Department of Veterans Affairs
Office of Inspector General

Combined Assessment Program Review of the Northern Arizona VA Health Care System Prescott, Arizona

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VA Office of Inspector General
Washington, DC 20420

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 April 18–22, 2005, the Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the Northern Arizona Healthcare System (referred to as the 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 167 employees. The System is under the jurisdiction of Veterans Integrated Service Network (VISN) 18.

Results of Review

This CAP review focused on 11 operational activities. The System complied with selected standards in the following four activities:

- Environment of Care
- Quality Management
- Pressure Ulcer Clinical Practices
- Timekeeping for Part-Time Physicians

Based on our review, we identified the following organizational strength:

- Guest Services Program

We identified seven activities which needed additional management attention. To improve operations, we made the following recommendations:

- Improve the timeliness of colorectal cancer diagnosis and notification documentation.
- Ensure that service contracts are properly awarded.
- Reduce excess supply inventories and strengthen inventory management controls.
- Ensure that insurance carriers are billed for all eligible Fee Basis claims.
- Strengthen pharmacy security and controlled substances inventory management and inspection procedures.
- Strengthen Automated Information Systems (AIS) security controls.
- Ensure that missing equipment is properly reported and Equipment Inventory Listings (EILs) are accurate.

This report was prepared under the direction of Linda G. DeLong, Director, and Virginia L. Solana, CAP Review Coordinator, Dallas Healthcare Operations Division.

VISN 18 and System Director Comments

The VISN and Medical Center Directors agreed with the findings and recommendations and provided acceptable implementation plans. (See Appendixes A and B, pages 16–27 for the full text of the Directors' comments). We will follow up on planned actions until they are completed.

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

Introduction

System Profile

Organization. The System provides a continuum of primary and secondary level medical, rehabilitative and long-term care to veterans residing in northern Arizona. Outpatient care is also provided through five community-based outpatient clinics located in Kingman, Lake Havasu City, Bellemont, Cottonwood, and Anthem, Arizona. The System is part of VISN 18 and serves a veteran population of about 76,000 residing in five counties in northern Arizona.

Programs. The System provides primary and secondary inpatient medicine and ambulatory care and has 25 acute medical beds (19 medicine and 6 intensive care/telemetry beds), 120 Domiciliary beds, and 85 Extended Care and Rehabilitative Center (ECRC) beds. The System also maintains operations for the Prescott National Cemetery, which has been closed to new internments since 1981 due to having reached capacity.

Affiliations and Research. The System is affiliated with Midwestern University providing 30-day clerkships for medical students from the Arizona College of Osteopathic Medicine. The System serves as the primary resource in Northern Arizona for continuing medical education for physicians, nurses, and ancillary medical personnel. The System does not have a research program.

Resources. The System's medical care expenditures totaled $80 million in FY 2004. The FY 2005 medical care budget is $87 million. In FY 2004, the System had 650 full time equivalents (FTE), including 27 physician and 196 nursing FTE.

Workload. In FY 2004, the System treated 20,904 unique patients. The average daily census for the hospital was 23, domiciliary 113, and ECRC 77. The FY 2004 inpatient workload totaled 2,442 discharges; the total inpatient average daily census was 213. The outpatient workload totaled 183,626 visits in FY 2004.

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, quality management, 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 care to identify and correct harmful and potentially harmful practices and 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.

The review covered facility operations for FY 2004 and FY 2005 through April 21, 2005, 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 11 activities:

Colorectal Cancer Management
Environment of Care
Equipment Accountability
Information Technology Security
Medical Care Collections Fund
Pharmacy Security and Controlled Substance Accountability
Pressure Ulcer Clinical Practices
Quality Management
Service Contracts
Supply Inventory Management
Timekeeping for Part-Time Physicians

As part of this review we used questionnaires and interviews to survey employee and patient satisfaction with the timeliness of service and the quality of care. We made electronic questionnaires available to all System employees and 167 responded. We also interviewed 30 patients during the review. The survey events were shared with System management.

Activities that were particularly effective or otherwise noteworthy are recognized in the Organizational Strengths section of this report (page 3). Activities needing improvement are discussed in the Opportunities for Improvement section (pages 4-15). We made recommendations for improvement in seven activities. Recommendations pertain to issues that are significant enough to be monitored by the OIG until corrective actions are implemented.

We also presented fraud and integrity awareness briefings for 167 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.

Results of Review

Organizational Strength

Guest Services Program. In a proactive attempt to enhance patient satisfaction, the Voluntary Service program at the System brought 5-star customer service to their patients through the Guest Services program. Guest Services provides hotel-type amenities and services free of charge and includes welcome kits upon admission, birthday cards on patient's birthday, free newspapers, courtesy phones, prepaid phone cards upon request, get well cards, greeters, fresh fruit delivery to patient rooms, special food treats to hospice patients, shuttle carts for patient transportation, flowers at the bedside, in-room movies, humor for stress, and an outpatient concierge who provides complimentary coffee, Danish, and an assortment of juices.

The program is completely supported by donations. Volunteers who are courteous, affectionate, respectful, and enthusiastic (CARE) serve as CARE Ambassadors. Those attributes are cultivated through training and encouragement and are requirements of the job.

Since the creation of Guest Services in 1995, the initiative, which is a VA Best Practice, has been widely replicated throughout the VA System and has brought increased awareness of the System's Voluntary Service Program. The program was awarded the Silver Hammer Award in 1995 and was recently adopted by the Duke University Health Systems. The Guest Services program was also a featured workshop at the American Society of Directors of Volunteer Services Convention in Atlanta, Georgia.

The System consistently exceeds the Survey of Healthcare Experiences of Patients (SHEP) scores at the VISN and national levels.

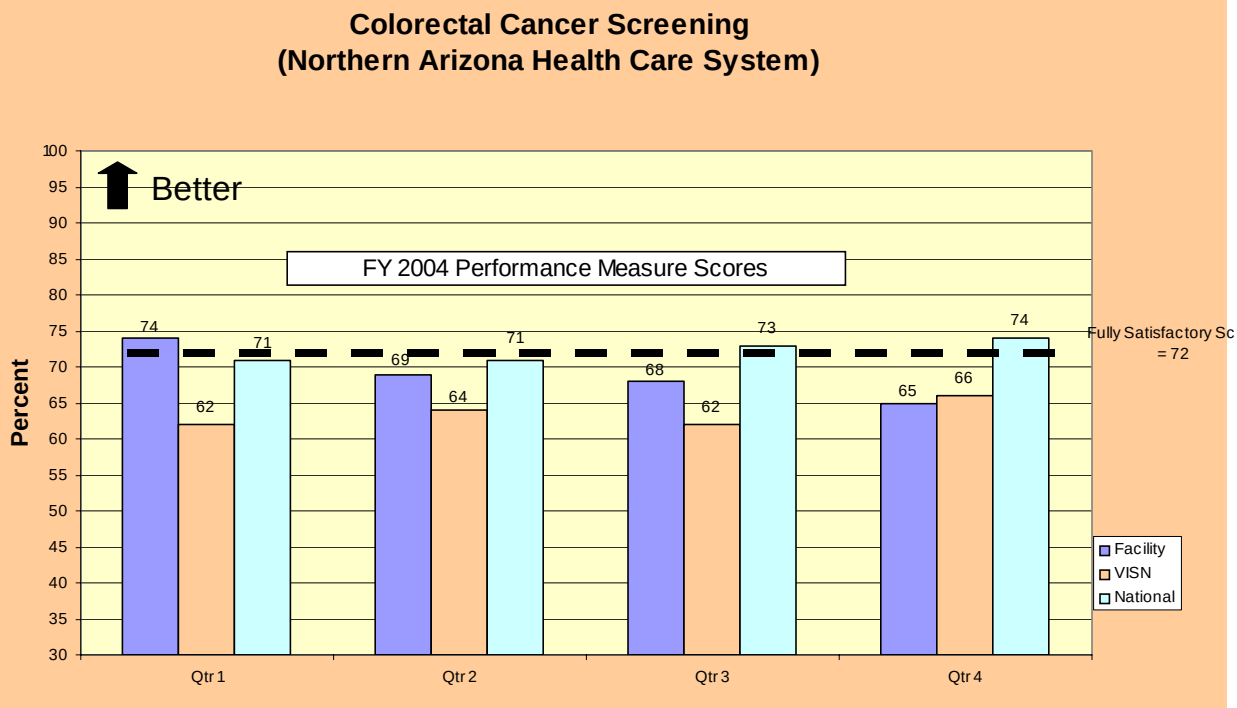
Opportunities for Improvement

Colorectal Cancer Management – Waiting Time for Diagnostic Procedures Should Be Reduced and Documentation of Patient Notification Needed to Be Improved

Condition Needing Improvement. Clinicians needed to improve the timeliness of colorectal cancer diagnosis by reducing the time from when patients presented with symptoms or positive screening until completion of diagnostic procedures. Because there was no Gastrointestinal (GI) Service, Primary Care providers consulted Surgery Service for evaluation. Surgery Service either performed the diagnostic procedures or referred the patients for fee basis procedures in the community. However, the procedures were not performed within the System's time requirements, and there was not consistent medical record documentation that physicians had informed patients of their diagnoses.

Criteria. The VHA colorectal cancer screening performance measure assesses the percent of patients screened according to prescribed timeframes. Timely diagnosis, notification, interdisciplinary treatment planning, and treatment are essential to early detection, appropriate management, and optimal patient outcomes. We assessed these items in a review of all patients (seven) who were diagnosed with colorectal cancer during FY years 2003 and 2004. To determine reasonableness, we used the System's internal policy that requires completion of diagnostic consults within 30 days and routine consults within three months (taking into consideration factors outside the System's control).

Findings.



The System did not meet their requirement for timely consult completion in seven of seven cases (100 percent). Although the System did not meet the VHA performance measure for colorectal cancer screening in three of four quarters for FY 2004, 100 percent of cases we reviewed were appropriately screened. If patients were diagnosed with cancer, physicians referred patients to the tertiary care facility for timely Surgery and Hematology/Oncology consultative and treatment services. Clinicians clearly defined interdisciplinary treatment plans. However, there was no documentation in the medical record that patients had been informed of their diagnoses in four of seven cases.

Cause. Diagnostic GI procedures were frequently not performed as quickly as intended because of increased workload and limited resources. The System had no GI physicians in FY 2004, so all procedures were performed by Surgery. Although they established and recruited a 0.5 FTE for GI in 2005, they lost a surgeon who was performing examinations. System managers reported that they had reached maximum capacity for the existing space, equipment, and personnel and, despite fee basis referrals to the private sector, continued to have a backlog of procedures. System managers stated that fee basis waiting times had increased due to workload.

Because the system did not have a clinical person to evaluate consults, there was no prioritization process. A clerk scheduled patients for evaluation clinic and was unable to consider clinical symptoms. After surgeons examined patients in the evaluation clinic

and assessed appropriateness, they requested scheduling for colonoscopy examinations. This process increased the waiting period. System mangers agreed their timelines were not met and the process could be changed to improve efficiency.

Recommended Improvement Action 1. We recommended that the VISN Director ensure that the System Director takes action to: (a) improve the waiting time from positive screening to diagnostic procedure and (b) improve medical record documentation when notifying patients of their diagnoses.

The VISN and Healthcare System Directors agreed with the findings and recommendations to improve the waiting time from positive screening to diagnostic procedure and improve medical record documentation when notifying patients of their diagnosis. The improvement actions and plans are acceptable, and we will follow up on the planned actions until they are completed.

Service Contracts – Contract Award Requirements Should Be Followed

Conditions Needing Improvement. VISN 18 Acquisition and Materiel Management (A&MM) managers need to ensure that contracting officers follow Federal and VA acquisition regulations. At the time of the CAP review, VISN 18 A&MM managers were in the process of consolidating the contracting activity for all VISN 18 facilities. Of the 15 contracts (5 sole source contracts, 5 competitive contracts, 3 blanket purchase agreements, and 2 basic ordering agreements (BOAs)) we reviewed, 14 were awarded by System contracting officers, and 1 was awarded by a VISN 18 contracting officer. We found that improvements were needed in three of the four reviewed contract types:

Sole Source Contracts.

- A magnetic resonance imaging service contract valued at $436,000 did not have a sole source justification explaining why the contract could not be awarded using full and open competition. Federal and VA acquisition regulations require the preparation of this justification because the Government's preferred contracting method is competitive procurement.
- An adult day health care services contract valued at $690,000 did not have a sole source justification and had not been submitted for the required legal, OIG, and technical reviews before its award. Federal and VA acquisition regulations require the completion of these reviews to protect the Government's interests when the value of a sole source contract is expected to exceed $500,000.
- An adult day health care services contract valued at $470,000 had not been adequately planned to ensure the continuity of services and an effective and economical contracting process. The Federal Acquisition Regulation (FAR) requires the use of acquisition planning to promote the use of competitive contracting and to ensure the

Government meets its needs in the most effective, economical, and timely manner. Because the contracting process was initiated two months before the existing contract was set to expire, the contracting officer did not have sufficient time to properly negotiate and award a competitive contract or sole source contract over $500,000. Consequently, the contracting officer awarded the existing adult day healthcare services contractor a sole source contract with a base year plus one renewable option year contract term to keep the contract's value below $500,000 and avoid required legal, OIG, and technical reviews.

- The two adult day health care services contracts discussed above also did not have the required Price Negotiation Memorandums (PNMs), market analyses, or independent cost estimates to ensure the fairness and reasonableness of the negotiated contract rates. Adequate market analyses would have disclosed that the two contractors' offered rates were 26 to 43 percent higher than what they received under Medicaid to provide the same services. For the one contract where the contracting officer prepared an independent cost estimate to evaluate the offered rate, the estimate was inaccurate because it was based on a Medicaid nursing home care rate, instead of the lower, appropriate Medicaid adult day health care services rate. Consequently, we estimate that the contracting officers could have lowered the costs for these services by as much as $487,000, over a 5-year period, if they had prepared accurate market analyses or independent cost estimates and negotiated comparable rates to Medicaid.

Competitive Contracts.

- Two competitive contracts valued at $280,000 did not have copies of all of the contractors' offers, so there was insufficient documentation to verify that the contracts had been properly awarded to the lowest bidder.
- A VISN 18-wide home oxygen services contract valued at $50 million had not been submitted for the required business clearance, legal, and technical reviews. Federal and VA acquisition regulations require contracting officers to submit contracts over $1.5 million for legal and technical reviews and contracts over $5 million for business clearance reviews. The VISN 18 contracting officer had neglected to obtain the required reviews due to an oversight.

Basic Order Agreements.

- Two basic order agreements (BOAs) were not properly established in accordance with the FAR due to the inexperience of the contracting officer in awarding this type of contracting instrument.[1] The BOAs did not include the applicable terms and conditions for future orders and methods for accepting deliveries. In addition, the

[1] A basic order agreement is a negotiated contracting instrument that includes: (1) the applicable terms and conditions for the ordering of services and supplies during the specified award period, (2) a description of supplies or services to be provided, and (3) methods for pricing, issuing, and delivering the future supply and service orders.

BOAs included extraneous information such as acquisition plans and justifications for sole source awards, even though this information was not required for BOAs.

Recommended Improvement Action 2. We recommended that the VISN Director requires contracting officers to: (a) prepare justifications for sole source contract awards; (b) as required, obtain business clearance, legal, OIG, and technical reviews for competitive and sole source contracts; (c) prepare PNMs, market analyses, and independent cost estimates for sole source contracts; (d) ensure competitive bids are maintained in the contract files; and (e) establish BOAs in accordance with the FAR.

The VISN Director agreed with the finding and recommendations and reported that a Lead Contract Specialist and experienced contracting officers have been assigned to the contracting activity to improve the content of the VISN's contracts and adherence to Office of Acquisition and Materiel Management Business Review checklists. The Lead Contract Specialist will ensure that justifications, PNMs, market analyses, and independent cost estimates are prepared for sole source contracts; necessary contract reviews and clearances are obtained; competitive bids are maintained in the contract files; and BOAs are properly established. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

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

Conditions Needing Improvement. Facilities Management Service (FMS) and Prosthetics and Sensory Aids Service (PSAS) managers needed to manage supply stock levels more effectively and make better use of automated inventory controls. The VHA Inventory Management Handbook establishes a 30-day supply goal and requires medical facilities to use VA's Generic Inventory Package (GIP) to manage inventories of most types of supplies.

Excess Medical and Engineering Supply Inventory. FMS staff used GIP to manage the medical and engineering supply inventories. As of April 14, 2005, the inventory consisted of 5,115 items with a value of $100,626. We reviewed a judgment sample of 30 medical and engineering supply items valued at $12,707. Nineteen of the 30 items had stock on hand that exceeded a 30-day supply, with inventory levels ranging from 48 to 550 days of supply. The estimated value of stock exceeding 30 days was $6,577, or 52 percent of the total value of the 30 items. By applying the 52 percent estimate of excess stock for the sampled items to the entire stock, we estimated that the value of the medical and engineering supply inventory exceeding current needs was $52,326 (52 percent of the total inventory value).

Excess Prosthetic Supply Inventory. The PSAS established a 30-day supply standard and managed its inventory with the Prosthetic Inventory Package (PIP), which is similar to GIP. As of April 21, 2005, the PSAS maintained an inventory of 68 supply items valued

at $7,468. We reviewed a judgment sample of 10 items valued at $5,550. Seven of the 10 items had stock on hand that exceeded a 30-day supply, with inventory levels ranging from 42 to 300 days of supply. The estimated value of stock exceeding 30 days was $1,689, or 30 percent of the total value for the 10 items. By applying the 30 percent estimate of excess stock for the sampled items to the entire stock, we estimated that the value of all excess stock was $2,240 (30 percent of the total inventory value).

The excess inventory in medical, engineering, and prosthetic supply stock occurred because FMS and PSAS staff were not properly recording transactions, monitoring supply usage, or adjusting stock levels to meet the 30-day standard. In addition, FMS and PSAS are required to purchase supply items in large quantities through blanket purchase agreements or General Services Administration federal supply schedules, resulting in inventories that can exceed the 30-day supply.

Inaccurate Inventory Records. Using the sample of 40 medical, engineering, and prosthetic supply items that we used to review inventory levels, we compared the recorded GIP and PIP quantities on hand with our actual counts. GIP and PIP inventory levels were not accurate for 19 of the 40 items. For all 19 items, some transactions had been incorrectly or incompletely posted to the inventory records causing inaccurate inventory balances.

Recommended Improvement Action 3. We recommended that the VISN Director ensure that the System Director requires that (a) FMS and PSAS staff monitor item usage rates, adjust GIP and PIP stock levels, and reduce excess medical, engineering, and prosthetic supply inventory and (b) FMS and PSAS staff keep GIP and PIP inventory records current by promptly and accurately posting inventory transactions.

The VISN and System Directors agreed with the finding and recommendations and reported that processes have been implemented to ensure the accuracy of inventory records, the monthly monitoring of inventory levels, and monthly assessments of the need to stock selected items. Although the health care system will continue to have some items that exceed the 30-day supply standard due to cost or minimum order requirements, the health care system staff will balance supply costs with the need to maintain the smallest inventory possible. Health care system staff will suspend orders until excess medical, engineering, and prosthetic supplies are depleted and reorders become necessary. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

Medical Care Collections Fund – Fee Basis Billing Procedures Needed Improvement

Condition Needing Improvement. Medical care collection fund (MCCF) managers could increase collections by improving billing procedures. During FY 2004, the System collected $5.41 million (94 percent of the System's collection goal of $5.73 million).

From October through December 2004, the System paid 2,664 fee-basis claims, totaling $303,670, to non-VA clinicians who provided medical care to veterans with health insurance.

We reviewed a statistical sample of 17 claims.[2] Four of the 17 claims had been billed in a timely manner. Eight of the remaining 13 claims were not billable to the insurance carriers because the fee-basis care was for service-connected conditions or was not billable under the terms of the patient's insurance plans. The remaining five claims were not billed because fee-basis staff had not properly coded fee-basis records for contract nursing home patients, and MCCF billing staff were not familiar with procedure codes and billing procedures for selected claims.

MCCF staff were not aware that they needed to bill the patients' insurance carriers for three contract nursing home fee-basis claims because the claims were not listed on the "Potential Cost Recovery" report used to identify billable claims. These claims did not appear on the report because fee basis staff mistakenly did not identify the claims as billable in the patients' fee basis records. MCCF staff billed the three patients' health insurance carriers $30,460 after we brought these claims to their attention.

MCCF staff also did not bill for the remaining two fee basis claims because they were unfamiliar with the Healthcare Common Procedural Coding System (HCPCS) procedure codes and billing procedures for patient transportation services. In one case, a MCCF staff person put a $3,478 claim aside to verify a HCPCS code she did not recognize, but she forgot to verify the code and to process the claim until it was identified by the CAP review. MCCF staff had not billed a second claim for $36 because they did not know how to bill for transportation services. The El Paso VA Health Care System MCCF Coordinator had to assist the System's MCCF staff through the process so that they could bill the patient's health insurance carrier.

During our review, MCCF staff prepared bills for the five claims totaling $33,974. Based on the System's FY 2004 collection rate of 20 percent, MCCF staff could potentially collect about $6,795 ($33,974 x 20 percent collection rate).

Recommended Improvement Action 4. We recommended that the VISN Director ensure that the System Director requires that: (a) Fee-basis staff properly identify the billable status of fee-basis nursing home patient claims in fee-basis records and ensure all billable claims are listed on the "Potential Cost Recovery" report, (b) MCCF staff receive training on HCPCS coding and billing procedures for transportation services, and (c) review FY 2004 and 2005 fee-basis contract nursing home patient and transportation service records for additional billing and collection opportunities.

[2] The MCCF focused audit is part of a centralized review of 20 CAP sites. The MCCF audit control point selected the statistical sample size applying a 95 percent confidence level, with a 5 percent precision and 10 percent expected error rate. Based on this result, a random sample was selected from the fee-basis claims paid during the first quarter of FY 2005.

The VISN and System Directors agreed with the finding and recommendations and reported that fee basis authorization staff are now aware of the need to enter the correct billable status for fee basis patients and that VISN Information Technology staff have revised the Potential Cost Recovery report to show all potential billable claims. MCCF staff have also received training on the preparation of transportation bills, and one MCCF staff person is scheduled for HCPCS training. MCCF staff plan to finish the review of FY 2004 and 2005 fee-basis contract nursing home and transportation service records for additional billing and collection opportunities by November 30, 2005. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

Pharmacy Service – Pharmacy Security, Inventory Management, and Inspection Controls Needed Improvement

Conditions Needing Improvement. Pharmacy Service managers and the Controlled Substances Coordinator (CSC) needed to improve controls over pharmacy security, inventory management, and the controlled substances inspection program. Our review found that 72-hour inventories were being performed and the alarm systems in the pharmacy were operating properly. However, we identified three deficiencies that required corrective action.

Pharmacy Security. General pharmacy security and controls over controlled substance prescriptions needed to be strengthened. The pharmacy dispensing counter was not enclosed with bullet proof windows set in solid concrete as required by VHA policy. Instead, Pharmacy Service clerks worked behind open dispensing counters which were secured after hours with metal security shutters. Authorized pharmacy staff accessed the controlled substances vault using key cards although VA policy requires an entry system which uses personal identification numbers (PINs) to control and monitor vault access. The key card entry system had been installed before VA changed its pharmacy policy to require the use of PINs. Controlled substances prescriptions were stored with the regular pharmaceutical prescriptions awaiting patient pick-up instead of in the required locked controlled substances cabinet. This occurred because Pharmacy Service staff stated that the controlled substances cabinet was too small to fit all of the controlled substances prescriptions awaiting pickup. Pharmacy Service management stated that all of the above deficiencies will be corrected during the upcoming pharmacy renovation.

Medication Inventory Controls. VHA policy requires prescriptions for controlled substances to have the patient's full name and address and the prescribing physician's name, address, and Drug Enforcement Administration (DEA) registration number. While touring the pharmacy with the Pharmacy Service Chief, we noted that some controlled substances prescriptions did not include the patient's address or the practitioner's DEA number or address. The Pharmacy Service Chief stated that this occurred because some prescribing physicians did not recognize the importance of having the patient's full name

and address on the prescription, and some were not accustomed to using VA prescription pads which do not have their personal information and DEA registration numbers pre printed on the forms.

VHA policy also requires that a complete inventory be conducted when a permanent change in appointment of the Pharmacy Service Chief takes place. For the last three permanent changes of the Pharmacy Service Chief, complete inventories were not conducted for two, and one was not done until four months after the change in appointment occurred. Pharmacy Service management indicated that the inventories were not conducted due to workload constraints.

Unannounced Controlled Substances Inspections. VHA policy requires health care facilities to conduct monthly unannounced inspections where controlled substances inspectors perform a complete physical count of all of the controlled substances in the wards and pharmacy storage areas. In March and June of 2004, controlled substance inspectors did not inspect two wards containing controlled substances due to an oversight.

During our observation of an unannounced inspection of the pharmacy area and one ward, the inspector required significant assistance from the CSC and Pharmacy Service staff to conduct the inspection. The inspector had attended VHA-required controlled substance inspection training but was unprepared for his first inspection at the System. For example, the CSC and Pharmacy Service staff had to remind the inspector during the inspection to check drug expiration dates, to inventory the prescription pads, and to review documentation for the 72 hour inventories. Furthermore, the CSC had developed a checklist to assist inspectors in the completion of the unannounced inspections. However, the checklist did not require the inspectors to verify hard copy prescriptions for controlled substances dispensed from the outpatient pharmacy, reconcile controlled substances transfers from the pharmacy with the stock at the receiving automated dispensing units, or to include the automated controlled substance dispensing units in the inspection.

Recommended Improvement Action 5. We recommended that the VISN Director ensure that the System Director requires that: (a) Pharmacy Service managers ensure pharmacy physical security complies with VA policy, (b) Pharmacy Service managers ensure prescribing physicians complete all required prescription information, (c) Pharmacy Service managers conduct complete inventories when permanent changes in the appointment of the Pharmacy Service Chief occurs, (d) the CSC ensures all areas containing controlled substances are inspected, and (e) the CSC strengthens the local controlled substance inspection checklist and ensures all inspectors have received local training on conducting inspections at the System.

The VISN and System Directors agreed with the finding and recommendations and reported that the completion of a current pharmacy renovation project will bring the

pharmacy's physical security into full compliance with VA policy and that complete pharmacy inventories will be performed with each subsequent permanent change of the Pharmacy Service Chief. As of October 1, 2005, Pharmacy Service will begin monitoring prescriptions to ensure providers have entered all required patient and provider information. In addition, the CSC will continue monitoring monthly inspections to ensure all areas are inspected and the implementation of a new inspection process with new detailed checklists to ensure all required items and processes are completed. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

Information Technology Security – AIS Security Controls Should Be Strengthened

Conditions Needing Improvement. Information Systems Service (ISS) managers needed to strengthen controls over AIS security. VHA policy requires facilities to establish, maintain, and enforce a comprehensive security program to assure an adequate level of security protection for AIS to include management, operational, and technical controls.

Contingency Planning. The System's AIS contingency plan was not clear, concise, and easily implemented because it lacked critical elements such as damage assessment procedures, resource recovery priorities, and recovery operation procedures that are essential during an extended service interruption or emergency. The ISS Manager stated that in 2002 when he wrote the contingency plan, he was new to the System and had hurriedly put the contingency plan together to allow the System to operate in the interim. However, since then, the ISS Manager acknowledged that he had not been able to revise the contingency plan due to workload constraints.

Operational Controls. ISS staff did not store on-site computer back-up tapes in a heat resistant and waterproof cabinet, the computer room master power switch was not easily accessible in an emergency, and 23 percent of the System's computer users had not completed VA's required security awareness training during FY 2004. The ISS manager stated that he had requested a fire and waterproof cabinet shortly after his arrival in September 2002, but there were no funds at that time to purchase it. The ISS manager had also discussed with Engineering Service staff the need to relocate the master power switch but no action had been taken to relocate the switch. Upon his arrival at the System in November 2004, the Information Security Officer (ISO) stated that he realized that a significant number of the System's computer users had not completed their FY 2004 annual security awareness training and that he needed to ensure that all of them completed their training in FY 2005.

Recommended Improvement Action 6. We recommended that the VISN Director ensure that the System Director requires that: (a) the ISS manager develops and maintains an AIS contingency plan that addresses all critical emergency planning elements and is

clear, concise, and easy to implement; (b) the ISS manager addresses physical security vulnerabilities related to the on-site computer back-up tapes and master power switch; and (c) the ISO ensures that all System computer users complete VA-required security awareness training in FY 2005.

The VISN and System Directors agreed with the finding and recommendations and reported that the on-site back up tapes are now stored in a fire protected, locked cabinet. By the end of FY 2005, the health care system expects full compliance with VA's Computer Security Awareness training requirement. The health care system also plans to have a completed and tested AIS contingency plan in place by December 1, 2005 and to relocate the master power switch by March 31, 2006. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

Equipment Accountability – Inventories Should Be Properly Performed and Equipment Inventory Lists Updated

Conditions Needing Improvement. FMS managers needed to improve procedures to properly safeguard and account for nonexpendable equipment (items costing more than $5,000 with an expected useful life of more that 2 years). VA policy requires that periodic inventories be done to ensure that equipment is properly accounted for and recorded on EILs. As of April 18, 2005, the System had 55 EILs containing 452 items valued at $12 million. We reviewed a judgment sample of 30 equipment items, valued at $336,654, that were assigned to 5 EILs and identified three deficiencies that required corrective action:

Missing Equipment. An equipment item with an acquisition value of $6,100 listed on an FMS EIL for excess equipment could not be located. When this item was brought to the attention of the FMS Manager, he admitted that he had not verified all of the equipment items on the excess equipment EIL when the last inventory was conducted. Consequently, this equipment item could have been missing since before October 2004.

Inaccurate Inventory Records. ISS and Materiel Management Service managers did not perform thorough EIL inventories to ensure adequate accountability for assigned equipment and the accuracy of EIL equipment information. The ISS and Materiel Management Service managers had certified their EILS in October and November 2004, respectively. However, at the time of the CAP review the EILs still showed that two equipment items valued at $29,654 were in service, even though they had been sold in September 2004. In addition, two equipment items recorded on two separate EILs had missing VA identification tags, and one equipment item had an incorrect serial number listed on the EIL.

Quarterly Spot Checks Not Conducted. FMS staff did not conduct quarterly inventory spot checks of inventories as required by VA policy. FMS staff is required to conduct quarterly spot checks of EIL records to ensure the accuracy of information and to

determine if responsible officials are following equipment accountability policies. FMS managers misinterpreted VA policy and believed that 100 percent inventories exempted them from the requirement to perform quarterly spot checks.

Recommended Improvement Action 7. We recommended that the VISN Director ensure that the System Director requires that: (a) the FMS manager properly inventories and certifies EILs he is responsible for in accordance with VA policy and initiates a Report of Survey for the identified missing equipment item, (b) System staff perform thorough equipment inventories and update EILs to include complete and accurate identification information for all equipment items, and (c) FMS staff perform quarterly inventory spot checks.

The VISN and System Directors agreed with the finding and recommendations and reported that EIL inventories and Reports of Survey are being properly completed, EILS have been updated with complete and accurate identification information, and a quarterly spot check process has been initiated. The improvement plans are acceptable, and we will follow up on the planned actions until they are completed.

Appendix A

VISN Director Comments

Department of Veterans Affairs **Memorandum**

Date: September 23, 2005

From: VISN Director

Subject: **Northern Arizona VA Health Care System Prescott, Arizona**

To: Director, Dallas Audit Operations Division (52DA)

I concur with the findings from the OIG CAP visit conducted April 18-22, 2005. The facility Director has completed many actions and has outlined acceptable action plans for the remaining open items. Attached is the VISN response as well as the action plan for Recommendation 2.

Patricia A. McKlem

VISN Director's Comments to Office of Inspector General's Report

The following VISN Director's comments are submitted in response to the recommendations in the Office of Inspector General Report:

OIG Recommendations

Recommended Improvement Action 1. We recommended that the VISN Director ensure that the System Director takes action to: (a) improve the waiting time from positive screening to diagnostic procedure and (b) improve medical record documentation when notifying patients of their diagnoses.

Concur **Date Completed: 8-1-05**

Recommended Improvement Action 2. We recommended that the VISN Director requires contracting officers to: (a) prepare justifications for sole source contract awards, (b) as required, obtain business clearance, legal, OIG, and technical reviews for competitive and sole source contracts, (c) prepare PNMs, market analyses, and independent cost estimates for sole source contracts, (d) ensure competitive bids are maintained in the contract files, and (e) establish BOAs in accordance with the FAR.

Concur: **Date Completed: 06-30-05**

Corrective actions have been implemented addressing the issues such as improving contents and adherence to checklists and assigning more experienced Contracting Officers. The creation of a new position and hiring of an experienced Lead Contract Specialist will ensure that:

·Justifications for sole source contract awards are written and included in the contract file;

·Necessary reviews and clearances are obtained as required by the VAAR;

·PNMs, market analyses, and independent cost estimates are prepared for sole source contracts;

·Competitive bids are maintained in the contract files; and

·BOAs are established in accordance with the FAR

Recommended Improvement Action 3. We recommended that the VISN Director ensure that the System Director requires that (a) FMS and PSAS staff monitor item usage rates, adjust GIP and PIP stock levels, and reduce excess medical, engineering, and prosthetic supply inventory and (b) FMS and PSAS staff keep GIP and PIP inventory records current by promptly and accurately posting inventory transactions.

Concur **Date Completed: 8-1-05**

Recommended Improvement Action 4. We recommended that the VISN Director ensure that the System Director requires that: (a) Fee-basis staff properly identify the billable status of fee-basis nursing home patient claims in fee-basis records and ensure all billable claims are listed on the "Potential Cost Recovery" report, (b) MCCF staff receive training on HCPCS coding and billing procedures for transportation services, and (c) review FY 2004 and 2005 fee-basis contract nursing home patient and transportation service records for additional billing and collection opportunities.

Concur **Target Completion Date: 11-30-05**

Recommended Improvement Action 5. We recommended that the VISN Director ensure that the System Director requires that: (a) Pharmacy Service managers ensure pharmacy physical security complies with VA policy, (b) Pharmacy Service managers ensure prescribing physicians complete all required prescription information, (c) Pharmacy Service managers conduct complete inventories when permanent changes in the appointment of the Pharmacy Service Chief occurs, (d) the CSC ensures all areas containing controlled substances are inspected, and (e) the CSC strengthens the local controlled substance inspection checklist and ensures all inspectors have received local training on conducting inspections at the System.

Concur **Target Completion Date: 10-31-05**

Recommended Improvement Action 6. We recommended that the VISN Director ensure that the System Director requires that: (a) the ISS manager develops and maintains an AIS contingency plan that addresses all critical emergency planning elements and is clear, concise, and easy to implement; (b) the ISS manager addresses physical security vulnerabilities related to the on-site computer back-up tapes and master power switch; and (c) the ISO ensures that all System computer users complete VA-required security awareness training in FY 2005.

Concur **Target Completion Date: 3-31-06**

Recommended Improvement Action 7. We recommended that the VISN Director ensure that the System Director requires that: (a) the FMS manager properly inventories and certifies EILs he is responsible for in accordance with VA policy and initiates a Report of Survey for the identified missing equipment item, (b) System staff perform thorough equipment inventories and update EILs to include complete and accurate identification information for all equipment items, and (c) FMS staff perform quarterly inventory spot checks.

Concur **Date Completed: 9-17-05**

Appendix B

System Director Comments

Department of Veterans Affairs **Memorandum**

Date: September 19, 2005

From: System Director

Subject: **Northern Arizona VA Health Care System Prescott, Arizona**

To: Director, Dallas Audit Operations Division (52DA)

I concur with the findings from the OIG CAP visit conducted April 18-22, 2005. Attached are responses with action plans as appropriate for each recommendation.

Deborah A. Thompson

System Director's Comments to Office of Inspector General's Report

The following System Director's comments are submitted in response to the recommendations in the Office of Inspector General Report:

OIG Recommendations

Recommended Improvement Action 1. We recommended that the VISN Director ensure that the System Director takes action to: (a) improve the waiting time from positive screening to diagnostic procedure and (b) improve medical record documentation when notifying patients of their diagnoses.

Concur **Date Completed: 8-1-05**

(a) As an improvement to the colorectal cancer diagnostic process, an endoscopist now reviews all consults for scheduling based on medical needs. Symptomatic patients are scheduled for diagnostic test within 30 days or referred to the community on fee-basis. Patients with a positive screening test (positive fecal occult blood), if symptomatic, are scheduled within 30 days or referred to the community on fee-basis. (Completed 8/1/05 and ongoing).

We are working on long-term plans to increase capacity in order to schedule all asymptomatic patients with positive screening test within 30 days. In addition, we are actively recruiting for a GI physician. Expansion of procedure space is already a part of an approved CARES minor project for FY07.

Recommended Improvement Action 3. We recommended that the VISN Director ensure that the System Director requires that (a) FMS and PSAS staff monitor item usage rates, adjust GIP and PIP stock levels, and reduce excess medical, engineering, and prosthetic supply inventory and (b) FMS and PSAS staff keep GIP and PIP inventory records current by promptly and accurately posting inventory transactions.

Concur **Date Completed: 8-1-05**

(a) On August 1, 2005 FMS began running Item Usage Reports on a monthly basis and monitoring usage of items. Inactive and Long Supply Reports are also evaluated monthly to determine if there is a genuine need to stock them. It is important to note that due to the cost or the inability to order smaller lots, NAVAHCS will continue to have items that exceed the 30 day supply. Each of the items in PSAS inventory is carefully monitored on a monthly basis to insure that each item is a viable and necessary stock item. PSAS carefully monitors and maintains a small as possible stock level, while maintaining a fiscally responsible expenditure of funds. Orders are suspended until the excess is depleted on any medical, engineering or prosthetic supply items found to be in excess, but which will also be needed in the future. (COMPLETED)

(b) FMS had developed a process to improve the accuracy of inventory records but it was not fully implemented prior to the CAP review. The process was fully implemented 5-1-05. FMS staff promptly and accurately post transactions to GIP inventories. Staff routinely run physical count forms, inventory items and update the inventory as necessary. Immediately following the CAP review PSAS took action to correct untimely electronic issue of stock items. Items are now entered into the computer tracking system as soon as they are pulled from the shelf for issue. The improved process of computer entry was fully implemented 5-1-05. (COMPLETED)

Recommended Improvement Action 4. We recommended that the VISN Director ensure that the System Director requires that: (a) Fee-basis staff properly identify the billable status of fee-basis nursing home patient claims in fee-basis records and ensure all billable claims are listed on the "Potential Cost Recovery" report, (b) MCCF staff receive training on HCPCS coding and billing procedures for transportation services, and (c) review FY 2004 and 2005 fee-basis contract nursing home patient and transportation service records for additional billing and collection opportunities.

Concur **Target Completion Date: 11-30-05**

(a) During the CAP review it was discovered that some staff that enter fee-basis authorizations were using the default of "no" to the question "Is this a Potential Cost recovery". Staff were notified of the need to have the billable status of fee-basis patient claims properly identified and that this requires a "yes" to the question. Prior to the CAP review, VISN staff had been working on a modification to the "Potential Cost Recovery" report. To ensure all billable claims are listed on the report, VISN IT staff included in the report modification, a mechanism that shows all the potential billings on this report regardless of how the question is answered. Since the CAP review, the report has been checked to assure all billable claims are included. (COMPLETED)

(b) On March 15, 2005, prior to the CAP review, MCCF staff received training on transportation billing from the El Paso VA MCCR Coordinator. An MCCF biller is also scheduled to attend additional HCPCS coding training in November 2005.

(c) MCCF staff are currently reviewing FY 2004 and 2005 fee-basis contract nursing patient and transportation service records for additional billing and collection opportunities. The target completion date for this review is November 30, 2005.

Recommended Improvement Action 5. We recommended that the VISN Director ensure that the System Director requires that: (a) Pharmacy Service managers ensure pharmacy physical security complies with VA policy, (b) Pharmacy Service managers ensure prescribing physicians complete all required prescription information, (c) Pharmacy Service managers conduct complete inventories when permanent changes in the appointment of the Pharmacy Service Chief occurs, (d) the CSC ensures all areas containing controlled substances are inspected, and (e) the CSC strengthens the local controlled substance inspection checklist and ensures all inspectors have received local training on conducting inspections at the System.

Concur **Target Completion Date: 10-31-05**

(a) VA pharmacy physical security requirements were reviewed by the Pharmacy Manager and Project Engineer during the week of April 18-22, 2005 with the CAP reviewers. Completion of the Pharmacy renovation project will bring the physical security of the pharmacy into full compliance with VA policy. During the week of May 16-20, 2005 a VA Inspector from the Office of Security and Law Enforcement reviewed and approved the plans and materials being used in the pharmacy renovation. The following actions have been taken or are planned:

1) The pharmacy dispensing counter is enclosed with bullet proof windows set in bullet proof Kevlar wall board. This was completed in June 2005.

2) The walls exposed to the outside of the building are reinforced with wire mesh. This will be completed by the end of October 2005.

3) The pharmacy vault is accessed with a key card and a key pad with individual access codes. This was completed on September 14, 2005.

4) Only one controlled substance was not locked in the controlled substance cabinet. The pharmacist responsible for this was educated on the proper procedure to follow, which is to place the controlled substance in the locked controlled substance cabinet for patient pick-up. This was completed the week of the CAP review and all controlled substances are kept in a locked cabinet.

(b) To comply with VHA policy that prescriptions for controlled substances have the patient's full name and address and the prescribing physician's name, address and DEA registration number, on 8-11-05 a memo was sent to all providers reminding them to include all necessary patient information on prescriptions. Stamps with individual provider's information were obtained and distributed by 9-15-05 to each provider for them to stamp each prescription. Pharmacy will begin monitoring the prescriptions on 10-1-05. If the prescription does not include all of the required provider information, it will be returned to the prescriber for completion. If required patient information is not included, pharmacy staff will complete the information and notify the prescriber of the need to include this information. If prescriptions continue to lack required patient information, the prescription will be returned to the prescriber for completion.

(c) When the current Pharmacy Chief assumed his permanent position in August 2004, the policy to perform a complete inventory of controlled substances was not followed. Subsequently, the Pharmacy Chief completed the inventory of controlled substances on 1/7/2005. A complete inventory will be performed with each subsequent permanent change of Pharmacy Service Chief. (ONGOING)

(d) In March 2005 a new CSC inspection process for all areas containing controlled substances was implemented, bringing us into full compliance since that time. The CSC and Pharmacy Manager identified all areas of the Health Care System that contain controlled substances. All areas are being inspected. As part of the review process, the CSC monitors the monthly inspections to ensure that all areas are inspected.

(e) At the time of the CAP review a new CS inspection process was being implemented. A new checklist was being created and new inspectors were being trained. All areas of inspection now have a detailed checklist to ensure that all required items and processes are inventoried, and discrepancies are reported to the responsible officials in a timely manner. Implementation of the new processes was completed June 2005 and is now ongoing. (COMPLETED)

Recommended Improvement Action 6. We recommended that the VISN Director ensure that the System Director requires that: (a) the ISS manager develops and maintains an AIS contingency plan that addresses all critical emergency planning elements and is clear, concise, and easy to implement; (b) the ISS manager addresses physical security vulnerabilities related to the on-site computer back-up tapes and master power switch; and (c) the ISO ensures that all System computer users complete VA-required security awareness training in FY 2005.

Concur **Target Completion Date: 3-31-06**

(a) During our Security Control Assessment (SCA), conducted by the Office of Cyber and Information Security contractors, the week of April 18, 2005, the SCA team identified (and provided) a template that is recommended for use in developing Facility AIS Contingency Plans. This document is comprehensive, and covers all possible incidents related to the operation of the Information Systems. Data from the existing System Contingency Plans will be incorporated, along with any additional information as this plan is developed. Once completed, the plan will be tested for ease of implementation, and revisions will be made on identified weaknesses. The target completion date is 12-1-05.

(b) A fire protective, locked cabinet was installed in May 2005 and is currently in use for the physical security of back-up tapes at our on-site storage room in the computer training facility. Correction of the master power switch will be completed by March 31, 2006. This work is being done in conjunction with a Security Project with the intent to disrupt the ISS department only once.

(c) Computer Security Awareness training compliance reports are generated by the ISO monthly. As the end of the FY approaches, these reports are being generated twice monthly. The names of staff that have not yet completed the training are supplied to the Service Line Manager and appropriate supervisors for action. Full compliance is expected by the end of FY 2005.

Recommended Improvement Action 7. We recommended that the VISN Director ensure that the System Director requires that: (a) the FMS manager properly inventories and certifies EILs he is responsible for in accordance with VA policy and initiates a Report of Survey for the identified missing equipment item, (b) System staff perform thorough equipment inventories and update EILs to include complete and accurate identification information for all equipment items, and (c) FMS staff perform quarterly inventory spot checks.

Concur **Date Completed: 9-17-05**

(a) EILs are currently being properly inventoried and certified. Date implemented was 6-28-05. A report of survey was conducted on the one identified missing equipment item on 7-13-05. (COMPLETED)

(b) On 6-28-05 staff completed a thorough equipment inventory and updated EILs that included complete and accurate identification information. (COMPLETED)

(c) Spot checks were conducted on all signed EILs on 6-28-05. To maintain compliance with VHA requirements and our policy, random quarterly spot checks will be conducted on all accountable EILs and annotated on the Master EIL. These quarterly spot checks began September 17, 2005. (COMPLETED)

Appendix C

Monetary Benefits in Accordance with IG Act Amendments

Recommendation	Explanation of Benefit(s)	Better Use of Funds
1	Better use of funds by conducting market analysis.	$487,000
2	Better use of funds by reducing excess medical, engineering, and prosthetic supply inventories.	54,566
3	Better use of funds by improved MCCF billing procedures	6,795
	Total	$548,361

OIG Contact and Staff Acknowledgments

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Appendix E

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