

VHA FISCAL QUALITY ASSURANCE SYSTEM

- 1. REASON FOR ISSUE.** This Veterans Health Administration (VHA) Handbook provides procedures for VHA facilities on the use of the fiscal quality assurance program and its self-assessment reviews to evaluate the quality of work performed within fiscal operations.
- 2. SUMMARY OF CONTENTS/MAJOR CHANGES.** This Handbook replaces the VHA Handbook 1730.2 Fiscal Quality Assurance System Handbook issued September 26, 2003.
- 3. RELATED DIRECTIVE.** VHA Directive 1730, VHA Fiscal Quality Assurance System.
- 4. RESPONSIBLE OFFICE.** The VHA Chief Financial Officer (17) is responsible for the material contained in this Handbook. Questions should be addressed to VHA Financial Management and Accounting Systems (173) Office.
- 5. RECISSIONS.** VHA Handbook 1730.2, Fiscal Quality Assurance System Handbook issued September 26, 2003, is rescinded.
- 6. RECERTIFICATION.** This VHA Handbook is scheduled for re-certification on or before the last working day of September 2013.

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VHA FISCAL QUALITY ASSURANCE SYSTEM

1. PURPOSE

This Veterans Health Administration (VHA) Handbook provides procedures for VHA facilities on the use of the Fiscal Quality Assurance System program and its self-assessment reviews to evaluate the quality of work performed within fiscal operations.

2. BACKGROUND

a. The quality assurance system is a procedural reference and guideline to be used for the internal review and evaluation of fiscal operation activities occurring within VHA.

b. The quality assurance system is designed to assist management in reviewing, analyzing, and evaluating its accounting records, financial procedures, and internal controls. Although an internal review and evaluation may not conform to strict auditing standards, it can serve as a management tool to help identify strengths and potential weaknesses in VHA fiscal operations.

c. The quality assurance system is comprised of eight parts, Local Management, Agent Cashier, Employee Accounts, Patients' Funds Operation, Voucher Audit, Accounting, General Post Fund, and Property, Plant and Equipment. Each review must be completed throughout the fiscal year.

3. SCOPE

a. The quality assurance system is a method to evaluate significant VHA fiscal activities. Through a systems approach, the focus is placed on the process of performing the work and providing the product (services), as well as establishing confidence that fiscal activities are functioning properly and the results obtained are correct and useful. It serves toward the achievement of higher levels of effectiveness by:

- (1) Isolating areas in need of improvement,
- (2) Identifying procedural weaknesses,
- (3) Evaluating the performance of the work completed by employees, and
- (4) Eliminating recurring errors.

b. The quality assurance system can also be used as a training manual or guide to improve effectiveness. Higher levels of effectiveness occur when corrective action is taken toward eliminating problem areas such as procedural weakness and recurring errors identified by the system review and evaluation process.

c. Each review must be scheduled separately throughout the fiscal year. The reviews must be conducted during the fiscal quarters as designated in subparagraph 5a. Facilities with more than one disbursing fund (Agent Cashier Advance) are required to review each fund separately.

d. A schedule of reviews must be prepared at the beginning of each fiscal year. The schedule must indicate the start date of each review and the employee designated to conduct each review. A specific time must be allocated for each review and, if at all possible, the employee conducting the review should not be assigned any other duties until the review is completed.

e. The facility Director (or equivalent executive) must designate a medical center supervisor or manager to conduct the Local Management Review. The employee designated needs to have a familiarity with the areas involved in the Local Management Review. **NOTE:** *An employee designate unfamiliar with the local management functions may not take the time and effort necessary to conduct a review properly, thus jeopardizing potential benefits that could be realized.*

f. Throughout the reviews, various sample sizes are suggested for examination of a process. Depending on the total population, sample sizes may be adjusted upward (not downward) so that the reviewer can gain an adequate picture of the quality of the particular process being examined.

g. The random-systematic-sampling method is recommended for use by reviewers because it allows the reviewer to make inferences about the entire universe of like items. Where practical, the following method is suggested to determine the intervals to identify the samples.

(1) Determine the total number of items to be reviewed (e.g., 500 unrestricted patient fund account cards).

(2) Using the sample size as given in the appropriate section of the Handbook (e.g., the sample of unrestricted patients funds cards is 15), divide the total number of items to be reviewed by the sample size (e.g., dividing 500 by 15 equals 33).

(3) Pick the first item at random from among the first thirty-three records. Then select each thirty-third item after that (e.g., 17, 50, and 83, or 5, 38, and 71).

h. Reconciliations prescribed throughout this Handbook have two implied steps.

(1) First, review previous reconciliations and identify carryover items.

(2) Second, initiate immediate follow-up action for irregularities discovered through the reconciliation process. Effective and early follow-up will reduce, if not eliminate, carryover items from prior reconciliations.

i. The reviewer needs to investigate areas of non-conformance, especially where a large percentage of sample items (20-25 percent or more) deviate from the requirements. Problems discovered are only a part of a review. Understanding why a problem exists and how it can be remedied are the real objectives in conducting an internal review using the Fiscal Quality Assurance System procedures.

j. Financial Managers are encouraged to use trend analyses of time series data. This is especially important in reviewing reject rates, un-reconciled line items, or other items that can be tracked over a period of time. Trend analyses may involve an additional effort; however, the end results may be more useful to fiscal management in identifying areas of concern.

4. FACILITY DIRECTOR’S RESPONSIBILITIES

The facility Director (or equivalent executive) is responsible for:

- a. Ensuring the Fiscal Quality Assurance System is established and operational at the facility.
- b. Ensuring that facility staff adhere to the Fiscal Quality Assurance System.
- c. Establishing adequate and feasible procedures to correct discovered problem areas.

5. REPORT ON FINDINGS OF THE FISCAL QUALITY ASSURANCE REVIEW

a. The quality assurance system is comprised of eight parts that must be completed throughout the fiscal year. Reviews and evaluations will be performed and reported as follows:

Quarter	Areas Reviewed	Due Date of Report
First Quarter	Local Management, Accounting, and Voucher Audit Operations	January 31st
Second Quarter	Employee Accounts, Patients' Funds Operation, and Agent Cashier	April 30th
Third Quarter	Accounting and Voucher Audit Operations	July 31st
Fourth Quarter	General Post Fund and Property, Plant and Equipment	October 31st

b. The results of each completed review must be formally summarized with particular emphasis placed on describing areas in need of improvement. Facilities are required to maintain sufficient documentation to fully support any findings and recommendations. The completed report, including actions deemed necessary to improve operations, will be submitted to the facility Director (or equivalent executive).

c. A quality assurance report (see Appendix A), signed by the facility Director (or equivalent executive), must be prepared and submitted to the Veterans Integrated Service Network (VISN) Director. The quality assurance report must be e-mailed to the “VHA FISCAL QA REPORTS 173A.” Facilities and VISNs will be responsible for local distribution of their quality assurance reports.

d. Periodically, requests will be made by Department of Veterans Affairs (VA) Central Office (VACO) for supporting documentation to be provided for review.

e. Reports and supporting documentation, to include all work papers, will be retained for a period of 6 years and 3 months as required by MP-4, Part 10, Section B, paragraph 5 and are subject to review at any time by VACO representatives and independent auditors.

f. Reports are to be distributed to the Fiscal Quality Assurance Manager (FQAM) for their review and follow-up monitoring for required corrective actions.

6. LOCAL MANAGEMENT REVIEW The Local Management review will be reported using the format provided in Appendix A and submitted based on the report dates in paragraph 5; see.

http://vaww.cfo.med.va.gov/173/fiscal_quality_assurance/appendix_b_local_mgmt_review_11dec07.xls for review work papers for the Local Management Review.

a. **Requirements for Local Management**

(1) **Human Resources Management Requirements.** Determine if position descriptions, performance requirements, and charts depicting the organizational and functional alignment of fiscal activities are current and accurate.

(2) **Review of Audits.** Review the fiscal activity files to determine if corrective action was taken on deficiencies noted in fiscal audits, including Fiscal Quality Assurance Reviews completed within the past 12 months. The corrective action/actions will be documented by each FQAM for compliance and completion of the action plan within 30 days or the agreed upon time frame set by the facility or network Director (whomever is the certifying official of the Fiscal Quality Assurance Review (QA) report).

(3) **Internal Reports.** Review the Finance Office reports file for the prior 12 months and determine if any reports are submitted by the fiscal activity for use within the facility.

(4) **External Reports.** Review the Finance Office reports file for the prior 12 months and determine if controls are in place for accurate and timely submission of the reports, which would include, but not be limited to, the following:

(a) The quarterly QA report issued to VACO Chief Financial Officer (CFO) and VISN FQAM.

(b) Purchase card review and report issued by the facility.

b. **Internal Control Procedures** (See web site <http://www.va.gov/publ/direc/finance> and http://vaww.cfo.med.va.gov/173/alerts_toc.asp). Combining some functions, such as authorizing and/or certifying the disbursement of funds and performing the actual disbursement of the funds, violates sound internal control and must be avoided at all costs.

(1) Determine if fiscal management established an internal control policy at the facility level on all fiscal functions regardless of facility alignment of some fiscal functions, i.e. Medical Care Collections Fund (MCCF) under the control of the Business Office versus the CFO.

(a) Verify the facility policy complies with the Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control.

(b) Verify the facility policy complies with VA and VHA policy including, but not limited to the following, VA Handbook 4520, MP-4, Part V, 1A, OF Bulletin 06GA1.04, and ALERT Volume 2007 Issue 04.

(2) Review the work processes of each fiscal employee to determine if separation of duties exists. Serious violations in internal controls can include, but are not limited to, situations where one employee is:

(a) Functioning as Agent Cashier, or alternate, and certifying vouchers for payment.

(b) Functioning as Agent Cashier, or alternate, and serving as patients' funds clerk or payroll technician.

(c) Approving and maintaining time and attendance records and functioning as a payroll technician.

(d) Being directly responsible for establishing and maintaining accounting records and having the authority to write off accounts receivable, property, or other assets.

(e) Establishing and maintaining accounts receivable records and accepting and recording payments for these records.

(f) Authorizing the disbursement of cash and recording expenditures.

(g) Establishing obligations and processing payments.

(3) Determine if Integrated Funds Distribution, Control Point Activity, Accounting and Procurement (IFCAP), Veterans Health Information Systems and Technology Architecture (VistA), and other computer access privileges are reviewed at the end of every fiscal quarter for revocation for terminated, retiring or relocating employees, granting of access or change in menu access privileges for new employees, and access menu status for current employees.

(a) The Information Technology (IT) coordinator and Information Security Officer (ISO) will be contacted about local operating procedures related Menu access policies.

(b) Check for compliance with VA, VHA, and local guidelines for access revocation and training for new and current employees.

(c) A list of terminated and transferred employees should be examined for revocation of Menu access at least monthly. A notice from Human Resources (HR) would be suggested for submission to the IT coordinator and Information Security Officer for their information purposes to do revocation or granting access as soon as needed for new, current, terminated, or transferring employees.

c. **Where separation of duties is not possible, determine if:**

(1) Central Office approved waivers have been granted and are on file locally, and

(2) Compensatory internal controls described in the waiver request signed by the VISN CFO (or designee) are implemented to ensure that the separation of duty deficiency has not resulted in a loss to the government per current VHA policy.

d. **Training by Local Management** This area of review is extremely important. Its rating is subjective, but needs to involve careful thought since the type and amount of training depends on the needs of the fiscal activity and the experience of the individual employees. Training may include both on-the-job and structured classroom training. Determine if the following exist:

(1) A training program guide and/or program have been established and it meets the requirements of the fiscal activity.

(2) Training given to new employees is adequate and ongoing.

(3) Applicable segments of audit reports are made available to employees to aid them in the performance of their duties.

e. **Summary of Results of the Local Management Review**

(1) List areas in need of improvement.

(2) Outline the procedures to implement corrective actions for the areas in need of improvement.

(3) Develop a schedule of follow-up actions and anticipated completion dates for the corrective actions.

7. AGENT CASHIER REVIEW

NOTE: See web site www.va.gov/publ/direc/finance for VA Directive and Handbook 4010, Agent Cashier Policy and Agent Cashier Procedures. See http://vaww.cfo.med.va.gov/173/fiscal_quality_assurance/appendix_c_agent_cashier_review_11_dec07.xls for review work papers for the Agent Cashier Review.

a. **Receipts and Related Records**

(1) Randomly select 25 VA Forms 4-1027, Field Service Receipts, and 25 VA Forms 4-1028, Field Service Receipt-Patient Funds, from the month prior to the review.

(a) Determine if a deferred credit date is shown on receipts covering personal checks for deposit to Personal Funds of Patients, General Post Funds, and Special Deposits.

(b) Determine that Official Form (OF) 1114, Bill of Collection, is referenced on all receipts when required or applicable. If the collection closes the bill of collection, the OF 1114 must be attached to the field service receipt and the bill of collection number referenced on the field service receipt. If the collection is considered a partial payment, thus leaving a balance on the bill of collection, the bill of collection number must be referenced on the field service receipt and the open bill of collection in the agent cashier's files is annotated with the collection amount and date and the calculated remaining balance.

(c) Determine that the proper appropriations or receipt accounts are shown on the receipts in the sample.

(d) Determine that receipts for copies of checks from third parties (show the name of the drawer, bank number, date, and check number) are maintained at the facility level. The copies may be in any form available for use in the facility.

(e) Compare the dates on the sample VA Form 4-1027 and VA Form 4-1028 to the Standard Form (SF) 215, Deposit Ticket, to ascertain that deposits have been made promptly in accordance with instructions in Treasury Financial Manual (TFM) Volume 1, Part 6, Chapter 8000, Section 8030.20 – Timeliness of Deposits and VA Handbook 4800.14.

(f) Determine that a new VA Form 4-1027 and VA Form 4-1028 were issued if there was an error in the dollar amount field and that the new number is entered on the original voided receipt. Make sure all three copies of the voided receipt have been retrieved and stapled together.

(2) Determine the supply of unused pre-numbered receipts in the agent cashier's office matches the accounting section inventory of receipts for VA Form 4-1027 and VA Form 4-1028. From the previous 12 months, examine 3 months of used accountable receipts to ensure that all field service receipts are accounted for. *NOTE: Special attention needs to be given to voided receipts by verifying that all copies of each voided receipt are intact.*

(3) Verify third-party drafts.

(a) Verify all third-party drafts are properly accounted for, including voided drafts.

(b) Verify that all voided third-party drafts have "VOID-NOT NEGOTIABLE" written on the front of the draft.

(c) Verify that an inventory and log are maintained by the agent cashier to show the receipt, distribution and issuance of all third-party drafts and unused drafts. If the logs and related records are maintained on a shared drive, access to that shared drive must be restricted to the cashier and his/her backups and must be password protected.

(d) Review and verify that all third-party drafts are safeguarded and secured, as VA Handbook 4010, Agent Cashier Procedures, requires all negotiable items and accountable forms to be secured.

(e) Verify each employee holding third-party drafts maintains an individual inventory of the drafts received and issued, and submits monthly reports to the agent cashier in a timely manner.

(f) The convenience check delegation authority rests with the facility Director. Any issuer of convenience checks must be properly delegated by the facility Director to issue convenience checks. A copy of the letter of delegation must be maintained on file locally.

(4) From the month prior to the review, randomly select 10 VA Forms 10-2815, Temporary Receipt Log for Funds. If less than 10, review all documents. Compare these with the related VA Forms 4-1027 or VA Forms 4-1028, paying special attention to any discrepancy in amounts and to the promptness of delivery to the agent cashier of all collections.

(5) Randomly select 25 VA Forms 4-1011, Record of Shipment of Valuables, completed within the last 6 months of the review. If less than 25, review all documents. Determine if:

(a) The Deposit to Federal Depository totals agree with SF 215 and the agent cashier total.

(b) The cash and checks listed on VA Form 4-1011, agree with the agent cashier total.

(c) The check number, dates, and amounts of replenishment checks exchanged for cash are entered under "Other Valuables," or on the reverse side of VA Form 4-1011, and that the totals agree with the bank slip and the agent cashier total.

(d) Each VA Form 4-1011 is witnessed and signed.

(e) The frequency of deposits is determined by the daily dollar volume of funds received within a week after the date of the last deposit. Verify that:

1. Receipts of \$5,000 or more were deposited on a daily basis.

2. Receipts less than \$5,000 were deposited weekly.

b. Disbursements and Replenishments

(1) Select every fifth Optional Form (OF) 1129, Cashier and Reimbursement Voucher, to a maximum of 10, submitted in the previous 6 months and verify that:

(a) The OF 1129 was prepared properly. The status of funds portion must be completed in its entirety to show all items which comprise the funds advanced, including any losses, shortages, interim receipts, bank charges, etc., and the OF 1129 is certified by the Fiscal or Finance Officer as required by VA Handbook 4010. Verify the OF 1129 was signed by the agent cashier or alternate.

(b) Sub-voucher numbers were assigned and all sub-vouchers were stamped "paid" with date of payment shown and attached to the OF 1129. Paid vouchers need to be cross-checked to the appropriate computer listings.

(c) Vouchers were certified and/or audited when required prior to payment. All vouchers not pre-audited were audited prior to certification.

(2) For Electronic Funds Transfer (EFT) Replenishments, from each quarter in the previous 12 months, select one SF 1149, Statement of Designated Depository Account, to verify the form was prepared properly and the reconciliation between the bank statement and the OF 1129 was completed. Verify that:

(a) Lines 1-20 on the SF 1149 were completed in agreement with the source documents (e.g., checkbook, previous SF 1149, bank statement, etc.)

(b) The reverse side of the SF 1149 contains a list of all transactions occurring within the reporting month. This includes prior balance, check numbers, dates, dollar amounts, cancelled checks, adjustments, and outstanding checks.

(c) The dollar amount on the OF 1129, Cashier Replenishment Voucher and/or Accountability Report, the Status of Funds, and the "Checkbook Balance" amount field is the same dollar amount in the "Balance per checkbook" field on the SF 1149.

(3) If the facility has an imprest fund cashier, determine if those funds are replenished at a minimum of once a month.

(4) Randomly select 25 of the prior 12 month's third-party drafts to determine that:

(a) The drafts contain the applicable accounting purchase order data.

(b) The drafts were prepared correctly and the appropriate accounts payable entry was posted.

1. The drafts are prepared with a printed station number and serial number; a brief description of the goods or services procured; an authorization number; a date; the payee's name; a payment amount; and a valid signature.

2. The supporting documentation authorizing the issuance of the draft is attached.

3. On a daily basis, the first copy of the draft is forwarded with supporting documentation to the accounting activity for recording.

(c) The \$2,500 limitation was not exceeded for routine imprest funds payments as required by VA Handbook 4070.2, Section 16c, and VA Handbook 4010.

(d) The \$10,000 limitation was not exceeded for small purchases payments as required by VA Handbook 4070.2, Section 16.c.

(e) No instances of multiple checks being issued in order to prevent exceeding the \$2,500 limit for routine imprest funds payments as defined by VA Handbook 4070.2, Section 16c

(f) No instances of multiple checks being issued in order to prevent exceeding the \$10,000 limit for small purchases payments as defined by VA Handbook 4070.2, Section 16.c.

(g) The draft document was offset, in a timely manner, to the obligation, clearing the non-federal advance as required by VA Handbook 4010.

(h) No drafts were issued for payments VA should have paid via EFT (including purchase cards) as required by VA Handbook 4070.2, Section 7.b., and VHA Directive 2007-020.

(i) All signatures consistently obliterated on voided checks as required by VA Handbook 4010.

(5) Verify the Fiscal or Finance Officer, as required by VA Handbook 4010, certifies the monthly accountability reports.

(6) Verify the accountability reports are properly prepared with pending reimbursements noted on the reverse side by date and dollar amount.

c. **Security Controls**

(1) Determine the agent cashier's safe combination and door lock key were changed at least once in the past 12 months, and whenever there is a change in personnel (e.g., an agent cashier or alternate leaves the position.)

(2) Verify there are sealed envelopes (e.g., they are non-transparent and cannot be opened without detection, are dated and signed by the cashier or alternate, and witnessed by the Fiscal Officer, Finance Officer, or designee) held in the safe in the facility Director's Office or in a secured environment. Verify there are sealed envelopes for the following:

- (a) The agent cashier safe combination.
- (b) A duplicate key for each cash box and/or drawer.
- (c) A duplicate key to the agent cashier's office.

(3) Verify the agent cashier's office door is locked at all times. If a duplicate key to the agent cashier's office is stored nearby for emergent purposes, verify there are adequate safeguards for the key to deny access to individuals not authorized. Also verify that there is a tracking system in place to determine who obtains access to the duplicate key.

(4) Verify that all checks, receipts, and cash are put in the agent cashier's safe overnight and that the safe is locked during non-business hours. **NOTE:** *The Reviewer must observe this when the reviewer enters the agent cashier's office unannounced.*

(5) Verify that the cashier is unable to open the night depository unassisted. The person assisting the cashier in the opening of the night depository must not be another cashier or alternate cashier.

(6) Verify a complete transfer of responsibility and accountability was turned over to an alternate for a period of at least 2 consecutive weeks during the preceding 12 months. Check OF 1129s to verify the alternate cashier prepared the replenishment during the period of the transfer.

(7) Verify that cashiers and alternates have access only to their advances.

(8) Determine the agent cashier has receipts for all funds advanced to others. Ascertain whether the advances are in accordance with the provisions of VA Handbook 4010, Agent Cashier Procedures.

(9) Verify the undeliverable salary checks for employees are not held more than 5 calendar days after the agent cashier receives them for distribution in accordance with VA Handbook 4010. **NOTE:** *The only exception to this requirement is if the employee is on leave.*

(10) Verify that cash collections and cash advances are not co-mingled.

(11) Verify that a log is maintained by pharmacy listing co-payments as they are received, if prescription co-payments are received in outpatient pharmacy along with prescription renewals. At the time the co-payments are turned over, the cashier needs to be verifying the co-payments and initialing and dating the log.

(12) Verify that each of the following physical security requirements listed are in place for the agent cashier activity, as required by VA Handbook 0730 and VA Handbook 4010.

(a) The cash is secured in a safe or a vault.

(b) The agent cashier's office has a protective glass for the cashier window.

(c) The agent cashier's counter is in a secured environment.

(d) The agent cashier's office door has a device that automatically locks the door upon closure.

(e) There is a motion-detecting alarm system installed.

(f) There is no other access to the agent cashier's office from another office, room, or space.

d. **Unannounced Agent Cashier Audits**

(1) Determine that unannounced audits of the agent cashier were conducted randomly (e.g., no pattern) at least every 90 days for the preceding 12 months. The facility Director (or equivalent executive) can require greater frequency.

(2) Determine all audit procedures were followed in accordance with the provisions of VA Handbook 4010, and other departmental guides.

(3) Verify that each unannounced audit report of the agent cashier function was e-mailed to VHA Financial Management and Accounting Systems (173) in the VACO. The unannounced agent cashier audit reports must be e-mailed to the MS Outlook mailbox entitled VHA Agent Cashier Policy.

e. **Miscellaneous Agent Cashier Activity**

(1) Review all Department of the Treasury, Financial Management Service (FMS) Forms 2958, Delegation of Authority, to ensure the facility Director has a current delegation of authority form on file at the Department of Treasury. Verify all facility agent cashiers and alternates are delegated the authority to disburse cash by checking to see that each individual has an Official Form (OF) 211, Request for Change or Establishment of an Imprest Fund, on file at the VA Financial Services Center (FSC) in Austin, TX, and at the facility.

(2) Review any memoranda for Shortage of Funds completed within the past 12 months. Determine if:

(a) The report was submitted to the appropriate officials.

(b) The report was submitted promptly.

(c) The report contained a description of: how the irregularity occurred and its effect on the accountable officer's account; the procedural deficiencies that may have contributed to the irregularity; and the corrective action taken to avoid reoccurrence in the future.

(d) A complete audit was performed to determine the extent of the shortage.

(e) A demand for payment from the employee, if it is determined an employee was found responsible for the shortage.

(f) Every effort was made to effect collection from the responsible employee.

(3) Determine if the agent cashier has a current United States (U.S.) Treasury Manual of Procedures and Instructions and the most current VA manual, directive, and/or handbook associated with the agent cashier activity.

(4) Review the action taken to correct deficiencies noted in the most recent audits and/or reviews of the agent cashier. Determine if proper and complete action was taken and that the deficiencies have not been repeated.

f. **Summary of Results of the Agent Cashier Review**

(1) List areas in need of improvement.

(2) Outline the procedures to implement corrective actions for the areas in need of improvement.

(3) Develop a schedule of follow-up actions and anticipated completion dates for the corrective actions.

8. PAYROLL ADMINISTRATION AND EMPLOYEE ACCOUNTS REVIEW

NOTE: See

http://vawww.cfo.med.va.gov/173/fiscal_quality_assurance/appendix_d_payroll_review_11dec07.xls for Payroll Administration and Employee Accounts Review.

a. **Enhanced Time and Attendance (ETA).** Samples for this review will be extracted from the ETA pay period records. The selection will cover pay periods in the quarter immediately preceding the review.

(1) Randomly select 25 (or all available if total is less than 25) records and display the employee entitlements. From the records determine that:

(a) The facility Director (or appropriate official or designee) appropriately approved the tour of duty.

(b) Night, tour, or shift differential is correct, including the period of overtime and compensatory time, holidays, and approved leave. Night differential is payable only when work is performed on a properly established tour of duty for periods of regularly scheduled overtime and compensatory time between the hours of 6 p.m. and 6 a.m., and for scheduled overtime and compensatory work scheduled in advance of the administrative workweek.

(c) Holiday pay, if applicable, was correctly posted (see MP-6, Part V, Supp 2.2 (105.07); Title 38 United States Code (U.S.C.) 4114(a)(1)(A), and 38 U.S.C. Chapter 73).

(d) Periods of on-call were reduced to reflect any overtime/compensatory time for actual duty performed.

(e) Sunday and/or Saturday premium pay is posted correctly, including periods of overtime and compensatory performed for periods of actual work on a Sunday or Saturday tour of duty by employee entitled to Sunday and/or Saturday premium pay (full-time, part-time, and intermittent), from 12 midnight Saturday to 12 midnight Sunday, and those whose tour of duty extends beyond 12 midnight on Sunday.

(f) Any absences not approved via ETA must have a properly prepared SF-71, Request for Leave or Approved Absence, on file.

(g) The necessary "Remarks" are recorded when required (e.g., Military Leave, Jury Duty, travel status, administrative leave, Absent Without Leave (AWOL), advanced leave, detail, education, and training, etc).

(h) Corrected timecards are adequately explained and approved by two higher approving officials.

(i) Properly prepared hard copy VA Form 1098, Request for and Authorization of Overtime Work, is on file for posted overtime. For electronic requests, ensure that the request is entered in the ETA system and approved by the supervisor and the certifying officer. Compare the electronic overtime/compensatory time request with the electronic timecard to verify the number of hours and date the overtime/compensatory time was earned.

(j) If the employee has a negative leave balance, there is the proper authorization for advanced sick or annual leave. Inquire whether the employee is approved for the voluntary leave transfer program that may cover part or all of the negative leave balance in the future.

(k) Any family care, adoption, or approved donor leave was taken in accordance with the leave balance requirements outlined in current VA directives and handbooks.

(l) The release of completed and approved time cards sent to the Financial Services Center (FSC) for processing must be reviewed for:

1 A properly delegated certifying official approved the timecards of each employee under their supervision (if delegated to approve other functions, letter of delegation or acting directive must be maintained locally).

2 The regular tour of duty hours are not arbitrarily changed to a Compressed Work Schedule tour to accommodate the employee needs but for the agency's convenience or mission needs.

3 Display prior pay period exceptions for the Time and Leave (T&L) units associated with the selected ETA records. If the same exception occurred more than two pay periods prior to the review, list as a deficiency. Review the exceptions report to verify the following:

(a) Leave requests were entered for all leave posted to the ETA record, or Request for Leave or Approved Absence is on file.

(b) The appropriate official approved overtime/compensatory time posted on the reviewed ETA records.

b. **Timekeeping Training**

(1) **Timekeepers**

(a) Review delegation of authority to timekeepers. Determine if initial training of new timekeepers (delegated authority in the prior 12 months) was accomplished within 30 days of the delegation of authority and prior to assigning the ETA Timekeeper Menu.

(b) Ensure timekeeper training is performed annually.

(c) The fiscal office has ensured that no timekeepers are permitted to maintain their own time and attendance record except as permitted in MP-6, Part V, Supp 2.2, Ch 1.

(2) Certifying Officials

Determine if the training of newly designated certifying officials is accomplished prior to assigning the ETA certifying official menu.

(3) Ensure that no employee has both the timekeeper and supervisor menu access for the same T&L Unit.

c. **Desk Audit of Timekeepers.** Review documentation for the prior 12 months to determine if semiannual timekeeper audits were performed. Determine if all exceptions were reported to the timekeepers and the certifying officials for corrective action, and if such action was taken.

d. **Audit Review of Employee Pay Folders.** Review the last two computer-generated separation listings and randomly select 10 pay folders from each listing. If there are less than 10 names on each listing, review all pay folders.

(1) Determine if inactive pay folders contain a record copy of SF-1150, Record of Leave Data. Determine if SF 1150s were forwarded to Human Resources Management within 5 days following end of pay period.

(2) Determine if separation SF 50s, Notification of Personnel Action, and VA Form 5691, Record of Salary Payment, were generated by Personnel and Accounting Integrated Data System (PAID) when the employee is separated or transferred from the agency and filed in the employee's official payroll folder once received. (MP-6, Part V, Supp 2.3, Ch 1) (Note: Record of Salary Payment is not generated for employee transferred within the agency.)

(3) Determine if the accessions and separations listings were verified correct by Fiscal and Human Resources Management activities and annotated "verified correct," initialed and dated (MP-6, Part V, Supp 2.3, Ch 13).

e. Federal Employees Unemployment Compensation

(1) Randomly select 25 (or all available if total is less than 25) State Employment Services Agency Requests for Wage and Separation Information (Employment Service (ES) Form 931, Request for Wage and Separation Information, ES Form 931A, Request for Separation Information for Additional Claim, ES Form 934, Request for Information or Reconsideration of Federal Findings or ES Form 935, Claimant's Affidavit for Federal Civilian Service Wages and Reason for Separation) prepared in the 6 months prior to the review. If less than 25, select all. Review the suspense control to determine if the forms were completed and returned within 4 workdays after receipt at the facility.

(2) Examine half of the ES Form 931 selected in subparagraph 8e(1), to a maximum of five of the forms, and determine if the computation of wages was correct.

f. **Employee Benefits.** For the quarter preceding the review, confirm all SF-2811, and carrier copy of SF 2809, Health Benefits Registration Form, are transmitted weekly.

g. **VA form 5321, Record of Payroll Adjustments and Recording Transactions**

(1) Review 25 (or all available if total is less than 25) VA Form 5321, Record of Payroll Adjustments and Recording Transactions, for the previous 5 pay periods to ensure that the verifying employee has initialed each transaction and the supervisor of the payroll activity has certified each listing (MP-6, Part V, Supp 2.3, Ch 13).

(2) For each of the five previous pay periods, examine 10 source documents or VA Forms 5638, Pay Adjustments and Cash Payment Code Sheet, and verify that payments and deductions were processed correctly.

h. **PAID Control Point.** Review PAID reject listing for the prior 3 months to determine if corrective action was taken to avoid repeated rejects (M-6, Part V, Supp 2.3, Ch 1).

i. **Workers Compensation, "Continuation of Pay" (see OF 00GA2.01, Quarterly Continuation of Pay Report, dated 10/22/99).** Review quarterly reports for the past 12 months to determine if the reports were submitted by the 10th calendar day following the last reporting period.

j. **Miscellaneous Payroll Administration and Employee Accounts Activity**

(1) Review 5 cash payments made in the previous 3 months to determine why each payment was made and whether proper follow-up action was taken to prevent duplicate payments. If there were less than 5 cash payments, review all.

(2) Examine the last three record copies of VA Form 5642, Notice of Check Cancellation or Cash Collection, to determine if the forms were completed properly.

(3) Examine VA Form 71, PAID Master Record Printout, to determine if errors were properly resolved and resubmitted for the past 2 pay periods (see MP-6, Pt. V, Supp. 2.3, subparagraphs 6.03, 6.04, and 6.05).

(4) Verify all fee basis employees are paid by direct deposit (Electronic Funds Transfer).

(5) Review the action taken to correct deficiencies noted in the most recent audit or review of the payroll function. Determine if proper and complete action was taken and that the deficiencies have not been repeated.

(6) Determine if the most current VA manual, directive, and/or handbook associated with the payroll activity is available to employees.

k. **Summary of Results of the Payroll Administration and Employee Accounts Review**

(1) List areas in need of improvement.

(2) Outline the procedures to implement corrective actions for the areas in need of improvement.

(3) Develop a schedule of follow-up actions and anticipated completion dates for the corrective actions.

9. PERSONAL FUNDS OF PATIENTS REVIEW

NOTE: See web site www.va.gov/publ/direc/finance for VA Directive and Handbook 4020, Personal Funds of Patients Policy and VA Directive and Handbook 4010, Agent Cashier Procedures. See http://vaww.cfo.med.va.gov/173/fiscal_quality_assurance/appendix_e_personal_funds_pts_11dec07.xls for review work papers for the Personal Funds of Patients (PFOP) Review.

a. **Reconciliation of Accounts to the General Ledger.** Determine the end-of-month reconciliations of PFOP accounts with the general ledger control accounts were performed for the preceding 6 months and that the reconciliation for the month of September was completed. Verify the following reconciliation requirements were met:

(1) The reconciliation statements were signed by the Fiscal Officer, Finance Officer, or designee, and routed to the facility Director (or equivalent executive).

(2) A duplicate copy of the reconciliation was signed by the Chief of Accounting, or designee, and the Patients' Funds Clerk, and was retained as part of the accounting records.

(3) Reconciling items were resolved monthly (VA Handbook 4020).

b. **Maintenance of Manual and/or Electronic Record Accounts.** Randomly select 15 restricted and 15 unrestricted VA Forms 10-1083, Patient's or Member's Account, or the electronic records. If there are less than 15 in any category, review all the records in that category. Verify that:

(1) The forms are complete and maintained in accordance with VA Handbook 4020, Paragraph 6.

(2) Postings are in agreement with VA Form 4-1028, third-party drafts, applicable vouchers or other original posting documentation.

(3) Deferred credit dates shown on the field service receipts are posted to the accounts and are considered before making withdrawals.

(4) The social security number on VA Form 10-1083 or electronic card or media agrees with the social security number on VA Form 4-1028 or electronic version.

(5) Deposits are posted to the patient's funds account no later than the next workday after the receipts are issued.

(6) Availability of funds is verified prior to the authorization of payment voucher. All withdrawals are posted to the patient's funds account immediately.

(7) Each patient with a PFOP account has a signature card on file in the patients' funds office.

(8) The approval for withdrawal from restricted accounts is over the signature of the facility Director (or equivalent executive) and the amounts of withdrawals conform to any authorizations on file from conservators or guardians.

(9) Accounts for incompetent patients (restricted accounts) are maintained in such a manner that the balance on deposit derived from gratuitous benefits and the balance derived from other sources is maintained separately on the account card.

(10) The Patients' Fund Clerk examines accounts that show no posting activity for a period of 3 months to determine if the individual is still an inpatient.

(11) The method used for recording receipts (e.g., temporary receipts) is sufficient to prevent pilferage of cash received through the mail, cash left with patients, or cash found in personal effects at the time of death.

(12) Balances of restricted accounts are reported to the regional office, when required.

(13) Any personal funds of a patient's account showing an overdrawn balance has been or is being handled in accordance with VA Handbook 4020, Paragraph 11, and Bulletin OF 02GC1.03, Reporting of Agent Cashier/Accountable Officer Irregularities.

(14) Funds of patients with restricted accounts are not improperly used for items that are entitled to be furnished at government expense.

(15) Daily Patient Gains and Losses Sheets are used to identify patients who were transferred to other facilities and the account cards are annotated and retained to indicate all remaining funds were properly transferred to the appropriate facility.

(16) Patients' competency status is shown on all account cards.

(17) Semi-annual reviews are completed on all restricted accounts.

c. **Disposition of Funds.** Randomly select 15 VA Forms 90-2064, Authority to Release and Ship Effects and Funds, prepared in the last 12 months. If there are less than 15 VA Forms 90-2064, select all for review. Determine that:

(1) The monetary amount agrees with the closing balance of the patient's or member's account maintained on VA Form 10-1083 card or the electronic card.

(2) The Patients' Funds Clerk reviewed the account card or the electronic card to verify whether or not any recent deposit represented an institutional award, which may have been received and deposited after the patient's death.

(3) The authority to release the funds of a deceased patient is on file and the funds are properly transferred to the patient's family or to the General Post Fund.

d. **Miscellaneous PFOP Activity**

(1) Review the action taken to correct deficiencies noted in the most recent review or audit of the personal funds of patients' function. Determine if proper and complete action was taken and that the deficiencies have not been repeated.

(2) Determine if the most current VA manual, directive, and/or handbook associated with the PFOP activity is available to employees.

e. **Summary of Results of the PFOP Review**

(1) List areas in need of improvement.

(2) Outline the procedures to implement corrective action for the areas in need of improvement.

(3) Develop a schedule of follow-up actions and anticipated completion dates for the corrective actions.

10. VOUCHER AUDIT REVIEW

NOTE: See web site

http://vaww.cfo.med.va.gov/173/fiscal_quality_assurance/appendix_f_voucher_audit_review_11_dec07.xls for review work papers for the Voucher Audit Review. *This is a bi-annual review that must be performed in the 1st and 3rd Quarters.*

a. **Temporary Duty or Other Travel.** Randomly select 10, or if less than ten select all, SF 1164, Claim for Reimbursement for Official Business; 20 expense reports; and 10 travel authorizations with Advances authorized, from the previous quarter and determine that:

(1) The employee and the appropriate approving official signed the SF 1164 documents.

(2) SF 1164 documents were signed by the certifying official.

(3) The required documentation is attached (receipts, travel authorization, etc.).

(4) All dollar amounts are correct.

(5) The travel advance, documented on the travel authorization, was issued to an employee without a government travel card. If the employee had a government travel card previously and

lost the use of the travel card as a result of misuse, non-payment, or any other reason caused by the employee's actions, the employee is not entitled to a travel advance. Determine that the travel advance was appropriate, non-excessive, properly approved and liquidated in a timely manner (VA Handbook 4010).

(6) The record of dates, time, destinations, and reimbursable expenditures claimed are proper, complete and specific as defined in the Federal Travel Regulations (FTR) and VA travel regulations. *NOTE: This is only applicable to SF 1164 and the expense report.*

(7) The traveler submitted the expense report or SF 1164 to the fiscal activity within 5 workdays after completion of the official travel.

b. **Beneficiary Travel**

(1) Randomly select from the previous quarter 25 VA-Forms 3542, Authorization to Report-Voucher for Mileage Allowance, and determine if:

- (a) The approving official signed the voucher.
- (b) The beneficiary signed the voucher.
- (c) All dollar amounts are correct.

(2) Review a minimum of 25 Special Mode Transportation Vouchers and determine if:

- (a) The approving official signed the voucher.
- (b) All dollar amounts are correct.

c. **Subsistence Vouchers.** Randomly select 25 subsistence vouchers from the previous quarter to review and ensure that:

(1) The applicable invoice was date stamped by the first VA office receiving the document in accordance with the Prompt Payment Act.

(2) The proper certifying official signed the invoice in accordance with the Prompt Payment Act.

(3) Payment was made in compliance with the Prompt Payment Act by verifying the:

(a) Correct goods-received date and invoice-received date were entered into the accounting system of record.

(b) Available and cost effective discounts were taken.

(c) Payment and billing was made in accordance with the terms of the contract.

d. **Government Purchase and Travel Card Program**

(1) From the current list of government purchase card orders, randomly select 25 purchases more than 30 days old and determine if the:

- (a) Purchase limit was not exceeded.
- (b) Cardholder maintained a receipt and record of the transaction.
- (c) Approving official certified the purchase.

(d) Approvals of reconciled Purchase Card transactions were completed within 14 days as required.

(e) Purchase has the appropriate cost center and budget object code (BOC) or the appropriate cost transfer was processed.

(f) Purchase orders were recorded in IFCAP within 1 day of the purchase card purchase (VHA Handbook 1730.1).

(2) From the current Citibank Travel Card Report, randomly select 25 individual accounts listed for individual travel cards holders for review and determine if there are:

- (a) Any possible abuses of government Travel Cards.
- (b) Employees were on official travel during the period in question.

(c) Travelers submitted their travel vouchers within 5 business days after completion of travel.

(d) Are there any accounts listed as delinquent for the period in question, in addition determine if salary offsets have been initiated for the past due accounts.

(e) Are there any administrative and/or disciplinary actions taken for card misuse or abuse.

(3) Review the facility HR gains and losses documentation for the past 12 months to ensure that a government purchase card was surrendered and inactivated when the employee cardholder separated from the facility.

(4) Verify purchase card and travel card oversight is provided at the facility by verifying that:

(a) The financial and logistic organizations work together to provide annual training for the purchase card program.

(b) Every purchase cardholder and approving official received a financial and logistic review during the last 12 months.

(c) The VA FSC quality review samples of purchase card transactions are reviewed and findings submitted to the FSC in a timely manner.

(d) The following purchase card reports were completed and the summaries were submitted to VA Central Office timely each month.

1. Timeliness Report (The Fileman template known as the Headquarters Report).
2. Report on payments 30 days or older and un-reconciled.
3. Approving Official Report.

(e) The individually billed travel card reports on aging balances for the prior 3 months were reviewed and the appropriate action was taken to resolve the outstanding items.

(f) The cardholder warrants are current.

e. **Miscellaneous Voucher Audit Activity**

(1) Review the action taken to correct deficiencies noted in the most recent review or audit of the voucher auditing function. Determine if proper and complete action was taken and that the deficiencies have not been repeated.

(2) Determine if the most current VA manual, directive, and/or handbook associated with the voucher audit activity is available to employees.

f. **Summary of Results of the Voucher Audit Review**

(1) List areas in need of improvement.

(2) Outline the procedures to implement corrective action for the areas in need of improvement.

(3) Develop a schedule of follow-up actions and anticipated completion dates for the corrective actions.

11. ACCOUNTING REVIEW

NOTE: See web site

http://vaww.cfo.med.va.gov/173/fiscal_quality_assurance/appendix_g_accntng_review_11dec07.xls for review work papers for the Accounting Review. This is a bi-annual review that must be performed in the 1st and 3rd Quarters.

a. **Verification and Reconciliation of Subsidiary Records**

- (1) Ensure that for the past 6 months subsidiary records are reconciled on a monthly basis to their appropriate general ledger (GL) accounts (VA Directive 4520).
 - (a) Accrued Services Payable (RPEVGLV), GL accounts 2190 and 2191.
 - (b) Undelivered Orders (RPEDUOV2), GL accounts 480F and 480N.
 - (c) Equipment (Inventory) Accounts (RGLLIAV), GL accounts 1750, 1751, and 1830.
 - (d) Suspense Accounts 36F3875, 36F3878, 36F3880 (RGSUDVV), GL account 2400.
 - (e) Accounts Receivable (RAPVGLV), GL accounts 1310-1317, 1321, 1323, 1326, and 1333.
 - (f) Advance Payments (RAPVGLV), GL accounts 1410, 1411 and 1412.
 - (g) Supply Fund (RLLIAV), GL account series 1520.
 - (h) Compensated Work Therapy Fund 0160X4 , SGL 4610.
 - (i) Personal Funds of Patient (SGL 2403 and VPFS Patient Summary Report).
 - (j) FMS 830 Cost Report is being reconciled to the DSS Cost Report and signed off by the supervisor to indicate supervisory review (MP-4, Part V, Ch 1).
 - (2) Randomly select any month and review the facility's trial balance for each appropriation to ensure it is in compliance with its corresponding "normal balance" as described in VA Handbook 4520. For any account that shows an abnormal balance, determine the reason for the variance and if follow-up action was taken to correct the out-of-balance condition.
 - (3) Determine if any balance shown in any accounts receivable GL account (the 1300 series of GL accounts) has a corresponding amount in the allowance for bad debts in the Assets and Miscellaneous Accounts Fund (AMAF) account listing. If so, ensure that follow-up action was initiated for delinquent debt collection.
 - (4) Verify the agent cashier advance reconciles to GL account 2990 in the AMAF (36AMAF). If not, initiate the appropriate action to resolve the discrepancy.
 - (5) Determine if any appropriation other than 36AMAF shows a balance in GL account 6710 Depreciation Expense Account. If an amount is shown, ascertain the reasons and take corrective action if necessary.
 - (6) Verify managerial oversight of all monthly reconciliations via supervisor/manager signature (VA Directive 4520).
- b. **Fixed Assets and Real Property** (See web site www.va.gov/publ/direc/finance.)

(1) From accounts 1750 and 1751, randomly select three entries from the previous quarter trial balance and determine if:

- (a) The entries conform to the Department's capitalization policy.
- (b) Items capitalized are appropriately depreciated (Report RFAO3V).

(2) Verify GL accounts 1711-Land, 1730-Buildings and Improvements, and 1740-Other Structures and Facilities equal their corresponding subsidiary totals (Summary Trial Balance by Station – Report RGLSTBV).

(3) With the trial balance as a reference, ensure that accumulated depreciation accounts and respective amounts do not exceed the asset account being depreciated (see GL accounts 1712 and 1719, 1730 and 1739, 1740 and 1749, 1750 and 1759, 1751 and 1758/1898, 1811 and 1818, 1812 and 1819, 1820 and 1829, 1830, and 1839).

(4) Review the daily F852, General Ledger Reconciliation of FMS and Fixed Asset Subsystem, report for the last week of the previous month. Determine if any out of balances were allowed past the end of month.

(5) Select 10 entries posted in the current month Work-In-Process (WIP) Account (RVAWAPV or F876 and RVAWIPV2 or F762) and determine if:

- (a) The project is still active.
- (b) Costs were capitalized timely or expensed properly (MP-4, Part V, Ch1, VA Directive 4511 and VA Handbook 4511).
- (c) Correct useful lives were assigned to the capitalized assets.
- (d) Verify supporting documentation that aging projects are regularly reviewed with the engineering group.

(6) Verify the monthly 830 Cost Report was reconciled to the GL in FMS during the past 12 months.

(a) The total expenses on the 830 Report reconciled to the total of GL accounts 6100 and 6122 for all fiscal years.

(b) The total asset acquisitions on the 830 Report reconciled to the total ending balance of GL account 1720, less the opening balance of the same GL account and GL account 1832 (Work in Process).

c. **Liability Accounting (See web site <http://www.va.gov/publ/direc/finance>)**

(1) Evaluate the year-end salary accrual, including the supporting work papers for the final month of the previous fiscal year. Determine if the facility liability adjustment(s) for accrued

salaries and wages payable were accurate. Verify that the balance in GL account 6122 (the difference between actual salary expense and accrued salary (system generated and manual)) expense did not exceed \$1000 or 5 percent of the facility's manual accrual adjustment.

(2) Examine a total of 10 transaction items that comprise the balance in Suspense Account 36F3875. Determine if:

- (a) Adequate supporting documents exist for each item.
- (b) Follow-up action was taken to account for unidentified remittances.

d. **Undelivered Orders and Accounts Payable Accounting (See web site <http://www.va.gov/publ/direc/finance>)**

(1) Randomly select 25 undelivered order documents (RPEDUOVM or F850) listed on the month prior to the review and verify that:

(a) All documents and data are accurate and include cost centers and budget object codes (VA Handbook 4671.1 and VA Directive 4671.2.)

(b) Appropriate obligations are supported by:

- 1. The Advanced Procurement Planning documentation (VAAR 807.102);
- 2. A Record of Procurement Request Reviews (VAAR 819.502); and
- 3. The Federal Procurement Data System (FAR Part 4.602).

(c) All VA Forms 1358, Estimated Miscellaneous Obligations or Change in Obligation, and VA Form 2237, Request, Turn-In, and Receipt for Property or Services, were adjusted in the respective month of occurrence.

(d) The undelivered order files are analyzed monthly and the initiating offices are notified in writing of those that remain outstanding for an unreasonable length of time (e.g., 90 days). This refers to outstanding obligations over 90 days after the end date; therefore, if the obligation is for an entire year and the end date is September 30th, the first outstanding day would be October 1st.

(2) Randomly select 25 accounts payable or accrued services payable documents (RPEVGLVM or F851) listed on the month prior to the review and verify that:

(a) All documents and data are accurate and include cost centers and budget object codes (VA Directive 4671.1 and VA Handbook 4671.2).

(b) All manually prepared obligation documents were date stamped in the Accounting Office.

(c) The accounts payable or accrued services payable files are analyzed monthly and the initiating officers are notified in writing of those that remain outstanding for an unreasonable length of time (e.g., 90 days).

(3) Review the most recent monthly Accounts Payable Report (RPEVGLVM or F851) and select any 10 items over 90 days old. Determine what follow-up action, if any, was taken to liquidate the obligation.

e. **Accounts Receivable** (See web site <http://www.va.gov/publ/direc/finance>) The reconciliation and management of accounts receivable is extremely important to the function of the field facility. Un-reconciled balances provide management with an incorrect view of the financial operations when making strategic decisions.

(1) Randomly select 25 accounts receivable (non-Medical Care Collections Fund (MCCF)) documents listed in the month prior to review and verify that:

(a) All documents and data are accurate.

(b) The monthly administrative and interest costs are added to the net amount due to the debtor (VA Handbook 4800.9).

(c) Appropriate follow-up and aging reviews of accounts receivable accounts were completed as required by MP-4, Part V, Chapter 1.

(d) Outstanding balances were reviewed monthly for validity VA Handbook 4800.14; VA Directive 4520 and MP-4, Part V, Ch 1).

(2) Randomly select 25 MCCF accounts receivable documents listed in the month prior to review and verify that:

(a) All documents and data are accurate.

(b) The monthly administrative and interest costs are added to the net amount due to the debtor (VA Handbook 4800.9).

(c) Appropriate follow-up and aging reviews of accounts receivable transactions were completed as required by VA Handbook 4800.14, paragraph 4.b. and OF Bulletin 06GC1.04.

(d) Outstanding balances were reviewed monthly for validity (VA Handbook 4800.14; VA Directive 4520 and MP-4, Part V, Ch 1).

(3) Verify that during the past 12 months, the MCCF and non-MCCF reconciliation between the VHA VistA Accounts Receivable Program (AR 4.5) and the FMS is completed on a monthly basis (VA Directive 4520 and MP-4, Part V, Ch 1).

(4) Examine every fourth accounts receivable written off during the past 12 months to a maximum of 25. If 10 or less, examine all of them. Determine that the proper procedures were

followed before they were written off or if the receivables should have been sent to District Counsel or the Department of Justice or to the Department of Treasury to get into the Treasury Offset Program (VA Directive 4669, VA Handbook 4800.6 and VA Handbook 4800.14).

(5) Examine all sharing agreement documents within the past 12 months to a maximum of 20 items to determine the following:

(a) An obligation or receivable is established for each sharing agreement.

(b) The appropriate BOC is used in the obligation transaction:

1. BOC 2586 for Sharing Medical Resource

2. BOC 2590 for VA-Department of Defense (DOD) Sharing Agreements

(c) The appropriate revenue source code was used in the receivable transaction (8002, 8006, 8014, 8017, 8018, 8025, 8026, 8027, 8028, 8029, 8030, 8035, 8060, 8065, or 8084).

(6) Determine the contractual adjustments and allowance for bad debts are reviewed and updated monthly for MCCF accounts and the allowance for bad debts are reviewed and updated monthly for the non-MCCF accounts (VA Directive 4669 and MP-4, Pt V, Ch1).

f. **Cost Adjustments (See web site <http://www.va.gov/publ/direc/finance>)** Examine GL accounts 4650 and 7400 to ascertain that they were used to record adjustments for prior year overstatement or understatement of applied cost expense amounts. Randomly select ten entries that show an amount over \$2,500 made in the 6 months prior to the fiscal year close, and ten entries that show an amount over \$2,500 made 3 months subsequent to the prior fiscal year close. Determine why the entries were made, and if they were proper.

g. **System Reconciliation (Input and Output)**

(1) IFCAP

(a) Examine the error and reject file (RGSGDPV3 or F897) and verify that corrections were made within 1 workday after receipt.

(b) Review the FMS Exception Transaction Report for any action taken after a 3-day waiting period, and determine if corrections were appropriate.

(c) Review the delegation of authority by IFCAP fund control point officials file and listing to determine if it is current.

(2) The Department FMS. Examine the suspense table in FMS (SUSF Table) which shows rejected or held documents. Review any documents over 10 days old and determine if the appropriate corrective action was taken. **NOTE:** *FMS report RGSGDPV43 shows how long rejects have been outstanding on the SUSF table.*

h. Miscellaneous Accounting Activity

(1) Review five expenditure transfer (ET) documents in FMS and examine the documentation justifying each ET document for accuracy and completeness.

(2) Review 3 monthly trial balance reports to ensure their corresponding certifications were made by the Fiscal Officer, or designee, who is GS-510 qualified.

(3) Review the current outstanding listing report (RTAVGLVM) for advances that are over 90 days old. Determine if the Finance Office took the appropriate action to clear the outstanding advances to include reporting the advance to the Internal Revenue Service as income to the employee.

(4) Review the action taken to correct deficiencies noted in the most recent audit or review of the accounting activity. Determine if proper and complete action was taken and that the deficiencies have not been repeated.

(5) Determine if the most current VA manual, directive and/or handbook associated with the accounting activity is available to employees.

i. Summary of Results of the Accounting Review

(1) List areas in need of improvement.

(2) Outline the procedures to implement corrective actions for the areas in need of improvement.

(3) Develop a schedule of follow-up actions and anticipated completion dates for the corrective actions.

12. GENERAL POST FUND REVIEW

NOTE: See

http://vaww.cfo.med.va.gov/173/fiscal_quality_assurance/appendix_h_gen_postfund_review_11_dec07.xls for review work papers for the General Post Fund Review.

a. Reconciliation

(1) Ascertain whether VA Form10-1083, Patient's or Member's Account, or VA Form10-1083b, Patient's or Member's Account, or the IFCAP Running Balance (if used in lieu of account cards and/or End-of-Month Status of Allowance) were reconciled monthly for the past 12 months to the VA Standard General Account 4610-Allotments Available for Obligation for 8180S and 8180A. Verify managerial oversight of this reconciliation via supervisor/manager signature.

(2) Verify that the facility Director (or equivalent executive) is in receipt of the monthly reconciliation reports.

(3) Review GL account 5606, VACO General Donations, to determine if amounts shown should be in fund code 8180A or 8180S.

b. **Subsidiary Accounts.** Randomly select 25 VA Forms 10-1083 or the electronic cards or media or VA Forms 10-1083b, or the IFCAP running balance reports. If less than 25 subsidiary accounts are available, review all general post fund accounts that are maintained. Determine if:

(1) The accounts are properly maintained and show the approving official as well as the specific intent of the donor. All opening balances, deposits, disbursements, and ending balances need to be shown on the subsidiary accounts.

(2) The fiscal activity failed to either transfer or return the funds to the donor for any account showing inactivity for more than 1 year.

c. **Donations.** Pull 30 VA Forms 4-1027, Field Service Receipt (FSR), used to deposit funds into the General Post Fund within the past 12 months. Compare the FSR to the donor's letter, note, or memorandum and the applicable General Post Fund accounting card or IFCAP running balance report, to determine if:

(1) VA Form 4-1027 complies with the donor's letter of intent.

(2) The fiscal activity posted the donated funds to the appropriate general post fund 8180G.

(3) The donation was deposited with the facility agent cashier within 1 day of the initial receipt of the donation.

(4) The appropriate deferred dates were correctly posted on the FSR by the agent cashier, and correctly posted to the general post fund account card or electronic record by the accounting activity.

d. **Obligations**

(1) Ensure that funding is available in advance of any impending purchase and the purchase is correctly classified in the account.

(2) Randomly select 25 liquidated obligation documents. If less than 25 are available, review all. Verify that each purchase was in accordance with the expressed wishes of the donor and approved by the facility Director (or official authorized by VHA Handbook 4721).

(3) Ensure no direct expenditures for employee personal services and benefits were incorrectly journalized to the general post fund.

e. **Miscellaneous General Post Fund Activity**

(1) Review the action taken to correct deficiencies noted in the most recent audit or review of the general post fund activity.

(2) Determine if the most current VA manual, directive, and/or handbook associated with the general post fund activity is available to employees.

f. **Summary of Results of the General Post Fund Review**

(1) List areas in need of improvement.

(2) Outline the procedures to implement corrective actions for the areas in need of improvement.

(3) Develop a schedule of follow-up actions and anticipated completion dates for the corrective actions.

13. PROPERTY, PLANT AND EQUIPMENT

NOTE: See

http://vawww.cfo.med.va.gov/173/fiscal_quality_assurance/appendix_i_prop_plant equip_review_11dec07.xls review work papers for the Property, Plant, and Equipment Review.

a. **Reconciliations**

(1) Inquire if monthly reconciliations for WIP and Real Property were completed and reviewed by supervisors for the past 12 months prior to the review (VA Directive 4520, Paragraph 2.(2)e(1)-(4)).

(2) Inquire if separation of duties are maintained so that employees receiving equipment do not also prepare the monthly reconciliations of Automated Engineering Management System/Medical Equipment Reporting System (AEMS/MERS) and Fixed Asset Package (FAP) (VA Handbook 7127, Part 6, 3.5605 and OF Bulletin 06GA1.04).

b. **Liabilities Recording**

(1) Inquire if proper estimation of environmental liabilities and clean up costs were reported to VACO in a timely manner for the past quarter (OF Bulletin 07GB1.05, VA Handbook 4511, Part 6, and the Procedures for Estimating and Reporting Environmental Liabilities Remediation Finding EL-01, including the Cost Estimation and Accounting/Financial Staff Report worksheets, issued February 28, 2008, by Grant Thornton, LLP).

(2) Inquire if deferred maintenance costs were recorded correctly in the general ledger for the past quarter (OF Bulletin 07GB1.06 and VA Handbook 4511).

c. **Cultural Resources**

(1) Inquire if a Cultural Resource Management Officer had been designated (VA Handbook 7545, Paragraph 3).

(2) Inquire if the Cultural Resource Management Officer reviewed the Inventory of Historic and Cultural Resources and reported modifications, corrections or deletions to VA Central Office semi-annually (VA Handbook 7545).

d. **Summary of Results of the Property, Plant, and Equipment Review**

(1) List areas in need of improvement.

(2) Outline the procedures to implement corrective actions for the areas in need of improvement.

(3) Develop a schedule of follow-up actions and anticipated completion dates for the corrective actions.

14. DEFINITIONS

a. **Facility Director.** The facility Director is the official head of any VHA installation or facility.

b. **Fiscal Officer, Finance Officer, or Financial Manager.** The Fiscal Officer, Finance Officer, or Financial Manager is the official directly responsible to the facility Director (or equivalent executive) for the performance of fiscal operations.

c. **Third-party Draft.** A third-party draft (also known as convenience check) is an acceptable alternative payment mechanism designed to offer facilities improved management controls and to provide an effective cash management method for reducing the agent cashiers' advance.

d. **Sub-vouchers.** Sub-vouchers are documents supporting cash payments that are paid out of the agent cashier advance. Each type of document has a sequential number schema determined by the agent cashier at the time of replenishment and accountability reporting.

15. REFERENCES

- a. VA Directive 4000, Administrative Fiscal Policy.
- b. VA Handbook 4000, Administrative Fiscal Procedures.
- c. VA Directive 4010, Agent Cashier Policy.
- d. VA Handbook 4010, Agent Cashier Procedures.
- e. VA Directive 4020, Personal Funds of Patients Policy.
- f. VA Handbook 4020, Personal Funds of Patients Procedures.
- g. VA Directive 4100, Payroll Administration.

- h. VA Directive 4511, Property, Plant and Equipment.
- i. VA Handbook 4511, Property, Plant and Equipment.
- j. VA Directive 4520, General Ledger Accounting.
- k. VA Handbook 4560.1, Cost Accounting Procedures.
- l. VA Directive 4669, Receivables Accounting Policy.
- m. VA Directive 4671, Cost Centers/Budget Object Codes Policy.
- n. VA Handbook 4671.2, Budget Object Codes.
- o. VA Handbook 4800.6, Termination of Collection Action and Close Out of Debts.
- p. VA Handbook 4800.9, Interest, Administrative Costs, and Penalty Charges.
- q. VA Handbook 4800.14, Medical Care Debts.
- r. VA Handbook 6210, Automated Information Systems (AIS) Security Procedures.
- s. VA Handbook 7125, General Procedures.
- t. VA Handbook 7127, Materiel Management Procedures.
- u. VA Handbook 7545, Cultural Resource Management Procedures.
- v. VHA Handbook 1730.1, Use and Management of The Government Purchase Card Program.
- w. VHA Directive 2004-056, Waiver from Separation of Duties.
- x. VHA Directive 4721, General Post Fund Policy.
- y. VHA Handbook 4721, General Post Fund Procedures.
- z. VA Supplement, MP-1, Part I, Change 42, Appendix B.
- aa. MP-1, Part II, Chapter 2, Travel Policies and Procedures.
- bb. MP-1, Part II, Chapter 3, Beneficiary Travel Policy and Procedures.
- cc. MP-4, Part III, Chapter 1, General Voucher Auditing.
- dd. MP-4, Part III, Chapter 2, Examination of Vouchers and Contracts.

- ee. MP-4, Part III, Chapters 3 and 15, Various Vouchers and Special Requirements.
- ff. MP-4, Part V, Chapter 1, Controller Policy Administrative Accounting.
- gg. MP-4, Part V, Chapter 2, General Ledger Accounting.
- hh. MP-4, Part V, Chapter 3, Allotment Accounting.
- ii. MP-4, Part XI, Chapter 3, Quality Assurance Reviews.
- jj. MP-6, Part V, Supplement 2.2, Time and Leave and Coding of Time and Attendance Reports.
- kk. MP-6, Part V, Supplement 2.3, PAID Payroll Operating Procedures.
- ll. FAR, 4.6, Contract Reporting.
- mm. OF Bulletin 02GC1.03 New Electronic Funds Transfer Collection Method.
- nn. OF Bulletin 06GB101, FY 06 Reporting Requirements for Deferred Maintenance and Hazardous Waste Clean Up Costs.
- oo. OF Bulletin 07GB101, FY 07 Reporting Requirements for Deferred Maintenance and Hazardous Waste Clean Up Costs.
- pp. VHACFO Memorandum dated February 28, 2006, Account Reconciliation Self-Reporting.
- qq. VAAR, Part 819, Small Business and Small Disadvantage Business Concerns.

SAMPLE FORMAT FOR REPORT ON QUALITY ASSURANCE

TO: Network ___ Chief Financial Officer
(Address)

1. A quality assurance review was conducted on the ___(Insert the Review Name (e.g., Accounting Activities)_____ of ___(Insert Station Name and Number)___ for the quarter ending _____(Insert the Quarter and Year the Review is Actually Due, e.g., December, 2003)____. This review was performed to evaluate the system and functional operations pursuant to and as required by Veterans Health Administration (VHA) Handbook 1730.2. Under VHA Handbook 1730.2, the purpose of the evaluation is to establish a basis of reliance in determining the nature, timing, and extent of other corrective measures that may be necessary to ensure that fiscal year end rolled-up data is correct and sufficient to generate an unqualified opinion on financial statements.
2. The objective of the quality assurance review is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial reports and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of quality assurance should not exceed the benefits derived and also recognizes that the evaluation of these factors may require estimates and judgments by fiscal officials.
3. There are inherent limitations that need to be recognized in considering the potential effectiveness of any quality assurance review. In the performance of most procedures, errors can result from misunderstanding of instructions, mistakes in judgment, carelessness, or other personal factors. Procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, procedures can be circumvented intentionally by management by execution and recording of transactions with respect to estimates and judgments in recording transactions. Also future evaluation of quality assurance procedures is subject to risk in that they may become inadequate because of changes in conditions, and thus the degree of compliance may deteriorate.
4. The quality assurance review on Fiscal Activity disclosed the following conditions. The corrective action plan for each condition is also included in the following:

FACILITY DIRECTOR

cc: VHA Financial Management and Accounting Systems (173)
VHA Central Office
VISN Fiscal Quality Assurance Manager (FQAM)