Department of Veterans Affairs
Office of Inspector General

Combined Assessment Program Review of the Carl T. Hayden VA Medical Center Phoenix, AZ

Report No. 04-01456-181 **August 13, 2004**

VA Office of Inspector General
Washington, DC 20420

Office of Inspector General

Combined Assessment Program Reviews

Combined Assessment Program (CAP) reviews are part of the Office of Inspector General's (OIG's) efforts to ensure that high quality health care and benefits services are provided to our Nation's veterans. CAP reviews combine the knowledge and skills of the OIG's Offices of Healthcare Inspections, Audit, and Investigations to provide collaborative assessments of VA medical facilities and regional offices on a cyclical basis. The purposes of CAP reviews are to:

- Evaluate how well VA facilities are accomplishing their missions of providing veterans convenient access to high quality medical and benefits services.
- Determine if management controls ensure compliance with regulations and VA policies, assist management in achieving program goals, and minimize vulnerability to fraud, waste, and abuse.
- Provide fraud and integrity awareness training to increase employee understanding of the potential for program fraud and the **requirement** to refer suspected **criminal activity** to the OIG.

In addition to this typical coverage, CAP reviews may examine issues or allegations referred by VA employees, patients, Members of Congress, or others.

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Executive Summary

Introduction

During the week of April 19-23, 2004, the Office of Inspector General (OIG) conducted a Combined Assessment Program (CAP) review of the Carl T. Hayden VA Medical Center (the medical center), which is part of Veterans Integrated Service Network (VISN) 18. 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 767 employees.

Results of Review

This CAP review focused on 14 areas. There were no concerns identified in the following eight areas:

- Accounts Receivable
- Contract Nursing Home Care
- Environment of Care
- Government Purchase Card Program
- Moderate Sedation
- Part-Time Physician Time and Attendance
- Primary Care Clinics
- Quality Management Program

Based on our review of these eight areas, the following organizational strengths were identified:

- Accounts receivable controls were effective.
- Patient registration classes improved new patient access to VA care.
- The QM program was comprehensive and effective.
- The Fall Prevention Program was effective.

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

- Improve Medical Care Collections Fund (MCCF) program results by strengthening fee-basis care billing procedures and improving clinical documentation.
- Strengthen Equipment Inventory Listing (EIL) controls to insure EILs are up-to-date, accurate, and complete, and missing equipment items are properly reported.
- Strengthen controlled substances accountability policies and procedures and pharmacy security.
- Terminate local area network (LAN) access privileges for former employees and perform required background investigations for employees in high-risk positions.

Suggestions for improvement were made in the following areas:

- Maintain accurate supply inventory management records.
- Strengthen contract award documentation.

This report was prepared under the direction of Ms. Janet C. Mah, Director, and Mr. Maurice Smith, CAP Review Coordinator, Los Angeles Audit Operations Division.

VISN and Medical Center Director Comments

The VISN 18 Director and the Medical Center Director agreed with the CAP review findings, recommendations, and suggestions, and provided acceptable improvement plans. (See Appendixes A and B, pages 13-22 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 tertiary care facility that provides comprehensive inpatient and outpatient health care in Phoenix, Arizona. Inpatient services include medicine, surgery, mental health, and long-term care. Outpatient care is also provided at community-based outpatient clinics located in Mesa, Sun City, Buckeye, Show Low, and Payson, Arizona. The medical center is part of VISN 18 and serves a veteran population of about 327,000 in a primary service area that includes Maricopa, La Paz, Gila, and Navajo counties in Arizona.

Programs. The medical center provides primary care as well as medical, surgical, long-term care, and mental health services. The facility has 188 acute hospital beds and 104 nursing home care unit beds.

Affiliations and Research. The medical center is affiliated with the University of Arizona College of Medicine and supports 75 medical resident positions. The medical center's affiliations with several other colleges also allow it to provide clinical training in nursing, optometry, and allied health services. In Fiscal Year (FY) 2003, the medical center's research program had 116 projects and a budget of about $1.7 million. Important areas of research include diabetes, gastroenterology, podiatry, and cardiology.

Resources. In FY 2003, the medical center's medical care expenditures totaled $223 million. The FY 2004 medical care budget is $243 million, an 8.9 percent increase over FY 2003 expenditures. This increase includes funds from MCCF collections of more than $13.5 million. Current FY 2004 staffing is 1,971 full-time equivalent employees (FTE), including 131.9 physician and 421.7 nursing FTE.

Workload. In FY 2003, the medical center treated 59,917 unique patients, a 13 percent increase over FY 2002. Medical center officials attributed the increase to growth in the Phoenix area's retiree population, popularity of the Veterans Health Administration (VHA) pharmacy benefit program, and the failure of several local health maintenance organizations. The medical center's inpatient workload totaled 8,040 discharges in acute care and 321 discharges in the nursing home care unit. The average daily census was 117 in acute care and 81 in the nursing home care unit. The outpatient workload was 531,008 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 services. The objectives of the CAP review are to:

- Conduct recurring evaluations of selected health care facility operations focusing on patient care, QM, 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. The review covered facility operations for FY 2003 and FY 2004 through March 2004, and was done in accordance with OIG standard operating procedures for CAP reviews.

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

Accounts Receivable	Moderate Sedation
Contract Nursing Home Care	Part-Time Physician Time and Attendance
Environment of Care	Pharmacy Service
Equipment Accountability	Primary Care Clinics
Government Purchase Card Program	Quality Management Program
Information Technology Security	Service Contracts
Medical Care Collections Fund	Supply Inventory Management

Activities that were particularly effective or otherwise noteworthy are recognized in the Organizational Strengths section of this report (page 4). Activities needing improvement are discussed in the Opportunities for Improvement section (pages 5–12). For these activities, we made recommendations or suggestions. 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 managers until corrective actions are completed. For the activities not discussed in the Organizational Strengths or Opportunities for Improvement sections, there were no reportable deficiencies.

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 317 responded. We also interviewed 34 patients during the review. We discussed the interview and survey results with medical center managers.

During the review, we also presented 6 fraud and integrity awareness briefings to 767 employees. These briefings covered procedures for reporting suspected criminal activity to the OIG and included case-specific examples illustrating procurement fraud, false claims, conflicts of interest, and bribery.

Results of Review

Organizational Strengths

Accounts Receivable Controls Were Generally Effective. Fiscal Service staff had established effective controls to pursue the collection of delinquent vendor accounts receivable and employee debts. Fiscal Service staff performed monthly reconciliations of accounts receivable and promptly followed up to collect delinquent receivables. As of February 29, 2004, the medical center had a total of 49 delinquent accounts receivable valued at $85,715. We reviewed collection efforts for 20 receivables valued at $26,505 and found Fiscal Service staff aggressively pursued these delinquent receivables through telephone calls, collection letters, and contacts with other state and federal government agencies.

Patient Registration Classes Improved New Patient Access To VA Care. New patients seeking VA health care benefits no longer have to wait long hours to speak to eligibility clerks for information about VA care. Medical Administration Service managers streamlined the enrollment process for new veterans interested in VA care by offering registration classes at 10 am or 2 pm, Monday through Friday. Veterans receive uniform benefit packages that include information on medical care entitlements, specialty care eligibility, and possible co-payments. In addition, veterans receive assistance on how to complete VA Form 10-10EZ (Application for Health Benefits) and have the opportunity to ask questions. Since January 2004, over 700 veterans have attended the classes. By offering a quick and easy way for veterans to enroll for health care benefits, Medical Administration Service managers have reduced the waiting time for new enrollments and increased patient satisfaction.

The QM Program Was Comprehensive And Provided Effective Oversight. The medical center had an effective QM program that used national and local performance measures, patient safety data, and utilization management information to monitor quality of care. Managers at all levels participated in QM activities and implemented recommendations resulting from QM data. Particularly noteworthy were the thorough reviews of patient incidents, the effective peer review process, and the use of provider-specific QM data in the reprivileging process. The medical center management team actively supported the QM program.

The Fall Prevention Program Was Effective. Falls are the most frequently reported adverse event in VHA. After a nursing home patient fell in 2002 and sustained a hip fracture, the medical center developed the Fall Prevention Program to reduce falls. Program initiatives included comprehensive analysis of each fall, staff education, and purchase of equipment such as special beds and walkers. Since the program started in 2003, the monthly patient fall rate has decreased 51 percent from 8.6 to 4.2 falls per 1,000 bed-days of care.

Opportunities for Improvement

Medical Care Collections Fund – Billing Procedures For Fee-Basis Care and Clinical Documentation Needed Improvement

Conditions Needing Improvement. Under the MCCF program, VA is authorized to recover from health insurance companies the cost of treating insured veterans. For FY 2003, the medical center collected $13,573,283 (93 percent of the FY 2003 collection goal of $14,535,543). However, MCCF managers could further improve MCCF program results by strengthening billing procedures for fee-basis care and ensuring clinical documentation for billable patient encounters is accurate, complete, and timely.

Fee-Basis Program. As of February 29, 2004 (FY 2004 year to date), the medical center had paid 655 fee-basis claims totaling $221,265 to non-VA clinicians who provided medical care to veterans with health insurance. To determine whether the fee-basis medical care was billed to the veterans' insurance carriers, we reviewed a judgment sample of 19 claims totaling $73,864. Of these 19 claims, 13 claims totaling $39,155 were not billable to the insurance carriers because fee-basis care for service-connected conditions was not billable under the terms of the insurance plans. The remaining six fee-basis claims ($34,709) were billable to the insurance carriers, but MCCF staff had not issued the bills. MCCF managers stated these six claims had not been billed because of inaccuracies in an internal monthly fee-basis billing status report, which did not identify the six claims for billing. After our review, MCCF staff initiated the billing process for the six claims and began collecting the additional information needed to bill the insurance carriers. Based on the medical center's FY 2003 Fee Services collection rate of 23 percent, MCCF staff could potentially collect about $8,000 ($34,709 x 23 percent) for these six fee-basis claims.

Clinical Documentation. Improved clinical documentation is needed to maximize the medical center's billing opportunities. In FY 2003, medical center MCCF staff reported that insurance carriers denied reimbursements totaling $3 million in billable patient encounters. VA policy requires clinicians to document patient care provided and resident supervision in patients' medical records at the time of each outpatient care visit. However, in FY 2003, over one third (35 percent) of the medical center's denials were based on insufficient or inadequate medical record documentation. We also noted that from July 1 through December 31, 2003, MCCF staff canceled over 450 outpatient encounter billings because of the following reasons: (a) late or no medical record documentation, (b) insufficient medical record documentation, and (c) attending physicians did not adequately document supervision of the resident physicians in the medical records.

We selected 27 outpatient encounters totaling $24,219 from the March 31, 2004, *Reasons Not Billable* report and reviewed the corresponding progress notes in the medical records.

MCCF staff canceled bills for 15 encounters totaling $9,285 because of insufficient medical record documentation. For 12 of the 15 encounters valued at $4,655, the medical records did not contain sufficient evidence that attending physicians had supervised residents. For the other three encounters valued at $4,630, the medical records lacked necessary information to support the bills, such as patient diagnosis, patient history, and physical examination. If clinicians had complied with VHA documentation requirements, MCCF staff would not have canceled bills for the 15 encounters and could have potentially collected about $2,100 ($9,285 x 23 percent) from insurance carriers.

For the remaining 12 outpatient encounters totaling $14,934, we determined that the medical records contained adequate documentation at the time of our review. However, MCCF staff had canceled the initial bills for 6 of the 12 encounters totaling $11,520 because clinicians had not documented the care provided in the medical records in a timely manner. For one encounter valued at $391, MCCF staff did not issue a bill even though the medical record had appropriate and timely documentation. For the other five encounters valued at $3,023, MCCF staff did not issue bills because the medical record documentation did not meet VHA billing guidelines in place at that time that required attending physicians to annotate that they agreed with the residents' progress note assessments. Under VHA's revised March 2004 billing documentation guidelines, these encounters are now billable because the residents' progress notes only have to indicate that the attending physician was present or was consulted regarding the care provided during the encounter. Based on our review, MCCF staff can now bill for the 12 encounters totaling $14,934 and could potentially collect about $3,400 ($14,934 x 23 percent) from insurance carriers.

Improved fee-basis care billing procedures and clinical documentation would have resulted in increased collections. If MCCF staff had billed insurance carriers for the 33 claims and encounters, the medical center could have potentially collected about $13,500 in additional revenue. While on site, MCCF managers provided us with acceptable corrective actions that will strengthen the medical center's MCCF program. The MCCF Supervisor assured us that the MCCF staff would alert clinicians when medical record documentation did not support billings.

Recommended Improvement Action 1. We recommended that the VISN Director ensures that the Medical Center Director requires: (a) MCCF managers improve procedures to identify and bill for care provided on a fee-basis, (b) attending physicians comply with VHA documentation requirements for resident supervision, (c) clinicians accurately document all patient encounters in the medical records within the prescribed time frame, (d) MCCF staff notify clinicians of any documentation deficiencies, and (e) MCCF staff review bills that were canceled due to inadequate resident supervision documentation for encounters that may now be billable under VHA's March 2004 guidelines, and bill where appropriate.

The VISN and Medical Center Directors agreed with the findings and recommendations and reported that a program for capturing billable fee-basis care has been implemented, encounters where residents provided care have been reviewed and billed, where appropriate, and attending physicians and clinicians will be provided additional training on medical record documentation requirements. In addition, the Medical Records Committee will conduct quarterly audits of resident supervision documentation and MCCF staff will notify clinicians of any identified documentation deficiencies. The implementation plans are acceptable, and we will follow up on planned actions until they are completed.

Equipment Accountability – Equipment Inventory Controls Needed To Be Strengthened

Conditions Needing Improvement. Acquisition and Materiel Management (A&MM) Service managers needed to improve inventory controls to ensure adequate accountability for nonexpendable equipment (items costing more than $5,000 with an expected useful life of more than 2 years). At the medical center, A&MM staff were responsible for coordinating EIL inventory counts and updating EIL records. Medical center staff assigned responsibility for maintaining EILs were required to perform inventory counts and report to A&MM when equipment was transferred or excessed.

To determine if equipment inventory controls were effective, we reviewed VHA and medical center policies and control procedures, EILs, a judgment sample of 30 equipment items, delinquency notices, and *Reports of Survey* for missing equipment. We located the 30 sampled equipment items shown on the EILs, and determined that policies and control procedures for nonexpendable loaned equipment complied with VHA policy. However, we identified two deficiencies that needed to be addressed.

Sensitive Property. VHA policy states that equipment items that are below $5,000 in acquisition value, but by their nature are subject to theft, loss, or conversion for personal use, be classified as sensitive property and be inventoried in the same manner as other nonexpendable equipment items. Laptops and other computer equipment are considered sensitive property items. As of April 2004, the Information Resources Management (IRM) Department had loaned 79 laptops and 34 other pieces of computer equipment to medical center staff but the equipment had not been placed on EILs. Sensitive property that is not placed on an EIL is susceptible to theft or other misuse.

Reporting Missing Equipment. VHA policy requires A&MM staff to prepare a *Report of Survey* when an end user reports missing equipment and to submit it to VA police so the possible theft can be promptly investigated. However, A&MM staff did not prepare and submit *Reports of Survey* for 91 equipment items valued at about $1.4 million identified as missing during the FY 2004 EIL inventories. Because A&MM staff had not prepared *Reports of Survey* for the missing equipment, we were not able to determine the length of time the equipment had been missing.

Recommended Improvement Action 2. We recommended that the VISN Director ensures that the Medical Center Director improves equipment accountability by requiring: (a) A&MM staff record all sensitive property on EILs, and (b) A&MM staff promptly prepare and submit *Reports of Survey* for missing equipment.

The VISN and Medical Center Directors agreed with the findings and recommendations and reported that A&MM staff will be completing annual inventories of loaned equipment and refresher guidance will be provided to medical center staff on the timely reporting and investigation of missing equipment. In addition, the FY 2004 EIL inventories have since been processed and corrected, and *Reports of Survey* have been initiated for the unaccounted for items. The implementation plans are acceptable, and we will follow up on planned actions until they are completed.

Pharmacy Service – Controlled Substances Accountability and Pharmacy Security Needed To Be Strengthened

Conditions Needing Improvement. VHA policy requires Pharmacy Service staff to manage medications, particularly controlled substances, to ensure patient safety and prevent diversion. Each facility is required to have a controlled substances inspection program to certify the accuracy of records and inventory. In addition, VA policy requires specific physical conditions to ensure pharmacy security. To assess controlled substances management controls and pharmacy security, we interviewed Pharmacy Service staff and the Controlled Substances Inspection Coordinator and inspectors, inspected controlled substances storage areas, and reviewed pharmacy procedures. We also observed an unannounced controlled substances inspection conducted in the inpatient and outpatient clinic pharmacies along with three medical wards. We found that the controlled substances inspection program complied with VHA policy. However, we identified two areas where Pharmacy Service managers could improve controlled substances accountability and pharmacy security.

Medication Management Controls. VHA policy requires that inventories of controlled substances be conducted every 72 hours and that inventory discrepancies found during these inventories be recorded and investigated to determine the cause of the discrepancies. Our review of pharmacy inventory records showed that from January to March 2004, Pharmacy Service staff did not perform 8 of the 30 perpetual inventories that should have been completed during this period. In addition, local policy did not contain procedures for Pharmacy Service staff to perform if discrepancies were identified during controlled substances counts.

Pharmacy Security. VA policy contains several requirements for preventing theft and diversions of controlled substances from its pharmacies. We identified the following deficiencies in the security of Pharmacy Service that needed to be addressed:

- Excess, outdated, unusable, and returned controlled substances were not always stored in sealed containers, as required by VHA policy.
- The inpatient pharmacy lacked VA-required panic alarms.
- The electronic entry system for the inpatient and one outpatient clinic pharmacy did not meet VA requirements for monitoring and controlling access. The electronic entry system for the inpatient pharmacy lacked a bypass key that would maintain access security if the electronic entry system went down. The outpatient clinic pharmacy did not have an electronic entry system.
- VA policy requires brick and masonry exterior walls for pharmacy controlled substances storage areas or the use of an interior backing of steel security screen mesh or sheet partition if the walls are constructed of wood frame and siding. Two of the four walls of one outpatient clinic pharmacy were constructed of plasterboard and were not reinforced in accordance with VA policy.
- VA policy requires Pharmacy Service staff to segregate controlled substances prescriptions from other prescriptions while they are waiting to be picked up by patients to reduce the risk of medication dispensing errors and drug diversions. However, controlled substances prescriptions were not segregated from other prescriptions at one outpatient clinic pharmacy.

Recommended Improvement Action 3. We recommended that the VISN Director ensures that the Medical Center Director improves controlled substances accountability and pharmacy security by requiring that: (a) Pharmacy Service managers implement controlled substances accountability policies and procedures that comply with VHA policy, and (b) Pharmacy Service managers ensure pharmacy physical security complies with VA policy.

The VISN and Medical Center Directors agreed with the findings and recommendations and reported that Pharmacy Service has implemented procedures to ensure 72-hour perpetual inventories are conducted and reviewed in accordance with VHA policy and excess, outdated, unusable, and returned controlled substances are secured. Pharmacy Service is also taking measures to strengthen the physical security of selected pharmacy areas and for controlled substances prescriptions. The implementation plans are acceptable, and we will follow up on planned actions until they are completed.

Information Technology Security – Security Controls Needed Improvement

Conditions Needing Improvement. VHA policy requires that physical devices and control measures be used to protect information technology (IT) assets and sensitive information from misuse and damage in the event of accidents, fires, power outages, environmental hazards, or malicious acts. Accordingly, VHA has implemented controls related to IT access, data security, and computer virus protection. We evaluated IT

security to determine if controls adequately protected information system resources from unauthorized access, disclosure, modification, destruction, or misuse.

IRM staff implemented procedures to ensure IT users had the appropriate computer privileges. Recently hired employees received computer security awareness training and experienced employees received annual refresher training. Alternative processing sites had been designated, and critical data were backed up and stored at a secure offsite location. Policies were in place to ensure sensitive data were removed from computers prior to disposal and a comprehensive continuity of operations plan outlined disaster recovery and contingency procedures. However, there were two areas where IRM and Human Resource Management (HRM) Service managers could improve IT security and compliance with VA policy.

System Access. IRM managers did not ensure LAN access privileges of separated employees were terminated in a timely manner. VA policy requires facilities to terminate LAN access privileges when employees leave the Department. The medical center's local policy required Automated Data Processing Application Coordinators, supervisors, and ultimately, department heads to ensure access privileges of separated employees were terminated by IRM staff. We reviewed the LAN access privileges of 271 employees who separated from the medical center between March 1, 2003, and February 29, 2004, and found that 7 employees (2.6 percent) still had LAN access. During our review, IRM staff took action to disable LAN access for the seven employees. The Information Security Officer (ISO) attributed weaknesses in terminating access to LAN privileges to human error when IRM staff reviewed HRM gains and losses reports.

Background Investigations. HRM managers did not ensure that IRM employees who held high-risk positions had appropriate background investigations. VA policy requires that employees have full background investigations covering a 10-year period if they are in high-risk positions where a high degree of public trust is required for them to carry out critical responsibilities. Two IRM employees in high-risk positions, the ISO and Alternate ISO, did not have completed background investigations. During the CAP review, HRM staff took action to request background investigations for the two employees. According to the ISO, HRM did not request the required background investigations for the ISO and Alternate ISO due to an oversight.

Recommended Improvement Action 4. We recommended that the VISN Director ensures that the Medical Center Director requires: (a) IRM staff promptly terminate system access for separated employees, and (b) HRM staff request required background investigations for IRM employees assigned to high-risk positions.

The VISN and Medical Center Directors agreed with the findings and recommendations and reported that procedures were in place to ensure access for separated employees were terminated and inactive accounts were deactivated within 90 days. Further, the ISO planned to re-start the monitoring of computer access for terminated employees on a

quarterly basis. In addition, HRM managers have developed a policy on investigations that includes requirements for employees assigned to high-risk positions. The implementation plans are acceptable, and we will follow up on planned actions until they are completed.

Supply Inventory Management – Accuracy of Medical Supply Inventory Records Needed Improvement

Condition Needing Improvement. A&MM managers had significantly increased the inventory turnover rate and reduced medical supply inventory items in excess of the 30-day level. In addition, prosthetics supply inventory controls were in place and generally operating in compliance with VHA policy. However, improvements were still needed in the medical center's management of its medical supply inventory. VHA policy established a 30-day supply goal and requires that medical facilities use VA's automated Generic Inventory Package (GIP) to manage medical supply inventory. However, A&MM managers did not ensure that A&MM staff maintained accurate medical supply inventory records. At the time of our review, the medical center stock recorded in GIP included 1,541 line items valued at $393,578.

To determine the accuracy of reported medical supply inventory levels, we selected a judgment sample of 21 line items valued at $11,808 and compared actual quantities on hand to quantities reported in GIP. Our review showed that the quantities recorded in GIP were inaccurate for 13 of the 21 (62 percent) line items, with 6 shortages totaling $1,961 and 7 overages totaling $2,826. Without accurate medical supply inventory records, A&MM managers cannot readily establish reorder points and maintain appropriate stock levels. A&MM managers stated that the implementation of the Omnicell Point-of-Use Inventory Equipment and changes in units of issue contributed to the inaccuracies found in GIP.

Suggested Improvement Actions. We suggested that the VISN Director ensures that the Medical Center Director requires A&MM managers and staff to reconcile differences in medical supply inventory records, correct medical supply inventory discrepancies, and maintain accurate medical supply inventory records.

The VISN and Medical Center Directors agreed with the findings and suggestions and reported that emphasis will continue on the implementation of VHA guidance and the use of GIP. A&MM managers will be responsible for ensuring that medical supply inventory is accounted for; that quantities match; and GIP is accurately maintained and updated. In addition, A&MM has implemented a review process to improve the accuracy of the medical center's medical supply inventory. The implementation plans are acceptable.

Service Contracts – Contract Award Documentation Needed Improvement

Condition Needing Improvement. Medical center contracting officers needed to improve contract award documentation. The Federal Acquisition Regulation (FAR) states that contracting officers must, at a minimum, use price analysis to determine whether the price is fair and reasonable, and document the principal elements of the negotiated agreement in the contract files. To determine if contracting staff complied with the FAR in awarding contracts, we reviewed a judgment sample of 10 medical center service contracts with an estimated total annual value of $2.4 million. Our review found that 3 of the 10 contracts did not have adequate price analysis documentation. In addition, 5 of the 10 contracts did not have a statement of price reasonableness indicating that a fair and reasonable price was obtained. The lead contracting officer agreed that price analyses were needed and that statements of price reasonableness should have been prepared to ensure fair and reasonable contract prices were obtained and supported.

Suggested Improvement Action. We suggested that the VISN Director ensures that the Medical Center Director requires contracting officers to prepare price analyses for negotiated acquisitions and include statements of price reasonableness in the contract files.

The VISN and Medical Center Directors agreed with the findings and suggestions and reported that the lead contracting officer will periodically review contract records to ensure that contracting officers include documentation of price reasonableness in each negotiated contract file. The five contracts reviewed by the CAP team that did not have statements of price reasonableness are being re-solicited and new contracts will be awarded. The implementation plans are acceptable.

Appendix A

VISN 18 Director Comments

Department of Veterans Affairs **Memorandum**

Date: July 19, 2004

From: Network Director VISN 18 (10N18)

Subject: **Carl T. Hayden VA Medical Center Phoenix, AZ**

To: Assistant Inspector General for Auditing (52)

I concur with the attached facility response on the recommendations and suggestions for improvement contained in the draft Combined Assessment Program review at the Carl T. Hayden VA Medical Center, Project No. 2004-01456-R7-0334. Comments and action plans are noted in the response. If you have any questions or concerns, please contact Joan Funckes, Executive Assistant to the Network Director, VISN 18, at 602-222-2692.

(original signed by:)
Patricia A. McKlem

Attachment

Appendix B

Medical Center Director Comments

Department of Veterans Affairs **Memorandum**

Date: July 8, 2004

From: Medical Center Director

Subject: **Carl T. Hayden VA Medical Center Phoenix, AZ**

To: Assistant Inspector General for Auditing (52)

THRU: Network Director, VISN 18 (10N18), Mesa, AZ

1. The recommendations and suggestions made during the Office of Inspector General Combined Assessment Program Review conducted April 19 - 23, 2004 have been reviewed and our comments and action plans are noted below.

2. If you have any questions regarding this report, please contact Dr. Ginger S. Wlody, Associate Chief of Staff, Quality Management Department at 602.277.5551, ext. 7100.

(original signed by:)

JOHN R. FEARS

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 Recommendation(s)

Recommended Improvement Action 1. We recommend that the VISN Director ensures that the Medical Center Director requires: (a) MCCF managers improve procedures to identify and bill for care provided on a fee-basis, (b) attending physicians comply with the VHA documentation requirements for resident supervision, (c) clinicians accurately document all patient encounters in the medical records within the prescribed time frame, (d) MCCF staff notify clinicians of any documentation deficiencies, and (e) MCCF staff review bills that were cancelled due to inadequate resident supervision documentation for encounters that may now be billable under VHA's March 2004, guidelines, and bill where appropriate.

Concur **Target Completion Date:** December 31, 2004

1(a). At the time of the OIG CAP review, the Phoenix VAMC was already in the process of implementing an innovative program for capturing billable fee basis care using DSS. The OIG auditors noted that this process, which allows us to identify billable fee basis care by efficiently segregating these cases from service connected or other non-billable cases, appears to be a "best practice." The process is now fully implemented and all billable cases have been billed.

1(b). Attending physicians will be re-educated with a focus on VHA documentation requirements for residency supervision and the impact of non-compliance. In June 2004, a training program was implemented by the Education Department with input from clinical service lines for all departments that have residents. An audit will be conducted quarterly by the Medical Records Committee to ensure compliance. An initial audit was begun in July 2004 to gather baseline data, and will be ongoing.

1(c). Clinicians will be educated on requirements for accurately documenting outpatient visits and the impact of non-compliance. Training has begun and will be completed by the end of this calendar year. See 1d for MCCF follow-up action.

1(d). The existing process for notifying clinicians of documentation weaknesses was strengthened to include follow up by both MCCF Utilization Review (UR) nurses and MCCF managers. MCCF UR nurses will notify providers throughout the administrative workweek of identified deficiencies that require correction. If the provider does not correct the deficiency within 2 workdays, the MCCF UR nurse will follow up with the Chief Resident, and then ultimately with the appropriate service-level Associate Chief of Staff.

1(e). Billing of care by residents, following the new guidelines issued a few weeks prior to the OIG CAP Review, has been completed. This allows billing in areas that were not billable under the previous guidelines. All encounters were reviewed and billed, as appropriate.

Recommended Improvement Action 2. We recommend that the VISN Director ensures that the Medical Center Director improves equipment accountability by requiring: (a) A&MM staff record all sensitive equipment on EILs and (b) A&MM staff promptly prepare and submit Reports of Survey for missing equipment.

Concur **Target Completion Date:** August 31, 2004

2(a). At the Phoenix VAMC, sensitive equipment has long been listed on EIL's, including all laptops and other computer equipment loaned by IRM to employees working off-station. IRM had inventoried the loaned items on an ad hoc basis (when doing software or hardware updates). However, in light of the OIG CAP Review finding that 12 of the loaned items had not been inventoried in a year, IRM completed an inventory of loaned items, and will continue to do so on an annual basis coinciding with the medical center IT inventory cycle.

2(b). Refresher guidance will be provided to EIL officials, supervisors, and other employees on the timely reporting and investigation of missing equipment. Per VHA Policy Handbook 7125, the employee who detects the loss of property is to make a report to their supervisor who will then prepare the Report of Survey. The Medical Center Policy Memorandum (RFMS 90-4) and the EIL signature page are consistent with this VHA policy, including the requirement that EIL officials submit a Report of Survey for any equipment that cannot be located during the annual equipment inventories.

The OIG CAP Review occurred just as the 2004 EIL inventories were being processed, so errors caught during the inventories were not yet corrected. For example, there was a duplicate EIL entry of $417,016; 23 items not required (worth $151,784) were transferred to other VAMC's that had not yet been dropped from the EIL; there were various turn-ins that had not been removed from the EILs; and there was the prompt discovery of items not located during the initial inventory. The various corrections have been completed and Reports of Survey have been initiated for the few unaccounted items.

Recommended Improvement Action 3. We recommend that the VISN Director ensures that the Medical Center Director improves controlled substances accountability and pharmacy security by requiring that: (a) Pharmacy Service managers implement controlled substances accountability policies and procedures that comply with VHA policy, and (b) Pharmacy Service managers ensure pharmacy physical security complies with VA policy.

Concur **Target Completion Date:** December 31, 2004

3(a). 72-hour perpetual inventory counts are now being accomplished three times per week in the Inpatient and Outpatient Pharmacies and two times per week in the Southeast and Northwest Community Based Outpatient Clinics per VHA Handbook 1108.2. Inventory counts are audited monthly by Controlled Substances Inspectors. Discrepancies are reported daily to the appropriate Pharmacy Program Manager for follow-up and resolution.

3(b)(1). Excess, outdated, unusable and returned controlled substances are now stored in containers with tamper resistant tape, logged, double locked and a component of the monthly Controlled Substance inspections.

3(b)(2). The Inpatient Pharmacy lacks panic alarms. Panic alarms will be installed by December 31, 2004.

3(b)(3). "The electronic entry system for the Inpatient Pharmacy lacked a bypass key that would maintain security if electronic system is down." The doors to the Pharmacy are equipped with deadbolt locks that would be utilized if the electronic system were not functional. Pharmacists are the only staff members with keys to these locks.

3(b)(4). The NW Community Based Outpatient Clinic does not have an electronic entry system. An electronic entry system will be installed by December 31, 2004.

3(b)(5). The two internal walls of the NW Clinic Pharmacy do not have steel mesh or sheet partitions. Access from the locked and alarmed lobby is prevented by a cement block partition. A suitable partition in the interstitial space which prevents "up and over" access will be added by December 31, 2004, from the top of the Pharmacy's internal walls to the facility's internal ceiling to prevent potential intrusion through attic-type crawl spaces. We will discuss the feasibility of adding additional security measures to the two internal walls with the owner of the leased space.

3(b)(6). A separate locked controlled substance cabinet will be purchased and installed at the NW Clinic Pharmacy by December 31, 2004. NW Clinic Pharmacy personnel will segregate controlled substances awaiting patient pick up by storing these prescriptions in the locked cabinet.

Recommended Improvement Action 4. We recommend that the VISN Director ensures that the Medical Center Director requires: (a) IRM staff promptly terminate system access for separated employees, and (b) HRM staff request required background investigations for IRM employees assigned to high-risk positions.

Concur **Target Completion Date:** July 31, 2004

4(a). Employees terminating their employment are required to clear through Human Resources when they leave the Medical Center. One of the requirements of clearing is to go through IRM Department (IRMD) for clearance and termination of computer access. The Assistant Administrator, Voluntary Department, notifies IRMD when volunteers who have access to the computer no longer require access or when a volunteer terminates his/her service.

The weekly Gains and Losses Report from Human Resources is sent to IRMD as a check for any employee who did not follow the procedure for terminating employment at the Phoenix VAMC.

For employees and non-employees (e.g., interns, residents) who do not clear through Human Resources and/or notify IRMD of their departure, the following steps are done for VISTA and network accesses:

VISTA Accounts: On the 20th day of every month, a task is run that looks at every user in File 200 (NEW PERSON file). If the user has not logged on in 60 days, the DISUSER field is set to "YES" which prevents logins. This action does not delete their menus or mail. Before the task is run, users can go up to 90 days and remain active. After the task is run on the 20th day of the month, users who have not logged on in 90 days are unable to do so.

Network Accounts: A program is run every 14 days that lists names of every user with their last login date in a file from a query of the Domain Controller in Phoenix and the VISN. The network staff looks for any user account that has not logged on in over 70 days. Any user account that falls into this category is disabled and moved into an Organizational Unit that is named after the date in the Active Directory. This is done so that any account that was disabled by mistake may be easily found. Since the procedure is run every 14 days, there is no user over the 90-day limit set in Phoenix.

Information Security Officer will re-start the monitoring of computer access for terminated employees on a quarterly basis to ensure that the 90-day limit is met.

4(b). Prior to the date of the OIG CAP review, this facility did not have a written policy in place addressing the assignment of risk levels to positions, or a process to initiate and complete security investigations of new appointees on a timely basis. The Human Resources Management Service (HRMS) has now developed a Medical Center policy titled, "Employee Suitability and Security Investigations," which is presently in the review and concurrence stage. This policy provides information to all medical center services regarding the requirements of security investigations. The Human Resources (HR) Officer has been assigned the responsibility of designating positions as High Risk, Moderate Risk or Low Risk and the requirements for each designation. The policy also establishes that the HR Officer is responsible for ensuring security investigations for all applicable appointees, including those in High Risk positions, are initiated no later than 14 calendar days after appointment and those in High Risk Public Trust positions are re-investigated at 5 year intervals in accordance with VA Handbook 0710.

OIG Suggestion(s)

Suggested Improvement Actions. We suggest that the VISN Director ensures that the Medical Center Director requires A&MM managers and staff to reconcile differences in medical supply inventory records, correct medical supply inventory discrepancies, and maintain accurate medical supply inventory records.

Concur **Target Completion Date:** July 16, 2004

The Phoenix VAMC has made significant improvements in inventory management of medical supplies within the facility, by expanding the use of the Generic Inventory Package (GIP), implementing Omnicell Point of Use Cabinets, and using good inventory management principles. We recognize the need for additional improvements. Emphasis will be placed on continuing implementation of VHA Handbook 1761.2 and the use of GIP. Special attention will be directed toward improving the accuracy of reported vs. actual "on-hand" quantities. The inaccurate quantities of items found by the IG were corrected at that time.

A&MM Managers will be responsible for assuring that medical supply inventory is accounted for; that quantities match; that required receipts, distribution or adjustments are conducted, as necessary, to insure accuracy.

A&MM will implement a process to improve accuracy of our medical supply inventories: 1) Recurring physical inventories will be conducted. 2) These will be done systematically, insuring that all stocked materials receive a minimum of one complete physical inventory annually. 3) This will be accomplished through the use of recurring inventory by product category. 4) A report of percentage accuracy will be done weekly. 5) A record of inventory findings, and required actions/adjustments will be maintained.

Suggested Improvement Action. We suggest that the VISN Director ensures that the Medical Center Director requires contracting officers to prepare price analyses for negotiated acquisitions and include statements of price reasonableness in the contract files.

Concur **Target Completion Date:** October 1, 2004

The lead contracting officer will periodically review contract records to insure that contracting officers include documentation of price reasonableness in each negotiated contract file. The five contracts that OIG concluded did not have a statement of price reasonableness are being re-solicited and new contracts will be awarded by October 1, 2004.

Appendix C

Monetary Benefits in Accordance with IG Act Amendments

Recommendation	Explanation of Benefit(s)	Better Use of Funds
1	Better use of funds by strengthening billing procedures for fee-basis care and clinical documentation.	$13,500

Appendix D

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Appendix E

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