July 2004

VA MEDICAL CENTERS

Internal Control over Selected Operating Functions Needs Improvement

GAO Accountability • Integrity • Reliability

Highlights

Highlights of GAO-04-755, a report to the Chairman, Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, House of Representatives

Why GAO Did This Study

The Department of Veterans Affairs (VA) provides health care to veterans through the $27 billion Veterans Health Administration (VHA) medical programs. VHA administers and operates VA's medical system, providing care to nearly 5 million patients in 2003. As of September 2003, VHA operated 160 hospitals, 847 outpatient clinics, 134 nursing homes, 42 domiciliaries, and 73 comprehensive home care programs, including facilities in every state, Puerto Rico, the Philippines, and Guam. VHA is responsible for effective stewardship of the resources provided to it by Congress, which asked GAO to review internal controls in three areas of operation at selected VHA medical centers. GAO conducted a review to assess the effectiveness of control activities over (1) personal property, (2) drugs returned for credit, and (3) part-time physician time and attendance.

What GAO Recommends

GAO makes 17 recommendations to improve internal controls over personal property, drugs returned for credit, and part-time physician time and attendance, including (1) revision of property policies, (2) providing oversight for drugs returned by pharmacies, and (3) assessing time and attendance best practices for part-time physicians. In written comments on a draft of this report, VA agreed with GAO's conclusions and recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-04-755.

To view the full product, including the scope and methodology, click on the link above. For more information, contact McCoy Williams at (202) 512-6906 or williamsm1@gao.gov.

What GAO Found

GAO's review found that six selected VA medical centers lacked a reliable property control database. The property databases for the six medical centers contained incomplete information. As a result, GAO could not select a statistical sample of test items so that results could be projected to each location's entire property universe. Key policies and procedures established by VA to control personal property provided facilities with substantial latitude in conducting physical inventories and maintaining their property management systems, which resulted in reduced property accountability. For example, VA's *Materiel Management Procedures* handbook allowed the person responsible for custody of VA property to attest to the existence of that property rather than requiring independent verification. Also, personnel at some locations interpreted a policy that established a $5,000 threshold for property that must be inventoried as a license to ignore VA requirements to account for lower cost items that are susceptible to theft or loss, such as personal computers and peripheral equipment. These weak practices, combined with lax implementation, resulted in low levels of accountability and heightened risk of loss. VHA personnel located fewer than half of the 100 items GAO selected at each of five medical centers and 62 of 100 items at the sixth medical center.

The process for obtaining credit for recalled, expired, or deteriorated drugs was, in essence, an honor system. Each of the six pharmacies GAO visited used a contractor to return drugs to the manufacturer for credit, but only one of the pharmacies inventoried non-narcotic drugs before they were turned over to the contractor. None of the pharmacies had enough information about which drugs qualified for credit to be able to reconcile the credits they received with the drugs they had turned over to the contractor. There was no agency-level oversight of returned drug information to help identify improvements that might increase the credits that VA receives. At four of the six facilities, non-narcotic drugs held for return were stored in unsecured open bins accessible to anyone in the pharmacy. The combined lack of record keeping and physical controls over non-narcotic drugs held for return exposed them to potential loss, theft, or unauthorized use.

Scheduled and actual hours worked by part-time physicians at the six locations GAO visited were not always documented in accordance with a January 2003 VHA directive. Five of the six locations had not prepared written work schedules for all part-time physicians as required. GAO found that latitude provided in the directive resulted in wide variation in procedures used by the six medical centers to verify physician compliance with work schedules. While some timekeepers used informal notes to record daily attendance, one facility required physicians to sign in. However, on the day of GAO's review, only two of 15 scheduled physicians had signed in. Attendance monitoring procedures at the six locations varied in frequency and included monitoring all part-time physicians once per quarter at one location and 5 percent of part-time physicians each month at another.