathology examination was billed at \$312.82 for only one specimen examination, when it could have been billed at \$938.46 for three specimen examinations.

In four cases incorrectly billed at \$2,064, the billers did not bill multiple colonoscopy techniques or multiple pathology examinations even when they had been properly coded. If they had been properly billed, they would have been billed at \$4,942, or an additional \$2,878.

**Recommended Improvement Action 6.** We recommended that the VISN Director ensure that the Healthcare System Director require that: (a) attending physicians document their supervision of medical residents and (b) involved staff receive additional training on the proper coding and billing for multiple techniques used during a colonoscopy and multiple specimen examinations resulting from a colonoscopy.

The VISN and Healthcare System Directors agreed with the findings and recommendations and reported that electronic signature was made available for attending physicians to document resident supervision and the attending physicians were trained in its use. Additional training was provided for involved staff on the proper coding and billing for multiple techniques and multiple specimen examinations. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

## **Information Technology Security — Background Investigations Needed For Sensitive Positions**

**Condition Needing Improvement.** Healthcare system management needed to ensure that background investigations for sensitive positions for eight IT employees were conducted. In addition, Human Resources Management (HRM) staff needed to establish procedures to review employees' sensitivity levels in order to determine the proper

background investigations required. The eight employees had been assigned IT positions between January 2001 and June 2003. VA policy designates IT Specialists General Schedule (GS) 11 and above as sensitive Level 3 positions that require high-risk background investigations. Based on our review, HRM staff initiated background investigations for the eight employees through the Office of Personnel Management.

**Recommended Improvement Action 7.** We recommended that the VISN Director ensure that the Healthcare System Director implements procedures to: (a) review position sensitivity levels to promptly determine the proper background investigations required and (b) promptly initiate high-risk background investigations for IT Specialists GS-11 and above.

The VISN and Healthcare System Directors agreed with the findings and recommendations and reported that procedures have been fully implemented to review employees' sensitivity levels and initiate the proper background investigations. The security clearance process has been re-communicated and its importance reinforced to applicable HRM staff. A tracking system has been devised to ensure compliance with background investigation requirements and documentation of this activity will be maintained. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

## VISN 3 Director Comments

**Department of  
Veterans Affairs**

**Memorandum**

**Date:** November 29, 2004

**From:** VISN 3 Director

**Subject:** **New York Harbor Healthcare System New York, NY**

**To:** Inspector General

Enclosed please find the response to the Office of Inspector General Combined Assessment Program Draft Report of the VA New York Harbor Healthcare System. The VISN concurs with the action plan submitted by the facility and agrees with the monetary benefits contained in the report.

*(original signed by:)*

James J. Farsetta, FACHE

Network Director



## Healthcare System Director Comments

**Department of  
Veterans Affairs**

**Memorandum**

**Date:** November 29, 2004  
**From:** Healthcare System Director  
**Subject:** New York Harbor Healthcare System New York, NY  
**To:** Inspector General

This is to acknowledge receipt and review of the Office of Inspector General Combined Assessment Program Draft Review of the VA New York Harbor Healthcare System.

Thank you for the opportunity to comment on the recommendations for improvement contained in this report. I agree with the monetary benefits contained in the report.

If you have any questions or concerns, please contact Kim Arslanian, Performance Improvement Manager at (718)-630-2865.

*(original signed by:)*

John J. Donnellan Jr.

## **Director's Comments to Office of Inspector General's Report**

The following Director's comments are submitted in response to the recommendation and suggestions in the Office of Inspector General Report:

### **OIG Recommendation(s)**

**Recommended Improvement Action 1.** We recommend that the VISN Director ensure that the Healthcare System Director takes action to implement procedures and controls to ensure: (a) cardholders purchase from preferred sources of supply such as FSS contracts and national contracts when procuring knee and hip components, (b) cardholders document sole source justifications when appropriate, (c) acquisition training is documented, and (d) cardholders don't exceed their warrant authority.

Concur      **Target Completion Date:** see below

a. Concur. At the time of the purchases, the use of FSS contracts and national contracts was not mandatory. However, the cardholders should have documented which sources of supply were considered in addition to the vendor actually used.

b. Concur. The requirements to document sole source justifications have been reviewed with the appropriate purchase cardholders.

c. Concur. Training for all cardholders and approving officials will be documented.

d. Concur. Cardholders have been re-instructed to stay within their warrant authority. VHA policies on purchase cards will be followed.

**Recommended Improvement Action 2.** We recommend that the VISN Director ensure that the Healthcare System Director takes action to (a) implement GIP, (b) improve the accuracy of GIP data, (c) reduce supplies inventory to the 30-day supply level, and (d) conduct annual wall-to-wall inventories of supplies.

Concur **Target Completion Date:** See narrative

Medical Supplies

a. Concur. GIP has been implemented in all areas of the HCS except SPD at the New York Campus. GIP SPD data at the New York Campus is currently being implemented. Target Completion Date: November 30, 2004.

b. Concur. Wall-to-wall inventories have been done in all areas to ensure correct baseline data. The Stock Status Report and the Days of Stock on Hand Report are reviewed regularly. In addition the Due-In Report, indicating which items were ordered but not yet received, and the List of Distribution Orders, which tracks items distributed out of the primary, are reviewed every two weeks. Target Completion Date: Completed, with ongoing monitoring.

c. Concur. The implementation of GIP has helped to reduce the inventory and some areas have already achieved a 30-day supply level. Target Completion Date: January 31, 2005.

d. Concur. The annual wall-to-wall inventories of supplies have been conducted for FY04. A process is in place to ensure the wall-to-wall inventories are completed each year. Target Completion Date: Completed.

Engineering Supplies:

a. Concur: GIP was implemented to manage engineering supplies that are purchased on a regular, recurring basis (quarterly or more frequent) to ensure adequate stocking levels. For the healthcare system this includes 713 line items valued at \$ 181,581. GIP will be implemented to manage other engineering service items based on future cost-benefit analysis. Target Completion Date: Completed.

b. Concur. Inventories were done in all areas to ensure correct baseline data. The Stock Status Report and the Days of Stock on Hand Report are reviewed regularly. In addition the Due-In Report, indicating which items were ordered but not yet received, and the List of Distribution Orders, which tracks items distributed out of the primary, is reviewed every two weeks. Target Completion Date: Completed, with ongoing monitoring.

c. Concur. The implementation of GIP is helping to reduce the inventory of regular recurring items to a 30 day supply. Any item identified for inventory will not be reordered until the limit is below 30 days. Target Completion Date: Completed.

d. Concur. The annual wall-to-wall inventories of supplies will be conducted for FY05. A process is in place to ensure the wall-to-wall inventories are completed each year. Target Completion Date: May 1, 2005

**Recommended Improvement Action 3.** We recommend that the VISN Director ensure that the Healthcare System Director requires that: (a) the contracts for the Chief of Anesthesia and the Chief of Radiology are submitted to VA Regional Counsel for review, (b) COTRs certify payments to contractors in accordance with contract prices, (c) contracting officers conduct database searches of EPLS, (d) COTRs do not delegate authority granted by the contracting officer, (e) contracting officers initiate background investigations timely, (f) contracting officers prepare written justifications to exercise option years, (g) contracting officers do not extend the term of contracts more than 6 months, and (h) negotiation efforts to contract for vascular and radiology services are increased.

Concur, In Part      **Target Completion Date:** 11/30/04

a. Do Not Concur. Under FAR 37.401 agencies may enter into nonpersonal health care services contracts with physicians, dentists and other health care providers under authority of 10 U.S.C. 2304 and 41 U.S.C. 253. Each contract shall:

(i) State that the contract is a nonpersonal health care services contract, as defined in 37.101, under which the contractor is an independent contractor;

(ii) State that the Government may evaluate the quality of professional and administrative services provided, but retains no control over the medical, professional aspects of services rendered (e.g., professional judgments, diagnosis for specific medical treatment);

(iii) Require that the contractor indemnify the Government for any liability producing act or omission by the contractor, its employees and agents occurring during contract performance;

(iv) Require that the contractor maintain medical liability insurance, in a coverage amount acceptable to the contracting officer, which is not less than the amount normally prevailing within the local community for the medical specialty concerned; and

(v) State that the contractor is required to ensure that its subcontracts for provisions of health care services contain the requirements of the clause at 52.237-7, including the maintenance of medical liability insurance.

Each of these provisions is met in the contracts for the Chief of Anesthesiology and the Chief of Radiology. The contracts state: “the parties agree that the contractor, its employees, agents and subcontractors shall not be considered VA employees for any purpose.” In fact when a contract was first being considered for the Chief of Anesthesiology VISN 3’s Network Acquisition Program contacted the Medical Sharing Office about the supervision aspect and the response was this contract refers to clinical supervision. The contractor’s employee must have the clinical training, knowledge, expertise and skills to render a professional judgment on the care of patients. When it was decided to have a contract for the Chief of Radiology the same guidance from the Medical Sharing Office was used. There is no requirement that the Medical Sharing Office review any contract less than \$500,000 but the Network Acquisition Program does seek its guidance whenever needed.

Based on a national survey conducted concerning healthcare compensation by Sullivan, Cotter and Associates low salary levels in VA compared to the private sector make it impossible to recruit physicians, especially in certain scarce medical specialties. Therefore it was necessary for VA New York Harbor to contract out these services that are essential to the continuation of VA’s mission. The contracting officer properly issued these contracts in accordance with 38 CFR 17.142 under the authority of Title 38 United States Code 7302, 7409, 8153, where applicable, and in accordance with VAAR Part 873.

b. Concur. A formalized Statement of Work and COTR training is being developed specifically for health care contracting addressing these issues. An SOP will also be instituted for Fiscal Service to perform audits to ensure payment amounts are accurate.

c. Concur. This is part of an internal checklist that has been developed. Results of the applicable EPLS database searches will be documented.

d. Concur. The contracting officers will inform the COTR's that they may not delegate authority granted by the contracting officers.

e. Concur. An SOP has been established by the Office of the Chief of Staff to ensure that contract officers initiate the background investigation. A checklist has been added to every contract file specifically detailing the item required for each contract. This requirement will be added to the contract file checklist.

f. Concur. A checklist has been added to every contract file specifically detailing the item required for each contract. The contract specialist responsible for the contract will ensure each item is present and reflected on the checklist. In addition, an internal board within the Acquisition Program is being established that will be responsible for checking contracts for compliance on a quarterly basis. On a quarterly basis the contract folders will be monitored to ascertain that the written justifications to exercise an option year are included in the files. All findings and corrective action will be documented.

g. Concur. Recognizing the need for lengthier negotiation of the solicitations, contract negotiations will begin in a timelier manner so as to avoid over extending the current contract.

h. Concur. The negotiations efforts for the vascular and radiology contracts remain underway.

**Recommended Improvement Action 4.** We recommend that the VISN Director ensure that the Healthcare System Director establishes procedures to: (a) correct the errors listed above and reestablish the debts that were improperly cancelled; (b) improve debt collection and MCCF follow-up on waiver approvals; and (c) train Fiscal Service staff on procedures for debt cancellations, closings, and reconciliation of FMS and IFCAP.

Concur

**Target Completion Date:** 1/31/05

a. Concur. Fiscal Service will reestablish the debts that were improperly cancelled. Bills of collection will be issued to the employees and vendors. Fiscal Service will do all appropriate follow-up action for collection of these debts. By January 31, 2005, all debts will be reestablished and bills of collection sent.

b. Concur. A computer program has been written to identify employees who are on leave without pay for 30 or more consecutive days. Human Resources will notify the employees in writing of their alternatives regarding benefits while in the LWOP status. Fiscal Service will issue a bill of collection as appropriate, depending on the option(s) selected by the employee. This will improve the debt collection process.

MCCF has instituted a process to ensure timely follow-up on a waiver of debt and will document all follow-up actions. The status of all waiver requests will be reviewed at the monthly meeting between Fiscal Service and the MCCF Program.

c. Concur. Fiscal Service staff has reviewed all pertinent policies and procedures. Accounting has put a process in place to review the monthly FMS/IFCAP reconciliation and make any required adjustments.

**Recommended Improvement Action 5.** We recommend that the VISN Director ensure that the Healthcare System Director: (a) promptly resolves the bulk oxygen system safety deficiencies and brings the systems into compliance with PSA criteria and NFPA standards; (b) provides and documents training for employees responsible for all aspects of the facilities' bulk oxygen utility systems; (c) establishes MOUs with the local vendor that include all of the requirements of the NAC contract and submits the MOUs to NAC; (d) assigns trained technical personnel to monitor tank filling at the St. Albans campus; (e) resolves and monitors the ice build up on bulk oxygen tanks and evaporators; and (f) develops an SOP for unexpected utility shut down at the St. Albans campus.

Concur

**Target Completion Date:** 10/25/04



a. Concur. All facilities have completed upgrades to the alarm systems. Bulk Oxygen alarm systems are in compliance with PSA criteria and NFPA standards. Target date: Complete

b. Concur. Training that was provided for employees responsible for bulk oxygen system has been documented. Target date: Complete

c. Concur. MOUs with the oxygen delivery vendor that include all of the requirements of the NAC contract have been established and submitted to NAC for the New York and Brooklyn campuses. We are awaiting the return of the signed MOU for the St Albans Facility. Upon receipt it will be forwarded to NAC. Target date: October 25, 2004

d. Concur. Trained technical personnel have been assigned to monitor tank filling at the St. Albans facility. Arrangements have been made with the vendor to make deliveries during regular working hours. In cases where deliveries have to be made during weekend, holiday, evening, or night hours, the vendor will provide advance notice so that engineering staff can be scheduled to monitor tank refilling. Target date: Complete

e. Concur. Ice build up is monitored at all sites. If excessive build up is observed, it will be removed. Target date: Complete, with ongoing monitoring.

f. Concur. An SOP has been developed for unexpected Oxygen utility shutdown at the St Albans campus. Target date: Complete

**Recommended Improvement Action 6.** We recommend that the VISN Director ensure that the Healthcare System Director requires that: (a) attending physicians document their supervision of medical residents and (b) involved staff receive additional training on the proper coding and billing for multiple techniques used during a colonoscopy and multiple specimen examinations resulting from a colonoscopy.

Concur

**Target Completion Date:** see below

a. Concur. Electronic signature is now available for attendings to document resident supervision for GI reports. On 7-9-04 an in-service was conducted by the Coding Compliance Coordinator. Attendees included Chief of Gastroenterology, attendings and all G.I. fellows. The agenda included:

- Modifiers 25 and GC
- Principals of Documentation
  1. Document Medical Necessity
  2. Resident Supervision Billing Guide
  3. ICD-9CM diagnoses – for all requests for diagnostic tests
- Scope Procedure Rules: Endoscopy
- Minor Procedure Rules
- Conscious Sedation
- Consultation Services
- OIG tentative findings as it relates to colonoscopy documentation, coding and reimbursement
- Prolonged procedure and modifier –22
- Choosing the correct E&M level
- Examples of proper and improper billing practices

A subsequent Compliance Audit of August '04 colonoscopy cases was conducted on 9-15-04 to determine compliance to requirement of attendings electronically signing the procedure reports. The sample consisted of 25 cases. Two cases had not been electronically signed. These physicians were contacted for compliance.

b. Concur. An in-service for Colonoscopy and Pathology coding was conducted by the Coding Compliance Coordinator on 7-22-04. All VA and contract coders were mandated to attend. The specific agenda items were:

- Documentation requirements for correct assignment of the following therapeutic colonoscopy codes – 45380, 45381, 45383, 45384, and 45385

- Documentation requirements for gross examination of the specimens. Line item for each specimen submitted for gross examination
- Electronic Signature

Billing staff were trained on the proper billing when there are multiple techniques and/or multiple specimens.

**Recommended Improvement Action 7.** We recommend that the VISN Director ensure that the Healthcare System Director implements procedures to: (a) review position sensitivity levels to promptly determine the proper background investigations required and (b) promptly initiate high-risk background investigations for IT Specialists GS-11 and above.

Concur **Target Completion Date:** 10/18/04

a. Concur. This has been fully implemented.

b. Concur. Background investigations are required and immediately initiated for all VA employees. Initial SF-85s (National Agency Check & Inquiries) and/or subsequent SF-85Ps (Questionnaire for Public Trust Positions) background investigations are being monitored to insure that all security packages are sent to the appropriate Investigative Departments in a timely manner. Additionally, the security clearance process has been re-communicated and its importance reinforced to the applicable HR staff members. A tracking system will be implemented to ensure compliance with requirements for SF-85s and SF-85Ps.

A spreadsheet was devised and shared with Human Resources Service and the Information Security Officer (ISO), containing all requested background investigations. The ISO will initiate a review the first week of every quarter. Human Resources Service will update the spreadsheet, indicating those investigations that were completed, as well as those that were initiated during the previous quarter. The ISO will maintain documentation of this activity.

## Monetary Benefits in Accordance with IG Act Amendments

<u>Recommendation</u>	<u>Explanation of Benefit(s)</u>	<u>Better Use of Funds</u>
1	Better use of funds by purchasing knee and hip components from FSS vendors.	\$99,532
2	Better use of funds by reducing excess medical supplies to 30-day levels.	283,826
3	Better use of funds by preventing erroneous payments to contractors.	45,960
4	Better use of funds by preventing erroneous canceling or closing of collectible debts.	71,462
6	Better use of funds by properly coding and billing colonoscopies and related pathology examinations.	48,000
	Total	\$548,780

## OIG Contact and Staff Acknowledgments

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	Marisa Casado	
	John Cintolo	
	Sheila Cooley	
	Amanda MacGee	
	Jeanne Martin	
	Patricia McGauley	
	Carroll Montalva	
	Katherine Owen	
	Steven Rosenthal	
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