Department of Veterans Affairs
Office of Inspector General

Combined Assessment Program Review of the Philadelphia VA Medical Center Philadelphia, Pennsylvania

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VA Office of Inspector General
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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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Contents

Executive Summary

Introduction

During the week of September 20-24, 2004, the Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the Philadelphia VA Medical Center. The purpose of the review was to evaluate selected medical center 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 192 employees. The medical center is under the jurisdiction of Veterans Integrated Service Network (VISN) 4.

Results of Review

This CAP review focused on 12 areas. The medical center complied with selected standards in the following areas:

- Emergency Preparedness
- Quality Management Program

We identified 10 areas that needed additional management attention. To improve operations we made the following recommendations:

- Improve controls over moderate sedation.
- Correct infection control deficiencies.
- Provide oversight of the contracting activity, and improve contract administration on service contracts.
- Improve oversight and compliance with VA policy regarding the Government Purchase Card Program.
- Improve the accuracy of inventory records, and reduce excess medical supplies inventory.
- Improve collection actions, accounting, and reconciliations of vendor and employee debts.
- Improve inventory procedures and controls over nonexpendable equipment.
- Establish procedures to ensure the accountability of pharmaceuticals, and improve the timeliness of controlled substances inspection reports.

- Improve the timeliness of Medical Care Collections Fund (MCCF) third party billings.
- Strengthen information technology (IT) security by terminating computer access that is no longer needed, and ensuring employees complete required annual training.

This report was prepared under the direction of Ms. Katherine Owens, Director, Bedford Office of Healthcare Inspections.

VISN Director Comments

The VISN Director and Medical Center Directors agreed with the CAP review findings and recommendations, and provided acceptable improvement plans. (See Appendix A, beginning on page 22 for the full text of the Directors' comments.) We will follow up on implementation of planned actions until they are completed.

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

Introduction

Facility Profile

Organization. Located in Philadelphia, Pennsylvania, the medical center consists of a tertiary care hospital, a nursing home care center, and community based outpatient clinics (CBOCs) in Horsham, Pennsylvania, and Cape May and Burlington Counties, New Jersey. The medical center is the Eastern Pennsylvania referral center for VA medical centers in Coatesville, Lebanon, and Wilkes-Barre, Pennsylvania and in Wilmington, Delaware.

Programs. The medical center provides comprehensive primary, medical, surgical, mental health, and geriatric health care. It has 146 acute care beds and 240 nursing home care beds; and it offers rehabilitation medicine, neurology, oncology, dental, and substance abuse treatment services.

Affiliations and Research. The medical center is affiliated with the University of Pennsylvania (UPenn) Medical School and supports 100 resident and fellowship positions. The medical center is also affiliated with UPenn's Nursing and Dental schools, as well as other schools, colleges, and university programs in health care and related professions.

The medical center had major research activities involving 108 investigators and technicians. All major clinical disciplines were represented in 330 research projects that included infectious diseases, immunology disorders and diseases, sleep medicine, behavioral medicine, Parkinson's and Alzheimer's diseases, and traumatic brain injury. The research funding for Fiscal Year (FY) 2003 was approximately $19.9 million.

Resources. The medical center's budget for FY 2003 totaled approximately $210.3 million; the FY 2004 budget totaled over $244.6 million. FY 2003 staffing was 1,563 full-time employee equivalents (FTE); FY 2004 staffing was 1,629 FTE, which included 147 physician and 446 nursing FTE.

Workload. In FY 2003, the medical center treated 53,827 unique patients. For FY 2004 (through July), 51,825 unique patients were treated. Inpatient workload totaled 4,927 discharges for FY 2003. For FY 2004 (through July), inpatient discharges totaled 3,672. The average daily census for FY 2004 (through July), including nursing home patients, was 340. The outpatient workload for FY 2003 totaled 409,166 visits, and for FY 2004 (through July), workload totaled 330,643 outpatient visits.

Decisions Relating to Recommendations of the Commission on Capital Asset Realignment for Enhanced Services (CARES). On February 12, 2004, the CARES Commission issued a report to the Secretary of Veterans Affairs describing its recommendations for improvement or replacement of VA medical facilities. The

Secretary published his decisions relative to the Commission's recommendations in May 2004. With regard to the Philadelphia VA Medical Center, the Secretary concluded that because of a projected 100 percent increase in primary care visits from its FY 2003 baseline by FY 2009, an additional CBOC (in Gloucester County, NJ), along with 8,497 square feet of added primary care clinic space at the medical center, will be required to meet this increased demand. Additional primary care FTE will also be needed to meet the demand.

Specialty care workload is projected to increase from the FY 2003 baseline of 125,000 visits to 282,342 visits in FY 2008. The additional workload will be managed by medical center FTE and by augmenting peak demand with contracted specialty care services.

Bed days of care (BDOC) for medicine and surgery are projected to increase steadily. The CARES study projected that BDOC will peak for medical inpatients in FY 2008, and for surgical inpatients in FY 2007. Vacant inpatient space currently exists to meet the increased demands.

Go to http://www1.va.gov/cares to see the complete text of the Secretary's decision.

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

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

Accounts Receivable	Medical Care Collections Fund
Emergency Preparedness	Moderate Sedation
Environment of Care	Pharmaceutical Accountability
Equipment Accountability	Quality Management
Government Purchase Card Program	Service Contracts
Information Technology Security	Supply Inventory Management

The review covered facility operations for FY 2002, FY2003, and FY 2004 through July 2004 and was done in accordance with OIG standard operating procedures for CAP reviews.

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 employees and 152 responded. We also interviewed 30 patients during the review. We discussed the survey and interview results with medical center managers.

During the review, we presented 4 fraud and integrity awareness briefings for 192 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.

In this report we make recommendations for improvement. Recommendations pertain to issues that are significant enough to be monitored by the OIG until corrective actions are implemented.

Results of Review

Opportunities for Improvement

Moderate Sedation – Controls Needed To Be Improved

Conditions Needing Improvement. Clinical managers needed to ensure that patients who receive moderate sedation[1] are appropriately monitored during transport from procedure areas to the Post-Anesthesia Care Unit (PACU). Additionally, they needed to ensure that pertinent medical information is documented in patients' medical records, and that clinicians involved in the care of these patients maintain proper certification.

Patient Monitoring. Patients who received moderate sedation in the gastroenterology procedure area were transported to the PACU without continuous monitoring of their vital signs (blood pressure, pulse, and respirations). While clinical staff accompanied the patients from the procedure area to the PACU, Veterans Health Administration (VHA) regulations require that patients who need transport to a post-procedure recovery area after the administration of anesthesia, including moderate sedation, have their vital signs continuously monitored until they arrive in the PACU.

Medical Record Documentation. A review of 10 patients' medical records showed that 5 records lacked critical patient information. Documentation deficiencies included omissions of an American Society of Anesthesiologists (ASA) classification,[2] a consent for anesthesia, an appropriate assessment of a patient's elevated blood pressure, and incomplete documentation of two patient assessments in the PACU. In addition, one of the five records did not document who would accompany the patient home at the time of discharge. VHA regulations require that ASA classifications, signed patient consent forms, patient assessments, and discharge information be documented in the patients' medical records.

Certification Requirements. A review of the scopes of practice and training files for two registered nurses, and the credentialing and privileging files for two physicians and one dentist, showed that one physician did not have a current advanced cardiac life support (ACLS) certification. The medical center's policy governing moderate sedation requires that employees who administer moderate sedation or monitor patients during and after sedation have ACLS certification.

Recommended Improvement Action 1. We recommended that the VISN Director ensure that the Medical Center Director requires that: (a) patients who receive moderate sedation are appropriately monitored during transport to the PACU, (b) patients' medical

[1] Moderate sedation is a drug-induced depression of consciousness used to control pain and discomfort associated with minor surgical procedures and diagnostic examinations.
[2] ASA classification is the assessment of physical status and risk of patients who require anesthesia.

records include all pertinent documentation, and (c) employees who administer moderate sedation, or who monitor patients during and after sedation, maintain ACLS certification.

The VISN and Medical Center Directors agreed with the findings and recommendations. They reported that the use of patient transport monitors for patients who received moderate sedation in the gastroenterology procedure area began February 3, 2005. Templates were developed to ensure that all pertinent documentation is included in the medical records of patients who receive moderate sedation, and chart audits will be conducted to monitor compliance. The policy governing the ACLS requirement was revised and reissued in September 2004. The implementation plans are acceptable, and we consider the issues resolved.

Environment of Care – Infection Control Deficiencies Needed To Be Corrected

Condition Needing Improvement. The medical center's environment of care was generally clean and safe. However, infection control needed management attention.

Personal Protective Equipment. Dental Clinic employees did not have adequate supplies of surgical gowns, and therefore, were not always able to change gowns between patients. VHA regulations require that employees be provided with appropriate personal protective equipment (such as gowns, gloves, and masks). Processes to ensure adequate supplies of gowns for the clinic were not in place, which increased the risks of contamination and infection for the Dental Clinic's patients and employees. Managers began addressing this condition while we were on site.

Refrigerator Temperatures. Medication and nourishment refrigerator temperatures were frequently above or below the range recommended by the medical center's policy (36 degrees to 38 degrees Fahrenheit). Employees monitored and recorded refrigerator temperatures daily, but did not generate work orders when temperatures were outside the acceptable range. Consequently, the refrigerators were not inspected, repaired, or replaced.

Recommended Improvement Action 2. We recommended that the VISN Director ensure that the Medical Center Director requires: (a) the development and implementation of processes that ensure that Dental Clinic employees will have sufficient personal protective equipment at all times to maintain proper infection control standards, and (b) employees who monitor nourishment and medication refrigerator temperatures generate work orders when equipment is malfunctioning.

The VISN and Medical Center Directors agreed with the findings and recommendations. They reported that processes were developed and implemented to ensure that Dental Clinic employees have sufficient personal protective equipment supplies. Nursing employees were reminded to follow established policies regarding monitoring

refrigerator temperatures and placing appropriate work orders, and compliance with these polices will be monitored and documented in the Nursing Leadership Operational Meetings. The implementation plans are acceptable, and we consider the issues resolved.

Service Contracts – Oversight Of The Contracting Activity and Contract Administration Needed To Be Improved

Condition Needing Improvement. Medical center management needed to improve oversight of the contracting activity by: appointing a Head of the Contracting Activity (HCA), strengthening controls to ensure Contracting Officer Technical Representatives (COTRs) properly monitor contracts, and ensuring that contracting officers perform responsibilities in accordance with Federal Acquisition Regulations (FAR) and VA policy. To evaluate the effectiveness of the contracting activity, we reviewed three VISN contracts and six medical center contracts valued at $14 million.

The following table summarizes the type of contract services acquired, the estimated value of each contract, and the contract management and administration deficiencies noted in the VISN and medical center contracts reviewed.

	VISN			Medical Center					
Contract Deficiency	Eyeglass Purchases $2,946,932	Medical Waste Disposal $550,000	Municipal Waste Disposal $500,000	Radiology Services $1,978,900	Anesthesia Services $4,125,051	Refurbishment Repair of Surgical Instruments $289,779	Patient Transport: Ambulance $1,019,650	Patient Transport: Wheelchair Van $1,949,714	Patient Transport: Hired Cab $573,660
No HCA oversight	X	X	X	X	X	X	X	X	X
Contracting officers exceeded warrant authority				X	X	X		X	
COTR did not properly monitor contract			X						
Legal/technical review not conducted for competitive contract over $1.5 million								X	
Workload analysis not documented	X				X	X	X	X	X
Excluded Parties Listing System (EPLS) search not conducted	X				X	X	X	X	X
Background investigations not initiated				X	X				
Price negotiation memorandum not prepared					X				
Written justification to extend contract not prepared									X

HCA Oversight. Medical center management did not expect to appoint a HCA, a position vacant since April 2004, until December 2004. In the interim, management did not appoint an Acting HCA to fill this critical position. The HCA, who is responsible for implementing and maintaining an effective and efficient program to procure goods and services for the medical center, and for establishing adequate controls to ensure compliance with VA policy and the FAR, provides vital oversight of the contracting activity. In the absence of an HCA, who is usually the CAP review contract liaison, medical center management delegated a contract specialist to act as our liaison.

To illustrate the need to improve oversight of the activity, the contract specialist was unable to identify the correct number of current service contracts. In response to our initial request for a complete list of service contracts, the contract specialist provided a list of 19 contracts, which over an ensuing 4 weeks grew to 54 contracts. The contract specialist assured us that the 54 contracts represented a complete list of contracts; however, we found an additional 6 medical equipment maintenance service contracts valued at $116,779 that were not included in the list of 54. Management oversight needs to be strengthened to improve accountability and reduce the risk of poor performance on at least 60 service contracts valued at about $16.8 million.

VISN Contracts

Contract Monitoring. The COTR, responsible for monitoring the contract for municipal waste disposal, did not obtain signed receipts from the contractor indicating the number and size of the containers transported to the landfill and recycling center, and the weight of solid waste taken to the landfill. These receipts were a condition for payment and were needed to reconcile invoices. As a result, the COTR certified payment totaling $105,387 to the contractor for the period October 1, 2003, to August 31, 2004, without documentation verifying that services were actually received.

Also, according to VA policy, medical centers are encouraged to collect, separate, and recycle materials to the maximum extent possible to reduce waste disposal costs. The medical center did not recycle paper, glass, plastic, metals, textiles, or construction debris, but only recycled cardboard. The contractor was required to credit the medical center for recycled material at fair market value and provide documentation to the COTR showing the medical center received credit. The COTR could not provide documentation showing that the medical center received any credit for the 81 tons of cardboard taken from the medical center from October 1, 2003, through August 31, 2004. We were informed by a recycling center that the average price for cardboard was $40 per ton. For this period, we estimated that the medical center should have received $3,240 for 81 tons of recycled cardboard. By ensuring that recycling revenue is credited to the medical center, and by developing a more comprehensive recycling program, the medical center could reduce waste disposal costs.

Pre-Award Contractual Actions. Contrary to FAR, a contracting officer did not conduct pre-award contractual actions, including workload analysis, to support the need and level of procurement. In addition, the contracting officer did not perform a search of the Excluded Parties Listing System (EPLS) database to determine whether the prospective contractor was excluded from Federal contracts.

Medical Center Contracts

Warrant Authority. A contracting officer with warrant levels of $500,000 for negotiated contracts and $1.5 million for competitive contracts exceeded her warrant when she contracted for the radiology, anesthesia, and wheelchair van patient transportation contracts, valued at about $2 million, $4.1 million, and $1.9 million respectively. Another contracting officer, with warrant levels of $25,000 for open market purchases and $50,000 for Federal Supply Schedule contracts, exceeded her warrant authority when she contracted for a surgical instruments repair and refurbishment contract, valued at about $289,779.

Pre-Award and Post-Award Contractual Actions. Contrary to FAR, contracting officers did not conduct pre-award contractual actions including workload analysis, EPLS database searches, and legal/technical review for a competitive contract exceeding $1.5 million. They also did not conduct post-award contractual actions including initiating background investigations for 13 contracted clinicians, preparing price negotiation memoranda to document the negotiation process, and preparing written justifications to extend the term of contracts.

Recommended Improvement Action 3. We recommended that the VISN Director ensure that the Medical Center Director implements procedures to: (a) strengthen contract management and oversight by appointing an HCA, (b) complete and maintain an inventory of contracts, (c) ensure COTRs properly monitor contractor performance, (d) ensure contracting officers do not exceed their warrant authority, and (e) conduct periodic reviews to ensure contracting officers perform and document required responsibilities.

The VISN and Medical Center Directors agreed with the findings and recommendations. They reported that an HCA was appointed and began those duties December 27, 2004. An inventory of contracts was conducted and will be maintained. All COTRs will be trained about their responsibilities by April 2005 and annual reports on contractor performance will be required. These reports will be placed in the contract folders. Also, contracts will be reviewed prior to awarding them to ensure that contracting offices have not exceeded their warrant authority, and all contracts will be reviewed to ensure that contracting officers' required responsibilities are performed and documented. The implementation plans are acceptable, and we will follow up on the planned actions until they are completed.

Government Purchase Card Program – Compliance With FAR And VA Policy Needed To Be Improved

Condition Needing Improvement. Medical center management needed to improve compliance with FAR and VA policy by completing monthly audits and quarterly reviews of cardholder purchases and by ensuring cardholders and approving officials maintain documentation to support receipt of goods and services. In addition, the Government Purchase Card Program Coordinator (PC) and approving officials needed to monitor transactions between $2,000 and $2,500 and competitive procurements exceeding $2,500. They also needed to ensure that cardholders who purchase durable medical equipment (DME) maintain documentation that shows patients have received education and training on the use and maintenance of DME delivered to their homes. Contracting officials, along with service representatives, should evaluate whether the medical center could save money by seeking competitive offers for recurring purchase card acquisitions. From October 1, 2002, to June 30, 2004, the medical center's 87 cardholders and 32 approving officials processed 53,418 transactions totaling $24 million, or about $1.2 million a month.

Monthly Audits. VA policy requires the PC to complete monthly statistical audits of cardholders' purchases that are selected by the Austin Finance Center (AFC). For the 21-month review period, the PC and Fiscal Officer could not provide documentation that 13 of 21 (62 percent) of the audits were completed. The PC completed the remaining 8 audits (19 purchases totaling $23,975) through telephone interviews without obtaining supporting documentation from cardholders or approving officials. As a result, the PC did not have documentation (such as invoices, packing lists, and sales receipts) needed to verify cardholders' and approving officials' assertions.

Quarterly Reviews. VA policy requires the PC and the fiscal office staff complete joint reviews of cardholder accounts not selected by the AFC. For a 3-month period ending June 2004, the PC and fiscal office staff conducted joint reviews of 81 purchases valued at $112,455 made by 57 cardholders. We found that these reviews were also completed through telephone interviews without obtaining supporting documentation from cardholders or approving officials as required by VA policy.

Split Purchases. VA policy requires approving officials ensure cardholders do not split purchases into two or more transactions, either to circumvent the requirement to obtain competitive prices for purchases over $2,500 or to avoid exceeding the established $2,500 single purchase limit. Two cardholders and 2 approving officials processed 463 transactions, totaling $706,778, with 8 vendors that included attributes of split purchases.[3] Since both cardholders had warrant authority to make purchases over

[3] Attributes of split purchases include multiple purchases to the same vendor on the same date, often using sequential purchase order numbers; a high percentage of transactions valued just below $2,500; and multiple even dollar transactions with the same vendor such as $2,450.00 vs. $2,469.72.

$2,500, and all transactions were under $2,500, including 180 transactions (39 percent) between $2,000 and $2,500, we concluded that cardholders split these purchases to avoid seeking competition.

To determine whether purchases were split, we reviewed a judgment sample of 35 transactions valued at $85,518 from the 463 transactions mentioned above. Cardholders split 6 purchases into 16 transactions (46 percent) totaling $39,342. The six purchases included three purchases totaling $24,622 for the purchase and/or installation of carpet and floor tile. These were split into 10 transactions. Two purchases totaling $9,820 for shower products were split into four transactions; and one purchase totaling $4,900 to replace light fixtures was split into two transactions.

We expanded our review of transactions for the purchase and installation of carpet and tile because the cardholder and approving official, who processed the 10 transactions in our sample, actually processed 95 transactions with the vendor totaling $172,918. All 95 transactions were $2,500 or less, and 45 transactions (47 percent) were between $2,000 and $2,500. An Interior Designer, responsible for coordinating a multi-phase project to purchase and install carpet and floor tile throughout the medical center, made no attempt to contact a contracting officer to solicit competitive bids. Instead, the Interior Designer, who is not a cardholder, said she personally solicited and received proposals from two vendors, although she had no authority to do so. She selected one of these vendors, but was not satisfied with the vendor's performance after 1 day of work. She said she then selected and continued to use the second vendor because she was pleased with the service provided.

The medical center may have paid inflated prices for this multi-phase project. A review of the 10 transactions selected in our sample showed that vendor proposals and invoices did not indicate the amount of material purchased or the amount of material installed. For example, the medical center paid the contractor $2,445 to install new floor tiles in a corridor. The Interior Designer provided documentation showing it took 16 man-hours to install the tiles at the jobsite, which measured approximately 7 feet by 50 feet. As a result, the medical center paid the contractor $152 per hour ($2,445 divided by 16 man-hours) to install these tiles. Because of the numerous apparent violations of VA policy, this matter has been referred to the OIG Investigations Division.

Supporting Documentation. VA policy requires that cardholders and approving officials maintain documentation to support the receipt of goods and services. From the same sample of 35 transactions, cardholders and approving officials could not provide documentation to support 13 transactions (37 percent) totaling $32,051. The 13 transactions included 10 transactions totaling $24,622 for the purchase and/or installation of carpet and floor tiles (previously mentioned as split purchases); 1 transaction totaling $2,495 for the replacement of a bearing to support the heating, ventilation, and air conditioning system; 1 transaction totaling $2,490 for a steam system gate valve; and 1 transaction totaling $2,495 for calcium chloride (road salt).

Competitive Procurements. For purchases over $2,500, FAR require cardholders to promote competition to the maximum extent possible by considering three sources of supply or documenting sole source justifications. To evaluate the level and appropriateness of competitive purchasing efforts, we reviewed a sample of 20 open market purchases, each over $2,500, which included artificial limbs, DME, and medical supplies totaling $146,273. Five cardholders did not seek bids from 3 sources or document sole source justifications for 14 purchases (70 percent). The 14 purchases consisted of 8 stair-glides totaling $56,774, 2 wheelchair lifts totaling $14,844, and 4 medical supply purchases totaling $24,528, that included balloon catheters and biopsy systems. In the absence of competitive offers or sole source justifications, there was no assurance that medical center cardholders paid reasonable prices for these products.

Documentation of Patient Education And Training – Home DME. VHA policy requires that patients receive training on the proper use and maintenance of DME delivered to their homes. Prosthetics cardholders, who made DME purchases, did not maintain documentation showing that the 10 patients, who received 8 stair-glides and 2 wheel chair lifts delivered to their home, received training from vendor employees, as required. As a result, the medical center lacks assurance that these patients were instructed on the safe use and maintenance of this equipment.

Open Market Recurring Purchases. Contracting officers, along with service representatives, needed to evaluate whether the medical center could save money by seeking competitive offers for recurring purchases of commercial items. For the 21-month review period ending June 30, 2004, the medical center paid 15 vendors about $3.5 million on the open market for recurring purchases, which included medical, industrial, and electrical supplies; prosthetic items; paper goods; and the purchase and installation of carpet and floor tiles. Contracting officers and service representatives should review the open market purchases over $100,000 to determine if the medical center could save money by seeking competitive offers.

Recommended Improvement Action 4. We recommended that the VISN Director ensure that the VAMC Director takes action to implement procedures and controls to ensure: (a) the PC completes monthly audits and quarterly reviews of cardholder purchases, and maintains documentation supporting audits and reviews, (b) the PC and approving officials monitor transactions to ensure cardholders do not split purchases, ensure prices paid for goods and services are reasonable, and seek competitive offers for purchases exceeding $2,500 or document sole source justifications, (c) cardholders who make DME purchases maintain documentation showing patients received education and training on the proper use and maintenance of DME delivered to patients' homes, and (d) contracting officers and service representatives evaluate whether the medical center could save money by seeking competitive offers for recurring purchases.

The VISN and Medical Center Directors agreed with the findings and recommendations. They reported that the PC completed a monthly audit and the required supporting

documents were collected. The PC will monitor credit card purchases to ensure cardholders do not split purchases. The PC and Chief Financial Officer will ensure prices paid for goods and services are reasonable, and the HCA and PC will seek competitive offers for purchases exceeding $2,500 or document sole source justifications. The implementation plans are acceptable, and we will follow up on the planned actions until they are completed.

Supply Inventory Management – Inventory Controls Needed To Be Improved

Condition Needing Improvement. Medical center management needed to maintain accurate inventory records, conduct annual audits of inventory, reduce excess medical supplies inventory, segregate the ordering and receiving of medical supplies inventory, and implement the Generic Inventory Package (GIP) to manage engineering supplies. VHA policy requires medical facilities use GIP to manage medical and engineering supply inventories, establish normal stock levels, and analyze usage patterns to determine optimum order quantities.

Medical Supplies. For the period October 1, 2003 to August 31, 2004, the medical center spent approximately $1.9 million on medical supplies. The "Days of Stock on Hand Report" dated August 31, 2004, listed 465 line items with a value of $152,097.

Accuracy of Medical Supplies Inventory. The last physical inventory of medical supplies was completed in 1996. We selected a judgment sample of 20 medical supply line items from the August 31, 2004 "Days of Stock on Hand Report" to test the accuracy of the inventory balances and the reasonableness of inventory levels. According to the GIP "Display Item Reports" dated September 21, 2004, the date of our inventory, the 20 line items sampled were valued at $35,484. We conducted a physical inventory of the 20 line items and determined that inventory balances and levels were inaccurate for 18 of the 20 items. Twelve of the 20 line items were overstated by $4,450, because there were 337 fewer items than reported on the "Display Item Reports." Six of the 20 line items were understated by $3,300 because there were 340 more items than reported. The Chief, Supply, Processing and Distribution Section, attributed the discrepancies to staff not recording the receipt of items returned to stock, and the issuance of stock during off-tour hours. Because the GIP reports tested were not accurate or reliable, we could not validate the value of stock on hand.

Excess Medical Supplies Inventory. We followed up on recommendations from our prior CAP report, Combined Assessment Program Review VAMC Philadelphia, PA (*Report No. 99-00161-24, dated December 30, 1999*) to ensure that excess inventories of stock on hand were reduced. In our prior report we noted that 81 percent of the line items on hand exceeded VHA's 30-day stock level. During this CAP review, we found that medical supplies inventory continued to exceed the 30-day supply goal. Based on our inventory test of the 20 sampled items above, 14 (70 percent) had stock on hand that exceeded a 30-

day supply level, with inventory stock levels ranging from 33 days to 1,500 days of supply. The total value of excess stock for the 14 line items was $10,725.

Separation of Duties. Our prior CAP review also reported that inventory controls of medical supplies needed to be strengthened by implementing separation of duties. VA policy and sound internal control practices prohibit any one individual from controlling all the key aspects of a transaction. During this CAP review, we found that the medical center's three supply technicians continued to perform overlapping duties, placing and receiving orders for medical supplies, recording these activities in GIP, and distributing medical supplies.

Engineering Supplies. For the period October 1, 2003, to August 31, 2004, the medical center spent approximately $592,000 on engineering supplies. Resource Management Service staff had never conducted a physical inventory of engineering supplies, although annual inventories are required by VA policy. In addition, staff did not implement GIP to manage the engineering supply inventory. As a result, engineering supplies were not managed effectively to safeguard assets and ensure stock levels were adequate to meet demands.

Recommended Improvement Action 5. We recommended that the VISN Director ensure that the Medical Center Director strengthens controls to: (a) improve the accuracy of GIP data, (b) conduct annual wall-to-wall physical inventories of all medical and engineering supplies, (c) reduce medical supplies inventory to the 30-day supply level, (d) provide for separation of duties between the ordering, receiving, and distribution of medical supplies, and (e) effectively implement GIP for engineering supplies.

The VISN and Medical Center Directors agreed with the findings and recommendations. They reported that processes to improve the accuracy of GIP data were implemented February 2005 and training, scheduled in March and April 2005, would ensure continued accuracy. Supply Processing and Distribution (SPD) Service will conduct a wall-to-wall inventory on March 10, 2005. Additionally, SPD took appropriate actions to reduce medical supply inventories to 30-day levels, and will maintain the levels appropriately. Separation of duties between ordering, receiving, and distribution of medical supplies was accomplished through the reassignment of employees, and by filling supply technician vacancies that existed at the time of the survey. Engineering Service implemented GIP in all of its areas. The implementation plans are acceptable, and we will follow up on the planned actions until they are completed.

Accounts Receivable – Collections, Accounting, and Reconciliations Needed To Be Improved

Condition Needing Improvement. Medical center management needed to ensure that debts are followed up for collection in a timely manner and payments are correctly credited to the matching debt. In addition, the VA Financial Management System (FMS)

and the medical center's Integrated Funds Distribution, Control Point Activity, Accounting and Procurement (IFCAP) were not reconciled to ensure the accuracy and reliability of financial records.

As of July 31, 2004, an FMS report, "Verification of General Ledger Balances – AR", showed that there were 91 vendor debts valued at $308,881, 82 current employee debts valued at $38,680, and 38 former employee debts valued at $81,873.

We reviewed a sample of 26 debts with a value of $228,424. As shown in the chart below, we identified collection, accounting, and reconciliation deficiencies in 25 of the 26 debts reviewed.

Debt Deficiency	Vendor Debts	Current Employee Debts	Former Employee Debts
Debts totaling $20,923 were not followed up for collection.	1 debt of $1,378	6 debts of $18,216	1 debt of $1,329
Accounting records for debts totaling $187,462 were inaccurate.	7 payments totaling $177,508 were applied to the wrong accounts; 2 cancellations totaling $9,954 were not reconciled in FMS		
Permanent Change of Station (PCS) debts totaling $8,935 were not reconciled in FMS and IFCAP.		5 PCS debts of $4,595	3 PCS debts of $4,340

Collections. In our prior CAP review, we noted that current and former employee debts needed to be better managed and that staff assigned to handle employee debts needed training in the collection of these debts. Medical center management agreed with our finding and recommendation, and reported that staff would be trained on the appropriate actions to comply with debt management relations. However, problems persisted in this area.

- There was no follow up of a Comphealth, Inc. $1,378 debt that was established in December of 1999.
- No follow up was taken for five current employee debts valued at $16,901, established between May 1999 and June 2003, which resulted from salary overpayments.
- A current employee debt valued at $1,315 was created to track and offset leave based on an Office of Workman's Compensation Program (OWCP) claim for continuation of pay. No follow-up was conducted to determine if OWCP paid this claim.
- There was no follow up on a former employee debt, which resulted from a salary overpayment in 1996, valued at $1,329.

Accounting. The payments that were applied to the wrong accounts resulted in debts remaining open even though payments were made. These debts and two debt cancellations were not reconciled between FMS and IFCAP.

- Six vendor debts for UPENN, dating from FY 2001 to FY 2003 and valued at $169,218, had numerous payments applied to the wrong accounts and needed to be corrected. For example, a payment of $9,248 that should have fully paid a debt for space rental was incorrectly credited to a different UPENN account with a balance of $18,615.

- A Hewlett Packard (HP) debt established in June 2002, valued at $8,290, also had incorrect payments applied. This debt was paid in full on February 26, 2003, and should have been closed. Within 2 days, two additional payments totaling $25,962 were incorrectly credited to the account. Instead of applying these payments to two other outstanding HP debts, the account balance was incorrectly increased to offset these payments.

- A Capitol Elevator debt valued at $5,000, established in August 2003, was cancelled in IFCAP but not in FMS in September 2003. A new bill was established to replace this bill in September 2003. Both these bills are currently open in FMS.

- A National Industries debt valued at $4,954, established in November 1999, was cancelled in IFCAP but remains open in FMS.

Reconciliations. The following PCS debts were not reconciled between FMS and IFCAP:

- Between July 1996 and March 2004, the AFC created five current employee debts in FMS, consisting of PCS debts valued at $4,595. These debts were not locally established in IFCAP; consequently no follow-up was conducted.

- Three former employee debts valued at $4,340 also involved PCS debts established by the AFC in FMS. Again no matching debt was locally established in IFCAP, and no follow-up was conducted.

Recommended Improvement Action 6. We recommended that the VISN Director ensure that the Medical Center Director establishes procedures to: (a) provide training to fiscal office staff to correct and prevent accounts receivable deficiencies, (b) ensure follow up on outstanding debts, (c) correct all inaccurate financial records listed above, and (d) establish PCS debts in IFCAP.

The VISN and Medical Center Directors agreed with the findings and recommendations. They reported that training for fiscal office staff is in progress, and will be completed March 2005. A list of current and former employee debts was generated, and will be aggressively followed up. Monthly reconciliation between FMS and IFCAP will be

implemented, and PCS debts will be established in IFCAP by March 2005. The implementation plans are acceptable, and we will follow up on the planned actions until they are completed.

Equipment Accountability - Equipment Inventories Needed To Be Accurately Maintained

Condition Needing Improvement. Medical center management needed to improve inventory procedures and controls to ensure adequate accountability for nonexpendable equipment.[4] The lack of accurate equipment information could impact on the financial statements and affect the decision-making process involved with equipment management, replacements, and acquisitions.

As of August 30, 2004, the Equipment Inventory List (EIL)[5] of nonexpendable equipment with an acquisition value of over $5,000 contained 1,248 items totaling $45,859,917. The EIL listing of nonexpendable equipment with an acquisition value under $5,000 contained 13,104 items totaling $14,356,317. There were 220 individual EILs within the medical center's product lines that had nonexpendable equipment assigned to them. All equipment information was maintained in computerized inventory using the AEMS/MERS[6] software, an automated inventory system. VA policy requires that nonexpendable equipment inventories be performed at least every 2 years. We could not determine the last time a complete physical inventory of nonexpendable property was conducted.

Accuracy of EIL. A judgment sample of 43 items from among all active EILs (total acquisition value $7,793,055) was reviewed. Thirty items in our sample had an acquisition value over $5,000 and 13 items were under $5,000. The following discrepancies warranted further attention:

- Three of the 43 items could not be located:

    a. An anesthesia record keeping system, acquired in June 1996 for $296,510, was never fully installed and most of the components (about 48 items) could not be found.

    b. A Gamma computer system, acquired in June 1983 for $74,539, was transferred from another VA medical center, but was never placed in service.

    c. A Siemens shield X-ray, acquired in June 1994 for $9,157, reportedly had "not been seen in several years." Because a physical inventory of Radiology

[4] Nonexpendable equipment (a) has an acquisition cost of $300 or more; (b) has a life expectancy of 2 years or more; or (c) is of a sensitive nature that requires accountability regardless of cost, life expectancy, or maintenance requirements.
[5] EILs were previously referred to as "CMRs" – Consolidated Memorandum of Receipt.
[6] AEMS/MERS = Automated Engineering Management System/Medical Equipment Reporting System.

Service equipment had not been done for years, Radiology Service staff was unaware that it was missing.

- Property inventory bar-code labels were missing from three items.
- Bar-code labels were illegible on four items.
- One laptop computer (acquisition value $4,548) could not be located, and Research Service management informed us it had been "reported stolen a few years ago." However, there was no record with the VA police or a Report of Survey[7] on this item.

In addition to the laptop computer in our sample, we also determined that a laptop computer stolen from a Dental Service employee (acquisition value $5,106) had gone through the Report of Survey process in January 2003, but inappropriately remained on the inventory database. During our on-site visit, it was deleted from the database.

Out of Service Equipment. As of August 30, 2004, 1,181 items such as medical equipment older than 10 years, hospital beds, typewriters, and outdated personal computers (acquisition value approximately $4.8 million) were designated as "out of service," indicating that the equipment was located at the medical center but not in current use. According to the Chief, Biomedical Engineering Service, who is responsible for maintaining the inventory of all medical center equipment, much of this "out-of service" equipment represented inventory that could not be found during the facility's attempts to conduct physical inventories. The Chief stated that many of the items were old and were probably turned in; however, the paperwork was not processed to delete them from the inventory list. Facility staff should list the missing equipment on a Report of Survey and remove the equipment from the inventory database. Most of this equipment would not impact on the financial statements due to depreciation.

Leased Vehicles. Thirty-two leased vehicles, with an undetermined value, were not recorded on the facility's inventory. The facility's Asset Management personnel were not aware of the VA policy requirement to include leased vehicles in AEMS/MERS. During our review, all 32 vehicles were appropriately added to the inventory database.

Quarterly Spot Checks. VA policy requires quarterly spot checks of EIL records to verify inventory accuracy. The Chief, Biomedical Engineering Service said that inventories have not been done in years; therefore, the spot checks have not been performed.

Sensitive Equipment. VA policy defines sensitive equipment as property, regardless of acquisition cost, that by its nature is subject to theft, loss, conversion to personal use, or

[7] A Report of Survey (VA Form 1217) is used to document the findings, fix responsibility, and record pecuniary liability, if any, for property that is lost, damaged, or destroyed. It is used as the official document to adjust the record account.

for some other reason must be subjected to more stringent controls than other property. Physical inventories have not been conducted for sensitive IT equipment valued under $5,000, such as laptops or personal computers and printers. As a result, the medical center has no assurance that all sensitive IT items can be accounted for and have not been stolen, lost, or misplaced.

Equipment Loaned to VA Employees. Controls and procedures pertaining to the loan of VA-owned personal property (i.e., laptop computers) needed to be strengthened. Accountability controls over laptop computers loaned to VA employees were lax, and documentation was not complete or maintained. The Vice President for Information Management Support indicated this process is being revised. The facility's Asset Management Section should be fully involved with the loaned equipment process, and the names of individuals to whom laptop computers are loaned should be annotated in AEMS/MERS.

Recommended Improvement Action 7. We recommended that the VISN Director ensure that the Medical Center Director improve equipment accountability by: (a) directing that the physical inventory of nonexpendable property be performed in accordance with VA regulations, (b) requiring that discrepancies noted in the results of our inventory tests of items on the EIL are corrected, (c) requiring a complete review of all items that appear on the "out of service" list, and that Reports of Survey be prepared for equipment that cannot be located and this equipment be removed from the inventory database, (d) establishing controls to ensure quarterly inventory spot checks are conducted, (e) requiring that a physical inventory is immediately conducted for all sensitive IT equipment valued under $5,000, and requiring that all sensitive IT equipment inventory is included in the AEMS/MERS database, and (f) implementing procedures to ensure loaned equipment (i.e., sensitive IT equipment) is properly documented and controlled.

The VISN and Medical Center Directors agreed with the findings and recommendations. They reported that an inventory of nonexpendable property is in progress, and a system for updating EILs will be implemented. Inventory discrepancies were corrected, and EIL officials will review the status of out of service items during annual EIL reviews. After the AEMS/MERS database is validated, random samples of items will be selected from the database and checked with the actual equipment items on a quarterly basis. A physical inventory of sensitive IT equipment is in progress, and procedures to ensure proper control over loaned equipment were implemented. The implementation plans are acceptable, and we will follow up on the planned actions until completed.

Pharmaceutical Accountability –– Internal Controls and Controlled Substances Inspections Needed To Be Improved

Condition Needing Improvement. Medical center management needed to improve controls to fully comply with VHA policy and ensure accountability of both controlled substances and non-controlled substances. The following deficiencies were identified.

Separation of Duties. VA policy and sound internal control practices prohibit any one individual from controlling all the key aspects of a transaction such as ordering and receiving the same goods. In the inpatient and outpatient pharmacies, the pharmacy technicians performed overlapping duties, placing and receiving orders for non-controlled substances.

Pharmacy Receipts-Controlled Substances. VHA policy requires that an Acquisition and Materiel Management Service (A&MMS) employee witness the receipt and posting of controlled substances by the responsible pharmacy employee. The inpatient pharmacy had two staff pharmacists receiving controlled substances because delivery was made early in the morning before A&MMS employees arrived at work.

Controlled Substances Inspections. VHA policy on controlled substances inspections requires that a monthly summary of findings be provided to the medical center Director. A review of the controlled substances inspections for the 3-month period of June 2004 to August 2004, found that no monthly summaries of findings were provided to the Director. In addition, discrepancy resolution was not timely. Controlled substances inspectors identified discrepancies but made no attempt to resolve the discrepancies with nursing or pharmacy staff at the time of the inspection. The resolution process did not begin until the Coordinator of Controlled Substances Inspections was notified of the discrepancies, causing delays in resolution. For example, notification of six discrepancies noted in the June 2004 inspection were sent to nursing and pharmacy staff on July 27, 2004, and were not resolved until August 12, 2004. Discrepancies need to be resolved promptly to be effective.

Recommended Improvement Action 8. We recommended that the VISN Director ensure that the Medical Center Director establish procedures to: (a) adhere to separation of duties for the ordering and receipt of non-controlled substances, (b) ensure compliance with VHA policy regarding the receipt and posting of controlled substances, and (c) follow VHA policy regarding reporting controlled substances inspection results and resolution of discrepancies noted.

The VISN and Medical Center Directors agreed with the findings and recommendations. They reported that Pharmacy employees were reassigned to ensure the separation of ordering and receiving duties of non-controlled substances. VACO advised that A&MM could delegate pharmacists to receive delivery of controlled substances, and a delegation of authority was executed with Resource Management. A new controlled substances

policy was issued December 2004, and medical center managers are implementing processes to ensure the proper reporting of controlled substances inspection results and the resolution of discrepancies. The implementation plans are acceptable, and we will follow up on the planned actions until they are completed.

Medical Care Collections Fund – Third Party Billings Needed To Be Improved

Condition Needing Improvement. The medical center increased MCCF collections from $11.7 million in FY 2002 to $13 million in FY 2003. The medical center exceeded their MCCF collection goals in both fiscal years. As of August 31, 2004, MCCF has collected $16.2 million or 83.5 percent of its FY 2004 goal of $19.4 million. MCCF program results can be improved through more timely review and release of third party bills.

In our prior CAP review, a recommendation was made to improve the timeliness of billing. Although medical center management increased FTE and provided focus and oversight to make improvements in MCCF areas, especially follow-up on collections, billing timeliness had not improved. VHA's 2004 performance measure for Days to Bill (number of days between date of care and date bill authorized) is 45 days for the fully successful achievement level. In the 2,380 patient care encounters listed in the September 17, 2004, "Unbilled Amounts Report" for the period April through June 2004, lag times ranged from 79 to 170 days. These cases were potentially billable at $863,379.

We selected a sample of 22 encounters potentially billable at $12,183 from the September 17, 2004, "Unbilled Amounts Report" for the period April through June 2004. Our review indicated that four encounters (18 percent) valued at $840 were not billable to third-party payers. Three of the four had no documentation of resident supervision, and one patient withheld permission for release of information.

The other 18 encounters (82 percent) in our sample were billable to third-party payers at $11,343. By applying the 82 percent billable for our sample to the total potential amount billable based on the September 17, 2004 "Unbilled Amounts Report," we estimate that an additional $707,970 ($863,379 x .82) was billable for patient care provided during the period of April through June 2004. Additionally, based on their FY 2004 third party collection rate averaging about 30 percent, we estimate that the medical center could have collected an additional $212,391 ($707,970 x .30) had these patient care encounters been billed.

Recommended Improvement Action 9. We recommended that the VISN Director ensure that the Medical Center Director require that: (a) MCCF staff improve their timeliness in review and release of billable episodes of care, (b) resident supervision is properly documented, and (c) the "Unbilled Amounts Report" is reviewed for billing timeliness and accuracy.

The VISN and Medical Center Directors agreed with the findings and recommendations. They reported that unbilled revenue days would meet the standard of 45 days by April 2005, and resident supervision documentation issues identified by certified coders or medical record extraction will be reviewed by the Chief of Staff and Clinical Care Product Line managers. The Directors also reported that billing lag days continue to decrease, and they estimated that the medical center would meet the national processing standards by June 2005. This will be tracked through the VISN 4 Revenue Indicator Report. The implementation plans are acceptable, and we will follow up on the planned actions until they are completed.

Information Technology Security – Compliance With VA Policies Needed To Be Improved

Condition Needing Improvement. Medical center management needed to strengthen IT security. We evaluated IT security to determine if controls adequately protected information system resources from unauthorized access, disclosure, modification, destruction, or misuse. Physical security for the computer rooms was adequate and security plans were current and complete. The following security conditions needed improvement.

Inactive User Accounts. VHA policy requires that user access to VHA automated information systems be reviewed at least every 90 days for appropriate levels of access and/or continued need. A review of 30 inactive user accounts determined that all 30 users no longer needed access, and access should have been terminated.

Security Awareness Training. As of September 23, 2004, 768 medical center employees had not completed the required Security Awareness Training Course for FY 2004. The Information Security Officer agreed that all employees should complete the training before the end of FY 2004. Names of employees who had not completed the training were provided to the Product Line Managers on September 16, 2004.

Recommended Improvement Action 10. We recommended that the VISN Director ensure that the Medical Center Director require that: (a) all user accounts be promptly terminated when access is no longer needed, and (b) all VAMC employees complete the Security Awareness Training Course annually.

The VISN and Medical Center Directors agreed with the findings and recommendations. They reported that processes were implemented to ensure that user accounts are terminated when access is no longer needed. The Medical Center's Information Security Officer and Human Resource Service will monitor for compliance. Managers established a March 31, 2005, deadline for 100 percent employee compliance with Security Awareness Training. The implementation 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: February 11, 2005

From: VISN Director

Subject: **Philadelphia VA Medical Center Philadelphia, Pennsylvania**

To: Assistant Inspector General for Healthcare (54)

Network 4 appreciates the OIG's review and recommendations concerning the Philadelphia VA Medical Center (642). An action plan has been developed to address all issues identified within the recommendations. The VISN and facility concur with the dollar amounts as presented in the report. Active VISN participation, in all areas of improvement, will continue until all recommendations are completely satisfied in a timely manner.

If you have any questions or need additional information, please contact my office.

(original signed by:)

CHARLEEN R. SZABO, FACHE

Network Director

Appendix B

Medical Center Director Comments

Department of Veterans Affairs **Memorandum**

Date: February 11, 2005

From: Medical Center Director

Subject: **Philadelphia VA Medical Center Philadelphia, Pennsylvania**

To: Assistant Inspector General for Healthcare (54)

The Philadelphia VA Medical Center Director's comments for the subject CAP review are listed in the appendix after each specific recommendation or suggested improvement action.

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 Medical Center Director requires that: (a) patients who receive moderate sedation are appropriately monitored during transport to the PACU, (b) patients' medical records include all pertinent documentation, and (c) employees who administer moderate sedation, or who monitor patients during and after sedation, maintain ACLS certification.

Concur **Target Completion Date:** Feb. 2005

Action 1a. Patients who receive moderate sedation are appropriately monitored during transport to the PACU.

Status: Work in Progress. Transport Monitors were ordered during the site visit on September 23, 2004. Transport Monitors are on station. Inservicing and implementation of transport monitoring in GI will occur by February 3, 2005.

Action 1b. Patients' medical records include all pertinent documentation.

Status: In progress. Medical Center Memorandum 112-03 Administration of Sedation Analgesia was reissued in September 2004. Standardized reporting forms/templates are described in the policy and were developed to create a system of standardized reporting of clinical outcomes and chart audits. These forms were in use during the CAP visit. All documentation involving moderate sedation patients, including informed consent, patient assessment, clinical outcomes and discharge instructions are reviewed for completion. The results of these reviews are presented quarterly to the Operative and Invasive committee.

Action 1c. Employees who administer moderate sedation, or who monitor patients during and after sedation, maintain ACLS certification.

Status: Completed MCM 112-03 was reissued in September 2004. The ACLS requirement policy has been revised to bring privileging process into line with PVAMC's University affiliates policy.

Recommended Improvement Action 2. We recommend that the VISN Director ensure that the Medical Center Director requires: (a) the development and implementation of processes that ensure that Dental Clinic employees will have sufficient personal protective equipment at all times to maintain proper infection control standards, and (b) employees who monitor nourishment and medication refrigerator temperatures generate work orders when equipment is malfunctioning.

Concur **Target Completion Date:** March 2005

Action 2a. The development of processes that ensure that Dental Clinic employees will have sufficient personal protective equipment at all times to maintain proper infection control standards.

Status: Status: Completed. Dental Clinic has established a Policy to ensure adequate levels of both paper and cloth protective gowns. Disposable Cloth/Paper Procedure Gowns are ordered directly by the Lead Dental assistant from a vendor, with a minimum par level of one weeks supply on hand at all times. In addition Disposable Plastic Procedure Gowns, are ordered through SPD, as a secondary gown, and a minimum of one week supply is on hand at all times. Random level checks are performed by the Dental Services Manager to ensure compliance with the policy. Non-compliance of the procedure will be reported to the Chief of Dental Service. There have been no incidents of non-compliance since the OIG site visit. The Dental Service Manager established a random audit check sheet the week of February 4, 2005 to monitor compliance.

Action 2b Employees who monitor nourishment and medication temperatures generate work orders when equipment is malfunctioning

Status: On-Going. Managers and staff have been reminded to follow established Policies regarding the checking of temperatures of unit refrigerators, and reporting of those units needing repair. These discussions are documented in meeting minutes from the Nursing Leadership Operational Meeting as recent as January 26, 2005. Refrigerator Temperature Checklist Forms have been developed and are in use. When the temperature exceeds 40F, staff must document what corrective actions were taken. In addition Unit/Ward refrigerators are closely scrutinized during environment of care rounds. PVAMC continues to monitor this issue.

Recommended Improvement Action 3. We recommend that the VISN Director ensure that the Medical Center Director implements procedures to: (a) strengthen contract management and oversight by appointing an HCA, (b) complete and maintain an inventory of contracts, (c) ensure COTRs properly monitor contractor performance, (d) ensure contracting officers do not exceed their warrant authority, and (e) conduct periodic reviews to ensure contracting officers perform and document required responsibilities.

Concur **Target Completion Date:** April 2005

Action 3a. Strengthen contract management and oversight by appointing an HCA.

Status: Complete. Recruitment for the HCA was completed. The HCA started on 12/27/2004. Her warrant authority was approved by VACO.

Action 3b. Complete and maintain an inventory of contracts

Status: In Progress. Acquisition Service completed a consolidated list of all contracts and this list will be updated as required. All Forms 2237 (incoming requirements) are processed through the Acquisition Program Manager (APM) for assignment of incoming work. Contracting Officers will advise the APM of any procurement actions hand carried to the Contracting Officer. The APM will maintain a log of all current procurements, which will be updated continuously. In the absence of the APM, contracting officers may assign work and will update the procurement log. This processing is currently being formalized through a memorandum.

Action 3c. Ensure COTR's properly monitor contractor performance

Status: In Progress. The new HCA is designing a training course for all COTRs. All trainings will be done by April 2005. All COTRs will be required to attend training on their responsibilities. Copies of training certificates will be added to the contract folders. Annual reports on contractor performance will be required and will be copied and added to the individual contract folders. Contracting Officers will visit each COTR on an annual basis to discuss contract issues. This process is being formalized through a Medical Center Policy.

Action 3d. Ensure contracting officers do not exceed their warrant authority

Status: Complete. All contracting officers were reminded of their warrant authority and were instructed not to exceed their warrant authority levels. The APM will review all contract folders prior to award to ensure that Contracting Officers only sign actions within their warrant limits. The APM will maintain copies of all warrants.

Action 3e. Conduct periodic reviews to ensure contracting officers perform and document required responsibilities.

Status: In Progress. All contracts will be reviewed for accuracy and compliance to ensure that all required responsibilities are documented. During January 2005, the VISN Chief Logistics Officer indicated that check sheets are being drafted. Central Office reviews large dollar procurements.

Recommended Improvement Action 4. We recommend that the VISN Director ensure that the VAMC Director takes action to implement procedures and controls to ensure: (a) the PC completes monthly audits and quarterly reviews of cardholder purchases, and maintains documentation supporting audits and reviews, (b) the PC and approving officials monitor transactions to ensure cardholders do not split purchases, ensure prices paid for goods and services are reasonable, and seek competitive offers for purchases exceeding $2,500 or document sole source justifications, (c) cardholders who make DME purchases maintain documentation showing patients received education and training on the proper use and maintenance of DME delivered to patients' homes, and (d) contracting officers and service representatives evaluate whether the medical center could save money by seeking competitive offers for recurring purchases.

Concur **Target Completion Date:** April 2005

Action 4a. The PC completes monthly audits and quarterly reviews of cardholder purchases, and maintains documentation supporting audits and reviews.

Status: In Progress. The PC has just completed her monthly audit in person and all required supporting documents were collected. HCA will verify collection of physical documentation. Fiscal staff will periodically review PC's audits to ensure that appropriate audit procedures are followed.

Action 4b. The PC and approving officials monitor transactions to ensure cardholders do not split purchases, ensure prices paid for goods and services are reasonable, and seek competitive offers for purchases exceeding $2,500 or document sole source justifications

Status: In Progress. The PC will remind all cardholders not to split purchases and she will continue to monitor credit card purchases to identify any attempt to do so. Emphasis will be placed on these issues during the annual trainings for cardholders and approving officials. The Chief Financial Officer (CFO) will ensure purchases are entered into a database and the PC will audit purchases just under $2,500 for compliance with PVAMC Medical Center Memorandum 90-31. HCA/PC will audit purchases over $2,500 for competitive procedures or documentation of sole source.

Action 4c. Cardholders who make DME purchases maintain documentation showing patients received education and training on the proper use and maintenance of DME delivered to patients' homes

Status: In Progress. Staff education has been completed. On-going monitoring continues. A new DME contract is currently out for bid with a tentative award date of mid March 2005. For DME items picked up directly from Prosthetics, prescribing clinicians provide instruction on use and document in CPRS. For items delivered by a vendor directly to a veteran’s residence, the vendor provides setup, training, education, and adjustments to insure safety. The vendor will have the veteran sign a delivery notice and statement of proper education or training, and/or sign a secondary education document. These documents are forwarded to the Prosthetic representative to be attached to the billing invoice. If the vendor does not supply the documentation, the invoice will not be paid. Targeted Completion Date: April 2005.

Action 4d. Contracting officers and service representatives evaluate whether the medical center could save money by seeking competitive offers for recurring purchases.

Status: In Progress. Purchase card transactions will be reviewed quarterly to identify any purchases that should have sought competitive offers. All Product Lines will be advised of VA and VHA guidance on the Purchase Card Program regarding when a contract, as opposed to credit card purchases, may generate cost savings. The CFO will ensure purchases are entered into the database that groups transactions by vendor and HCA/PC will identify any commercial purchases that can be procured through competitive process.

Recommended Improvement Action 5. We recommend that the VISN Director ensure that the Medical Center Director strengthens controls to: (a) improve the accuracy of GIP data, (b) conduct annual wall to wall physical inventories of all medical and engineering supplies, (c) reduce medical supplies inventory to the 30-day supply level, (d) provide for separation of duties between the ordering, receiving, and distribution of medical supplies, and (e) effectively implement GIP for engineering supplies.

Concur **Target Completion Date:** April 2005

Action 5a. Improve the accuracy of GIP data

Status: In Progress. Since the CAP visit, random sampling of various medical/surgical supplies has been done to verify accuracy of inventories without formal documentation. Acknowledging the need for on going documentation of this process, beginning in February 2005, random samples will be done on a monthly basis with formal documentation. The Chief of SPD and Associate Director of Patient Care Services will review this data. Ongoing notification and training sessions will assist in ensuring inventory accuracy. Hospital wide trainings are scheduled for March and April 2005 to ensure that the GIP will be used extensively and properly.

Action 5b. Conduct annual wall-to-wall physical inventories of all medical and engineering supplies

Status: Pending. On Thursday, March 10, 2005 a wall-to-wall inventory will be accomplished by SPD. In order to achieve the highest accuracy, SPD staff will be assigned to this task. A small contingency personnel will be available to meet the emergent needs of the Medical Center. The supply needs for the wards will be issued on all three tours the day prior to ensure all supply needs are met prior to the inventory. The physical count form will be printed on the morning of the inventory to use as the count sheet. Targeted Completion Date: April 2005.

Action 5c. Reduce medical supplies inventory to the 30-day supply level

Status: In Progress. SPD has taken appropriate actions to reduce its medical supplies inventory to the 30-day supply level and ensure that this required supply level will be maintained appropriately. Reviews of all supply orders are currently underway. Once the wall-to-wall inventory is completed, attention will be focused on meeting the 30-day timeline. Random audits will once again be used to ensure the medical center does not exceed the 30-day goal.

Action 5d. Provide for separation of duties between the ordering, receiving and distribution of medical supplies

Status: Complete. Separation of duties for ordering, receiving and distribution of medical supplies has been accomplished through reassignment of staff and responsibilities. Existing vacancies at the time of the survey have now been filled. There are three supply technicians allowing proper segregation of duties with no overlapping of purchasing, receiving and distribution. A segregation of duties audit verification form has been developed by SPD to monitor this action.

Action 5e. Effectively implement GIP for engineering supplies

Status: In Progress. Engineering is actively engaged in the use of GIP in all of its area. Targeted Completion date: April 2005.

Recommended Improvement Action 6. We recommend that the VISN Director ensure that the Medical Center Director establishes procedures to: (a) provide training to fiscal office staff to correct and prevent accounts receivable deficiencies, (b) ensure follow-up on outstanding debts, (c) correct all inaccurate financial records listed above, and (d) establish PCS debts in IFCAP.

Concur **Target Completion Date:** May 2005

Action 6a. Provide training to fiscal officer staff to correct and prevent accounts receivable deficiencies.

Status: In progress. Target completion date for this action is March 2005. PVAMC is planning to conduct training sessions in March 2005 after the scheduled on-station Financial Review visit by the Management Quality Assurance Service. In preparation for this training the following materials have been assembled as training guides:

VA Handbook 4800.1 - VA Collection Standards; VA Directive 4800 - Debt Management; Account Receivable Asset Valuation Guide; Sample of Accounts Receivable Data Collector (ARDC) Report; Sample of F853 (Verification of General Ledger Balances-Accounts Receivable) Report; Sample of F842 (Aging Accounts Receivable) Report.

Action 6b. Ensure follow-up on outstanding debts

Status: In Progress. F853 and F842 Reports will be used to more aggressively follow-up on individual accounts receivable. A consolidated list of all current and former employee debts with the Payor Code FEHBLWOP has been generated. In addition, a consolidated list of all former employee debts with the Payor Codes XEMPL and MISCE will be generated. Based on these reports, a letter will be sent to all current and former employees to establish a debt repayment plan. If a repayment plan cannot be established, debts will be collected through salary offset for current employees and sent to a collection agency or the Treasury Offset Program for former employees. In addition a list of all vendor debts will be compiled, which will be forwarded to Voucher Audit to offset outstanding bills or against future invoices.

Action 6c Correct all inaccurate financial records listed above

Status: On-Going. Reconciliation between FMS and IFCAP is in progress and a complete monthly reconciliation will be implemented. All accounts receivable records identified by the OIG as inaccurate have been identified. These accounts are still being reviewed to determine what appropriate action can be taken.

As an interim measure, PVAMC staff is comparing transactions in the December ARDC report against all transactions in the FMS 853 report for any mismatches. The following actions are taken if mismatches are identified:

a. Transaction found in ARDC but not found in FMS:

1. If the receivable was collected then the collection is applied to IFCAP

2. If the receivable is valid, the receivable will be established in FMS.

3. If the receivable is invalid the receivable will be decreased in IFCAP.

b. Transaction found in FMS but not in ARDC:

1. If the receivable was collected then the collection is applied to FMS.

2. If the receivable is valid then the receivable is established in IFACP.

3. If the receivable is invalid then the receivable is decreased in FMS.

Action 6d. Establish PCS debts in IFCAP

Status: In-Progress. Most of the PCS debts noted in the OIG report have been identified. These debts will be established in IFCAP by 2/11/2005. The January 2005 F853 is currently being reviewed in an attempt to identify those individual accounts as PCS debts, which will establish them in IFCAP. The anticipated date of completion on this action is March 2005.

Recommended Improvement Action 7. We recommend that the VISN Director ensure that the Medical Center Director improve equipment accountability by: (a) directing that the physical inventory of nonexpendable property be performed in accordance with VA regulations, (b) requiring that discrepancies noted in the results of our inventory tests of items on the EIL are corrected, (c) requiring a complete review of all items that appear on the "out of service" list, and that Reports of Survey be prepared for equipment that cannot be located and this equipment be removed from the inventory database, (d) establishing controls to ensure quarterly inventory spot checks are conducted, (e) requiring that a physical inventory is immediately conducted for all sensitive IT equipment valued under $5,000, and requiring that all sensitive IT equipment inventory is included in the AEMS/MERS database, and (f) implementing procedures to ensure loaned equipment (i.e., sensitive IT equipment) is properly documented and controlled.

Concur **Target Completion Date:** April 2005

Action 7a. Directing that the physical inventory of nonexpendable property be performed in accordance with VA regulations.

Status: In Progress. Because of the large scope of this project, 21,000 devices, and the period of time elapsed since the last full equipment inventory, a comprehensive corrective action plan needed to be developed to accomplish this action. A physical inventory verification of all equipment items currently in the AEMS/MERS equipment Inventory Database will be conducted in a 12-step process.

The Hospital wide physical inventory was conducted during the month of December 2004. Of the 219 EIL worksheets, 27 have been completed (12%). 1480 pieces of equipment have been updated to date and 842 items deactivated since the process was initiated. Once the entire inventory has been completed, the medical center will set up a system of on-going updating of the EILs. These reviews will be routed through the hospital's Executive Leadership Operations Council to ensure completion. Targeted Completion Date: 6/01/2005.

Action 7b. Requiring that discrepancies noted in the results of our inventory tests of items on the EIL are corrected.

Status: In-Progress: Most of the discrepancies noted were corrected during the CAP inspection. Location corrections for the remaining items have been completed. A report of survey was initiated for the laptop identified as stolen. Turn-in documentation is being pursued for the two items not located.

Action 7c. Requiring a complete review of all items that appear on the “out of service” list and that Report of Survey be prepared for equipment that cannot be located and this equipment be removed from the inventory database.

Status: Status: In-Progress: Notations will be made in the comments section of the inventory records for any items that will remain on our inventory as "Out of Service" The status of the OOS items will be reviewed by the EIL Officials during the annual EIL reviews. Target Completion Date 6-30-2005

Action 7d. Establishing controls to ensure quarterly inventory spot checks are conducted.

Status: Pending Quarterly spot checks of equipment inventory database in AEMS/MERS will be established once the database has been validated. A random sample of items will be selected from the inventory on a quarterly basis and will be checked with the actual equipment items. Targeted Completion Date 6/2005

Action 7e. Requiring that a physical inventory be immediately conducted for all sensitive IT equipment valued under $5,000, and requiring that all sensitive IT equipment inventory is included in the AEMS/MERS database.

Status: In Progress. As part of the physical inventory verification of all equipment items listed under recommendation 7a, all IT equipment, including laptops, personal computers, printers, and Blackberry's will be inventoried. Target date for this action is 6/30/2005

Action 7f. Implementing procedures to ensure loaned equipment is properly documented and controlled.

Status: Completed – 10/04/2004 The Customer Support Assistant in IMS is responsible for all loaner agreement records. Borrower will be required by IMS to sign a loan agreement form. Prior to distribution, the laptop will be checked by the help desk to ensure the device is functional. Once the equipment is returned, it will be examined to determine the condition and the borrower will be requested to sign off on the loan agreement form. At this time the laptop will be retuned to the IMS warehouse stock.

Recommended Improvement Action 8. We recommend that the VISN Director ensure that the Medical Center Director establish procedures to: (a) adhere to separation of duties for the ordering and receipt of non-controlled substances, (b) ensure compliance with VHA policy regarding the receipt and posting of controlled substances, and (c) follow VHA policy regarding reporting controlled substances inspection results and resolution of discrepancies noted.

Concur **Target Completion Date:** April 2005

Action 8a. Adhere to separation of duties for the ordering and receipt of non-controlled substances

Status: Completed. Pharmacy has reassigned staff to ensure that separation of ordering and receipt on non controlled substances occurs. This is monitored by the Outpatient Pharmacy Supervisor and Chief of Pharmacy by reviewing all Purchase orders and annotating the purchasers name against the signatures on the receipt delivery document. This was accomplished prior to October 2004.

Action 8b Ensure compliance with VHA policy regarding the receipt and posting of controlled substances

Status: Completed. VACO advices that A&MM may delegate pharmacists to receive delivery of controlled substances. A delegation of authority has been executed with Resource Management.

Action 8c Follow VHA policy regarding reporting controlled substances inspection results and resolution of discrepancies noted.

Status. In-Progress. A new Controlled Substance Policy was placed into effect December 2004. Monthly summaries to the Medical Center Director are being completed in a timely manner. In addition, the monthly summaries are routed though the P&T Committee for review, which is then reviewed by the hospital's Medical Executive Committee. Nurses, who have non medication administration positions, have taken an active role in the Narcotic Inspection program. Any discrepancy not resolved during the Narcotic Inspections is forwarded to senior nursing managers for investigation. 100% Training for all narcotic inspectors has been completed. Inspectors are now required to certify that they have tried to resolve all discrepancies with the unit managers to the best of their abilities.

Recommended Improvement Action 9. We recommend that the VISN Director ensure that the Medical Center Director require that: (a) MCCF staff improve their timeliness in review and release of billable episodes of care, (b) resident supervision is properly documented, and (c) the "Unbilled Amounts Report" is reviewed for billing timeliness and accuracy.

Concur **Target Completion Date:** April 2005

Action 9a MCCR staff improve their timeliness in review and release of billable episodes of care.

Status: In Progress. Unbilled Revenue days as of January 14, 2005 were 46.25 and they will meet the standard of 45 days in April 2005. Unbilled Revenue days are tracked by the VISN bi-monthly through the VISN 04 Revenue Indicator Report.

Action 9b Resident supervision is properly documented

Status: In-Progress. MCCR staff reviews documentation after Physician involvement. This issue is monitored via the "Reason's Not Billed Report", which is presented regularly at the Hospitals Compliance Committee Meetings. In addition this information is shared with the Medical Center Director during his regular meetings with the Compliance Officer. To ensure that claims are not billed for with no documentation of Residency Supervision, 100% of Outpatient claims are reviewed by certified coder staff. If evidence of Residency Supervision is unavailable, the claim will be cancelled in coding and not pass to billing. For Inpatients, during medical record extraction, documentation must exist of residency supervision prior to the creation of a claim. Documentation issues undergo review with the Chief of Staff and Clinical Care Product Lines.

Action 9c. The "unbilled amounts report" is reviewed for billing timeliness and accuracy.

Status: In Progress. Staff continues to trend billing lag days downward. PVAMC estimates meeting the National Processing Standards by June 2005. This issue is tracked through the VISN 04 Revenue Indicator Report. MCCR staff currently has a minimum productivity standard of billing 50 claims per day, and are being closely monitored to ensure that standards are being achieved.

Recommended Improvement Action 10. We recommend that the VISN Director ensure that the Medical Center Director require that: (a) all user accounts be promptly terminated when access is no longer needed, and (b) all VAMC employees complete the Security Awareness Training Course annually.

Concur **Target Completion Date:** April 2005

Action 10a. All user accounts are promptly terminated when access is no longer needed.

Status: In Progress. Product lines completed annual menu reviews for all employees November 30, 2004. Human Resources generates bi-weekly reports of all employee separations. All VISN 4 Facility AIS Security Policies will be revised by March 31, 2005 to assure compliance with HIPAA Security Rules becoming effective April 2005. The following issues will be included in the revised policies. Residents/Fellows will have "disuser" placed on their accounts upon completion of their rotations to the medical center. This allows for timely reactivation if the resident is reassigned to the medical center unexpectedly. Students will receive access only for periods of times encompassed by their assignments. In addition Research WOC appointments will receive access only for the duration of the research protocol (maximum 1year). This action is jointly monitored by the Information Security Officer and HR with the assistance of each Product line ADPAC.

Evidence of Compliance: Attachment #1 MCM 00-12 Amendment to Medical Center Memorandum 00-12 Automated Information Systems (AIS) Security Policy, Appendices D & E

10b. All VAMC employees complete the Security Awareness Training Course annually.

Status: In Progress. The medical center has established a March 31, 2005 deadline for 100% staff compliance with completion of this training requirement. Currently the medical center is at 30% completion. The Security Awareness Training is part of Mandatory Review, which will be on line using the new SWANK system by February 28, 2005, to assist in completion of this action item. Managers at all levels of the facility are pursing this goal, which exceeds the national deadline by six months.

Evidence of Compliance: Attachment #2 Information Security Training

Appendix C

Monetary Benefits in Accordance with IG Act Amendments

Recommendation	Explanation of Benefit(s)	Better Use of Funds	Questioned Costs
3	Requiring documentation to support payments for municipal waste disposal and credit for recycling would ensure service was rendered in accordance with contract terms.		$105,387
4	Obtaining competitive prices from preferred purchasing sources and requiring that invoices for supplies and labor be properly documented and reviewed prior to issuing payment would ensure that the Government receives a fair price.		172,918
5	Better use of funds by reducing excess medical supplies to 30-day levels.	$10,725	
9	Better use of funds by timely billing third-party payers.	212,391	
	Total	$223,116	$278,305

Appendix D

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Appendix E

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