

Department of Veterans Affairs

**Office
of
Inspector General**

***FISCAL YEAR 1998
OPERATIONS PLAN***





FOREWORD

The FY 1998 Office of Inspector General (OIG) Operations Plan is a product of the OIG strategic planning process. The purpose of the plan is to inform Congress and VA management about the audits, health care inspections, and contract reviews that will be initiated during the fiscal year.

To develop the plan, we focused on long-term general goals established earlier this year as the starting point for our Strategic Plan for FY's 1998 - 2003, required by the Government Performance and Results Act of 1993 (GPRA), and issued in September 1997. We also requested input from VA management, Congressional offices, and veterans' service organizations to ensure that projects selected address issues that are important to VA, Congress, and the veterans we serve.

The plan includes 169 projects, with 93 of the projects comprised of contract reviews planned to be done in consultation with VA contracting officers and program managers. Of the 76 projects remaining, 23 (30 percent) address suggestions received, recognizing our need to assist VA managers in accomplishing their goals, while continuing to select projects that address high priority concerns.

The projects in the plan are aimed at improving the management of VA programs in order to provide veterans with more cost effective and efficient services, including five projects that assess VA's compliance with GPRA requirements on customer service and complaint handling. Collectively, the plan focuses on program performance and ways to ensure the best use of government resources. The projects cover a wide-range of VA activities in order to assist the Department as it focuses on performance, program results, and quality services.

The FY 1998 OIG Operations Plan is a living document. Throughout the fiscal year, projects may be revised or added based on input from VA managers, Congressional members, or other factors.

/s/

WILLIAM T. MERRIMAN
Deputy Inspector General

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I. INTRODUCTION

The Office of Inspector General (OIG), Department of Veterans Affairs (VA) is firmly committed to improving VA's policies, programs, and procedures as a viable means of providing the best possible services to our nation's veterans. The OIG Mission Statement lays the foundation for what the OIG strives to accomplish, as follows:

OIG MISSION STATEMENT

The Office of Inspector General (OIG) is dedicated to helping the Department of Veterans Affairs (VA) ensure that veterans and their families receive the care, support, and recognition they have earned through service to their country. The OIG strives to help VA achieve its vision of becoming the best managed service delivery organization in government. The OIG continues to be responsive to the needs of its customers by working with the VA management team to identify and address issues that are important to them and the veterans served.

In performing its mandated oversight function, the OIG conducts audits, healthcare inspections, investigations, special inquiries, and contract reviews to promote economy, efficiency, and effectiveness in VA activities, and to detect and deter fraud, waste, abuse, and mismanagement. The OIG's oversight efforts emphasize the goals of the National Performance Review and the Government Performance and Results Act for creating a government that works better and costs less. Inherent in every OIG effort are the principles of quality management and a desire to improve the way VA operates by helping it become more customer driven and results oriented.

The OIG will keep the Secretary and the Congress fully and currently informed about issues affecting VA programs and the opportunities for improvement. In doing so, the staff of the OIG will strive to be leaders and innovators, and perform their duties fairly, honestly, and with the highest professional integrity.

To accomplish this mission, the OIG has implemented a strategic planning process described below that is designed to identify the key issues facing the Department and to focus available resources on the most problem-prone areas. In addition to addressing key issues facing the Department, the projects selected for this year's plan cover a wide range of managerial, operational, and administrative issues. Most of the projects delineated in the plan are national in scope and are designed to identify opportunities for systemic improvement

STRATEGIC PLANNING

OIG's strategic intent is to become a positive force in helping VA management and Congress improve the efficiency, effectiveness, and integrity of VA's programs and activities. To accomplish this intent, the OIG has developed and implemented a strategic planning process. The purpose of this process is to develop a comprehensive approach to performance management, with a focus on improving overall performance and impact within allocated resources, and on helping VA achieve its goals. It is an ongoing process that takes into consideration the changing priorities of all OIG stakeholders, including the Secretary, all VA Administrations and Staff Offices, Congress, the Office of Management and Budget (OMB), and the President's Council on Integrity and Efficiency (PCIE).

As part of the strategic planning process, and to comply with the Government Performance and Results Act (GPRA) of 1993, the OIG issued the OIG Strategic Plan (FY 1998-2003) in September 1997. This plan includes the following Long-Term General Goals to set the strategic direction for the OIG and provide the basis for helping VA achieve its goals, consistent with OIG independence:

OIG LONG-TERM GENERAL GOALS

- Achieve and maintain a fully integrated and collaborative planning process that ensures OIG oversight efforts address significant, high priority issues.
- Consistently provide high quality and timely reports and other products that identify systemic opportunities to improve economy, efficiency, effectiveness, and integrity of VA programs and activities, consistent with VA's goals.
- Deliver administrative and management support services in a timely and effective manner to help ensure the efficient operation of the OIG.
- Ensure OIG resources and processes are managed in a cost-effective manner in support of all operational activities and administrative support services.
- Exceed customer expectations.
- Maintain a diverse, skilled, and motivated workforce in an environment that fosters accountability, open communication, teamwork, and professional development.

The FY 1998 OIG Operations Plan was developed with the OIG Mission Statement and OIG Long-Term General Goals in mind.

OIG STAFFING AND BUDGET

OIG staffing estimates for FY 1998 are as follows:

OFFICE	STAFFING
Inspector General's Office	2
Office of Counselor	4
Office of Investigations	76
Office of Audit	174
Office of Healthcare Inspections	20
Office of Departmental Reviews and Management Support	*60
TOTAL	336

* Includes 23 reimbursable FTE.

At the time of printing, the OIG FY 1998 budget had received Congressional approval and was awaiting action by the President. We anticipate about \$31 million from appropriations, with an estimated additional budget authority of \$2.4 million expected to be received from reimbursable work.

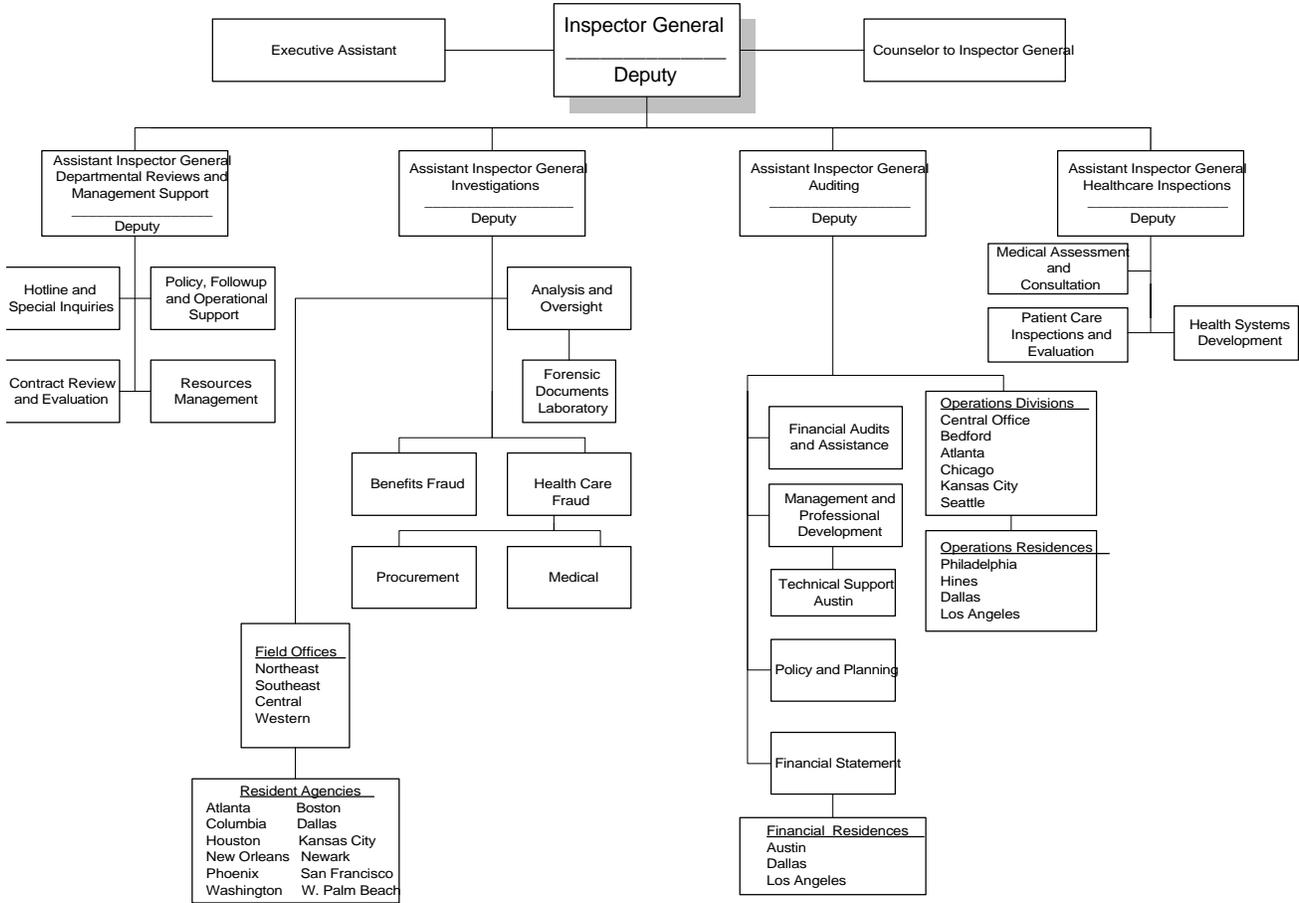
OIG OPERATIONAL PROCESSES

OIG reviews of VA operations are conducted by one of four offices. A description of these offices and the types of reviews they conduct follows.

- The **Office of Investigations** conducts investigations of alleged fraud, and other criminal activities affecting VA's programs and operations. Examples include procurement and antitrust, bribery, kickbacks, theft of Government property, illicit drug activities, and irregularities in the home loan guaranty program.
- The **Office of Audit** conducts financial and performance audits, program evaluations, and special reviews, which address the information and analysis needs of the Congress, the Secretary, and VA program officials. Audits and evaluations address the effectiveness with which benefits and services are provided to veterans and dependents, and the economy and efficiency of VA operations. The Office also identifies fraud, waste, or abuse where it may exist in VA programs, and assists management to promote integrity in VA program operations.
- The **Office of Healthcare Inspections** conducts inspections of patient care and quality assurance issues and conducts evaluations of VHA health care programs and consultative reviews of individual VA medical center operations. This office also has oversight responsibility for VHA's Office of Medical Inspector and its broad spectrum of health care quality management programs.
- The **Office of Departmental Reviews and Management Support** includes two Divisions, with the work performed as follows:
 - The **Contract Review and Evaluation Division** conducts contract pre-and post-award reviews of individual Federal Supply Schedule proposals and contracts and performs drug pricing reviews of drug contracts awarded under the provisions of Public Law 102-585. Division auditors also conduct postaward reviews of contracts awarded by VA Central Office Acquisition Operations and Analysis Service. The Division staff also reviews, evaluates and processes contract reports prepared for VA by the Defense Contract Audit Agency and the Health and Human Services OIG.
 - The **Hotline and Special Inquiries Division** is the focal point for receiving and determining the action to be taken on allegations received through the OIG Hotline, with all the work reactive in nature. The Hotline section processes some 20,000 contacts annually, mostly from veterans, VA employees, and Congressional sources. Some Hotline cases are assigned to the other three operational OIG offices. However, because the OIG does not have adequate resources to independently look into all Hotline matters, many cases are referred to impartial VA components having jurisdiction. The Special Inquiry section responds to Hotline allegations that are generally time sensitive, limited in scope, and involve allegations of misconduct and/or mismanagement by high ranking officials.

The OIG organization chart, which shows the four Assistant Inspector Generals responsible for these offices, as well as all other OIG functions, is presented on the next page. Section II, which follows, provides a detailed explanation of the projects planned during FY 1998 and the objectives of the projects by VA's four major organizations.

DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INSPECTOR GENERAL



II. FISCAL YEAR 1998 PLAN

DEVELOPMENT OF FY 1998 PLAN

Prior to beginning development of the Fiscal Year 1998 Plan, we requested Congressional committees, veterans' service organizations, and VA's major program offices to provide their suggestions for audit, investigative, inspection, and contract review work. Of 47 suggestions received, one suggestion is being addressed by an in-process OIG investigation and 21 suggestions are, or are planned to be, addressed by the projects included in this Plan. The project descriptions identify the suggesting office, with 17 recommended by VA offices, 3 by Congressional offices, and 1 by a veterans' service organization.

FOCUS OF FY 1998 PLAN

As we developed our FY 1998 Plan, we wanted to focus on the current issues and challenges facing the Department. Among the issues which VA must address, probably the most important is implementation of a strategic management process to support the objectives of the Government Performance and Results Act (GPRA), including strategic planning, performance measurement, and performance-based budgeting. In our opinion, successful implementation of this process will require the following:

- enhancing and integrating program and financial management systems to provide reliable and meaningful information to decision-makers.
- improving the timeliness and quality with which benefits are provided in order to meet or exceed what is expected for similar activities in the private sector.
- assessing the quality of care provided to veterans in VA and non-VA facilities.
- achieving greater efficiencies in health care delivery by improving the mix of services to better serve the veteran.
- continuing efforts to reduce emphasis on inpatient care while carefully preserving VA's commitment for treating specific populations such as women veterans, substance abuse patients, AIDS patients, elderly patients, and chronically ill patients.
- ensuring VA receives timely delivery of quality health care products at the lowest prices.

OIG resources dedicated to accomplishing our FY 1998 Plan will therefore focus on these issues. The distribution of OIG resources by major functional area is shown below.

OIG RESOURCE DISTRIBUTION FOR FY 1998 PROJECTS

The OIG plans to conduct 169 projects during FY 1998. The following chart shows the number of projects and planned staff days by VA's four major organizations – the Veterans Health Administration (VHA), the Veterans Benefits Administration (VBA), the National Cemetery System (NCS), and the Office of Management (OM).

VA ORGANIZATION/ FUNCTIONAL AREA	NO. OF PROJECTS	NO. OF PLANNED STAFF DAYS
VHA Healthcare	34	8,520
Construction Mgmt.	2	1,000
VBA	13	4,250
NCS	1	300
OM		
Financial Mgmt.	10	8,400
IRM	4	1,300
Acquisition	12	4,000
Contract Reviews	93	4,494

TOTAL	169	32,264
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PLANNED FY 1998 PROJECTS BY VA ORGANIZATION

The planned inspection, audit, and contract review projects, as well as both reactive and proactive investigations, will address programs and operations in VA's three administrations - Veterans Health Administration, Veterans Benefits Administration, and National Cemetery System - and the Office of Management. Following is a description of the mission and resources of each of these organizations, the major issues facing them, the strategy for the planned FY 1998 projects, and the specific projects planned to be conducted.

VETERANS HEALTH ADMINISTRATION

The mission of VA's Veterans Health Administration (VHA) is to serve the health care needs of eligible veterans by providing quality inpatient, outpatient, and long-term health care services in an efficient and timely manner through its health care and construction management operations. During FY 1998, VHA will provide health care and related services to over 2.9 million veterans. VHA will spend about \$17.7 billion and employ a workforce of over 187,000 people in 173 hospitals, 398 ambulatory clinics, and 175 long-term care facilities.

Health Care Operations

VHA's field organization consists of 22 networks of medical centers called Veterans Integrated Service Networks (VISNs). The VISN structure promotes the expansion of community-based access points for primary care, and places decision-making closest to those affected by the decisions, in order to increase stakeholder involvement. VISNs have continued the shift to ambulatory and non-institutional care that has occurred over the past several years.

Among the most significant issues facing VHA are: (i) reducing and distributing resources based on criteria that recognize varying clinical and demographic variables and veteran migration patterns, while maintaining employee morale, (ii) implementing eligibility reform, (iii) adapting programs and operations to meet the needs of an aging client base, (iv) ensuring that health care provided is of the highest quality, (v) meeting its education mission while improving affiliation agreements and reducing related VA costs, (vi) reevaluating the research mission in view of scarce budgetary resources, and (vii) effectively coordinating with the Department of Defense (DOD), including sharing medical resources and providing back-up coverage to DOD when needed.

Construction Management Operations

The VHA is also responsible for managing VA facility operations. During FY 1997, 256 employees managed the construction and maintenance of VA buildings, including 420 ongoing construction projects that will cost at least \$3 billion when completed, and management of real property valued at about \$12.1 billion. In the past, VA has been criticized for over building hospital capacity. Significant issues facing VHA are the need to continue efforts to: (i) reduce the long budget and planning cycle which inhibits planning, design, and cost estimation; (ii) improve workload projections which support construction decisions; (iii) improve construction designs, project scope, and reduce mid-course changes; (iv) eliminate fragmentation of project management; and (v) obtain visibility over the full cost of construction which currently is dispersed in a multiple of funding sources.

During FY 1998, the OIG plans to conduct 18 healthcare inspections, 16 audits of healthcare programs and operations, and 2 audits of construction management operations. A description of the objectives of these reviews and the specific projects planned to be conducted follows.

HEALTHCARE INSPECTIONS

The strategy for FY 1998 healthcare inspections and program evaluations will be to evaluate and, as appropriate, recommend actions to improve specific treatment processes in selected medical facilities; to evaluate nationwide medical care programs administered or funded by VA; and to assess the degree to which selected VAMCs are contributing to VHA's ability to accomplish its mission of providing reasonably priced, high quality, accessible health care to the greatest possible number of eligible veterans. We will perform several proactive program evaluations, quality assistance program reviews, and inspections of individual episodes of patient care, in consultation with VHA providers and program officials, to help strengthen health care delivery. We will continue to focus on reactive efforts to address allegations concerning individual cases of medical care. We expect to work in partnership with VHA to identify areas in which improvements in efficiency and effectiveness can be achieved while maintaining a high standard of quality in medical treatment. We believe that these initiatives will assist VHA in providing leadership in several key aspects of medical care, and in continuing to be a notable change agent in American medicine.

Following are the 18 healthcare inspections projects planned during FY 1998, and a description of the objectives of each of the projects.

**HEALTHCARE INSPECTIONS
(CARRIED OVER FROM FY 97 AND IN PROCESS)**

Project Title	Project Description
<p>*Evaluation of the Formulation and Implementation of VHA Customer Service Standards</p> <p>*Review addresses an Office of Policy and Planning (OPP) suggestion.</p>	<p>Determine the nexus between VHA's Customer Service Standards and VHA's Customer Feedback Survey system in order to assess how well VHA facilities identify and act on areas of possible customer service weaknesses in an effort to improve service to veterans in all areas.</p>
<p>Description and Analysis of OIG's 10 Most Common Findings in Hotline Inspections</p>	<p>Review and analyze approximately 400 completed cases contained in OHI's bibliographic data base in order to identify the 10 most common findings that inspectors have developed in the past 3 years, and provide the information in a consultative manner to VHA program officials.</p>
<p>Oversight Review of VAMCs' Assessments of the Quality of Care Provided in State Veterans' Homes</p>	<p>Review the intensity of quality assurance evaluations that VAMCs do in the area of the treatment State Veterans' Homes provide to VA-sponsored patients, particularly in the provision of unusually costly medications.</p>
<p>Oversight Review of VHA's Deans' Committee Process</p>	<p>Assess the extent to which Deans' Committees adhere to the originally conceived precepts of affiliation oversight and guidance, and how well these Committees provide support to effective institutional governance.</p>
<p>*Demographic Descriptors of VA's Patient Population</p> <p>*Review addresses a VHA suggestion.</p>	<p>Review 500 acute care patients' social, demographic, and clinical histories to determine the presence and capability of their social support systems, the seriousness of their illnesses, and how these variables influence the need to retain patients in treatment.</p>
<p>Evaluation of VHA's Traumatic Brain Injury (TBI) Program</p>	<p>Review the evolution and current status of VHA's traumatic brain injury program, including its associations with military medicine and the private sector, and interactivity between VA TBI referral centers and other VAMCs.</p>

**HEALTHCARE INSPECTIONS
(CARRIED OVER FROM FY 97 AND IN PROCESS)**

Project Title	Project Description
Consultative Review of the Use of Selected Statistical Techniques in Examining Morbidity, Mortality, and Other Important Quality Management Information at VAMCs and at the VISN-level	Explore the practical application of traditional manufacturing statistical quality control methods for analysis of important clinical data in order to identify potential problem areas early in their life cycles to assist VHA in establishing reliable statistical analysis methods at all VHA facilities and VISNS.
Nationwide Review of VHA Clinicians' Responses to, and Management of, Selected Unusually High and Low Clinical Pathology Values	Determine the prevalence of unusually high and low patient blood glucose, and other laboratory test values in VAMCs, and assess local and VISN-level procedures to address and follow-up on the values and treat the patients.
Oversight Review of VHA's Quality Management Programs *Review addresses a request from the Senate Veterans' Affairs Committee.	Determine the breadth and scope of VHA's quality management programs, how they are staffed, and how effectively they operate at the Headquarters, VISN, and facility levels since VHA's re-invention began.
Effectiveness of the Office of Medical Inspector	Evaluate various aspects of Medical Inspector operations as required by Public Law 100-322.
Quality Program Assistance (QPA) Review Process Evaluation and Report	Assess the effectiveness and efficacy of OHI's QPA process, and its added value to VAMC operations and the patient care process, and determine the feasibility of continuing the program as a viable and effective method of assessing medical center operations.
VHA Quality Management Oversight	Oversee the efficiency and effectiveness of various aspects of VHA's quality management programs as required by Public Law 100-322.

**HEALTHCARE INSPECTIONS
(NEW STARTS)**

Project Title	Project Description
Evaluation of VHA's Hospice Care Program	Explore and evaluate VHA's emerging Hospice and Palliative Care programs to determine compliance with JCAHO standards, and the effectiveness of involved employees in managing terminal patients' severe pain.
Assessment of the Availability and Use of Selected Preventive Services for VA Patients	Evaluate the extent to which a sample of VA health care facilities have developed and implemented medical methods to prevent the occurrence of avoidable illnesses such as heart disease, stroke, pulmonary disease, etc.
Assessment of VHA's Implementation of Clinical Guidelines on Diabetes Mellitus	Determine whether VHA has developed a clear clinical guideline for the treatment of diabetes mellitus, and assess the degree to which the guideline is being implemented by VA clinicians.
*Review of VA's Medical/Health Care Complaint Handling Systems *Review will address an OPP suggestion.	Inventory and assess the effectiveness and responsiveness of the various methods by which VA program elements receive and address health care-related complaints.
*Evaluation of Long-Term Care (LTC) Patient Discharge Planning and Patients' Access to Alternative Treatment Resources *Review will address a suggestion by the Veterans of Foreign Wars.	Study the LTC discharge planning process at a sample of VAMCs to assess the extent to which clinicians ensure that patients have ready access to alternative long-term health treatment resources.
Quality Program Assistance Reviews	Consultative assessments of medical/clinical operations at a random selection of VAMCs to determine their posture in meeting the goals of (1) providing high quality care (2) in an accessible, (3) cost-effective manner, (4) to the greatest possible number of eligible patients.

AUDITS OF HEALTHCARE PROGRAMS AND OPERATIONS

The strategy for FY 1998 audits and other evaluations of health care programs and operations focuses on evaluating VHA's effectiveness in providing optimum quality healthcare in an efficient, effective, and economical manner in the areas of general management and health care delivery. In selecting and prioritizing audit projects for FY 1998, the following factors were considered: (i) the Secretary's strategic goals, (ii) legislative requirements, (iii) the evolving nature of health care and reform initiatives, and (iv) suggestions provided by VA management. During FY 1998, the Office of Audit will conduct projects that address priority issues in VHA health care delivery, including veterans' access to care, the timeliness of healthcare services, and clinical utilization management.

Following are the 16 audit projects planned during FY 1998 and a description of the objective(s) of each of the projects.

AUDITS OF HEALTHCARE PROGRAMS AND OPERATIONS (CARRIED OVER FROM FY 1997 AND IN PROCESS)	
Project Title	Project Description
Medical Care Usage Patterns and Availability of Care	Determine whether current and planned facility locations and utilization ensures veterans have access to VA medical facilities to meet demands for a variety of health care services.
Evaluation of the Medical Care Cost Recovery (MCCR) Program	Assess the effectiveness of the MCCR program, and compare VA collection costs with private sector costs.
Pathology and Laboratory Service – Laboratory Management Index Program	Determine whether the new workload reporting system contains accurate data that can be used to more efficiently manage the Service at the VISN and facility levels.
Pathology and Laboratory Service – Cost-Per-Test	Determine whether Cost-Per-Test leasing is the most cost-effective method to acquire laboratory equipment.
Pathology and Laboratory Service Summary Report	Provide an overview of our prior audit findings, observations and conclusions relating to Pathology and Laboratory Service.

AUDITS OF HEALTHCARE PROGRAMS AND OPERATIONS (CARRIED OVER FROM FY 1997 AND IN PROCESS)	
Project Title	Project Description
*CHAMPVA Program *Review addresses a suggestion by the House Veterans Affairs Committee (HVAC).	Evaluate CHAMPVA program costs, including the distribution and location of beneficiaries, and use of in-house and contract caregivers to provide beneficiary services.
Radiology Activities	Determine whether radiology services are provided in the most economical and efficient manner.
*Decision Support System (DSS) Product Standardization * Review will incorporate a VHA suggestion.	Examine the different approaches to DSS product line and costing among VISNs and the effect on estimating patient care costs.

*Office of Emergency Medical Preparedness (OEMP)	Determine whether the mission of OEMP is appropriate and if OEMP is effectively organized, staffed, and directed.
*Review addresses a request from the Office of the Secretary.	

AUDITS OF HEALTHCARE PROGRAMS AND OPERATIONS (NEW STARTS)	
Project Title	Project Description
* VISN Implementation of VHA Goals and Objectives *Review will incorporate suggestion by the HVAC.	Assess the effectiveness and efficiency of selected VISNs in addressing VHA's organizational goals and objectives.
*Implementation of the Government Performance Results Act (GPRA) in VHA * GPRA reviews in VHA, VBA, and NCS will address three OPP suggestions.	Assess VHA's implementation of GPRA, including establishment of customer service standards, complaint handling systems, and VHA's achievements under GPRA.

AUDITS OF HEALTHCARE PROGRAMS AND OPERATIONS (NEW STARTS)	
Project Title	Project Description
Equity of Access to Medical Care	Determine if eligible veterans receive equal access to care among VISNs.
Fee-Basis Medical Claims	Determine whether: (i) VA-paid services were actually provided, (ii) provider bills were accurate, and (iii) providers have not been debarred or convicted of submitting fraudulent claims to Medicare or private insurance companies.
Advanced Food Processing and Delivery Systems (AFPDS) and Advanced Delivery System (ADS)	Determine the need for, and benefits from, VA medical facility use of alternative food preparation/delivery systems.
Alternatives to Providing Outpatient Pharmacy	Determine whether: (i) Consolidated Mail Outpatient Pharmacies (CMOP's) can adopt best practices used in the private sector, and (ii) VHA can contract with the private sector to fill outpatient prescriptions.
Recovery of the Cost of Research Services Provided by VA Medical Centers	Determine whether VAMCs recover the costs of medical care support provided to researchers.

AUDITS OF CONSTRUCTION MANAGEMENT OPERATIONS

During FY 1998, the OIG plans to conduct two reviews of construction management operations, as follows:

AUDIT OF CONSTRUCTION MANAGEMENT OPERATIONS (CARRIED OVER FROM FY 1997 AND IN PROCESS)	
Project Title	Project Description
Prior Year Funding for Nonrecurring Maintenance (NRM)	Evaluate whether prior year NRM funds are appropriately controlled, and projects are effectively managed.

AUDIT OF CONSTRUCTION MANAGEMENT OPERATIONS (NEW START)	
Project Title	Project Description
*Planning for Minor Construction and Maintenance Projects *Review will address OM suggestion.	Evaluate the management of minor construction and maintenance projects.

INVESTIGATIONS

During FY 1998, a significant portion of the resources of the Office of Investigations will continue to be devoted to reactive issues involving patient care, the integrity of health care professionals, and related matters including:

- patient abuse
- fee basis practitioners
- drug diversion
- workers' compensation fraud

In addition, the Office of Investigations will provide support to on-going Department of Justice healthcare fraud task forces nation-wide and also will address other significant areas that affect health care, including product substitution, collusive bidding, and other antitrust violations.

VETERANS BENEFITS ADMINISTRATION

The mission of the Veterans Benefits Administration (VBA) is to provide benefits and services to eligible veterans and their beneficiaries in an efficient and compassionate manner. The benefits provided include - compensation, pension, readjustment assistance, loan guaranty, and insurance coverage. The annual budget for all VBA benefit entitlements is about \$22 billion.

The major issues for VBA include delivery of benefits and services to veterans and their beneficiaries in a timely and accurate manner, and implementation of a modernization program to enhance program operations. To meet these challenges and improve program operations within current budgetary constraints, VBA needs to re-engineer its business activities. Among the options for VBA to consider are downsizing and restructuring VBA operations, including consolidation and/or reorganization of functions and work units in VA Central Office and in the field.

The strategy for FY 1998 audits of veterans benefits program focuses on the adequacy of benefits delivery to veterans, dependents, and survivors. The strategy will be implemented through a series of audits which will evaluate the capability of programs and functions to provide benefits in an accurate and timely manner including compensation, pension, education, and insurance. During FY 1998, the OIG plans to conduct 13 audits of VBA programs and operations, as follows.

AUDIT OF VBA PROGRAMS AND OPERATIONS (CARRIED OVER FROM FY 1997 AND IN PROCESS)	
Project Title	Project Description
VBA and Social Security Death Match Procedures	Assess the adequacy of controls to ensure benefits are appropriately adjusted when beneficiaries die.
Home Loan Defaults by Geographical Area	Identify geographic areas with high rates of home loan default, and evaluate causes.
Evaluation of Matured Endowments	Determine whether management controls are effective in preventing improper disbursements of matured endowment awards.
Processing of Compensation and Pension System Messages	Evaluate the adequacy of message processing procedures at VBA regional offices.

**AUDIT OF VBA PROGRAMS AND OPERATIONS
(CARRIED OVER FROM FY 1997 AND IN PROCESS)**

Project Title	Project Description
Evaluation of Changes in Service-Connected Disability Determinations	Determine the reasons for changes in original service-connected disability determinations that are subsequently revised.
VA Claims Processing Summary Report	Provide an overview of prior audit findings, observations and conclusions relating to VA claims processing, and assess actions taken to improve the accuracy and timeliness of claims processing.
Servicemen's Group Life Insurance Program Collection and Reporting of Premiums	Determine the timeliness and accuracy of premium collections and deductions from military services, support for insurance claims, the appropriateness of premium amounts forwarded to VA, and whether services are deducting correct premium amounts compared to coverage selected.

**AUDIT OF VBA PROGRAMS AND OPERATIONS
(NEW STARTS)**

Project Title	Project Description
Delivery of Education Benefits	Evaluate the economy and efficiency of the delivery of education benefits, and the effects of organizational changes undertaken by VBA to streamline operations.
Unreimbursed Medical Expenses Claimed by Pensioners	Determine accuracy of pensioners' reported medical expenses.
*Implementation of GPRA in VBA *GPRA reviews in VBA, VHA, and NCS will address three OPP suggestions.	Assess VBA's implementation of GPRA, including establishment of customer service standards, complaint handling systems, and VBA's achievements under GPRA.

**AUDIT OF VBA PROGRAMS AND OPERATIONS
(NEW STARTS)**

Project Title	Project Description
VBA Quality Review System	Determine whether VBA's quality review system effectively identifies and addresses deficiencies.
Death Compensation, and Dependency and Indemnity Compensation (DIC) Payments	Determine if deaths of widows and children in receipt of DIC are reported to VA.
Consistency of Disability Rating Decisions	Determine if rating decisions are consistent among all VA regional offices.

INVESTIGATIONS

During FY 1998, major proactive and reactive resource expenditures will continue in the following VBA areas:

- large scale loan origination fraud,
- equity skimming involving multiple properties,
- fiduciary fraud, and
- major fraud in the compensation and pension benefits programs.

NATIONAL CEMETERY SYSTEM

The mission of VA's National Cemetery System (NCS) is to serve the nation's veterans by meeting their needs with compassion and dignity. The goal of NCS is to bury eligible veterans and their family members in national cemeteries and to maintain the graves and their environs as national shrines. During FY 1997, NCS provided the honor of burial to an estimated 73,600 veterans and family members. During FY 1998, NCS will spend approximately \$84 million and employ a work force of about 1,375 to operate 115 national cemeteries as well as 34 soldiers' lots, monument sites, and Confederate cemeteries.

During FY 1998, the OIG plans to conduct one review of NCS operations. A description of the project follows.

AUDIT OF NATIONAL CEMETERY SYSTEM PROGRAMS AND OPERATIONS (NEW START)	
Project Title	Project Description
*Implementation of GPRA in the National Cemetery System * GPRA reviews in NCS, VHA, and VBA will address three OPP suggestions.	Assess NCS's implementation of GPRA, including establishment of customer service standards, complaint handling systems, and NCS's achievements under GPRA.

OFFICE OF MANAGEMENT

The Office of Management, headed by VA's Chief Financial Officer, has oversight responsibility for three major VA functions:

- Financial Management
- Information Resources Management
- Acquisition and Materiel Management

During FY 1998, the OIG plans to conduct 10 audits of financial management operations, 4 audits of information resources management operations, and 105 reviews of acquisition and materiel management operations, to include 12 audits and 93 contract reviews. Following is a description of the mission of each of these three major VA operations, the issues and challenges facing each operation, the strategy for the audits planned, and the specific projects planned to be conducted.

FINANCIAL MANAGEMENT

The basic mission of the VA financial management activity is (i) to provide stewardship over VA resources in concert with VA managers; and (ii) to support the Department by formulating financial and information resource policies and plans, analyzing and evaluating service delivery, and maintaining and enhancing Department information systems. VA managers use the Financial Management System (FMS), VA's core financial system, for managing VA resources. Twelve financial applications interface with FMS along with 19 mixed program financial systems that have 52 applications. There are approximately 3,800 employees in financial management positions throughout VA Central Office in Washington, DC and field facilities. About 400 of these employees are assigned to the Assistant Secretary for Management (ASM), who is designated the Department's Chief Financial Officer (CFO), and the remaining 3,400 employees are assigned to VA program activities. These employees have stewardship responsibilities for an annual budget of approximately \$41 billion and assets totaling about \$43 billion.

The major issues and challenges in VA financial management include: (i) the establishment of reliable cost and information systems, (ii) integration of these systems, and (iii) development of effective performance measures and reporting. VA organizations have often operated independently in the development of cost and information systems, without consideration of sharing with one another. As a consequence, the Department does not have access to reliable cost or results data. The large number of diverse services in VA, and the existence of fragmented information systems, has precluded rapid development of effective performance measures.

The strategy for FY 1998 audits of financial management operations focuses on the adequacy of VA financial management systems in providing managers information needed to efficiently and effectively manage and safeguard VA's assets and resources. The audits incorporate coverage to satisfy the CFO Act audit requirements for Federal financial statements. The FY 1997 financial statement audit will be a major part of our audit work during FY 1998. This will be complemented by national audits of several key financial management issues that will support the financial statement audit. We will also start the FY 1998 financial statement audit during the second half of FY 1998.

Areas receiving emphasis in the financial statement audits will include data processing, payment processing, accounts receivable, and property controls. During FY 1998, the OIG plans to conduct 10 financial management audits. A description of the 10 projects follows.

**AUDITS OF FINANCIAL MANAGEMENT OPERATIONS
(CARRIED OVER FROM FY 1997 AND IN PROCESS)**

Project Title	Project Description
Follow-up Review of Internal Revenue Service (IRS) 1099 Income Reporting	Determine whether prior recommendations to improve 1099 income reporting to IRS have been implemented.
VA's Fiscal Year 1997 Consolidated Financial Statements	Determine whether VA's consolidated financial statements fairly represent the VA's financial position, the adequacy of internal controls, and compliance with applicable laws and regulations.
VA's Payment Process	Assess VA's Payment Process, including tolerance levels, duplicate payments, accounts receivable offset, and invalid social security vendor identification.
VA's Fiscal Year 1997 Franchise Fund	Determine whether VA's Franchise Fund financial statements fairly represent the fund's financial position, the adequacy of internal controls, and compliance with applicable laws and regulations.

**AUDITS OF FINANCIAL MANAGEMENT OPERATIONS
(CARRIED OVER FROM FY 1997 AND IN PROCESS)**

Project Title	Project Description
*Capital Budgeting *Review addresses an OM suggestion.	Assess VHA's processes for budgeting capital investments and for prioritizing capital investments in building, land, and equipment.
*Management of Workers' Compensation Program Costs Review addresses an NCS suggestion.	Determine whether VA has reimbursed the Office of Workers' Compensation Program for payments made to medical providers for duplicate bills or bills unrelated to the employees' injuries.
VA Debt Management Center (DMC) Collection Activities	Determine whether the DMC is: (i) pursuing all reasonable debt collection avenues to maximize collections, (ii) pursuing Federal employee debtors by establishing deductions from Federal salary, (iii) using appropriate criteria to write-off debts, and (iv) implementing the 1996 Debt Collection Improvement Act

**AUDITS OF FINANCIAL MANAGEMENT OPERATIONS
(NEW STARTS)**

Project Title	Project Description
VA's Fiscal Year 1998 Consolidated Financial Statements	Determine whether VA's consolidated financial statements fairly represent the VA's financial position, the adequacy of internal controls, and compliance with applicable laws and regulations.
VA's Fiscal Year 1998 Franchise Fund	Determine whether VA's Franchise Fund financial statements fairly represent the fund's financial position; the adequacy of internal controls, and compliance with applicable laws and regulations.
VHA's Program for Restoration of Vendor Account Receivables	Determine whether VHA's program to improve management of vendor receivables is all encompassing and effective.

INFORMATION RESOURCES MANAGEMENT

The use of information resources management is critical to VA decision-makers, service providers and caregivers in order to provide high quality service to veterans and their families. VA operates three data processing centers and each of the 173 VAMCs and 58 VBA regional offices have a data center. VA computer systems annually process, account for, and disburse about \$22 billion in compensation, pension, and education benefits; over \$17 billion for medical care; over \$400 million in construction costs, and over \$1 billion in general and miscellaneous operating expenses. Information technology obligations total over \$700 million annually. VA managers use 86 accounting systems/applications to manage VA resources and have classified 61 systems as "A-130 sensitive" (OMB Circular A-130 requires agencies to identify applications processing sensitive data and to certify the adequacy of security safeguards to protect such systems and data).

A primary challenge in information resources management (IRM) is to effectively utilize such resources in an environment where each VA organization has evolved an infrastructure to address its own IRM needs. This has resulted in fragmented policy development and systems which were developed independently of one another without consideration of sharing of information. The systems currently (i) do not provide VA management with needed information for effective decision-making, (ii) are not integrated, (iii) are difficult to use and increase the time needed to respond to management and veterans' needs, and (iv) adversely affect the accuracy, relevancy, timeliness, and completeness of VA data. Information available from the IRM systems is also process rather than results oriented. Since VA is now developing performance measurement tools to meet the requirements of GPRA, there is a need to ensure more effective IRM systems and reliable data.

Fiscal Year 1998 audits of Information Resources Management operations will focus on ensuring that adequate security controls exist over VA's data systems. During FY 1998, the OIG plans to conduct 4 IRM audits. A description of the 4 projects follows.

AUDITS OF IRM OPERATIONS (CARRIED OVER FROM FY 1997 AND IN PROCESS)	
Project Title	Project Description
Data Reliability in VA Automated Systems	Evaluate whether computerized data relied on by VA decision-makers are complete, accurate, and match source or originating information.
*Security Controls for the Integrated Data Communications Utility (IDCU)	Determine whether adequate security controls exist over VA's data systems accessed over the IDCU.
*Review addresses VBA and OPP suggestions.	

AUDITS OF IRM OPERATIONS (CARRIED OVER FROM FY 1997 AND IN PROCESS)	
Project Title	Project Description
Procurement for Computer Hardware and Software - "PCHS/PAIRS"	Determine whether the current procurement for a follow-on contract to NOAVA is cost effective, meets VA needs, and protects the interests of the government.

**AUDIT OF IRM OPERATIONS
(NEW START)**

Project Title	Project Description
Security Controls at the Philadelphia Benefits Delivery Center	Evaluate adequacy and appropriateness of security controls, and identify areas where physical and electronic access controls could be strengthened.

ACQUISITION AND MATERIEL MANAGEMENT

The Department has over 5,000 employees who manage acquisition and materiel management activities. The Office of Acquisition and Materiel Management employs over 350 personnel and is responsible for national contracting, and overseeing the acquisition, storage, and distribution of supplies, services, and equipment used by VA facilities and other Government agencies. Annually, VA spends over \$5 billion for supplies, services, construction, and equipment.

The major issue and challenge in Acquisition and Material Management (A&MM) is taking advantage of VA's full purchasing power. VA needs to implement an automated system which effectively tracks procurements and achieves the economies of scale which could be realized by standardizing and consolidating purchases.

Expanded audit coverage in procurement and contracting activities, which began in FY 1992, will continue in FY 1998. The FY 1998 audit strategy for reviews of acquisition program operations will be directed toward top priority issues in the areas of general management, and deterrence of program fraud and abuse. Major reviews that will begin in FY 1998 include an evaluation of VA procurement initiatives and assessment of inventory management, and controls over usage of medical operating supplies.

During FY 1998, the OIG plans to conduct 12 audits of A&MM programs and operations and 93 contract reviews, as explained below.

AUDITS OF A&MM PROGRAMS AND OPERATIONS (CARRIED OVER FROM 1997 AND IN PROCESS)	
Project Title	Project Description
*Building Leases Review addresses an OM suggestion.	Determine if optimal use is made of lease arrangements to obtain space, and lease terms are appropriate.
*Multi-State Nursing Home Care Contracts *Review addresses a VHA suggestion.	Assess the effectiveness of contracts with two corporations that have a network of community nursing homes.
Sole Source Contracts	Determine if sole source contracts met the criteria established in procurement regulations.
VA's American Express Travel Program	Determine whether the Government Travel Card Program is managed in the most economical and efficient manner.
*Use of Government Credit Cards for Small Purchases *Review addresses a suggestion by the Office of Human Resources and Administration.	Determine whether: (i) VA's use of credit cards has improved the efficiency and effectiveness of small purchase procurements and employee travel; (ii) VA is in compliance with applicable laws and regulations; and (iii) appropriate management controls are established.
Pharmaceutical Prime Vendor	Determine the effectiveness and efficiency of centralized contracting for pharmaceuticals.

**AUDITS OF A&MM PROGRAMS AND OPERATIONS
(NEW STARTS)**

Project Title	Project Description
Commodity Standardization and Management Information	Identify and describe problems in supply standardization and the supply management information systems which have contributed to disproportionate supply costs at similar VAMCs.
VA Procurement Initiatives	Evaluate planning and execution of procurement, economy of operations, and the reliability of data used in negotiating prices for goods and services.
Community Nursing Home Contracts	Determine whether VA obtains community nursing home services economically and efficiently.
*Contractor Change Order Charges Review will address suggestion by Office of General Counsel (OGC).	Determine whether the prices of materials used in change orders reflect the contractors' actual costs.
*Medical Center Usage of Medical and Operating Supplies *Review will address an OM suggestion.	Assess inventory management, accounting, and usage of medical operating supplies.
*Contracting for Clinical Care Services *Review will address an OGC suggestion.	Assess the need for locally established contracts for clinical services provided to veterans to ensure that contract rates are reasonable and that services are actually provided.

CONTRACT REVIEWS

The planning strategy for FY 1998 for the OIG's Contract Review and Evaluation Division focuses on conducting: (1) preaward reviews of Federal Supply Schedule (FSS) proposals, (2) postaward reviews of FSS and other contracts, and (3) drug pricing reviews to assure compliance with the pricing provisions of P.L. 102-585, "Veterans Health Care Act of 1992."

A description of the purpose of these reviews and the number and types of reviews planned during FY 1998 follows.

PREAWARD REVIEWS OF FSS PROPOSALS

To determine if the offeror's: (i) pricing and sales data disclosed in the FSS offer are accurate, complete and current, and (ii) proposed FSS prices/discounts are equal to or better than those offered to its most favored customers.

POSTAWARD REVIEWS OF FSS CONTRACTS

To determine if (i) the contractor submitted accurate, complete and current pricing and sales data to the VA contracting officer as required by terms of the contract; (ii) any price reductions granted to customers other than the Federal agencies during the government's contract period resulted in equivalent price reductions to the government as required by contract terms; and, (iii) the industrial funding fee remitted to VA by the contractor is accurate.

PUBLIC LAW 102-585 DRUG PRICING REVIEWS

To determine if drug manufacturers complied with the provisions of Public Law 102-585 in calculating their federal ceiling prices and included all appropriate covered drugs on FSS contracts.

PREAWARD REVIEWS OF FSS PROPOSALS

The OIG plans to conduct 42 preaward reviews during FY 1998. Of the 42 reviews, 21 currently are in process, with completion planned in the first quarter of FY 1998. For the remaining 21 reviews, VA's National Acquisition Center will provide the proposals to be reviewed, which may be more or less than the 21 planned.

POSTAWARD AND DRUG PRICING REVIEWS

The OIG plans to conduct 30 postaward reviews of FSS and other contracts and 21 Public Law 102-585 drug pricing reviews of pharmaceutical contracts. The reviews planned are comprised of 37 carryover projects (identified on the next page) and 14 new projects (not identified).

**POSTAWARD REVIEWS OF FSS AND OTHER CONTRACTS
(CARRIED OVER FROM FY 97 AND IN PROCESS)**

Novartis (formerly Ciba-Geigy) Zimmer, Inc. Review of Industrial Funding Fee Invacare Carl Zeiss, Inc. AmeriSource Glaxo Williams Enterprise Karl Storz Schein	Fuji Bay Construction Review of Structural Deficiencies, VARO Bay Pines, FL Midmark Corporation Ortho Pharmaceutical Squibb SCA Molnycke Boehringer Zeneca
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**PUBLIC LAW 102-585 DRUG PRICING REVIEWS
(CARRIED OVER FROM FY 97 AND IN PROCESS)**

Abbott Hoffman LaRoche Syntex Eli Lilly Zeneca Genentech Baxter McNeil Pharmaceutical Reed & Carrick	Novartis (formerly Ciba-Geigy) Tap Pharmaceuticals Pfizer Schein Ortho Biotech Mallinckrodt Medical Hoechst Roussel Ortho Diagnostic Ortho Pharmaceutical
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