Department of Veterans Affairs
Office of Inspector General

Combined Assessment Program Review of the VA Medical Center White River Junction, Vermont

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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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Executive Summary

Introduction

During the week of August 9–13, 2004, the Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the VA Medical Center White River Junction, VT. The purpose of the review was to evaluate selected operations, focusing on patient care administration, quality management (QM), and financial and administrative controls. During the review, we also provided fraud and integrity awareness training to 85 employees. The medical center is under the jurisdiction of Veterans Integrated Service Network (VISN) 1.

Results of Review

This CAP review covered 17 areas. The medical center complied with selected standards in the following seven areas:

- Accrued Services Payable
- Clinic Waiting Times and Enrollment
- Controlled Substances Accountability
- Moderate Sedation
- Part-Time Physician Timekeeping
- Quality Management
- Undelivered Orders

Based on our review this area, the following organizational strength was identified:

- Organizational and performance excellence.

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

- Strengthen controls to improve contract monitoring and administration.
- Strengthen controls over the Government Purchase Card Program to ensure greater compliance with the Federal Acquisition Regulation (FAR) and VA policy.
- Establish controls to strengthen accountability and reduce excess inventories of engineering and medical supplies.
- Improve inventory procedures and controls over nonexpendable equipment.
- Strengthen controls over the equipment preventive maintenance program.
- Improve follow-up procedures for third-party accounts receivable.
- Strengthen controls over the bulk oxygen utility system.
- Correct patient safety and infection control deficiencies.

Suggestions for improvement were made in the following areas:

- Strengthen controls over pharmacy security.
- Strengthen physical security for data communication equipment and require employees to log off unused computers.

This report was prepared under the direction of Mr. Thomas L. Cargill, Jr., Director, and Mr. Philip D. McDonald, CAP Review Coordinator, Bedford Audit Operations Division.

VISN and Medical Center Director Comments

The VISN and Medical Center Directors agreed with the CAP review findings, recommendations, suggestions, and monetary benefits; and provided acceptable improvement plans. (See Appendixes A and B, pages 19-28, for the full text of the Directors' comments.) We will follow up on the implementation of recommended improvement actions until they are completed.

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

Introduction

Medical Center Profile

Organization. The medical center is a primary and secondary care facility that provides a broad range of inpatient and outpatient health care services. Outpatient care is provided at four community-based outpatient clinics (CBOCs) located in Bennington, Colchester, and Rutland, VT, and Littleton, NH. The medical center is part of VISN 1 and serves a veteran population of about 89,750 in a primary service area that includes 14 counties in Vermont and 4 counties in New Hampshire.

Programs. The medical center provides primary and secondary care in medicine, surgery, psychiatry, geriatrics, and extended care. The medical center has 60 operating beds (23 medical, 9 surgical, 10 psychiatry, and 18 intermediate).

Affiliations and Research. The medical center is affiliated with the Dartmouth Medical School and shares a primary care affiliation with the University of Vermont School of Medicine. Over 170 Dartmouth Medical School residents rotate annually through more than 40 positions in 17 specialties. The medical center also has nursing affiliations with the University of Vermont, University of New Hampshire, Boston College, Northeastern University, and Rivier College. In Fiscal Year (FY) 2003, the medical center's research program had 114 active projects with a budget of $6.4 million. The program includes projects focused on medical and health services research and on research clinical trials.

Resources. The medical center's FY 2004 medical care budget was $100.6 million, a 1 percent increase over the FY 2003 budget of $99.6 million. FY 2003 staffing was 605.2 full-time equivalent employees (FTE), including 59.9 physician and 151 nursing FTE.

Workload. In FY 2003, the medical center treated 21,868 unique patients, a 2.6 percent increase from FY 2002. In FY 2003, the average daily census was 43.5. The outpatient workload was 166,714 visits.

Objectives and Scope of the CAP Review

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

- Conduct recurring evaluations of selected health care facility and regional office operations focusing on patient care, QM, benefits, and financial and administrative controls.

- Provide fraud and integrity awareness training to increase employee understanding of the potential for program fraud and the requirement to refer suspected criminal activity to the OIG.

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

In performing the review, we inspected work areas; interviewed managers, employees, and patients; and reviewed clinical, financial, and administrative records. The review covered the following 17 activities:

Accrued Services Payable	Moderate Sedation
Bulk Oxygen Utility System	Part-Time Physician Timekeeping
Clinic Waiting Times and Enrollment	Pharmacy Security
Controlled Substances Accountability	Preventive Maintenance
Environment of Care	Quality Management
Equipment Accountability	Service Contracts
Government Purchase Card Program	Supply Inventory Management
Information Technology Security	Undelivered Orders
Medical Care Collections Fund	

The review covered facility operations for FY 2003 and FY 2004 through June 30, 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 timeliness of service and the quality of care. We made electronic survey questionnaires available to all medical center employees who had internet access, and 105 employees responded. We also interviewed 30 patients during the review. The surveys and interviews indicated high levels of employee and patient satisfaction and did not disclose any significant issues. The survey results were shared with medical center managers.

During the review, we presented 3 fraud and integrity awareness briefings that were attended by 85 employees. These briefings covered procedures for reporting suspected criminal activity to the OIG and included case-specific examples illustrating procurement fraud, false claims, conflict of interest, and bribery.

An activity that was particularly noteworthy is recognized in the Organizational Strength section of this report (page 4). Activities needing improvement are discussed in the

Opportunities for Improvement section (pages 5–18). For these activities, we make recommendations and suggestions for improvement. Recommendations pertain to issues that are significant enough to be monitored by the OIG until corrective actions are implemented. Suggestions pertain to issues that should be monitored by VISN and medical center management until corrective actions are completed. For the activities not discussed in the Organizational Strength or Opportunities for Improvement sections, there were no reportable deficiencies.

Results of Review

Organizational Strength

Awards for Organizational and Performance Excellence. In both 2002 and 2003, the medical center received the Secretary of Veterans Affairs Robert W. Carey Achievement for Organizational Excellence Award. Criteria for this prestigious award are based on the Malcolm Baldrige National Quality Award criteria used by organizations around the world to assess and improve organizational performance. A critical and intensive evaluation process measured the medical center's performance against its stated vision and mission goals and focused on successful outcomes related to strategic objectives. Additionally, on August 23, 2004, the medical center was notified that it is this year's recipient of the Carey Trophy, the highest level quality award given to a VA organization.

In 2003, the medical center also received the Vermont Governor's Award for Performance Excellence. This award recognizes Vermont organizations that achieve performance excellence in management and operation and is the highest State honor an organization can receive for its performance.

Opportunities for Improvement

Service Contracts – Contract Monitoring, Administration, and Compliance with Policy Needed Improvement

Condition Needing Improvement. VISN and medical center management needed to ensure that Contracting Officer's Technical Representatives (COTRs) are properly trained and that contracts are more closely monitored and properly administered to ensure compliance with the FAR and VA policy. From a universe of 156 service contracts valued at about $28 million, we reviewed 13 contracts valued at $5.4 million to determine if they were properly negotiated, awarded, monitored, and administered. We identified potential conflicts of interest in five noncompetitive contracts (value = $2.8 million) with the affiliated medical school. These contracts require additional legal and technical review and will be the subject of a separate report by the OIG. For the remaining eight contracts (value = $2.6 million), we identified the following issues that require management attention.

COTR Training. VA policy requires that COTRs receive training before performing assigned responsibilities. COTRs designated to administer eight contracts did not receive appropriate training. The Head of Contracting Authority stated that contracting officers informed COTRs of their monitoring responsibilities but did not provide training as required.

Contract Monitoring. COTRs are responsible for monitoring contractor performance and ensuring that services are provided and payments made in accordance with contract terms. Two COTRs did not maintain documentation to support verification of services provided by two contractors for vascular laboratory services and preventive maintenance services. As a result, the COTRs certified payments totaling $117,829 without validating that services had been received.

- Vascular Laboratory Services. The medical center had a $423,528 contract with the affiliate to operate a vascular laboratory at the medical center for the period May 19, 2003, to May 31, 2007. The contract required the COTR to maintain time and attendance logs to demonstrate that VA had received contract services.

  To evaluate medical center efforts in validating services received, we reviewed an invoice for the 6-month period ending June 30, 2004, which showed VA paid $33,967 for 948 hours of laboratory technician services and $4,960 for 48 hours of laboratory technician director services. We found that the COTR did not maintain the required logs and did not verify hours billed. In addition, the invoice had been stamped showing that services had been received but did not contain an authorizing signature. As a result, the medical center paid the affiliate $38,967 ($33,967 and $4,960) without maintaining required supporting documentation and validating that the billed services had been received.

- Preventive Maintenance–Computed Tomography Scanner. The medical center had a $337,985 contract for computed tomography (CT) scanner preventive maintenance services for the period May 1, 2003, through September 28, 2007. The COTR did not maintain a log to record contractor service calls, and he certified payments without obtaining an equipment service report detailing services. Log entries and the service report were conditions for payment of $5,633 per month. As a result, the medical center did not maintain documentation supporting $78,862 paid to the contractor for a 14-month period ending June 30, 2004.

Contract Administration. The FAR requires contracting officials to establish files containing records of significant contracting actions. These actions include: (a) conducting market research to identify potential contractors and prices, (b) preparing price negotiation memorandums (PNMs) documenting the negotiating process and COTR designation letters documenting COTR responsibilities, (c) initiating background investigations of contract personnel, and (d) preparing written justifications and amendment documents to extend contracts. The following table summarizes the deficiencies in eight contracts reviewed.

Contract Deficiencies	Ambulance Services $620,735	Vascular Physician Services $425,292	Vascular Laboratory Services $423,528	Preventive Maintenance CT Scanner $337,985	Medical Transcription Services $307,200	Primary Care Physician Services $237,600	CBOC Courier Service $158,130	Psycho-Physiological Laboratory $136,150
COTR not properly trained.	X	X	X	X	X	X	X	X
Contracts not properly monitored by COTR.	X		X	X	X		X	
VA employees other than COTR certified payments.	X			X	X		X	
Market research not conducted.					X			X
COTR designation letter not prepared.		X	X			X		
Document (SF Form 1449) to execute contract not prepared.		X	X					
Written justification to exercise option year not prepared.			X					
Background investigations of contract personnel with access to VA computer systems not initiated prior to performance.		X	X					
Document (SF Form 30) to exercise option year not prepared.		X	X					

Recommended Improvement Action 1. We recommended that the VISN Director ensure that the Medical Center Director requires that: (a) COTRs receive proper training, (b) COTRs monitor contractor performance in accordance with contract terms and

specifications, and (c) contracting officers correct contract administration and documentation deficiencies.

The VISN and Medical Center Directors agreed with the findings and recommendations and reported that a COTR training module will be developed and COTRs will receive appropriate training. COTRs will use a monthly tracking form to monitor compliance with contractor performance in accordance with contract terms. A contract file checklist was included in all new contract files that will be used to ensure contract files contain records of significant contracting actions. The improvement plans are acceptable, and we will follow up on planned actions until they are completed.

Government Purchase Card Program – Better Compliance with the Federal Acquisition Regulation and VA Policy Is Needed

Conditions Needing Improvement. Medical center management needed to strengthen controls to ensure Government purchase cardholders seek competition for open market purchases exceeding $2,500, consider preferred purchasing sources such as Federal Supply Service (FSS) vendors, and maintain receipts for the purchase of goods and services. Also, improved oversight is needed through monthly and quarterly reviews of cardholder accounts. From October 1, 2002, to July 7, 2004, the medical center's 73 cardholders and 46 approving officials processed 31,371 transactions totaling about $5.5 million.

Competitive Procurements. Purchase cardholders did not use competition to obtain best prices for purchases exceeding $2,500. The FAR requires purchasers to use competition to obtain supplies and services at the best prices. Further, cardholders must consider three sources for competition or document the justification for using a sole source.

We reviewed a judgment sample of 30 open market prosthetic supply purchases totaling $214,082 and evaluated the extent of competitive purchasing efforts. We found that cardholders did not obtain bids from 3 sources or document sole source justifications for 20 purchases of knee and hip implants valued at $113,282. As a result, cardholders did not have reasonable assurance that the best prices were obtained or that procurements were made in VA's best interest.

Preferred Purchasing Sources. Cardholders did not consider preferred sources before buying prosthetic supplies on the open market. The FAR and VA policy require cardholders to consider preferred sources such as FSS vendors before purchasing supplies on the open market.

We reviewed all knee and hip implant purchases for the period October 1, 2002, to July 7, 2004. During this time period, the medical center purchased 52 knee implants valued at $187,954 and 21 hip implants valued at $182,847. Cardholders were not aware that an FSS contract for knee and hip implants had been established in April 2002. We obtained data from the VA National Acquisition Center showing that an FSS vendor offered comparable items at lower prices. A comparison of prices paid by the medical center to FSS prices showed that the medical center could have paid 25 percent less for like or comparable knee implants and 43 percent less for hip implants. We estimated the medical center could have paid $125,613 less for these items if cardholders had purchased from the FSS vendor ($187,954 x 25 percent plus $182,847 x 43 percent = $125,613).

Receipt Documentation Not Maintained. VA policy requires purchase cardholders to maintain documentation supporting the receipt of goods so that approving officials have support for certifying payments. We reviewed a sample of 30 purchases (13 knee implants, 7 hip implants, and 10 occlusion guard wires) valued at $214,082 made by 2 cardholders from 2 vendors. We found 11 payments totaling $76,922 to a single vendor where the packing slips did not list all the items paid for. As a result, the medical center did not have documentation showing receipt of hip and knee implants valued at $44,991. Further, three approving officials inappropriately certified payments without sufficient documentation to support the receipt of all implants paid for.

Quarterly Audits. VA policy requires the Program Coordinator (PC) and the Fiscal Officer to conduct joint quarterly audits of cardholders and approving officials. Quarterly audits of cardholders and approving officials were not conducted over the 21-month review period.

Recommended Improvement Action 2. We recommended that the VISN Director ensure that the Medical Center Director requires that: (a) cardholders document that competition was sought for purchases greater than $2,500 or document sole source justifications, (b) cardholders purchase from sources such as FSS vendors in lieu of more costly open market sources, (c) cardholders obtain sufficient documentation to enable approving officials to verify receipt of goods and services, and (d) the PC and Fiscal Officer to conduct quarterly audits of cardholders and approving officials.

The VISN and Medical Center Directors agreed with the findings and recommendations and reported that cardholders will document that competition is sought for purchases greater than $2,500 or document sole source justifications. Cardholders will purchase from FSS vendors where feasible and written justification will be maintained for use of non-FSS vendors. Also, cardholders will request waivers and document justifications for use of non FSS vendors. Supporting documentation will be maintained by cardholders to

enable approving officials to verify receipt of goods and services. Quarterly purchase card audits will by conducted and documented. The improvement plans are acceptable, and we will follow up on planned actions until they are completed.

Supply Inventory Management – Inventory Records Needed to Be Accurate and Stock Levels Better Managed

Condition Needing Improvement. The medical center needed to strengthen inventory controls and effectively manage engineering and medical supply inventories. In FY 2003, the medical center spent approximately $1.2 million on engineering and medical supplies. VHA policy established a 30-day supply level goal and requires that medical facilities use VA's automated Generic Inventory Package (GIP) to manage engineering and medical supply inventories. Inventory managers should use GIP reports to establish normal stock levels and to analyze usage patterns to determine optimum order quantities.

We followed up on our recommendation from our prior CAP review of the medical center (*Combined Assessment Program Review of the VA Medical and Regional Office Center, White River Junction, Vermont, Report No. 00-01602-84, June 5, 2000*) to strengthen inventory controls of medical supplies to ensure optimum levels and minimize inventory costs. The Medical Center Director agreed with the prior CAP review findings and recommendations and reported that the medical center had begun decreasing inventory supplies to a 30-day level. However, based on our review, these corrective actions were not implemented.

Engineering Supplies. Facility Management Service (FMS) staff did not conduct a physical inventory of engineering supplies as required by VHA policy. In addition, staff did not implement GIP to manage the engineering supply inventory. At our suggestion, FMS staff began conducting their first wall-to-wall inventory in order to determine quantities and value of stock-on-hand and begin the process of implementing GIP.

Medical Supplies. Supply Processing and Distribution (SPD) staff needed to conduct annual inventories of all medical supplies, improve the accuracy of GIP data, and reduce inventory levels. SPD personnel had not conducted required annual inventories of medical supplies since August 2002. As of June 30, 2004, the GIP primary inventory points included 1,162 supply line items with a total value of $169,090.

To test the accuracy of stock on hand and the reasonableness of inventory levels, we reviewed a sample of 20 supply items with a GIP-reported value of $18,644. For 10 items, GIP balances did not match the quantities of stock on hand. This resulted in the quantity levels being understated in GIP by 1,359 units and the inventory value being understated by $1,880. The actual value of sampled items was $20,524, which was 110

percent of the GIP-reported value. Applying the 110 percent figure to the $169,090 total for the entire supply stock shown in GIP would yield an estimated value of $185,999, which means the GIP-reported value was understated by $16,909.

Additionally, SPD personnel needed to improve supply inventory operations to achieve the 30-day supply goal. Six of the 20 items had stock levels ranging from 34 days to 1,250 days. The value of stock exceeding 30 days was $5,256, or 26 percent of the total value of the 20 sampled items reviewed ($20,524).

The inaccuracies in GIP stock quantities and excess stock levels occurred because SPD staff were not properly recording transactions, monitoring supply usage rates, or adjusting GIP stock levels to the 30-day supply goal. By applying the 26 percent of excess stock for the 20 sampled items to the entire stock, we estimated that the value of excess stock was $48,360 (26 percent x $185,999 estimated value of the inventory).

Recommended Improvement Action 3. We recommended that the VISN Director ensure that the Medical Center Director requires that: (a) FMS staff conduct an annual physical inventory of engineering supplies and implement GIP; and (b) SPD staff conduct annual physical inventories of medical supplies, improve the accuracy of GIP data, and reduce excess inventory.

The VISN and Medical Center Directors agreed with the findings and recommendations and reported that the FMS inventory is 50 percent complete and that GIP became operational in FMS on January 7, 2005. Also, the SPD inventory was completed in September 2004. An accurate SPD inventory will be maintained on an ongoing basis and excess inventory will be reduced. The improvement plans are acceptable, and we will follow up on planned actions until they are completed.

Equipment Accountability – Inventories Should Be Properly Performed and Controls Strengthened

Conditions Needing Improvement. Medical center management needed to improve procedures to ensure that nonexpendable equipment and sensitive equipment (items costing more than $5,000 with a useful life of more than 2 years or items subject to theft) are properly accounted for and safeguarded. VA policy requires that periodic inventories be done to ensure that equipment is properly accounted for and recorded in accountability records called Equipment Inventory Lists (EILs). Acquisition and Materiel Management Service (A&MMS) staff are responsible for coordinating the EIL inventories, which includes notifying all services when inventories are due and following up on incomplete or delinquent inventories.

As of July 31, 2004, the medical center had 39 active EILs listing 931 equipment items with a total value of $22,681,882. We identified four equipment accountability issues that required corrective action.

Physical Inventory Procedures. VA policy requires annual or biennial nonexpendable equipment inventories be conducted by responsible officials (such as service chiefs) or their designees. These officials must evaluate the need for all equipment assigned to them and sign and date their EILs, certifying that equipment was accounted for. We found four deficiencies pertaining to inventory procedures.

- A&MMS staff, not the responsible officials, conducted the annual inventories and certified all 39 EILs.
- A&MMS staff and responsible officials had not performed required quarterly spot checks of completed EILs to ensure the accuracy of reported information.
- Controls were not in place to ensure that 476 equipment items valued at $787,399 were correctly categorized as items that had been disposed of. Multiple medical center staff had the capability of removing these items from the EILs and placing them in the "disposed" category.
- A&MMS staff did not determine whether 54 equipment items listed in the Automated Engineering Management System/Medical Equipment Reporting System (AEMS/MERS) as out of service were appropriately listed in this category. For example, several patient monitors had been excessed and should have appeared as "disposed" but were listed as "out of service."

Accuracy of EILs. To assess equipment accountability, we reviewed a judgment sample of 51 equipment items (combined value = $4,849,529). We were able to locate all these items. However, we noted the following deficiencies that required corrective action.

- Nine vehicles leased from the General Services Administration were not recorded on an EIL.
- Bar code labels for two firearms did not correspond with the serial numbers recorded on an EIL.

Sensitive Equipment. VA policy requires that certain sensitive equipment items be accounted for regardless of cost, life expectancy, or maintenance requirements. Sensitive items are those subject to theft, loss, or conversion to personal use, such as computer equipment. We found that physical inventories were not routinely conducted for information technology (IT) equipment valued under $5,000. The medical center had approximately 600 such items with a total value of $1.1 million. According to Information Resources Management officials, they had not conducted a physical

inventory of sensitive items such as laptops, personal computers, printers, palm pilots, and other IT equipment.

Loaned Equipment. VA policy requires that equipment loans to employees be made through A&MMS and that A&MMS review documentation to ensure equipment is returned when the loan period expires. The medical center did not maintain complete documentation for equipment loans. We determined that 65 items (mostly laptop computers) were loaned to VA employees. The loan forms did not always contain justifications for loans, signatures of employees receiving the equipment, signatures of approving officials, and approvals by the Chief of A&MMS.

Recommended Improvement Action 4. We recommended that the VISN Director ensure that the Medical Center Director requires the Chief of A&MMS to: (a) ensure that responsible officials or their designees perform the physical inventories of nonexpendable property, (b) ensure that required inventories are conducted for all sensitive IT equipment valued under $5,000, (c) perform quarterly inventory spot checks, and (d) ensure proper documentation is prepared for loaned equipment.

The VISN and Medical Center Directors agreed with the findings and recommendations and reported that a schedule has been established for completing the physical inventories of nonexpendable property. The Inventory Management Specialist will monitor completion of the EILs and report to the Chief of Acquisitions and Logistics Service (ALS) and the Associate Director. A physical inventory of all sensitive IT equipment will be conducted by the Information Resource Management (IRM) Service and ALS. Required inventory spot checks will be conducted. Further, IRM Service will collaborate with A&MMS to ensure that proper documentation is maintained on loaned equipment. The improvement plans are acceptable, and we will follow up on planned actions until they are completed.

Equipment Maintenance Program – Repair and Maintenance Data Should Be Recorded and Quality Assurance Tests Performed

Conditions Needing Improvement. Medical center management needed to improve procedures to ensure that repair and preventive maintenance data for medical equipment is recorded in AEMS/MERS and that quality assurance tests of medical equipment are performed. The medical center's medical equipment management plan requires that an accurate database of historical information, including time spent on repairs and maintenance and the costs of parts and labor, be maintained for all medical equipment. We identified two issues that required corrective action.

Data Recorded in AEMS/MERS. Medical equipment repair and maintenance data was not recorded in AEMS/MERS. Service reports for the CT scanner, documenting work performed by a service contract vendor, were not consistently provided to the clinical engineering staff for input into AEMS/MERS. As a result, the repair and maintenance history data was incomplete for the CT scanner. Clinical engineering staff told us they generally had not entered the data recorded on outside vendor service reports into AEMS/MERS.

Equipment Tests. Manufacturer-recommended quality assurance tests were not documented as being performed for a Nuclear Medicine Service gamma camera. These tests must be performed to ensure the equipment is operating properly. A daily quality assurance test was not documented as being performed on the gamma camera. Radiology Service personnel told us that a manual log was usually maintained to record the daily tests but the log had not been maintained for 2 weeks at the time of our review.

Recommended Improvement Action 5. We recommended that the VISN Director ensure that the Medical Center Director improves the medical equipment preventive maintenance program by ensuring that: (a) pertinent data is recorded in AEMS/MERS for all repair and preventive maintenance work performed on medical equipment by outside vendors, and (b) equipment tests recommended by the manufacturer are properly performed and documented.

The VISN and Medical Center Directors agreed with the findings and recommendations and reported that all outside vendor service reports are being entered into AEMS/MERS. Further, hard copy records from 2002 through December 15, 2004, are being obtained from the manufacturer's service representative. Radiology Service personnel are conducting and documenting all manufacturer-recommended quality assurance tests and daily quality assurance tests. The improvement plans are acceptable, and we will follow up on planned actions until they are completed.

Medical Care Collections Fund – Improved Follow-Up Procedures Would Help Increase Collections

Conditions Needing Improvement. Under the Medical Care Collections Fund (MCCF) program, VA may recover from health insurance companies the cost of treating insured veterans. In FY 2003, the medical center collected $6.74 million, exceeding their MCCF collection goal by 4 percent. As of September 30, 2003, the medical center's collection rate was 30 percent. However, MCCF management could further improve MCCF program results by aggressive follow-up of third-party accounts receivable.

Follow-Up of MCCF Accounts Receivable. As of March 31, 2004, the medical center had 392 third-party bills greater than $1,000, with a total value of $2,055,497. Of these, 75 with a value of $314,351 were more than 90 days old.

To evaluate medical center collection efforts, we reviewed a judgment sample of 23 bills valued at $251,472 that were more than 90 days old. Of the 23 bills, 13 had been appropriately cancelled or collected after we began our review. However, the remaining 10 bills (value = $84,658, or 34 percent of the total value of $251,472) required more aggressive collection efforts.

A collection agency was responsible for the follow-up and collection of third-party bills. The medical center provided the agency weekly electronic access to all third-party bills more than 60 days old. MCCF management stated the agency did not have any documentation of follow-up efforts for the 10 bills. Based on the results of our review, we estimated that the total value of bills more than 90 days old requiring more aggressive efforts was $106,879 (34 percent x $314,351). Based on the medical center's FY 2004 collection rate of 12 percent for bills more than 90 days old, we estimated that aggressive follow-up could increase collections by about $12,825 ($106,879 in delinquent bills requiring more aggressive collection x 12 percent collection rate = $12,825).

Recommended Improvement Action 6. We recommended that the VISN Director ensure that the Medical Center Director require MCCF management to establish procedures to monitor collection agency follow-up and collection efforts for third-party accounts receivable.

The VISN and Medical Center Directors agreed with the findings and recommendations and reported that the new collection agency is complying with contract requirements that include making follow-up notations in the comment log for each account. Medical center staff have been monitoring the contract for compliance, with noncompliance reported to the VISN COTR. The improvement plans are acceptable, and we will follow up on planned actions until they are completed.

Bulk Oxygen Utility System – Controls Needed To Be Strengthened

Conditions Needing Improvement. Medical center managers needed to ensure that a required memorandum of understanding (MOU) with the local bulk oxygen supply vendor is established and that the vendor provides a reserve bulk oxygen reserve tank that meets National Fire Protection Agency (NFPA) guidelines.

Memorandum of Understanding. The medical center had not established an MOU with the bulk oxygen vendor outlining the facility's and the vendor's contract responsibilities

and specific details about the services the vendor will provide. VA's National Acquisition Center requires that an MOU be established between a facility and a local bulk oxygen service vendor within 15 days of awarding the contract to the vendor.

Bulk Oxygen Reserve Tank. The average daily oxygen usage for the medical center was calculated to be 122 gallons, but the capacity of the bulk oxygen reserve tank was only 114 gallons, a 22-hour emergency supply. NFPA guidelines require that the tank contain a 24-hour supply of oxygen at the low-level alarm set point (the point the alarm will sound indicating that the oxygen supply is dangerously low). FMS managers, who are responsible for the bulk oxygen utility system, told us that they would incorporate proper specifications for the reserve tank in January 2005, when the current contract was to be renewed or a new contract awarded.

Recommended Improvement Action 7. We recommended that the VISN Director ensure that the Medical Center Director: (a) establishes an MOU with the bulk oxygen vendor, and (b) requires that the bulk oxygen reserve tank meets NFPA capacity guidelines.

The VISN and Medical Center Directors agreed with the findings and recommendations and reported that an MOU with the bulk oxygen vendor will be established when the new contract with the VA National Acquisition Center takes effect in April 2005. Further, the medical center staff will either increase the current bulk oxygen capacity or replace the current tank in order to comply with required capacity guidelines. The improvement plans are acceptable, and we will follow up on planned actions until they are completed.

Environment of Care – Patient Safety and Infection Control Deficiencies Needed To Be Corrected

Conditions Needing Improvement. The medical center was clean and well maintained. However, the suicide risk on the inpatient psychiatric unit needed to be reduced, and ice machines in patient care areas needed to be routinely inspected and cleaned.

Patient Safety. The patient bathroom on the acute psychiatry unit had a shower nozzle holder that posed a potential suicide risk. The top of the holder was above shoulder level and extended from the wall so that a patient could secure a cord or belt to the holder and attempt suicide by hanging.

The removable tiles in the ceilings of the psychiatric unit were equipped with an alarm system that was supposed to sound if patients attempted to tamper with the tiles. The purpose of the alarm was to minimize the risk of patients concealing contraband items, such as drugs or weapons, or attempting suicide by hanging themselves from pipes under

the tiles. There was no medical center policy that governed the testing of the system, and we found no documentation to show that the system was periodically tested to ensure it was operational.

Infection Control. The ice machines in patient care areas needed thorough cleaning. For example, the ice chutes and catch trays on the machines were coated with lime deposits, posing an infection risk. The ice machines were not included in the medical center's preventative maintenance program and were not regularly inspected. Corrective action began while we were on site.

Recommended Improvement Action 8. We recommended that the VISN Director ensure that the Medical Center Director requires that: (a) the shower nozzle holder in the acute psychiatric unit is modified to reduce the risk of suicide and the ceiling alarm system is tested on a regular basis, and (b) ice machines are routinely inspected and cleaned. The improvement plans are acceptable, and we will follow up on planned actions until they are completed.

The VISN and Medical Center Directors agreed with the findings and recommendations and reported that an appropriate shower head has been ordered. A work order has been submitted to replace the ceiling alarm system. The ice machines were cleaned in September 2004 and will be monitored quarterly by the Infection Control Nurse and Chief of FMS.

Pharmacy Security – Controls Needed To Be Strengthened

Condition Needing Improvement. The medical center needed to improve pharmacy security to reduce the risk of loss or diversion of controlled substances. VA policy requires that strict accountability be maintained for all employees who have access to Pharmacy Service and that keys, card readers, or combinations be changed or access removed when employees end their employment. We identified two deficiencies that required corrective action.

Pharmacy Security. The pharmacy consulting area and the main pharmacy did not have panic alarms that could be used to call the medical center police in the event of a theft or intrusion.

Keypad Access. Two former employees who had separated from the Pharmacy Service between July 2003 and June 2004 still had keypad access to the main pharmacy area. Pharmacy Service management stated that access for the former employees would be terminated.

Suggested Improvement Action 1. We suggested that the VISN Director ensure that the Medical Center Director takes action to: (a) improve physical security in the pharmacy, and (b) implement controls for removing keypad access for employees who separate from Pharmacy Service.

The VISN and Medical Center Directors agreed with the findings and suggestions and reported that work orders for the installation of panic buttons in the patient counseling and pharmacy fault were submitted in August 2004. Pharmacy Service implemented controls to ensure keypad access is removed for employees who separate. The Chief of Pharmacy Service will monitor compliance and report to the Associate Director on a semi-annual basis. The improvement plans are acceptable.

Information Technology Security – Controls Needed To Be Strengthened

Condition Needing Improvement. Medical center management needed to strengthen controls over data communication equipment and enforce the requirement that employees log off their computers. VA policy provides procedures for protecting automated information system (AIS) resources from unauthorized access, modification, destruction, or misuse. Access to communication closets should be limited to IRM Service personnel. VA policy also requires that access to IT systems be controlled by passwords to ensure that only authorized individuals gain access to IT systems and that users log off or lock computers when leaving their workstations. We identified two issues that needed corrective action.

Physical Security. In four medical center buildings, communication closets containing data communication equipment and computer wiring lacked proper security. In one building, we found closed fiscal records stored in the communication closet. In two buildings, data communication equipment and computer wiring were located in open areas in the basements and were easily accessible to unauthorized persons. In the fourth building, data communication equipment and computer wiring was stored in an unlocked metal cabinet.

Computer Security. Local AIS security policy and the medical center's "Rules of Behavior" require employees to secure their computers before leaving their workstations. Our inspection of the surgical ward, two patient wards, and two outpatient clinics found that many employees had not logged off or locked their computers. This practice could allow unauthorized access to sensitive data files and confidential patient information.

Suggested Improvement Action 2. We suggested that the VISN Director ensure that the Medical Center Director takes action to: (a) improve physical security for communication closets that contain data communication equipment and computer wiring, and (b) enforce

local policy requiring all employees to log off or lock computers when leaving their workstations.

The VISN and Medical Center Directors agreed with the findings and suggestions and reported that physical security improvements to communication closets require significant construction and modifications. The project has been added to the projects list for prioritization and future funding. IRM Service will change the local policy to require a locking screensaver password. The improvement plans are acceptable.

Appendix A

VISN 1 Director Comments

Department of Veterans Affairs **Memorandum**

Date: January 26, 2005

From: VISN 1 Director

Subject: **VA Medical Center White River Junction, Vermont**

To: Office of Inspector General

Attached is the response from the White River Junction, Vermont VA Medical Center to the Combined Assessment Program Review conducted at that facility August 2004.

The medical center has carefully reviewed all items identified as opportunities for improvement and has concurred in all the recommendations that were made.

(original signed by:)

JEANNETTE A. CHIRICO-POST, M.D.

Appendix B

Medical Center Director Comments

Department of Veterans Affairs **Memorandum**

Date: January 26, 2005

From: Medical Center Director

Subject: **VA Medical Center White River Junction, Vermont**

To: Assistant Inspector General for Auditing

Thru: Network Director, VISN 1

1. Attached please find the action plans for the eight recommendations and two suggestions from the Office of the Inspector General Combined Assessment Program Review conducted August 9-13, 2004.

2. I concur with the recommendations, suggestions and monetary benefits contained in the report.

3. If you have any questions regarding the information provided, please contact Donna Jacobs, Associate Director, at (802) 295-9363, extension 5413.

(original signed by:)

Gary M. De Gasta

Medical Center 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 Recommendations

Recommended Improvement Action 1. We recommended that the VISN Director ensure that the Medical Center Director requires that: (a) COTRs receive proper training, (b) COTRs monitor contractor performance in accordance with contract terms and specifications, and (c) contracting officers correct contract administration and documentation deficiencies.

Concur Target Completion Date: Noted Below

Actions:

(1a) We are developing an in-house COTR training module. Training content will include the following:

Introduction (Purpose of Contract Administration, Definition of COTR, Contracting line of authority, Role of the COTR);

Standards of Conduct (Conflicts of Interest, Prohibited Activities, Permissible Activities, Gratuities); Acquisition Basics (Budget Estimates, Developing Requirements, Market Research, Statement of Work, Evaluation Factors, Performance Plan);

The Acquisition Process (Presolicitation Phase, Preaward, Solicitation/Award, Contract Monitoring, Contract Termination).

Summary and additional reference sites.

Upon completion of the development of the COTR training module, COTR training will commence in April 2005. Training will be tracked for completion by A/LS and reported to the Associate Director and Staff Assistant to the Director.

Target completion date: March 30, 2005 for completion of development of the training module development, June 30, 2005 for completion of COTR training.

(1b) A tracking form will be sent to the COTRs on a monthly basis to document compliance of contractor performance in accordance with contract terms and specifications. Target completion date: February 1, 2005.

(1c) The Contract File Contents Checklist template will be included in all new contract files. Completion date: January 1, 2005.

Recommended Improvement Action 2. We recommended that the VISN Director ensure that the Medical Center Director requires that: (a) cardholders document that competition was sought for purchases greater than $2,500 or document sole source justifications, (b) cardholders purchase from sources such as FSS vendors in lieu of more costly open market sources, (c) cardholders obtain sufficient documentation to enable approving officials to verify receipt of goods and services, and (d) the PC and the Fiscal Officer conduct quarterly audits of cardholders and approving officials.

Concur Target Completion Date: Noted Below

(2a) WRJ Cardholders will document that competition was sought for purchases greater than $2,500, or document sole source justifications. Target Completion date: February 1, 2005

(2b) White River Junction VA Medical Center will purchase off the FSS Vendor list, where feasible. When cardholders use non-FSS Vendors, WRJ will request a waiver and provide written documentation of the justification. Completion date: June 2004.

(2c) Prosthetics assumed the ordering process in June 2004. The deliveries are being made to Prosthetics so that documentation can be copied and verification of receipt can be made. White River Junction VA Medical Center will continue to obtain the necessary documentation to enable approving officials to verify receipt of goods and services. Completion date: June 2004.

(2d) White River Junction VA Medical Center will use the FSC standardized format to conduct and document quarterly purchase card audits. Target completion date: April 30, 2005.

Recommended Improvement Action 3. We recommend that the VISN Director ensure that the Medical Center Director requires that: (a) FMS staff conduct an annual physical inventory of engineering supplies and implement GIP and (b) SPD staff conduct an annual physical inventory of medical supplies, improve the accuracy of GIP data, and reduce excess inventory.

Concur Target Completion Date: Noted Below

(3a) GIP in FMS became operational on January 7, 2005. The FMS wall to wall inventory is 50% complete. As excess items are identified, they are being tagged and action requested through A/LS to process the excess the items. White River Junction VA Medical Center will complete the inventory of engineering supplies and ensure full compliance with the recommendation. Target completion date: June 30, 2005.

(3b) A wall to wall inventory was completed 9/04, providing SPD with an accurate inventory assessment. Three SPD personnel received GIP training in the fall and SPD is now managing their own inventory rather than A/LS staff. As a result of SPD staff managing the inventory on a daily basis, excess inventory will be reduced or eliminated and an accurate inventory maintained on an ongoing basis. Completion date: September 2004.

Recommended Improvement Action 4. We recommend that the VISN Director ensure that the Medical Center Director requires the Chief of A&MMS to: (a) ensure that responsible officials or their designees perform the physical inventories of nonexpendable property, (b) ensure that required inventories are conducted for all sensitive IT equipment under $5,000, (c) perform quarterly inventory spot checks, and (d) ensure proper documentation is prepared for loaned equipment.

Concur Target Completion Date: Noted Below

(4a) A schedule for each service to submit their completed EILs for nonexpendable property was established. Responsible officials will be assigned to complete the EILs. Completion of the EILs will be monitored by the Inventory Management Specialist and reported to the Chief, A/LS and Associate Director. Target completion date: September 30, 2005.

(4b) A physical inventory of all sensitive IT equipment will be conducted between IRM and ALS. ALS will include all sensitive equipment items on the responsible official's EIL for certification in accordance with Center Memorandum, Equipment Inventory Listing (EIL) Responsibility Nonexpendable Property. IRM will modify the location of any computer equipment taken out of service, or relocated by entering the appropriate information in the equipment file and notifying ALS. The ISO will include a requirement in the Facility AIS Security Center Memorandum to require all service lines to inventory these devices annually and will monitor compliance. Target completion date: April 30, 2005.

(4c) A schedule was established for each service to submit their completed EIL. This schedule would provide a framework from which spot checks could be conducted. Target completion date: September 30, 2005.

(4d) IRM will develop a process, in collaboration with A&MMS to ensure that proper documentation is maintained on loaned equipment. Documentation, at a minimum, would include the verification of the individual receiving the equipment, signature of approving official, and approval by the Chief, A&MMS. Target completion date: May 1, 2005.

Recommended Improvement Action 5. We recommend that the VISN Director ensure that the Medical Center Director improves the medical equipment preventive maintenance program by ensuring that: (a) pertinent data is recorded in AEMS/MERS for all preventive maintenance and repair work performed on medical equipment by outside vendors and (b) equipment tests recommended by the manufacturer are properly performed and documented.

Concur Target Completion Date: Noted Below

(5a) Effective December 15, 2004, all outside vendor service reports are being entered into AEMS/MERS database. In addition, hard copy records from 2002 through December 15, 2004 are being obtained from the manufacturer's service representative. These hard copy records may be entered into AEMS/MERS as time allows. Completion date: December 15, 2004.

(5b) All manufacturer-recommended quality assurance tests and daily quality assurance tests are being conducted and documented by Radiology personnel. Documentation log is reviewed daily for compliance. Completion date: August 2004.

Recommended Improvement Action 6. We recommend that the VISN Director ensure that the Medical Center Director require MCCF management to establish procedures to monitor collection agency follow-up and recovery efforts for third-party accounts receivable.

Concur Target Completion Date: Noted Below

The collection agency, BRSI, held the previous VISN contract. BRSI did not make any comment entries in our log and as a result, we had no follow-up documentation trail. In August 2004, the VISN entered into a new contract with Allied Interstate. Allied Interstate, in keeping with the requirements of the contract, are making follow-up comments in the comment log so we now have a document trail for follow-up. WRJ staff have been monitoring the contract for documentation compliance, with noncompliance reported to the VISN COTR. Completion date: August 2004.

Recommended Improvement Action 7. We recommend that the VISN Director ensure that the Medical Center Director: (a) establishes a MOU with the bulk oxygen vendor and (b) requires that the bulk oxygen reserve tank meet NFPA capacity guidelines.

Concur Target Completion Date: Noted Below

(7a) The new contract through the National Acquisition Center will begin April 2005. Once the new contract is effected an MOU will be established with the bulk oxygen vendor. Target completion date: April 30, 2005.

(7b) Our current reserve bulk oxygen capacity is 23 hours and hence does not meet the 24 hour requirement of the NFPA capacity guidelines. We will add to or replace our current tank to become compliant by June 30, 2005. In the meanwhile, a contingency plan has been put in place (FMS Policy No. 138-04-U5 Failure of the Medical Gas System). Target completion date: June 30, 2005.

Recommended Improvement Action 8. We recommend that the VISN Director ensure that the Medical Center Director requires that: (a) the shower nozzle holder in the inpatient psychiatric unit is modified to reduce the risk of suicide and the ceiling alarm system is tested on a regular basis and (b) ice machines are routinely inspected and cleaned.

Concur Target Completion Date: Noted Below

(8a) An appropriate shower head was located and ordered 12/29/04. A work order was submitted on January 7, 2005, to replace the alarm system. Nursing staff are required to perform periodic operational checks and the system has been placed on the PM schedule. Target completion date: February 28, 2005.

(8b) Ice machines were cleaned in September 2004. All have been placed on a quarterly PM schedule and will be monitored by the Infection Control Nurse and Chief, FMS. Completion date: September 2004.

OIG Suggestions

Suggested Improvement Action 1. We suggest that the VISN Director ensure that the Medical Center Director takes action to: (a) improve physical security in the pharmacy and (b) implement controls for removing keypad access for employees who separate from Pharmacy Service.

Concur Target Completion Date: June 30, 2005

(1a) A work order for installation of panic buttons in the patient counseling and pharmacy vault areas was submitted August 25, 2004. Funding will be allocated to support the project.

(1b) Pharmacy Service has implemented controls to ensure that keypad access is removed for employees who separate from Pharmacy Service. Chief, Pharmacy Service will monitor and report compliance to the Associate Director on a semi-annual basis. A work order for replacement or upgrade

of the keypad system was submitted August 25, 2004. A request for the complete replacement of the pharmacy alarm system is currently on the unfunded project list.

Suggested Improvement Action 2. We suggest that the VISN Director ensure that the Medical Center Director takes action to: (a) improve physical security for communication closets that contain data communication equipment and computer wiring and (b) enforce local policy requiring all employees to log off or lock computers when leaving their workstations.

Concur Target Completion Date: June 30, 2005

(2a) Physical security improvements to communication closets require significant construction and modifications for an estimated cost of $ 25,677.00. The required project has been added to the Projects List for prioritization and future funding.

(2b) IRM will edit the group policy in active directory to require locking screensaver password. At multi-users workstations, users will have the ability to unlock a workstation that was locked by a previous user. Some workstations in controlled areas such as the OR, IRM computer room, PBX switch room, GI, ER, Pharmacy and any others where patient care could be negatively affected will be exempt. Projected completion date: February, 15 2005.

Appendix C

Monetary Benefits in Accordance with IG Act Amendments

Recommendation	Explanation of Benefit(s)	Better Use of Funds	Questioned Costs
1b	Questioned costs resulting from COTRs not monitoring contractor performance and validating services (Vascular Laboratory and Preventive Maintenance contracts).		$117,829
2b	Better use of funds by purchasing hip and knee implants from preferred purchasing sources.	$125,613	
3b	Better use of funds by reducing excess medical supply inventory.	48,360	
6	Better use of funds by more aggressive follow-up of MCCF accounts receivable.	12,825	
	Total	$186,798	$117,829

OIG Contact and Staff Acknowledgments

OIG Contact	Philip D. McDonald	781-687-3140
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Appendix E

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