



THE SECRETARY OF VETERANS AFFAIRS  
WASHINGTON  
June 20, 2013

The Honorable Carolyn N. Lerner  
Special Counsel  
U.S. Office of Special Counsel  
1730 M. Street, NW, Suite 300  
Washington, DC 20036

Re: OSC File No. DI-13-0603

Dear Ms. Lerner:

This is in response to your letter regarding allegations reported by (B)(6) (B)(6) an Outpatient Pharmacy Technician, at the West Palm Beach Department of Veterans Affairs Medical Center (VAMC) in West Palm Beach, Florida.

(B)(6) alleged that employees at the West Palm Beach VAMC Outpatient Pharmacy violated VA and Food and Drug Administration (FDA) rules and regulations by failing to properly dispose of prescription drugs that are returned to the pharmacy. She also alleged that employees retained and restocked returned prescriptions as a means of managing pharmacy inventory and that this conduct has been the practice at the West Palm Beach VAMC Outpatient Pharmacy since (B)(6) assumed the Outpatient Pharmacy Supervisory Technician position in December 2011. The whistleblower alleged that this practice violates VA policy and FDA rules and regulations and creates a substantial and specific danger to public health and safety as the potential exists that the drugs may have been contaminated or otherwise adulterated while outside the custody of the pharmacy. You asked me to determine whether the information in the whistleblower's allegations disclosed a violation of law, rule, regulation, gross mismanagement, or a substantial and specific danger to public health and safety.

I asked the Under Secretary for Health to review this matter and conduct an investigation for the purpose of providing your office with a report as required under 5 U.S.C. § 1213(c) and (d). The investigative team conducted a fact-finding investigation, which included interviews and documentation reviews, and produced the enclosed report. The report substantiates that VA policy and FDA rules and regulations were violated. The report also substantiates that the reassignment in January 2012 of (B)(6) from the outpatient pharmacy vault to the inpatient pharmacy vault and the October 2012 reassignment from the outpatient pharmacy vault to procurement did not follow procedures outlined in the VA-American Federation of Government Employees Master Agreement.

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The Honorable Carolyn N. Lerner

I have reviewed the report and action plan and concur with the findings, conclusions, and corrective actions. The Veterans Health Administration will monitor the implementation of corrective actions. Thank you for the opportunity to respond to these issues.

Sincerely,



Eric K. Shinseki

Enclosure

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**OFFICE OF THE SECRETARY**

**Report to the  
Office of Special Counsel (OSC)  
OSC File Number DI-13-0603**

**Department of Veterans Affairs  
VA Sunshine Healthcare Network  
Veterans Integrated Service Network 8  
140 Fountain Parkway, Suite 600  
St. Petersburg, FL 33716**



**Veterans Health Administration  
Washington, DC**

**Report Date: May 10, 2013**

Any information in this report that is the subject of the Privacy Act of 1974 and/or the Health Insurance Portability and Accountability Act of 1996 may only be disclosed as authorized by those statutes. Any unauthorized disclosure of confidential information is subject to the criminal penalty provisions of those statutes.

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## Executive Summary

The U.S. Office of Special Counsel (OSC) requested that the Department of Veterans Affairs (VA) investigate a complaint lodged with OSC by (B)(6), a whistleblower at the West Palm Beach VA Medical Center (VAMC), Outpatient Pharmacy, in West Palm Beach, Florida. The whistleblower alleged that:

- The West Palm Beach VAMC Outpatient Pharmacy employees violated VA and Food and Drug Administration (FDA) rules and regulations by failing to properly dispose of prescription drugs that are returned to the pharmacy (Veterans Health Administration (VHA) Handbook 1108.02, Paragraph 19) and FDA Compliance Policy Guides, Section 460.300, (Return of Unused Prescription Drugs to Pharmacy Stock);
- These employees also violated VA and FDA rules and regulations by retaining and restocking prescription drugs that are returned to the pharmacy as a means of managing and reconciling the pharmacy inventory. The restocking of previously dispensed prescription drugs creates a substantial and specific danger to public health and safety as the potential exists that the drugs may have been contaminated or otherwise adulterated while outside the custody of the pharmacy; and
- The conduct described above has been the practice at the West Palm Beach VAMC Outpatient Pharmacy since (B)(6) assumed the Outpatient Pharmacy Supervisory Technician position in December 2011.

The West Palm Beach VAMC conducted an Administrative Investigation Board (AIB) (also referred to hereafter as "the Board") as convened by the Network Director, Veterans Integrated Service Network (VISN) 8 convening memorandum dated December 17, 2012. The report of the Administrative Investigation was completed and sent to the VISN 8 Director on February 5, 2013.

### Summary of Conclusions

As required by the VISN 8 Network Director's AIB convening memorandum dated December 17, 2012, the Board investigated the above allegations and provided the resultant conclusions using the following points of inquiry-focus:

1. The practice of restocking and re-dispensing returned previously dispensed prescription drugs.
2. Improper reconciliation to the inventory using the restocked, previously returned dispensed prescription drugs.
3. Failure to destroy returned previously dispensed prescription drugs and failure to follow VHA Handbook regulations and FDA Compliance Policy Guides.
4. Inappropriate reassignment of Cara A. Borosky, Outpatient Pharmacy Technician.
5. Evaluation of the risk of drug diversion.

Regarding inquiry-focus 1, the Board concludes the West Palm Beach pharmacy staff improperly restocked and re-dispensed previously dispensed prescription drugs.

Regarding inquiry-focus 2, the Board concludes the West Palm Beach pharmacy staff improperly reconciled inventory using medications kept in vials labeled "do not count." However, the Board could not substantiate where the medication came from in these "do not count vials."

Regarding inquiry-focus 3, the Board concludes the West Palm Beach Pharmacy staff failed to follow VHA Handbook and medical center policy requirements and FDA Compliance Policy Guides to destroy controlled substance medications returned in the mail.

Regarding inquiry-focus 4, the Board concludes the reassignment in January 2012 of (B)(6) from the outpatient pharmacy vault to the inpatient pharmacy vault did not follow procedures outlined in the VA-American Federation of Government Employees (AFGE) Master Agreement. The Board also concludes the reassignment in October 2012 of (B)(6) from the outpatient pharmacy to procurement did not follow procedures outlined in the VA-AFGE Master Agreement; specifically regarding the action in her personnel folder, Union notification and department request for volunteers. In addition, the Board notes (B)(6) was reassigned from the outpatient pharmacy vault 3 days after voicing concerns about "do not count" bottles and the practice of adjusting inventory using returned medications.

Regarding inquiry-focus 5, the Board concludes that drug diversion is always a risk in any health care entity that orders, dispenses, prescribes, and/or administers controlled substances. The Board concludes West Palm Beach VAMC is at an increased risk for drug diversion due to pharmacy staff being inadequately trained and not following VHA Handbook and medical center policy and procedures, inadequate pharmacy administration oversight for controlled substances, the culture within the pharmacy, and lack of a fully functional controlled substance inspection program. Specific items the Board substantiated that increase vulnerability are:

- Inadequate accountability for returned medication;
- Returned medications are not processed for destruction in a timely manner and do not follow a clear chain of custody;
- The excessive length of time it took to correct a problem once identified. The existence of "do not count" bottles was identified to pharmacy management on October 30, 2012, but was not appropriately processed until December 1, 2012. In addition, no one from pharmacy management went into the vault and physically viewed the bottles or questioned what was occurring;
- Existence of stock ("do not count" bottles) not included in the inventory;
- Actual physical counts are not completed as part of the 72-hour inventories;
- Pharmacist oversight of receipt of controlled substances;
- Pharmacy staff do not question things that should not be occurring;
- Pharmacy staff and the Controlled Substance Coordinator (CSC) do not believe that anyone would divert a medication;
- The CSC was not aware of all the requirements in the VHA Handbook for the inspection program; and

- Controlled Substance Inspectors could not describe how to properly conduct a pharmacy inspection even after being shown the inspection form they completed.

The Board did not review inspection reports or dispensing and administration of controlled substances in the inpatient setting, and therefore, cannot conclude if an increased risk exists therein.

### **Summary of Recommendations**

1. The West Palm Beach VAMC pharmacy staff must immediately cease returning medications to stock that have been previously issued to patients or returned in the mail, and the Chief of Pharmacy must develop a system of review to ensure employees are following policy.
2. The West Palm Beach VAMC Chief of Pharmacy must develop a system that tracks chain of custody of returned controlled substance mailed packages from the warehouse to final disposition (e.g., destroyed or re-mailed to the patient) on one log versus two separate logs. At minimum, this log should include: date received in warehouse and signature of warehouse staff; U.S. Postal Service tracking number; date warehouse delivered to pharmacy and signature of pharmacy staff receiving; patient name; prescription number; drug/strength/quantity; and date of disposition and final disposition (written up for destruction or re-mailed to the patient). Chief of Pharmacy must develop a quality measure that includes physical review on an ongoing basis to ensure process is working and staff is following proper procedure and time frames.
3. The West Palm Beach VAMC pharmacy staff must immediately stop the process of using "do not count" containers and ensure all medications stocked in the vault are included in the inventory.
4. The West Palm Beach VAMC Chief of Pharmacy must put into place a system of physical review and spot checks of the inner vault, vault inventory, and procedures by a supervisory pharmacist.
5. The West Palm Beach VAMC Chief of Pharmacy must put into place a system of measureable, ongoing competencies that will demonstrate that technicians, pharmacists, and supervisors involved in controlled substance accountability and dispensing, receive adequate training and know and follow VHA policy and Drug Enforcement Agency regulations for controlled substance management.
6. The West Palm Beach VAMC Chief of Pharmacy must require staff to identify and report processes that are not in compliance with policy and develop a positive culture where staff can question practices without fear of reprisal.
7. The West Palm Beach VAMC human resources office should provide training to pharmacy managers on procedures for detailing staff.
8. The West Palm Beach VAMC Director must ensure CSC is knowledgeable regarding all the requirements of the controlled substance inspection program.

9. The West Palm Beach VAMC Director must ensure the controlled substance inspectors are properly trained and competent to perform inspections.

10. The West Palm Beach VAMC CSC should cease conducting all inspections himself every other month and instead use inspectors.

11. The West Palm Beach VAMC Director and Chief of Pharmacy should heighten awareness about diversion and empower staff to question and report any suspicions in a non-punitive culture. There is still a need to verify processes in a trusting culture as this is a high risk area.

12. The West Palm Beach VAMC Director should consider the need for Pharmacy Benefits Management staff to provide on-site training for pharmacy and inspection program staff on the management of controlled substances and the controlled substance inspection program.

13. Appropriate disciplinary or other administrative action should be considered with respect to the West Palm Beach VAMC Outpatient Pharmacy Vault Technician for not following medical center policy and to the West Palm Beach VAMC Outpatient Pharmacy Supervisory Technician for not following medical center policy and to the West Palm Beach VAMC Chief of Pharmacy for not providing adequate supervisory oversight of the vault activities and not following VA-AFGE Master Agreement for employee details.

## Report to the Office of Special Counsel (OSC)

### I. Summary of Allegations

The U.S. Office of Special Counsel (OSC) requested that the Department of Veterans Affairs (VA) investigate a complaint lodged with OSC by (B)(6) a whistleblower at the West Palm Beach VA Medical Center (VAMC), Outpatient Pharmacy, in West Palm Beach, Florida. The whistleblower alleged that:

1. The West Palm Beach VAMC Outpatient Pharmacy employees violated VA and Food and Drug Administration (FDA) rules and regulations by failing to properly dispose of prescription drugs that are returned to the pharmacy (Veterans Health Administration (VHA) Handbook 1108.02, Paragraph 19) and FDA Compliance Policy Guides, Section 460.300, (Return of Unused Prescription Drugs to Pharmacy Stock);
2. These employees also violated VA and FDA rules and regulations by retaining and restocking prescription drugs that are returned to the pharmacy as a means of managing and reconciling the pharmacy inventory. The restocking of previously dispensed prescription drugs creates a substantial and specific danger to public health and safety as the potential exists that the drugs may have been contaminated or otherwise adulterated while outside the custody of the pharmacy; and
3. The conduct described above has been the practice at the West Palm Beach VAMC Outpatient Pharmacy since (B)(6) assumed the Outpatient Pharmacy Supervisory Technician position in December 2011.

### II. Facility Profile

The West Palm Beach VAMC Outpatient Pharmacy is within the West Palm Beach VA Medical Center system which provides health care to 63,720 eligible Veterans in a 7-county area along Florida's Treasure Coast. Comprehensive services include medical, surgical, and psychiatric inpatient care and outpatient services. In addition, primary care, mental health services, and retinal screenings are also provided by the six community-based outpatient clinics located in the adjacent counties of Hendry, Glades, Martin, St. Lucie, Okeechobee, and Indian River. Geriatrics and Extended Care Service offers community residential care, adult day health care, respite, and hospice in addition to nursing home care and Home Based Primary Care. Over 646,218 outpatient visits and 6,713 inpatient discharges occurred in fiscal year 2011. State-of-the-art equipment and professional employees dedicated to patient-centered care distinguish this facility as first class.

### III. Conduct of the Investigation

The AIB as convened by Director, Veterans Integrated Service Network (VISN) 8 memorandum dated December 17, 2012, was conducted pursuant to the OSC December 7, 2012, letter to the Secretary of Veterans Affairs, concerning the allegations regarding the West Palm Beach VAMC, Outpatient Pharmacy, in West Palm Beach, Florida. The AIB's report was received by

the VISN 8 Network Director from the Board, and it illustrated the facts and circumstances regarding the allegations involving the West Palm Beach VAMC Outpatient Pharmacy Supervisory Technician, Outpatient Pharmacy Vault Technician, and Controlled Substance Coordinator (CSC) as set forth in the letter dated December 7, 2012. As required by the VISN 8 Network Director's AIB convening memorandum dated December 17, 2012, the Board interviewed the below listed individuals in investigating the above allegations using the following points of inquiry-focus:

1. The practice of restocking and re-dispensing returned previously dispensed prescription drugs.
2. Improper reconciliation to the inventory using the restocked returned previously dispensed prescription drugs.
3. Failure to destroy returned previously dispensed prescription drugs and failure to follow VHA Handbook regulations and FDA Compliance Policy Guides.
4. Inappropriate reassignment of (B)(6) Outpatient Pharmacy Technician.
5. Evaluation of the risk of drug diversion.

The Board's report of investigation also included the letter of OSC referring a whistleblower disclosure, the sworn testimony of (B)(6) the whistleblower to OSC, and sworn testimonies from multiple West Palm Beach VAMC employees. In addition, the Board reviewed controlled substance inspection reports and supporting documentation for the months of May 2012 through November 2012, controlled substance balance adjustment reports from June 4, 2012, to January 7, 2013, controlled substance drug destruction records for the months of March 2012 through December 2012, prescription records, the handwritten U.S. Postal Service (UPS) return log maintained by the warehouse, the handwritten UPS return log maintained by the outpatient pharmacy for the months of June 2012 through August 2012, UPS shipment records, and pharmacy purchase invoices.

The Board did substantiate allegations when the facts and findings supported that the alleged events or actions took place. The Board did not substantiate allegations when the facts showed the allegations were unfounded or when there was no conclusive evidence to either sustain or refute the allegations.

List of individuals who were interviewed:

- (B)(6) Outpatient Pharmacy Technician;
- (B)(6) Outpatient Pharmacy Vault Technician;
- (B)(6) Outpatient Pharmacy Supervisory Technician;
- (B)(6) Chief of Pharmacy Service;
- (B)(6) Program Support Assistant;
- (B)(6) Pharmacist Technician;
- (B)(6) Lead Vault Technician;

- (B)(6) Outpatient Lead Pharmacist;
- (B)(6) Outpatient Pharmacist;
- (B)(6) Outpatient Pharmacist;
- (B)(6) Supervisory Pharmacy Technician;
- (B)(6) Pharmacy Secretary;
- (B)(6) Pharmacy Technician;
- (B)(6) Visual Impairment Coordinator, Blind Rehab Center;
- (B)(6) Program Support Assistant, Controlled Substance Inspector (CSI);
- (B)(6) Vocational Rehabilitation Specialist, CSI;
- (B)(6) Clerk Typist (Environmental Management Service-Laundry), CSI; and
- (B)(6) Medical Support Assistant.

#### **IV. Summary of Findings and Conclusions to Support Conclusions and Recommendations based on Evidence Obtained from the Investigation**

**Investigation Point of Focus 1: The practice of restocking and re-dispensing returned previously dispensed prescription drugs.**

##### **Findings:**

1. A random review of 17 prescriptions listed on UPS return logs showed:
  - a. The below listed three prescriptions returned to stock in violation of VA policy:
    - i. RX 100357728 Morphine Sulfate 30mg SR Tablet #12
    - ii. RX 100342977 Methadone HCL 10mg Tab #90
    - iii. RX 100357327 Hydromorphone HCL 4mg Tab #180
  - b. The below listed two prescriptions were not listed on the destruction log, not re-shipped by UPS, and not added back into inventory. Therefore, disposition of medication could not be determined.
    - i. RX 100367768 Amphetamine/Dextroamphetamine 30mg SA #60
    - ii. RX 100365643 Morphine 30mg IR Tab #180
  - c. The below listed four prescriptions were not listed on the destruction log and not added back into inventory. Re-shipping by UPS could not be determined as their tracking data was limited to dates after September 12, 2012. Therefore, disposition of medication could not be determined.
    - i. RX 100360976 Oxycodone 5mg/Acetaminophen 325mg Tab #240
    - ii. RX 100346194 Fentanyl transdermal Patch 75mcg/hr #10
    - iii. RX 100351930 Oxycodone 5mg/Acetaminophen 325mg Tab #90
    - iv. RX 100356837 Morphine 100mg SR Tab #90
  - d. Three prescriptions were re-issued to the patient. One prescription was re-labeled and picked up by the patient at the window (RX 100366844 Methadone 10mg Tab #240), one prescription was re-labeled and re-mailed to the patient approximately 23 days after it was returned in the mail (RX 100365032 Codeine 30mg Tab #180), and one prescription was re-labeled and

re-mailed to the patient 7 days after it was returned in the mail (RX 100363981 Oxycodone 5mg/ml oral solution #600ml).

The following listed five prescriptions were listed on the destruction log:

RX #	Drug	Date rec'd from UPS	Date written up for destruction	Number of days between received and written up for destruction
100363181	Morphine SA 15mg #60	10/2/2012	10/8/2012	6 days
100366713	Morphine SA 100mg #90	11/8/2012	11/21/2012	13 days
100365208	Morphine SA 15mg #90	10/19/2012	11/23/2012	35 days
100365208	Morphine SA 15mg #90	10/19/2012	11/23/2012	35 days
100363650	Methadone 10mg #60	10/4/2012	10/8/2012	4 days

**Conclusion:** The Board concludes the West Palm Beach pharmacy staff restocked and re-dispensed previously dispensed prescription drugs. This conclusion is supported by the above findings where it is indicated that medications returned from UPS were documented as returned to inventory and further supported by testimony where (B)(6) testified she was asked by (B)(6) to take medications from a returned bottle to add them to stock. This is consistent with (B)(6) allegation in her complaint that, when drugs were returned to the pharmacy, they were deposited into small individual vials labeled as "do not count" and placed behind large stock bottles containing the same drug and were used as a means of remedying the inventory if a count was off. This was also corroborated by (B)(6) testimony in that she validated that she did direct (B)(6) to place 19 methadone tablets from a "do not count" bottle into the methadone stock bottle.

**Investigation Point of Focus 2: Improper reconciliation to the inventory using the restocked returned previously dispensed prescription drugs.**

**Findings:**

1. (B)(6) testified medications from the "do not count" bottles were used to balance the inventory on 72-hour counts.
2. Pharmacy technicians (B)(6) and (B)(6) testified seeing "do not count" bottles in the vault but never opened or questioned them.

**Conclusion:** The Board concludes the West Palm Beach pharmacy staff improperly reconciled inventory using medications kept in vials labeled "do not count." This conclusion is supported by the testimony of (B)(6) who stated that medications in "do not count" vials were used to adjust inventory when the 72-hour count was off. However, the Board could not substantiate where the medication came from in these "do not count vials." (B)(6) and (B)(6) could not accurately describe how excess medication accumulated. Both of them stated that sometimes bottles were over and sometimes under, or the pharmacy would switch brands and there would be a couple of tablets of the old brand. The Board, however, concludes pharmacy switching of brands would not result in non-count tablets/capsules. Neither pharmacy

management nor the CSC physically examined the vials and contents once aware of the situation to know what was actually in them. The other technicians interviewed testified they never touched the vials or looked into them.

**Investigation Point of Focus 3: Failure to destroy returned previously dispensed prescription drugs and failure to follow VHA Handbook regulations and FDA Compliance Policy Guides.**

**Findings:**

1. The number of packages listed on the pharmacy log is less than the number of packages pharmacy employees signed for on the warehouse log as shown below.

<b>Month</b>	<b># Entries on Warehouse Log signed by a pharmacy employee</b>	<b># Entries on Pharmacy Log</b>
June	14	8
July	20	2
August	21	18
September	9	7
October	23	20
November	11	2
December	13	12
<b>Total for June thru Dec.</b>	<b>111</b>	<b>69</b>

2. A random review of 17 prescriptions listed on the UPS return logs showed the anomalies as listed in the above Investigation Point of Focus.

3. Both (B)(6) and (B)(6) testified the expectation for practice is that returned medications are written up for destruction within 2-3 days if the patient cannot be contacted.

4. West Palm Beach VAMC Medical Center Policy # 119D-09-010, "Procedure for the Documentation and Destruction of Controlled Substances in the Outpatient Pharmacy," provides clear instructions on how staff should handle, count, and process for destruction medications returned by patients and other medical center staff by close of business (COB) that day. The policy states: "Immediately after the counting, the person receiving the drug will take the drug to the narcotic vault. The drug will be counted again by the pharmacist or technician receiving the drug in the vault. The person receiving the drug in the vault will enter the drug and the quantity to be destroyed on VA Form 10-2321 for destruction by COB. The form will then be signed by a witness that brought the drug to the vault and the person that prepared the destruction form."

5. (B)(6) Outpatient Pharmacist, testified she counts the medications with the patient or staff but then just hands the bottle to the technician in the vault. She did not describe processing for destruction with the technician.

6. (B)(6) Outpatient Lead Pharmacist, testified she counts the medications with the patient or staff but then just hands the bottle to the technician in the vault. She did not describe processing for destruction with the technician.

7. (B)(6) Outpatient Pharmacist, testified she was given new instructions about 1 month ago to process the medication for destruction with the technician when turning it over to the vault. Prior to that timeframe, she handed the bottle to the technician after counting it and did not process it with the technician that day.

8. FDA's Compliance Policy Guidance on Return of Unused Prescription Drugs (January 2010) states: "A Pharmacist should not return drugs to his stock once they have been out of his possession."

9. VHA Handbook 1108.01, Controlled Substances (Pharmacy Stock), page 13 states: "The local medical center's Pharmacy Service needs to rectify controlled substance issues when Consolidated Mail Outpatient Pharmacy (CMOP) mailed prescriptions do not reach their intended destination. If these controlled substances left the pharmacy and cannot be delivered to the intended patient they must be logged for destruction in accordance with paragraph 19."

10. Medical Center Memorandum (MCM) 548-119-335, Controlled Substances, Storage, Distribution, Administration and Accountability, states: "Controlled substances returned by U.S. Postal Service as undeliverable will be destroyed."

**Conclusion:** There was a failure to destroy returned previously dispensed prescription drugs and failure to follow VHA Handbook regulations and FDA Compliance Policy Guides. The Board concludes the West Palm Beach pharmacy staff failed to follow VHA Handbook and medical center policy requirements and FDA Compliance Policy Guides to destroy controlled substance medications returned in the mail. The number of days between when prescriptions were returned in the mail to be processed for destruction ranged from 4-35 days for the 5 returned prescriptions reviewed. The incomplete record keeping in pharmacy prevented the Board from determining the disposition of all returned controlled substance packages from the warehouse. The warehouse log showed pharmacy staff signed for 111 packages; however, the pharmacy log only listed the disposition for 69 packages. For patient/staff returns at the window, of the three pharmacists interviewed, only one was aware of the policy to process medications for destruction with the vault technician by COB the same day. The pharmacist aware of the policy had only begun following it in the last month.

**Investigation Point of Focus 4: Inappropriate reassignment of (B)(6) Outpatient Pharmacy Technician.**

**Findings:**

1. (B)(6) Supervisory Pharmacy Technician, and (B)(6) Lead Vault Technician, testified that (B)(6) started working in the inpatient vault in January 2012.

2. (B)(6) Chief of Pharmacy Service, sent a memorandum to the Union on

February 10, 2012, which stated that both (B)(6) and (B)(6) would be detailed to the inpatient vault on a rotating basis after training.

3. American Federation of Government Employees (AFGE) Master Agreement, Article 13 – Reassignment, Shift Changes, and Relocations, Section 2, stipulates that both management and the Union agree that reassignment is a subject appropriate for local bargaining. This requires prior notification to the Union before implementation of the reassignment action.

#### **Conclusion:**

There was an inappropriate reassignment of (B)(6) Outpatient Pharmacy Technician. The Board concludes the reassignment in January 2012 of (B)(6) from the outpatient pharmacy vault to the inpatient pharmacy vault did not follow procedures outlined in the VA-AFGE Master Agreement. The Board finds no evidence the Union was notified prior to February 10, 2012, and (B)(6) could not provide documentation in the form of an e-mail or memo that (B)(6) volunteered. In addition, because (B)(6) was on medical leave for 6 weeks immediately prior to the detail, the Board finds she could not have volunteered. The testimony of (B)(6) and (B)(6) support the testimony of (B)(6) that she began working in the vault in January 2012. In addition, the Board concludes the reassignment in October 2012 of (B)(6) from the outpatient pharmacy to procurement did not follow procedures outlined in the VA-AFGE Master Agreement; specifically, recording the action in her personnel folder, Union notification, and Department request for volunteers. The Board notes that (B)(6) was reassigned from the pharmacy outpatient vault 3 days after voicing concerns about “do not count” bottles and the practice of adjusting inventory using returned medications. The Board was not able to conclude the reassignment was a direct result of her complaints. Her previous reassignment in January 2012 was done in a similar manner without prior notice, and at that time, she had just returned from 6 weeks of leave. The Board did not receive any testimony or evidence that the reassignment in January 2012 was prompted by any employee complaints or allegations. The Board concludes that neither reassignment followed the procedures outlined in the VA-AFGE Master Agreement.

#### **Investigation Point of Focus 5: Evaluation of the risk of drug diversion.**

#### **Findings:**

1. (B)(6) testified that medications from the “do not count” bottles were used to balance the inventory on 72-hour counts.

**Conclusion:** In evaluation of the risk of drug diversion, drug diversion is always a risk in any health care entity that orders, dispenses, prescribes, and/or administers controlled substances. The Board concludes that the West Palm Beach VAMC Outpatient Pharmacy is at an increased risk for drug diversion due to pharmacy staff being inadequately trained and not following VHA and medical center policy and procedures, inadequate pharmacy administration oversight for controlled substances, the culture within the pharmacy, and lack of a fully functional controlled substance inspection program.

Specific items the Board substantiated that increase vulnerability are:

- Inadequate accountability for returned medication;
- Returned medications are not processed for destruction in a timely manner and do not follow a clear chain of custody;
- The excessive length of time it took to correct a problem once identified;
- The existence of “do not count” bottles was identified to pharmacy management on October 30, 2012, but was not appropriately processed until December 1, 2012. In addition, no one from pharmacy management went into the vault and physically viewed the bottles or questioned what was occurring;
- Existence of stock (“do not count” bottles) not included in the inventory;
- Actual physical counts are not completed as part of the 72-hour inventories;
- Pharmacist oversight of receipt of controlled substances;
- Pharmacy staff do not question things that should not be occurring;
- Pharmacy staff and the CSC do not believe that anyone would divert a medication;
- The CSC was not aware of all the requirements in the VHA Handbook for the inspection program; and
- CSIs could not describe how to properly conduct a pharmacy inspection even after shown the inspection form they completed.

The Board did not review inspection reports or dispensing and administration of controlled substances in the inpatient setting, and therefore, cannot conclude if an increased risk exists there.

**Summary of recommendations based upon the above-stated conclusions:**

1. The West Palm Beach Pharmacy staff must immediately cease returning medications to stock that have been previously issued to patients or returned in the mail, and the Chief of Pharmacy must develop a system of review to ensure employees are following policy.
2. The West Palm Beach Chief of Pharmacy must develop a system that tracks chain of custody of returned controlled substance mailed packages from the warehouse to final disposition (e.g., destroyed or re-mailed to the patient) on one log versus two separate logs. At minimum, this log should include: date received in warehouse and signature of warehouse staff; UPS tracking number; date warehouse delivered to pharmacy and signature of pharmacy staff receiving; patient name; prescription number; drug/strength/quantity; and date of disposition and final disposition (written up for destruction or re-mailed to the patient). Chief of Pharmacy must develop a quality measure that includes physical review on an ongoing basis to ensure process is working and staff is following proper procedures and timeframes.
3. Immediately stop the process of using “do not count” containers and ensure all medications stocked in the vault are included in the inventory.
4. The Chief of Pharmacy must put into place a system of physical review and spot checks of the inner vault, vault inventory, and procedures by a supervisory pharmacist.

5. The Chief of Pharmacy must put into place a system of measureable, ongoing competencies that will demonstrate that technicians, pharmacists, and supervisors involved in controlled substance accountability and dispensing receive adequate training and know and follow VHA policy and Drug Enforcement Administration (DEA) regulations for controlled substance management.
6. The Chief of Pharmacy must require staff to identify and report processes that are not in compliance with policy and develop a positive culture where staff can question practices without fear of reprisal.
7. Human resources should provide training to pharmacy managers on procedures for detailing staff.
8. The medical center director must ensure the CSC is knowledgeable regarding all the requirements of the controlled substance inspection program.
9. The medical center director must ensure CSIs are properly trained and competent to perform inspections.
10. The CSC should cease conducting all inspections himself every other month and instead use inspectors.
11. The medical center director and Chief of Pharmacy should heighten awareness about diversion and empower staff to question and report any suspicions in a non-punitive culture. There is still a need to verify processes in a trusting culture as this is a high risk area.
12. The facility director should consider the need for Pharmacy Benefits Management (PBM) staff to provide on-site training for pharmacy and inspection program staff on the management of controlled substances and the controlled substance inspection program.
13. Appropriate disciplinary or other administrative action should be considered with respect to the Outpatient Pharmacy Vault Technician for not following medical center policy and to the Outpatient Pharmacy Supervisory Technician for not following medical center policy and to the Chief of Pharmacy for not providing adequate supervisory oversight of the vault activities and not following VA-AFGE Master Agreement for employee details.
14. Appropriate disciplinary action or other administrative action should be considered regarding the first level supervisor of <sup>(B)(6)</sup> [REDACTED] for failing to follow the VA-AFGE Master Agreement for employee details. This additional recommendation is included commensurate with the Addendum to the AIB Report received per receipt of the additional information requested of the Board and the legal review for compliance with VA Directive 0700 and VA Handbook 0700 – Certification by the Convening Authority.

**Summary of corrective actions taken based on the above-stated recommendations:**

1. The West Palm Beach pharmacy staff must immediately cease returning medications to stock that have been previously issued to patients or returned in the mail, and the Chief of Pharmacy must develop a system of review to ensure employees are following policy.

a. On January 10, 2013, the AIB concluded its on-site work. On January 11, 2013, the Pharmacy Chief was detailed out of the role pending the outcome of the investigation. He was provided a formal detail memo reflecting the change. His office space was formally relocated to the 2<sup>nd</sup> floor and his pharmacy access was removed. The Associate Chief of Pharmacy from Orlando was detailed to the West Palm Beach VAMC from January 22, 2013, through March 22, 2013. He effectively assessed the highest priority items, developed the necessary infrastructure to allow sustained improvement, and developed the Associate Chief of Pharmacy at the West Palm Beach VAMC to prepare her to assume leadership when he departed on March 22, 2013.

b. On January 14, 2013, Outpatient Pharmacy leadership including the Associate Chief of Pharmacy and the Outpatient Pharmacy Supervisor were furnished with applicable VHA Handbooks (1108.01 and 1108.02) and local policies related to appropriate management of controlled substances and were verbally instructed to review these documents as well as complete Talent Management System-based controlled substance training to ensure that policies are being followed. By January 22, 2013, both the Outpatient Pharmacy Supervisor and the Associate Chief of Pharmacy were given memos outlining these assignments and were given until January 31, 2013, to complete the work. Both the Outpatient Pharmacy Supervisor and the Associate Chief of Pharmacy formally completed the work on time and signed a memo reflecting completion on January 31, 2013.

c. Between January 18, 2013, through January 25, 2013, all Outpatient Pharmacy Pharmacists and all Outpatient Controlled Substance Technicians were furnished with VHA Handbook 1108.01 and local policies related to appropriate management of controlled substances. All Outpatient Pharmacy Pharmacists and all Outpatient Controlled Substance Technicians received this information both verbally and in a memo outlining these assignments. All staff provided a memo back to the Associate Chief that assignments were completed by February 8, 2013.

d. The ability to perform a return to stock was removed from all Outpatient Pharmacy Controlled Substance Technicians. Only the Outpatient Pharmacy Supervisor and Lead Pharmacist perform this function. Medications that are returned from the patient or via the mail are processed for destruction and never returned to stock. Medications that are returned to stock are only those medications that never left the Outpatient Pharmacy.

*All above actions have been completed and are currently in place as stated.*

2. The West Palm Beach Chief of Pharmacy must develop a system that tracks chain of custody of returned controlled substance mailed packages from the warehouse to final disposition (e.g., destroyed or re-mailed to the patient) on one log versus two separate logs. At minimum,

this log should include: date received in warehouse and signature of warehouse staff; UPS tracking number; date warehouse delivered to pharmacy and signature of pharmacy staff receiving; patient name; prescription number; drug/strength/quantity; and date of disposition and final disposition (written up for destruction or re-mailed to the patient). The Chief of Pharmacy must develop a quality measure that includes physical review on an ongoing basis to ensure the process is working and staff is following proper procedure and timeframes.

a. On February 7, 2013, the Acting CSC, Acting Chief of Pharmacy, and Acting Chief of Logistics revised the current Pharmacy Service Policy to improve documentation of the chain of custody of returned controlled substance mailed packages. Logistics and Pharmacy have maintained separate logs, but the two documents are reconciled and saved in their respective services for audit. After a more thorough review of the AIB findings received on February 25, 2013, Pharmacy and Logistics are in the process of creating one log that will be used to track the chain of custody of returned controlled substance mailed packages from the warehouse to its final disposition. This was concluded April 9, 2013.

b. The CSIs will verify the use of a single log and reconciliation of information on the single log during their monthly unannounced controlled substance inspection of the outpatient vault. The CSIs will also verify the final disposition of any medications documented as "destroyed" on this log. The Acting CSC has included this reconciliation as a part of the checklist to be completed by the CSIs, and will also track the information in the CSC monthly report to the quad. This process is effective and in place as of April 11, 2013.

c. In order to safe guard against controlled substances being returned by means outside of the logistics/pharmacy chain of command, on January 31, 2013, pharmacy distributed correspondence electronically to all pharmacy staff, medical staff, Facility Service Chiefs, Medical Service Chiefs, Nursing Service, and Leadership rescinding the local standard operating procedure titled "Return of Controlled Substances to Pharmacy for Destruction." All actions have been completed and are currently in place as of January 31, 2013.

*All actions have been completed and are currently in place as stated.*

3. Immediately stop the process of using "do not count" containers and ensure all medications stocked in the vault are included in the inventory.

a. The use of "do not count" containers does not adhere to VAMC policy.

b. On January 15, 2013, during a 100-percent count of the outpatient pharmacy vault stock completed by VISN 8 PBM, Acting CSC, Associate Director, Acting Chief of Pharmacy, and outpatient pharmacy management team members, the VISN 8 PBM trained all attendees on the appropriate manner in which to conduct a 72-hour count. The VISN PBM also trained attendees on who is appropriate to complete the 72-hour count.

c. On January 15, 2013, the use of "do not count" containers was immediately stopped. Seventy-two hour counts were being overseen by pharmacists, not pharmacy technicians.

d. CSIs are conducting inspections within the vault and verifying that "do not count" containers are not in use. This process is effective and in place as of January 10, 2013.

*All actions have been completed and are currently in place as stated.*

4. The Chief of Pharmacy must put into place a system of physical review and spot checks of the inner vault, vault inventory, and procedures by a supervisory pharmacist.

a. On January 15, 2013, the Outpatient Pharmacist Supervisor began participating in the 72-hour count of the outpatient pharmacy vault to ensure that procedures are being followed. The Outpatient Pharmacist Supervisor participates in the 72-hour inventory on Tuesdays and the Lead Pharmacist participates on Fridays. There is one designated back-up pharmacist who participates in the 72-hour inventory if the Outpatient Pharmacist Supervisor or Lead Pharmacist is on leave for their assigned day.

b. All 72-hour inventory discrepancies are immediately reported to the Chief of Pharmacy.

c. On January 18, 2013, Outpatient Pharmacy Vault Technicians were re-aligned under the Outpatient Pharmacist Supervisor from the Pharmacy Technician Supervisor.

*All actions have been completed and are currently in place as stated.*

5. The Chief of Pharmacy must put into place a system of measureable, ongoing competencies that will demonstrate that technicians, pharmacists, and supervisors involved in controlled substance accountability and dispensing receive adequate training and know and follow VHA policy and DEA regulations for controlled substance management.

a. VHA Handbook 1108.01 and local policies related to the management of controlled substances have been provided to all technicians, pharmacists, and supervisors working in the outpatient pharmacy vault. Confirmation memos were received from all staff that assignments were received and read. Pharmacy will update annually and include in the individuals competency folder.

*All has been completed and is in place as stated.*

6. The Chief of Pharmacy must require staff to identify and report processes that are not in compliance with policy and develop a positive culture where staff can question practices without fear of reprisal.

*Action in this regard is pending.*

7. Human resources should provide training to pharmacy managers on procedures for detailing staff.

a. On April 18, 2013, human resources provided this training to pharmacy managers on procedures for detailing staff.

*All training has been completed as stated.*

8. The medical center director must ensure the CSC is knowledgeable regarding all the requirements of the controlled substance inspections program.
  - a. On January 11, 2013, the CSC was detailed out of the CSC role and a Registered Nurse was identified as Acting CSC. On January 15, 2013, the Acting CSC was formally detailed into the position and dedicated to the CSC role 50 percent of the time.
  - b. On January 14, 2013, the Associate Director provided the Acting CSC a list of all VA directives and medical center and service policies related to controlled substances and communicated the expectation that the Acting CSC would complete Talent Management System-based CSI and CSC training. On January 16, 2013, the Acting CSC confirmed completion of the Talent Management System-based training and reviews of all applicable documents as described above.
  - c. As of April 5, 2013, the Acting CSC remains in the role and has expressed interest in the role being a permanent collateral duty. Upon completion of the AIB/OSC review, a permanent CSC will be announced and selected.

*All actions have been completed and are currently in place as stated.*

9. The medical center director must ensure CSIs are properly trained and competent to perform inspections.
  - a. On January 18, 2013, the Acting CSC was charged with re-training the existing CSIs and solicited for new CSIs to expand the pool. With one exception, the existing CSIs completed Talent Management System-based CSI training by January 31, 2013. One remaining existing CSI completed the training on February 20, 2013. All existing CSIs also received face-to-face training with the Acting CSC on January 18, 2013.
  - b. By January 31, 2013, the Acting CSC chose 3 additional CSIs. All completed their Talent Management System training on February 1, 2013, and had a 4-hour face-to-face orientation with the Acting CSC on February 15, 2013.
  - c. The Acting CSC participated in controlled substance inspections with all of the existing and new CSIs during February and March 2013 to assess competencies. In addition, the new CSIs have completed at least one inspection with an experienced CSI.
  - d. The Acting CSC has developed a competency form and documented competencies on all current CSIs. This competency form will be maintained by the Acting CSC and updated annually.

*All actions have been completed and are currently in place as stated.*

10. The CSC should cease conducting all inspections himself every other month and instead use inspectors.

a. Process stopped on January 11, 2013. The Acting CSC did personally complete inspections of the outpatient (January 15, 2013) and inpatient (January 15, 2013, and January 29, 2013) pharmacy vaults with the VISN PBM and Acting Chief of Pharmacy to oversee the transfer of custody to the Acting Chief.

b. The Acting CSC also completed at least one inspection with each of the existing and new CSIs during the months of January, February, and March 2013 to confirm and document competencies. As of April 25, 2013, all new CSIs have completed the inspections.

*All actions have been completed and are currently in place as stated.*

11. The medical center director and Chief of Pharmacy should heighten awareness about diversion and empower staff to question and report any suspicions in a non-punitive culture. There is still a need to verify processes in a trusting culture as this is a high risk area.

*Action in this regard is pending.*

12. The facility director should consider the need for PBM staff to provide on-site training for pharmacy and inspection program staff on the management of controlled substances and the controlled substance inspection program.

a. Between January 11, 2013, and January 18, 2013, the VISN PBM provided on-site support and training to leadership and pharmacy staff regarding the management of controlled substances. This is an ongoing process. Commensurate with the on-site support and training in January, the VISN PBM has agreed to return in June 2013 for additional training and to check on the status of the West Palm Beach pharmacy processes.

*All has been completed and is in place as stated,  
with note that follow-up training and support will take place in June 2013.*

13. Appropriate disciplinary or other administrative action should be considered with respect to the Outpatient Pharmacy Vault Technician for not following medical center policy and to the Outpatient Pharmacy Supervisory Technician for not following medical center policy and to the Chief of Pharmacy for not providing adequate supervisory oversight of the vault activities and not following VA-AFGE Master Agreement for employee details.

*Action in this regard is pending.*

14. Appropriate disciplinary action or other administrative action should be considered regarding the first level supervisor of <sup>(B)(6)</sup> for failing to follow the VA-AFGE Master Agreement for employee details. This additional recommendation is included commensurate with the additional information requested and received from the Board and the legal review for compliance with VA Directive 0700 and VA Handbook 0700 – Certification by the Convening Authority.

*Action in this regard is pending.*

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## **Attachments**

- (1) Medical Center Memorandum 548-119-335 dated, April 7, 2012.
- (2) FDA's Compliance Policy Guidance CPG Section 460.300 on Return of Unused Prescription Drugs (January 2010).
- (3) VHA Handbook 1108.01 and .02, Controlled Substances (Pharmacy Stock).
- (4) VA Handbook 7002, Logistics Management Procedures.

DEPARTMENT OF VETERANS AFFAIRS  
MEDICAL CENTER  
WEST PALM BEACH, FLORIDA

MEDICAL CENTER MEMORANDUM  
NUMBER: 548-119-335  
APRIL 7, 2012

**CONTROLLED SUBSTANCES, STORAGE, DISTRIBUTION, ADMINISTRATION AND  
ACCOUNTABILITY**

1. **PURPOSE:** To establish a system that maintains accountability for the ordering, dispensing, administration and inventory of controlled substances.

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2. **POLICY:** All controlled substances are delivered directly to the Pharmacy Service in unopened containers from the Prime Vendor or from VA Warehouse Staff. The opening and acknowledgment of receipt of CII-CV drugs will be performed in the pharmacy and witnessed by the Accountable Officer (AO). Note: Methadone is received by the Accountable Officer and a Registered Pharmacist.

A. All controlled drugs issued to the pharmacy are received in the inpatient main pharmacy vault by the pharmacy controlled substances technician or designee. Methadone will be signed for by the inpatient pharmacy supervisor or pharmacist designee. These drugs are dispensed from this vault upon receipt of an order, to the outpatient vault, pharmacy PYXIS or PYXIS machines, nursing units, and medical center clinics.

B. Only a practitioner who is credentialed and privileged at the West Palm Beach VAMC and who is authorized by VA Regulation and Federal Law, may prescribe controlled drugs for patients in the course of his/her practice. Fee basis physicians who are authorized by individual DEA licensure to prescribe controlled substances may prescribe controlled substances to their VA Fee Basis patients.

(1) Inpatient

(a) Schedule II narcotics will be ordered through CPRS using authorized provider's electronic signature. Orders for Schedule II narcotics will be written for a period not to exceed 72 hours, (provider may specify up to 14 days without renewal in Extended Care and Blind Rehab).

(b) Schedule III through V controlled substances will be ordered through CPRS, using the authorized provider's electronic signature. These drugs will be written for a period not to exceed 7 days, (provider may prescribe up to 30 days without renewal in Extended Care and Blind Rehab).

(2) Outpatient

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(a) Schedule II controlled substances will be ordered on VA form 10-2577F and entered electronically through CPRS using the authorized provider's electronic signature. These drugs will be written for a period not to exceed 30 days with no refills.

(b) Schedule III through V controlled substances will be ordered via CPRS, using electronic signature.

C. The Electronic Medical Record (EMR) blocks midlevel providers (ARNP, CNS, PharmD, PA) from being the issuing provider/signer for all controlled substance orders. However, midlevel providers are allowed to electronically assign the name of a provider legally allowed to write and sign for controlled substances. This process is done via CPRS GUI. This order will then require the electronic signature of the legally responsible provider and will not have active status until said signature is completed.

D. Only licensed personnel whose scope of practice, duties and responsibilities include medication administration may administer controlled substances.

E. Administration of controlled substances will be in compliance with general medication guidelines and hospital policies.

### 3. PROCESS:

A. Definition: A controlled substance is any drug, which falls under the jurisdiction of the Controlled Substance Act. These drugs are categorized in accordance with their potential for abuse and are divided into five schedules. Examples of medications in each category include the following:

(1) Schedule II

(a) Narcotics: Cocaine, codeine, hydromorphone, fentanyl, alfentanil, sufentanil, levorphanol, meperidine, morphine, opium products, methadone, and oxycodone with acetaminophen.

(b) Stimulants: Dextro-amphetamine and methylphenidate

(c) CNS Depressants: Secobarbital

(2) Schedule III

(a) Narcotics: Acetaminophen with codeine (Tylenol No.3®), paregoric, dronabinol

(b) Non-Narcotics: Pentothal and Anabolic Steroids (Methyl testosterone, Testosterone Enanthate Inj., and Testosterone Cypionate Inj.), Pentobarbital, Testosterone gel, Testosterone patch

(3) Schedule IV Non-Narcotics: Alprazolam, chloral hydrate, chlordiazepoxide, diazepam, clonazepam, paraldehyde, phenobarbital, temazepam, clorazepate, lorazepam, and midazolam

(4) Schedule V Drugs in this schedule include  
Diphenoxylate and atropine tablets and liquid, Guaifenesin with Codeine Elixir

(5) Ethyl Alcohol

B. Receipt in Pharmacy:

(1) All controlled substances will be received by the pharmacy controlled substance technician or designated backup into the main pharmacy vault, located in the inpatient pharmacy.

(2) Upon receipt of Schedule II controlled substances, the inpatient controlled substance technician or backup will, along with the accountable officer from the Logistics Service will open, inspect, and verify the contents and quantities of narcotics received either from the Prime Vendor or directly from a company. VISTA will provide a copy of the invoice received and will be given to the accountable officer from Logistics to verify against wholesaler receipt (DEA 222 form).

(3) Orders of CII - CV's are received and checked in by the AO and the Controlled Substance Technician. Orders will be entered into VISTA perpetual inventory by the back up or designee. Note: Methadone is received by the Accountable Officer and a Registered Pharmacist.

(4) Controlled substances needed to meet the prescription requirements in the outpatient pharmacy, will be ordered by the technician in charge of the outpatient vault through a "priority" e-mail and transferred to the outpatient vault.

C. Storage:

(1) Pharmacy

(a) The bulk of the controlled substance stock will be stored in the main vault located in the inpatient pharmacy. Access to the inner portion of this vault should be limited to the inpatient pharmacy controlled substances

technician, his/her designated backup, the Chief of Pharmacy, the inpatient pharmacy supervisor and the inpatient pharmacy technician supervisor. The vault will be locked from 6:00pm (1800) to 6:30am (0630) on weekdays and will not be opened on weekends.

(b) A working stock of controlled substances will be kept in the vault located in the outpatient pharmacy. Access to the inner portion of this vault will be limited to the controlled substances, Lead technician, assigned pharmacist, outpatient controlled substances technician(s) and his/her designated backup, the Chief of Pharmacy, the outpatient pharmacy supervisor, and the outpatient technician supervisor. The vault will be locked at 5:30pm (1730) to 6:00am (0600) on weekdays and will not be opened on weekends.

(c) A small stock of those controlled substances that are likely to be requested during off tours, (those tours between 6:00pm and 6:30am during the week, and all weekend tours) will be stored in an automated narcotic-dispensing machine (PYXIS), located in the inpatient pharmacy.

(2) Areas Outside of the Pharmacy:

(a) All scheduled drugs are stored in an automated narcotic dispensing machine, in a double locked drawer of a unit dose medication cart, or in a double locked cabinet.

(b) All controlled drugs (Schedule II through V) not stored in an automated dispensing machine (Pyxis) will be counted and certified correct by the oncoming and off going licensed professional staff on each tour of duty. Both staff members performing the count will sign and date the VA form 10-1043 or equivalent (electronic green sheet). On those nursing units that have an automated dispensing machine, weekly inventories will be conducted by assigned nursing staff.

(c) The keys to the medication carts and/or medication room are kept in the possession of authorized personnel or in the PYXIS system and must be on the unit at all times.

D. Ordering of Controlled Substances: All controlled substance stock for nursing units, clinics, and the Nursing Home Care Unit (NHCU) not found in the PYXIS machine will be ordered by nursing personnel through the VISTA Controlled Substances Package. The controlled drugs will be ordered by 0900, for delivery the same day by pharmacy. Those controlled substances found in the PYXIS machines will be automatically replenished by pharmacy. The unit nurse manager is responsible for maintaining minimum, appropriate amounts of controlled substances on his/her unit.

E. Dispensing of Controlled Substances:

(1) Outpatients

(a) The person filling each Class II prescription will draw a line diagonally across its face. Each controlled substance (C-II, C-III, C-IV and C-V) prescriptions will be double counted. The person filling the prescription will write the date, count, manufacturer, expiration date and his/her initials on the back of a C-II prescription and on the "check slip" for a C-III, C-IV and C-V prescription. The person doing the double count will write his/her signature on the face of the C-II prescription and his/her initials on the "check slip" for a C-III, C-IV, C-V prescription. Those controlled substances that have been prepackaged will be double counted at the point of prepackaging. A registered pharmacist will check all prescriptions filled in the pharmacy prior to dispensing.

(b) After the prescription is filled/checked, the pharmacist who checked it will take the sealed bag to the Pyxis at the pick-up window. He/she will put the bag into the Pyxis using the "Return Function", entering the patient's full name and designating the proper drawer where it is to be place. If the patient's name cannot be found, the patient will then be entered manually into Pyxis and a unique identifier will be automatically created. Each patient must be entered individually.

(c) Pharmacy staff will verify the identity of the person picking up the outpatient controlled substance prescription by means of the patient's full social security number and either the patients VA card or a picture ID, such as a driver's license. The patient or his agent must sign the prescription-filling document as proof of the patient receiving the drug.

(d) Any controlled substance prescription awaiting patient pickup will be locked in a PYXIS in the pharmacy pick up area. If the patient has not picked up his prescription by 5:30pm (1730), the prescription will be taken to the vault the next morning by the earliest arriving technician. The bag will be removed from the Pyxis using the "Remove Function". Each bag will be removed individually by entering the patient's name and then designating the drawer from which it was removed. All patients and their prescriptions will be recorded in a ledger and signed into the vault by the technician and the vault designee. If a patient has not picked up his controlled substance prescription within fourteen days, the medication will be returned to stock by the pharmacist or technician receiving returned prescriptions and entered back into inventory by the controlled substances technician.

(e) If a patient requests that his Schedule II narcotic prescriptions be mailed to him/her, the prescription must be sent using the facility's current contracted small

package delivery service provider (e.g. UPS, Federal Express). If the patient comes to pick up his medication after it has been returned to the vault for storage, procedures listed above in Section e.1.c will be followed and the person removing the prescription(s) from the vault will record the prescription(s) in the vault ledger. The vault ledger will be double checked and initialed by the vault technician.

(2) Inpatient:

(a) Both the technician delivering the narcotic not contained in the PYXIS machine and the authorized personnel (RN's, LPN's, GNT's with licensed RN personnel oversight, MD's, Anesthesiologists, RPh's, Pharmacy techs with licensed personnel oversight) receiving the narcotic will sign the Narcotic Dispensing Receiving Report, VA Form 10-2321, generated by the VISTA Controlled Substances package. Controlled substances are distributed either through automated dispensing devices (PYXIS) or with green sheets (VAF 10-2638) or equivalent (electronic green sheet) for those drugs not found in the PYXIS machine.

(b) Each controlled substance not in the PYXIS machine dispensed to a nursing unit will have a Controlled Substance Administration Record, VAF 10-2638 (or equivalent, electronic green sheet dispensed with it. This sheet contains the name of the drug, the pharmacy dispensing number, the quantity, the pharmacist who dispensed the drug, the ward and the date the drug was dispensed. This sheet requires the following administration documentation: date, time, name of patient, the dose administered, the balance of the drug, and the name of the person administering the dose. Each order will be double-checked and signed by a registered pharmacist.

(c) The physician will order controlled substance IV infusions (i.e. Morphine Drip Orders) through CPRS. The pharmacist receiving this order will verify the order through the Controlled Substances package in VISTA. After the infusion has been prepared, the pharmacist will log any unused portion of the drug as wasted in PYXIS or the green sheet (equivalent electronic green sheet), which has been printed for the infusion. The pharmacist will then transfer the green sheet or equivalent (electronic green sheet) and drug to the requesting narcotic area of use.

F. Disposition of Expired or Excess Controlled Substance:

(1) All expired or excess Controlled Substances will be stored in the inpatient/outpatient pharmacy vault until final disposition is made.

(2) Pharmacy Service will establish an "unusable controlled substance ledger" through the Controlled Substance Destruction Menu option in the Controlled Substances VISTA package. The inpatient controlled substance technician or designated backup will use DEA Form 41, Registrants Inventory of Drug Surrender, or other appropriate form.

(3) All controlled substances returned from ward, clinic, patient or from pharmacy stock that is determined unusable and to be destroyed will be posted on the Controlled Substance Destruction menu in VISTA with appropriate information indicated in the Controlled Substance Destruction menu. The narcotics inspector will check the "Drugs on Hold for Destruction" report in VISTA and the sealed bags of the unusable controlled substances monthly. The inspector will verify the accountability of the sealed bags. The contents must be verified at the time of destruction or transfer to a DEA-licensed destruction company.

(4) Excess controlled substances on wards and clinics must be returned to Pharmacy Service for redistribution, or destruction. Items determined unsuitable for reissue by Pharmacy Service will be accepted in the pharmacy only for storage purposes, prior to acceptance by the DEA-licensed destruction company.

(a) The authorized pharmacy employee must check the alleged controlled substances in the presence of an authorized RN, or other health care professional, and must place each item returned in a separate tamper proof bag. The pharmacy employee must follow all procedures outlined in the VISTA controlled substances package, including:

1 The date, name of substance "believed" or "purported" to be returned, and the quantity of the substance must be written in ink or typewritten on each bag .

2 Each bag must be dated, sealed, and signed by the authorized pharmacy employee and RN.

3 The closure of the tamper proof bag must be reinforced with clear cellophane tape covering the signatures.

4 The sealed drugs must be stored in the pharmacy safe, or vault, apart for other drugs or current stocks in a drop box.

5 The VISTA controlled substances

package must post the unusable controlled substance in the database.

(b) Excess or unusable controlled substances must be removed from pharmacy's stock and posted in the Controlled Substance Destruction file in VISTA. The date, reason, and amount removed from pharmacy stock must be indicated in the VISTA Controlled Substance Package on VA Form 10-2320. Each item removed from stock must be placed in a tamper proof bag as described, and must be signed by the Pharmacy Service designee and the pharmacist. The electronic VA Form 10-2320 must be stored in the VISTA Controlled Substance Package.

(c) Controlled substances returned by U.S. Postal Service as undeliverable will be destroyed. Those not picked up by patients at the pharmacy window will be returned to pharmacy stock. VA Form 10-2320 will show date, prescription number, patient's name, quantity returned to stock, and inventory adjustment. A Staff Pharmacist and Control Substance Tech will sign on the next unused line as witness to the transaction. The patient's prescription will be marked "returned to pharmacy stock", dated, and signed by the staff pharmacist and control substance tech.

(d) Controlled substances not picked up by patients at the pharmacy window after fourteen days, must be returned to pharmacy stock if determined to be suitable for reissue. Electronic VA Form 10-2320 must show the date, prescription number, patient's name, quantity returned to stock, and inventory adjustment. A Staff Pharmacist and Controlled Substance Tech must sign on the next unused line as witnesses to the transaction. The patient's prescription must be marked "returned to pharmacy stock", dated, and signed by the pharmacist in the VISTA Controlled Substance Package.

(e) Controlled substances returned to the pharmacy by the patient, or family member must be placed in a tamper proof bag, one item per bag as described in subparagraph 4a. A Staff Pharmacist and Control Substance Technician must sign the bag. All items must be posted in the VISTA Controlled Substances Package to be destroyed.

(f) Controlled substances that are collected from a patient by a provider in the outpatient clinics should be secured and delivered to pharmacy in the following fashion: Both the provider and a nurse will double count the controlled substance and place it in a tamper proof bag with the signature of both

individuals and the quantity of controlled substance written on the outside of the bag. These bags are stocked in each medication room in the outpatient clinics by the pharmacy service. The provider should enter a progress note in the patient's chart documenting the controlled substance and quantity that was collected. The controlled substance should be delivered to the Outpatient Pharmacy by the nurse as soon as possible. The nurse will be escorted into the Outpatient Pharmacy Vault where the bag will be opened in the presence of the nurse, double counted by a pharmacy employee in the vault, and placed in a new tamper proof bag. The controlled substance and the quantity will be entered on VA Form 10-2321 and signed by both the nurse and the pharmacy employee. This form will be attached to the outside of the tamper proof bag. This bag should be placed in the drop box located in the Outpatient Pharmacy Vault, in the presence of the nurse, where it will be held until it is picked up for destruction by the facility's contracted third party distributor authorized to destroy controlled substances.

(5) Disposal of excess of expired Schedule III, IV, and V substances must be in accordance with DEA Regulation, 21 CFR 1307.21. The use of a third-party distributor, authorized to destroy controlled substances, is sanctioned.

(a) When a distributor authorized to destroy controlled substances is utilized, the transfer of items for destruction needs to include, for the record, in writing, the: drug name, dosage form, strength, quantity, and date of transfer. The distributor must provide a completed DEA Form 41 to DEA Headquarters.

(6) The unusable controlled substances ledger must be "cleared" of inventory accountability once the disposal of an item has been rendered. When use of a third-party distributor is facilitated, the distributor needs to provide a copy of all Controlled Substances on the ledger that were taken into custody destruction.

(7) Nursing units, PYXIS procedure areas, and clinics excess:

(a) When a smaller dose of a medication is ordered than the unit dose provided, it may be necessary to "WASTE" a part of the schedule II through V narcotic on the unit or in the clinic.

(b) Two (2) entries will be made on the VA Form 10-2638 or electronic green sheet. The first entry will be the dose given (25mg) of a 50mg dose and the second entry will be the amount wasted (25mg wasted).

(c) PYXIS wasting is the same procedure as manual with two witnesses, done through PYXIS by licensed personnel.

(d) An RN or LPN may waste a partial dose of a Schedule II through V narcotic substance. Another licensed employee must witness the wasting of the dose. The amount wasted will be disposed of in an appropriate manner that renders it unusable.

(8) Patient controlled meds returned to pharmacy upon admission to a ward are to be placed in a medication security bag (non see-through). Each drug should be counted, sealed and patient name, I.D., ward, drug name, amount of drug and nursing signature should appear on the front of the bag. The bag should be sent to pharmacy via pharmacy personnel or nursing staff. A numbered receipt on the top of the bag is to be torn off and retained by nursing after delivery. All drugs (controlled and non-controlled) will be kept in the home med PYXIS until patient leaves the hospital.

#### G. Loss of Controlled Substances:

(1) In case of accidental loss, breakage or destruction of small quantities of Schedule II through Schedule V substance (single dose), the appropriate controlled substance record must be balanced and a brief explanation of the circumstances entered into the electronic inventory management software.

(a) At the earliest opportunity, entries and explanations must be signed by the person responsible for the loss or breakage and must be called to the attention of the immediate supervisor. **NOTE: All balance adjustments must be reviewed during the monthly inspection process.**

(b) If the explanation is not considered satisfactory by the immediate supervisor, the incident must be reported to the facility Director for investigation and to implement the action needed to prevent reoccurrence.

(c) The inventory management program allows a brief explanatory statement to be entered electronically with the adjustment.

(2) In cases of recurring shortages, loss of significant quantities of Schedule II-V substances (several doses), or if there is indication of theft, a report must be made to the Chief

of Police, and a DEA Form 106, Report of Theft or Loss of Controlled Substances, must be completed in accordance with 21 CFR 1301.74. The inspecting official must report such losses disclosed during monthly inspections to the Controlled Substance Coordinator, who forwards the information to the facility Director.

(3) Any suspected theft, diversion or suspicious loss of drugs must be immediately reported to the Chief of Pharmacy Service, who notifies the facility Director.

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(4) This facility Director must, in turn, notify the Police and Security Service and the Office of the Inspector General (Office of Investigation).

(5) The facility must report the theft, loss, or suspected diversion of any controlled substance, or high-value drug, through the Network Director to the Chief Consultant, PBM SHG (119). The following information must be included in this report:

- (a) Date(s) or approximate date(s) of each incident
- (b) Description of each action planned or taken to prevent future loss/theft of drugs
- (c) Date each action was completed
- (d) For each incident in which a drug was stolen or lost, provide:

- 1 Generic name of each controlled substance schedule, if appropriate, and the total quantity for each drug stolen or lost;
  - 2 Date on which this facility initially became aware of the theft or loss;
  - 3 The means by which the facility first became aware of the theft or loss;
  - 4 The service that initially discovered the theft or loss;
  - 5 The service that initially reported the theft or loss;
  - 6 Each agency known to have investigated the theft or loss;
  - 7 List all law enforcement agencies (FBI, DEA, local and state police, VA police, etc.) to which the VA reported the incident;
  - 8 Indicate the category of the suspect, if known, such as current VA employee, former VA employee, current VA patient, former VA patient, current VA volunteer, former VA volunteer, or unknown;
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9 If the suspect identified was a VA employee, provide the suspect's employment class, employment series, grade, and occupational group;

(7) In case of suspected loss by substitution, the Medical Center Director must direct a qualified analyst to analyze the suspected material. Adjustments must be made in the appropriate record by the facility Director, or designee, for quantities used in the testing procedure. If substitution is confirmed, an immediate investigation must be conducted and the loss must be reported as outlined in **subparagraphs G3 and G4**.

(8) Upon completion of the investigation, quantities of Schedule II through Schedule V substances lost for analysis, or otherwise removed from stock in connection with the investigation involved, must be dropped from the record with an appropriate written explanation opposite the entry. Records must be balanced and the facility Director, or designee, (Controlled Substances Inspector) must sign all entries and explanatory remarks.

#### **4. RESPONSIBILITY:**

A. The Chief, Pharmacy Service, is responsible for ensuring compliance with the policies as established by VA regulations, federal laws, and local standard in the maintenance and distribution of controlled substances. He/she delegates authority to appropriate pharmacy personnel to ensure safe inventory and tracking of controlled substances.

B. The Associate Director for Nursing Service is responsible for proper administration of controlled substances by nursing personnel, care of patients receiving a controlled substances, protection of the nursing staff and patients, ensuring that controlled substance inspections are done when inspectors report unannounced to the nursing units and clinics, and for ensuring education regarding controlled substances regulation and administration.

C. The Controlled Substances Coordinator is responsible for reporting any suspected thefts, diversion or suspicious loss to the Medical Center Director.

D. The Chief, Police Service is responsible for the investigation of all reports of suspected or actual thefts or diversion of controlled substances.

E. Pharmacists are responsible for implementation of the controlled substance policies and for compliance with all regulatory agency requirements.

F. Authorized personnel are responsible to administer the controlled substances accountability and to assure the integrity of system.

5. REFERENCES:

- M-2, Part I, Chapter 2, paragraph 2.05
- M-2, Part VII, Chapter 5, paragraphs 5.09 and 5.10
- M-2, Part VII, Chapter 10

6. FOLLOW-UP RESPONSIBILITY: Chief, Pharmacy Service (119).

7. RESCISSION: MCM 548-119-335, Controlled Substances, Storage, Distribution, Administration and Accountability, APRIL 7, 2012

8. EXPIRATION DATE: April 7, 2015

  
Deepak Mandi, MD for

Charleen R. Szabo, FACHE  
Medical Center Director

Attachments: A - GUIDELINES FOR OPERATOR USE OF THE AUTOMATE  
MEDICATION DELIVERY SYSTEM (PYXIS)

DEPARTMENT OF VETERANS AFFAIRS  
MEDICAL CENTER  
WEST PALM BEACH, FLORIDA

MEDICAL CENTER MEMORANDUM  
NUMBER: 548-119-335  
APRIL 7, 2012  
ATTACHMENT A

GUIDELINES FOR OPERATOR USE OF THE AUTOMATED MEDICATION DELIVERY  
SYSTEM (PYXIS)

**1. GENERAL INFORMATION:**

Authorized licensed personnel will administer and be accountable for controlled substances and unit dose medications, according to hospital policy and the process outlined in this guideline. Controlled substance accountability will be enabled through a four-step level of security plan:

A. Only authorized users will have the ability to access the system.

B. All transactions by operators are recorded in the system.

C. Resource Managers have been identified to evaluate narcotic discrepancies and complete resolution of transaction errors as well as responsibility for monthly Controlled Substance inspections.

D. User will demonstrate competency in use of PYXIS system.

**2. DEFINITIONS:**

A. Automated Medication Delivery System: A computerized System designed to automatically deliver controlled substances to authorized users. The system may be programmed to deliver non-controlled substance unit dose medications. PYXIS is the system in use at West Palm Beach VAMC.

B. Operator: Authorized users who may obtain medications via the PYXIS system. In addition, the operator has the capability of manually admitting patients to the system temporarily. The operator has the capability of conducting the initial resolution of narcotic discrepancies at the time they are encountered. Registered Nurses and Licensed Practical Nurses and Anesthesiologists who have received training and have been issued a PYXIS code fall under this category.

C. Resource Manager-Registered Nurses who, in addition to the operator functions, have the capability to access reports, activate/create **temporary** users, evaluate discrepancies, and inventory the drugs in the PYXIS machine. The nursing staff member has received training as a Resource Manager.

### 3. PROCESS:

#### A. Obtaining medications from PYXIS System

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(1) The operator will sign on system by entering PYXIS ID code and password.

(2) Under "Patient care," touch "Remove". Then select patient's name that appears on the screen, by touching the screen or by using the arrow keys. Either use arrow key or type in a few letters of patient's last name to search for the name. Highlight the name by touching the name selected. If patient is a new admission and name does not appear on local list, select "Add Patient." Ensure that name and social security number are correct.

(3) The patients will routinely be entered into system automatically via VISTA. The census should be checked first to determine if a patient's name and social security number have already been input into the system. If patient's name is not found, it may be temporarily entered manually [see A. (2) above]. Once patient's information is entered, press "Accept".

(4) The selection of drugs available on the system appears under "Patient Care". Touch "Remove". After selecting patient, move arrow key up/down to select drug, or type in a few letters of its name. Select item by touching the screen. Indicate the quantity desired, and then press, "Remove now." The drawer will open at this time. Remove the desired quantity requested. If a multi-dose medication is in drawer, remove requested dose and place remaining amount in drawer.

(5) Screen will require an initial count of controlled substance. It will ask if you agree with count. Touch appropriate button.

(6) Non-controlled substance medications may be available in the PYXIS system. The count will reflect inventory control for pharmacy.

#### B. Witnessing/Documenting Waste

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(1) The operator destroying/discarding the medication will select the waste option under "Patient Care." Choose the patient. The witness will enter in PYXIS code/password, then record the amount of waste after witnessing destruction/wastage.

(2) No opened or partially used medications will be returned to pharmacy.

#### C. Returns

(1) Unused, unopened drugs may be returned to Pyxis/pharmacy by entering the system and selecting return. The operator will select patient, drug, then enter quantity and touch accept. The information will print out a transaction receipt and the drawer will open. A witness is required. The medication is placed in a return drawer or bin in place for returning unopened larger items (i.e.: unopened box with PCA syringe). The drawer should be manually closed at this time.

(2) If a medication is issued, intentionally or unintentionally, and remains unused and unopened, it should be returned using the process described above. Exception: No syringes, except as above, are to be returned. Any syringes removed from tamper proof packaging must be wasted and witnessed as wasted. No attempt should be made to return issued medications to the issuing drawer.

#### D. Discrepancy Documentation

(1) The PYXIS system will show an ICON on screen for discrepancies. The discrepancy will commonly be the result of the last user's transaction. The operator will review the receipt for accuracy. A description of the occurrence will be entered in the discrepancy documentation option. Touch. A comment will be entered into this field when the incident is documented. If the error remains unresolved, the operator will immediately notify a Resource Manager.

(2) The Resource Manager will evaluate the incident as soon as possible. This may require conducting a physical inventory of the drug in question. The incident will be completely resolved by the end of the shift. If unable to resolve, the Resource Manager will notify involved parties (i.e.: pharmacy, nurse, manager, etc.) and resolve as soon as possible.

(3) The Resource Manager may conduct a physical

inventory check by selecting the Inventory icon. A witness (i.e. an operator) will be required for this procedure. Touch the screen option Select by medication. At this time the medication list will appear. After selecting medications to be inventoried, press Inventory selection. Medications selected will appear on screen. At this time, press Accept. The drawer will open at this time and the amount in the drawer will be displayed on the screen. The Resource Manager and the Operator will either confirm what's on hand or change to correct amount. All compartments of the drawer will need to be inventoried at that time. Once completed, the system will prompt you to close drawer. A report of the transaction will automatically be printed. The users will sign out at this time. If the amount in the drawer is incorrect, further investigation of the transaction error will need to be conducted by the Resource Manager.

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(4) Monthly inspection will be conducted by a Resource Manager and the Inspector by selecting the Inventory icon and Inventory All options. Follow the same process outlined above.

#### E. Discrepancy Checks

(1) An operator or Resource Manager will conduct a discrepancy check at the start of each shift (i.e. q8h, q12h) by viewing the Discrepancy Icon on screen. If no discrepancies are listed, this will be recorded on the Shift Report Log as "No" (N) and signed. If there is a discrepancy present, the Resource Manager will complete the discrepancy check yes (y) on the log. Resolution documented then a "No" (N) is appropriate after all resolved.

(2) The Resource Manager will compare the list of discrepancies with the transaction errors. An operator and a witness may do discrepancy documentation.

(3) If unable to resolve, refer to (D) above.

(4) Any unresolved discrepancy transaction receipts will be forwarded to the Nurse Managers each shift. Notify the NOD in Nurse Manager's absence.

(5) Any unresolved discrepancy at the end of shift requires a notation in the comment section and documentation if both patient name and operator is involved.

(6) The Unit Facilitator is responsible for ensuring an end of shift discrepancy check is conducted. A list of Resource Managers will be made available to all clinical areas.

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If a Resource Manager is not available to resolve at the start of shift discrepancies, the Nurse Manager or NOD will be notified by the Unit Facilitator. All staff at shift change should remain on duty until any discrepancies are resolved (or are released by NOD)

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**Inspections, Compliance, Enforcement, and Criminal Investigations**

## CPG Sec. 460.300 Return of Unused Prescription Drugs to Pharmacy Stock

### POLICY:

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A pharmacist should not return drugs products to his stock once they have been out of his possession. It could be a dangerous practice for pharmacists to accept and return to stock the unused portions of prescriptions that are returned by patrons, because he would no longer have any assurance of the strength, quality, purity or identity of the articles.

Many state boards of pharmacy have issued regulations specifically forbidding the practice. We endorse the actions of these State boards as being in the interest of public health.

The pharmacist or doctor dispensing a drug is legally responsible for all hazards of contamination or adulteration that may arise, should he mix returned portions of drugs to his shelf stocks. Some of our investigations in the past have shown that drugs returned by patrons and subsequently resold by the pharmacist were responsible for injuries.

Issued: 10/1/80

Page Last Updated: 01/20/2010

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Links on this page:

**CONTROLLED SUBSTANCES (PHARMACY STOCK)**

**1. REASON FOR ISSUE.** This Veterans Health Administration (VHA) Handbook provides procedures for maintaining accountability of all controlled substances and compliance with Drug Enforcement Administration (DEA) Regulations.

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**2. SUMMARY OF MAJOR CHANGES.** This VHA Handbook incorporates requirements regarding the perpetual inventory that must be maintained for all controlled substances.

**3. RELATED DIRECTIVE.** VHA Directive 1108 (to be published).

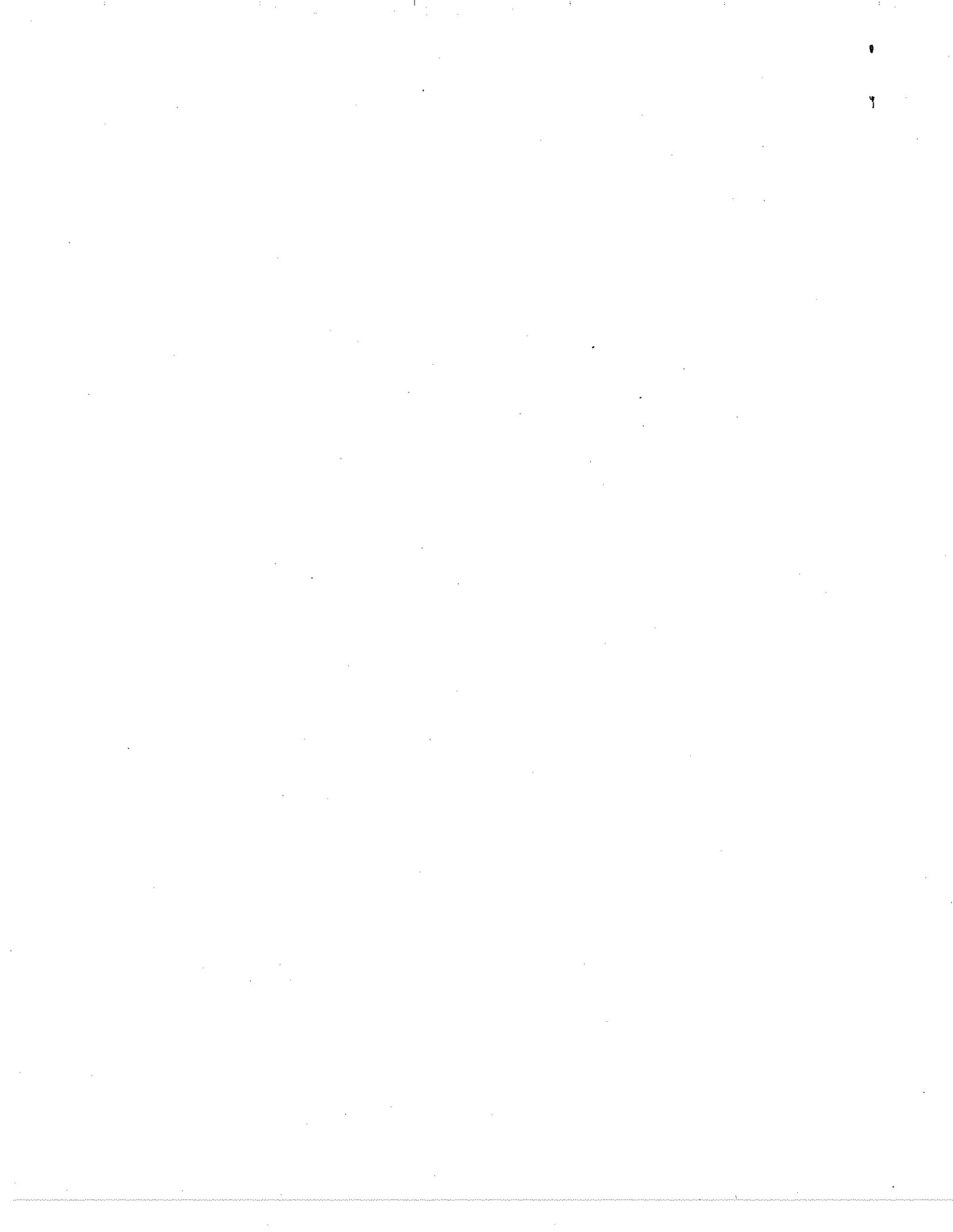
**4. RESPONSIBLE OFFICE.** The Chief Consultant, Pharmacy Benefits Management Services (119), is responsible for the contents of this Handbook. Questions may be addressed to 202-461-7297.

**5. RESCISSIONS.** VHA Handbook 1108.1, dated October 4, 2004, is rescinded.

**6. RECERTIFICATION.** The document is scheduled for recertification on/or before the last working day of November 2015.

Robert A. Petzel, M.D.  
Under Secretary for Health

DISTRIBUTION: E-mailed to the VHA Publications Distribution List 11/17/2010



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## CONTROLLED SUBSTANCES (PHARMACY STOCK)

### 1. PURPOSE

This Veterans Health Administration (VHA) Handbook defines procedures for the Department of Veterans Affairs (VA) accountability of all controlled substances and compliance with Drug Enforcement Administration (DEA) Regulations.

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### 2. AUTHORITY

VA maintains a perpetual electronic inventory of all controlled substances, utilizing the mandated Veterans Health Information Systems and Technology Architecture (VistA) Controlled Substances Software. *NOTE: The Consolidated Mail Outpatient Pharmacies (CMOPs) and the Clinical Research Pharmacy Coordinating Center (CRPCC) have individualized inventory management software and are not held to VistA software requirements.* These items consist of the drugs and other substances by whatever official name, common or usual name, chemical name, or brand name designated, listed in Title 21 Code of Federal Regulations (CFR) Part 1300:

- a. Schedule I drugs are found in 21 CFR 1308.11.
- b. Schedule II drugs are found in 21 CFR 1308.12.
- c. Schedule III drugs are found in 21 CFR 1308.13. *NOTE: VHA considers ketamine as a Schedule III drug.*
- d. Schedule IV drugs are found in 21 CFR 1308.14.
- e. Schedule V drugs are found in 21 CFR 1308.15.

### 3. DEFINITIONS

a. **Accountable Officer.** The Chief, Acquisition and Material Management Service, or designee, is the Accountable Officer (AO) at a field facility. At the CMOP facilities, the Logistics Manager or other individual designated by the CMOP Director is the AO; the AO at the CRPCC is designated by the facility Director. The AO's role is to verify the receipt of controlled substances.

b. **Clinical Research Pharmacy Coordinating Center (CRPCC).** The CRPCC, part of the VA Office of Research and Developments' Cooperative Studies Program, provides for the manufacture, packaging, and distribution of all drugs in the Cooperative Studies Program and other affiliated Federal and collaborative research programs.

c. **Controlled Substances Coordinator (CSC).** A CSC, who is appointed by the facility Director, is responsible for the coordination and administration of the controlled substances inspection program. This program includes pharmacy, inpatient units, clinics (including

Community-based Outpatient Clinics (CBOC)), CRPCC, CMOPs, clinical and research laboratories, anesthesia units, and all other areas authorized to have Schedule II to Schedule V controlled substances.

- d. **Designated Provider.** The Designated Provider is an individual, authorized to use controlled substances in research, who is appointed by memorandum of the medical center Director to ensure security, handling, and storage of the controlled substances in the research section.
- e. **Evidence Bag.** An evidence bag is a clear plastic bag that can be permanently sealed, on which can be annotated a chain of custody for the controlled substance.
- f. **Prescription.** The term prescription means an order for a medication which is dispensed to, or for, an ultimate user, but does not include an order for medication which is dispensed for immediate administration to the ultimate user.
- g. **Provider.** For the purposes of this Handbook, a provider is any individual authorized by the medical facility and listed in the VistA provider file to prescribe controlled substances.
- h. **Working Stock.** Working stock refers to a small inventory of controlled medications that is removed from the storage safe and stored in an alternate location in pharmacy for immediate access during dispensing activities. This inventory must have electronic access and preferably an automated storage device (e.g., Pyxis, etc).

#### 4. SCOPE

The scope of this program concerns custody and storage of Controlled Substances, Schedules I through V, in VA facilities authorized for storage, distribution, or dispensing. These areas include: pharmacy services, medical facility inpatient units, clinics (including CBOCs), CMOPs, the CRPCC, clinical and research laboratories, anesthesia units, and all other areas authorized to have Schedule I to Schedule V controlled substances. *NOTE: Elements of this Handbook that specifically apply to non-pharmacy research storage of controlled substances are found in paragraph 20.*

#### 5. RESPONSIBILITIES OF THE VETERANS INTEGRATED SERVICE NETWORK (VISN), NATIONAL CMOP DIRECTOR, AND THE CRPCC DIRECTOR

The Veterans Integrated Service Network (VISN) Directors, the National CMOP Director, and the CRPCC Director must ensure that a comprehensive system for the management of controlled substances is maintained.

#### 6. RESPONSIBILITIES OF THE MEDICAL CENTER DIRECTOR

Each medical center Director is responsible for:

a. Ensuring controlled substances are inventoried according to DEA regulations as found in 21 CFR 1304.

(1) A biennial physical inventory of all controlled substances must be conducted and records maintained in accordance with 21 CFR 1304.11.

(2) Biennial physical inventory may be taken on any date within the 2-year period of the previous inventory.

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(3) The annual inventory required by VHA satisfies this requirement. This inventory must be maintained separately from other inventory records of non-controlled medications.

(4) Methadone used for maintenance and detoxification treatment requires a separate registration and thus a separate inventory file.

b. Ensuring the VistA Controlled Substances Software is used for all controlled substances transactions.

(1) All controlled substances ordered from a wholesaler or manufacturer must first be received in the VistA Controlled Substance Package and then transferred to the commercial automated dispensing systems (e.g., Pyxis, OmniCell, etc.) for storage and accountability. *NOTE: The forms mentioned in this Handbook apply to the electronic and the manual forms.*

(2) A printed copy of VA Form 10-2638, Controlled Substance Administration Record, also known as the Green Sheet, may be used on rare occasions for documenting the administration of a single dose. *NOTE: For the purposes of this Handbook the CRPCC has its own inventory management software and standard forms for controlled substance record keeping. Therefore, it is not held to VistA software requirements.*

c. Ensuring non-electronic prescriptions and non-electronic completed VA Form 10-2320, Schedule II, Schedule III Narcotic and Alcoholics Register, (see App. B) and VA Form 10-2321, Controlled Substance Order, (see App. C) are retained and securely stored.

d. Ensuring disposal of records is in accordance with VHA's Records Control Schedule (RCS) 10-1. All controlled substance records must be maintained for 3 years (see RCS 10-1, Item 119-4).

e. Establishing an adequate and comprehensive system for controlled substances to ensure the safety and control of the Controlled Substances inventory by:

(1) Requiring uniform and complete compliance with VHA policies on controlled substances by appointing a Controlled Substances Coordinator (CSC) to oversee the inspection and review process; and

(2) Authorizing, in areas not staffed by nursing or pharmacy personnel (e.g., research section), a Designated Provider responsible for ensuring security, handling, and storage of all controlled substances.

f. Ensuring there is a written established policy regarding the reconciliation of controlled substances dispensed to automated devices.

## **7. RESPONSIBILITIES OF THE FACILITY PROVIDERS**

An intern, resident, mid-level practitioner, foreign-trained physician, physician, or dentist on the staff of a VA facility, who is exempted from registration (21 CFR 1301.22), is responsible for:

a. Including the registration number (facility DEA number and individual provider code assigned by the VA facility) in lieu of the practitioner's registration number required by law (21 CFR 1306.05b), on all controlled substance prescriptions issued.

b. Signing and hand stamping or printing their full name on all paper prescriptions.

## **8. RESPONSIBILITIES OF THE CHIEFS, PHARMACY SERVICES, THE CMOP DIRECTOR, AND THE CRPCC FACILITY DIRECTOR**

The Chief, Pharmacy Services, and CMOP Directors, or CRPCC Facility Director, or their designee(s), are responsible for ensuring that:

a. In the temporary absence of the facility Director or Chief, Pharmacy Service, the facility pharmacist designated as Acting Director or Acting Chief, automatically assumes responsibility for security and control of controlled substances.

b. All pharmacy requirements for receipt, storage, handling, and security of controlled substances are followed.

c. All written medical center or facility controlled substance policies, procedures, and records are in compliance with VHA, DEA, and Federal Regulatory requirements (21 CFR Part 1300-1316).

d. The number of pharmacy employees who have access to scheduled drugs, whether in the vault or working stocks and including commercial automated dispensing systems, within a 24-hour period is limited. The Pharmacy Chief or CMOP Directors, or CRPCC Directors must establish access limits based on workload requirements for preparing, managing, and dispensing controlled substances. Access to these areas must be monitored through the use of electronic access control systems and optional security cameras.

e. The medical facility Director is notified of the need to authorize a Designated Provider to ensure security, handling, and storage of the controlled substances in any designated area (i.e., Research Facility) not staffed by nursing or pharmacy personnel (see VHA Handbook 1108.02).

f. All new Pharmacy employees view the video "Employee Integrity and Pharmacy Security" as part of employee orientation; and that documentation of this viewing is maintained in the VA Learning Management System (LMS).

g. An electronic inventory management software program is maintained as the primary storage mechanism for all records. When a commercial system is utilized, it must be interfaced with the facility VistA system (the CRPCC is exempt from this requirement). The records must be maintained for a period of 3 years, in compliance with DEA regulations.

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h. When a permanent change in the appointment of a Chief of Pharmacy, or CMOP Director or CRPCC Facility Director takes place, a complete inventory must be conducted.

(1) The outgoing Chief or Director and the designated or Acting Chief of Pharmacy or Acting CMOP or Acting CRPCC Director, jointly conduct the inventory review prior to transfer of responsibility. Additionally, the Acting Chief or Acting Director and incoming Chief of Pharmacy or Director are to inventory all controlled substances and jointly conduct the inventory review upon transfer of permanent responsibility. In the event that only one individual is available (e.g., due to illness), a controlled substance inspector must be appointed by the facility CSC to conduct the inventory review.

(2) A record of the inventory must be made on VA Form 10-2320 or an electronically generated inventory sheet for each drug inventoried; each VA Form 10-2320 or electronic equivalent must be signed by both parties (e.g., the outgoing and incoming Chiefs, or Acting Chief).

i. Any inventory discrepancy is made a matter of record and reported to the facility CSC.

j. A current copy of 21 CFR, Part 1300 (to the end) is retained in the Pharmacy or electronically accessible to pharmacy staff.

k. The number of Pharmacy staff assigned the VistA security key PSDMGR, which allows a user to electronically perform controlled substance balance adjustments, is limited; this requirement does not pertain to CRPCC staff. *NOTE: The pharmacy staff involved in the monthly review of balance adjustments must not be assigned this security key.*

j. A written policy and procedures for the ordering and receipt of controlled substances is established. These policy and procedures must designate the Acquisition and Materiel Management Service (A&MMS), Pharmacy Service, and facility individuals who have the designated authority to order, receive, post, and verify controlled substances orders (see VA Handbook 7127).

## 9. RESPONSIBILITIES OF THE CRPCC FACILITY DIRECTOR

The CRPCC Facility Director is responsible for ensuring that:

- a. The CRPCC facility is registered with the DEA as a "research" facility as defined in 21 CFR 1300 to end.
- b. The CRPCC facility is authorized to be involved in the manufacture, testing, packaging, and distribution of schedule I-V Controlled Substances.
- c. Each clinical study involving controlled substances is approved by the institutional Review Board (IRB) and Research and Development Committee at each participating site prior to study drug distribution.

#### **10. RESPONSIBILITIES OF THE MEDICAL CENTER NURSE EXECUTIVE**

The Nurse Executive, or designee, is responsible for ensuring that:

- a. All requirements for handling, storage, administration, and waste of controlled substances are followed in all medical center approved storage and dispensing areas under their purview.
- b. All required inventory verification is performed in accordance with local medical center policy.
- c. Security of controlled substances is maintained and the room is appropriately secured in all medical center approved storage and dispensing areas under their purview.

#### **11. ORDERING CONTROLLED SUBSTANCES**

- a. All controlled substances must be ordered separately from non-controlled substances, and must be ordered in compliance with 21 CFR 1305 (see subpar. 8j).
- b. The delivery address on all orders for controlled substances must be a DEA-licensed facility location.
- c. On-line electronic ordering of controlled substances will be used in accordance with DEA Regulation.
- d. The CRPCC must provide controlled substances to clinical studies at participating sites through the medical center's Pharmacy Service at each site.
- e. The CRPCC must seek the approval of the DEA for each type of controlled substance used in an approved protocol and prior to its distribution to participating sites.

#### **12. RECEIVING CONTROLLED SUBSTANCES**

- a. All orders for controlled substances must be delivered directly to the pharmacy or CRPCC facility in unopened shipping containers or boxes (see subpar. 8j).

b. The opening of the container or box and the acknowledgment of receipt of the order must be performed in the pharmacy or CRPCC facility and witnessed by the AO, or designee, and the responsible pharmacy employee.

c. Both employees must annotate receipt on the appropriate forms or electronic equivalent.

d. The AO, or designee, must verify that the receipt of the controlled substance has been posted to pharmacy inventory in Vista, at the medical facility, or in the facility inventory at the CMOP or CRPCC. Verification must be annotated on the appropriate forms.

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e. Discrepancies must be reconciled with the AO before items are accepted into the pharmacy or CRPCC inventory.

### 13. STORAGE AND INVENTORY OF CONTROLLED SUBSTANCES

a. All Controlled Substances, Schedule I through V, must be secured as defined in VA Handbook 0730. Storage of bulk controlled substances must be in the pharmacy (or CRPCC facility) vault or safe, unless a waiver is approved by the Office of the Chief Consultant, PBM Services. Controlled substances must not be stored in the warehouse, with the exception of the All Hazards Emergency Cache, which must meet the storage requirements of VA Handbook 0730 and must be under the control of pharmacy services.

b. The working inventory of controlled substances must be stored in a locked cabinet, secured cart with electronic access, or commercial automated dispensing system; it must not be dispersed with general pharmacy inventory.

c. Each medical facility, outpatient clinic, CMOP, and CRPCC facility must install electronic access control systems to monitor access to controlled substances. This includes:

(1) Exterior doors to the pharmacy or medication storage area at the CRPCC;

(2) Vaults and cabinets used for storage of controlled substances within the pharmacy or research facility; and

(3) Secured areas utilized for processing or dispensing controlled substances.

d. The CMOP and CRPCC facilities must maintain an inventory management software program for all controlled substances that provides for:

(1) Retrievable inventory records for all transactions, i.e., receipt and distribution, dispensing, removal, and adjustments to inventory.

(2) Documentation of all transactions with the date, the time, and the User Identification (ID).

(3) All transactions requiring override adjustments to inventory (e.g., removal of outdated inventory, adjustments to inventory, discrepancies, and return to stock) must have a two-person (facilitator and witness) system of documenting the transaction. Both must be pharmacy employees.

(4) Safeguards to ensure the electronic data is secure and of limited access.

(5) Storage procedures for electronic records, including archive procedures and hard-copy back-up.

(6) Records and Report functions that can retrieve data within 72 hours, and provide storage capability for a period of no less than 3 years.

(7) All controlled substances sent by USPS are to be identified as "Forwarding Services Requested" in the endorsement line. This results in a greater number of prescriptions reaching the patient.

e. The following specifications are the minimum requirements for any electronic access control system:

(1) **Access Safeguard.** To prevent learning codes through keypad observation or use of stolen or found access cards.

(2) **Time Sensitive.** The ability to program area access by user, by shift, and by day.

(3) **Area Sensitive.** The ability to program access by door and area for each individual user.

(4) **Fail-Safe.** The ability to maintain access security if the system goes down (e.g., bypass key).

(5) **Access Record or Audit Trail.** The ability to provide for periodic, or on demand, printouts of authorized employee names, times, and dates of individual accessing the location.

(6) **User Coverage.** The number of individual access codes that the system can accommodate.

(7) **Individual Access.** Each individual must have an individualized access code. *NOTE: Biometrics may be considered.*

(8) **Tamper-proof Camera System.** A tamper-proof camera system that records all activity is recommended in the pharmacy or facility vaults and all storage areas containing working stocks of controlled substances. Either the Police Service or Pharmacy must monitor these camera systems. *NOTE: The standards for digital video systems are included in the VA Security Handbook (VA Handbook 0730).*

*NOTE: Paragraph 13, subparagraphs 13f through 13i, do not apply to the CRPCC facility.*

f. A physical inventory of the pharmacy vault, including the Pharmacy Drug Cache (Schedules II and III) and all working stock for all schedules of controlled substances must be maintained and verified by Pharmacy Service at a minimum of every 72 hours. For pharmacies open 7-days a week, three inspections a week are required and not on consecutive days; excluding those weeks containing a Federal holiday when only two inspections are required (3 days apart). When the pharmacy is open 6 days a week or the vault is locked on weekends (with the controlled substance inventory is only accessible 5 days a week) a physical inventory is only required twice weekly (3 days apart). *NOTE: Point of Care Machines or Automated Dispensing Systems that contain pharmacy stock and are located within the pharmacy are subject to these same inventory requirements.*

g. The complete management of the All Hazards Emergency Cache controlled substances as follows:

(1) All schedule II and III controlled substances must be stored in accordance with VA regulation and Title 21 Code of Federal Regulations (CFR) 1300 to end.

(2) All schedule II and III controlled substances must be inspected every 72 hours, unless the facility has received a written waiver from the VA Central Office Pharmacy Benefits Management Services (PBM) office.

(3) All schedule IV and V controlled substances stored in the sealed cache carts and secured in cache space are exempt from the 72-hour inspection requirement; however, the cache cart seal must be inspected weekly to verify it is intact and the seal number is unchanged.

(4) A physical count of all cache designated schedules II through V controlled substances must be completed quarterly.

(5) All controlled substances in a sealed cache cart must be inventoried each time the cart seal is broken or immediately upon discovery of a broken or suspicious looking cart seal.

(6) All controlled substances inventory must be entered into and maintained in the VistA Controlled Substance software as a separate narcotic area of use.

(7) All controlled substances in the cache must be included in DEA's required biennial inventory.

(8) Any loss of a cache controlled substance is immediately reported in accordance with paragraph 18 of this Handbook.

h. All documentation of inventory verification must be made on the appropriate electronically generated inventory sheet (or VA Form 10-2320).

i. All outpatient controlled substances awaiting patient pickup must be stored in a locked area or cabinet with electronic access. Employees having access to the locked area are to be limited and documentation of access must be maintained, in paper or electronic format, and reviewed on a regular basis to identify unwarranted access (e.g., an employee accessing the inventory during scheduled time off or when assigned to a different area of the pharmacy).

#### 14. CONTROLLED SUBSTANCES DISPENSING, INPATIENT SERVICES

*NOTE: Paragraph 14 does not apply to the CRPCC facility.*

a. **Inpatient Medication Orders.** Orders for Scheduled II controlled substances to be administered to patients from unit dose or ward stock must be written for periods not to exceed local medical center policy for rewrites.

b. **Ward or Clinic Stock.** This refers to a system where electronic documentation (automatic replenishment and ward stock software) is utilized for requesting controlled substances from pharmacy services; the requesting process is as follows:

(1) Appropriate levels, consistent with the needs of the using ward or clinic, must be established using the VistA Controlled Substances Package.

(2) Only Registered Nurses (RN), Physicians or Dentists (other than authorized pharmacy staff) are permitted to order controlled substances.

(3) Only an authorized pharmacy employee can issue a supply of controlled substances to local medical center approved storage and dispensing locations. An electronic record of activity must be maintained in the VistA Controlled Substances Package for each item issued.

(4) Pharmacy Service must electronically generate VA Form 10-2321, listing each item to be replenished. VA Form 10-2321 must list each item to be replenished; indicating the name, ward or clinic, strength, and quantity.

(5) A RN, or Licensed Practical Nurse (LPN), must verify and sign VA Form 10-2321 electronically in the VistA package, acknowledging receipt of all controlled substances. *NOTE: In the rare instances where a preprinted VA Form 10-2321 is used, the RN or LPN may sign the printed form.*

(6) VA Form 10-2638 or electronic equivalent is used to document all usage of controlled substances. In those instances where a manual process is required, a review of the completed VA Form 10-2638 is necessary prior to final disposition. A designated pharmacy employee, prior to filing, must review the completed form for arithmetic errors, losses, or unusual waste.

(7) Any identified discrepancy in inventory must be reported immediately to the Nurse Manager, or designee, for follow-up and resolution.

(8) A printed copy of VA Form 10-2638 (Green Sheet) may be used on rare occasions for documenting the administration of a single dose.

c. **Automated Point of Care (POC) Machines.** When a medical center elects to utilize automated dispensing equipment for controlled substances (e.g., Accudose, Omnicell, Pyxis, etc.) the equipment is to be interfaced, when possible, to Medication Administration Records (MAR) in VistA.

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(1) Medical center staff may utilize surveillance tools that accompany automated dispensing equipment (e.g., Pyxis, C-Safe), commercial-off-the-shelf (COTS) software (e.g., Pandora), and future versions of VistA's "Ward Drug Dispensing Equipment (WDDE) interface," to identify potential incidents of drug diversion. *NOTE: A listing of potential fileman templates that can be run on a local level are identified in the VistA Controlled Substances Inspector's Manual.*

(2) Par levels consistent with the needs of the medical center approved storage area, must be established in the automation software.

(3) An authorized pharmacy employee must issue the supply of controlled substances to the medical center-approved storage area of use. A record of activity must be maintained in the VistA Controlled Substances Package for each item issued. A RN, LPN, or other authorized staff must verify the appropriate level at POC, immediately after the Pharmacy restocks the inventory.

(4) The Chief, Pharmacy Services, or designee, must ensure that all controlled substances deducted from inventory are entered into the assigned POC machine. Any identified discrepancy in inventory is to be reported immediately to the Nurse Manager and Chief of Pharmacy for follow-up and resolution.

(5) There must be a reconciliation of the controlled substances dispensed to automated devices as established in local policy (see subpar. 6f).

d. **Discrepancies**

(1) If discrepancies exist between the amount ordered and the amount received, the authorized nurse must check with the designated pharmacy employee concerning the amount issued.

(2) If the discrepancy is not resolved, reports must be made immediately, through the CSC, to Police Service and the Facility Director for investigation and follow-up.

**15. CONTROLLED SUBSTANCES DISPENSING, OUTPATIENT SERVICES**

*NOTE: Paragraph 15, does not apply to the CRPCC facility.*

a. Schedule II controlled substances for individual patients must be ordered on VA Form 10-2577F, Security Prescription Form (see App. D), or other approved form or electronic equivalent as established in local policy and filled in compliance with 21 CFR 1306.

b. Schedule III to V controlled substances must be ordered electronically using the Computerized Patient Record System (CPRS), or other approved form (e.g., State-approved), for Fee Basis or Tricare.

c. When on-hand inventory is insufficient to fill the prescription in its entirety, a partial dispensing of controlled substances may be done, as long as it is in compliance with 21 CFR 1306.13 and 1306.23.

d. Controlled Substance prescriptions must be filed in accordance with 21 CFR 1304.04. VA medical centers are exempt from stamping controlled substance prescriptions with a red "C" in accordance with 21 CFR 1304.04, if they utilize the Vista Controlled Substance software package.

e. Prescriptions written for controlled substances and filled by VA pharmacies may be mailed in accordance with 21 CFR 1300, VA policy and United States (U.S.) Postal Regulations; however, prescriptions written for controlled substances cannot be mailed outside the U.S. and Puerto Rico.

f. The refilling of a prescription for a Schedule II controlled substance is prohibited in accordance with 21 CFR 1306.12.

g. Schedule III thru V controlled substances may be refilled in accordance with 21 CFR 1306.22.

h. All prescriptions for Schedule III thru V controlled substances must be filed electronically; therefore, all information must be maintained in the electronic prescription record. These prescriptions can be filled with a maximum of five refills over a 6-month period.

i. Exemptions to Controlled Substances dispensing as outlined in 21 CFR 1300, provisions 1306.25 (a), 1306.22 (b), and 1304.04, have been approved for CMOPs by DEA. Since no original or refill prescriptions are physically kept on site at the CMOP, DEA-record filing requirements are not applicable.

j. Due to the fact that Schedule II drugs, as defined in 21 CFR 1308.12, are not authorized to be stored or dispensed from CMOP facilities, regulatory provisions as outlined in 21 CFR Part 1300 pertaining to this schedule are not applicable.

k. The label of any drug listed as a "Controlled Substance" in Schedule II, III, IV, or V of the Controlled Substances Act must, when dispensed to or for a patient, contain the following warning: "CAUTION: Federal law prohibits the transfer of this drug to any person other than the patient for whom it was prescribed."

l. All prescriptions for Schedule II controlled substances must be dated as of, and signed on, the day issued; and they must comply with the provider's responsibilities (see par. 7).

m. Pharmacy Service must verify the identity of the person picking up the outpatient controlled substance prescription for outpatients or patients leaving the medical facility, and must require the signature of such person or their agent.

n. All outpatient prescriptions for controlled substances not picked up at the outpatient window must be returned to stock or mailed to the patient ensuring strict accountability. Pharmacy Service must maintain documentation to identify the disposition (whether mailed, dispensed at the pharmacy window, or returned to stock) of these prescriptions.

o. Any CMOP Controlled Substances dispensing that is not completed must be documented as to its disposition (i.e., returned to stock, cancelled, etc.). An electronic record of its disposition must be maintained at the CMOP. Inventory changes as a consequence of such disposition must be electronically recorded and, in all instances, the originating VA facility must be notified as to the controlled substances dispensing status.

p. Prescriptions for controlled substances can only be mailed in accordance with 21 CFR 1300, VA policy, and DEA Regulations. The shipping label attached to all controlled substances packages must have printed, as a return address, the local medical center address where the prescription was generated.

q. CMOP facilities that do not process their own mailing, or other authorized delivery methods of shipping, must require documentation of the packages processing from the contracted shipper.

r. All packages delivered to the United States Postal Service (USPS) mail carriers or by contracted shipper services, must have a shipping label attached and be permanently sealed so its contents cannot be removed. Packages containing a controlled substance, processed for mailing or shipping, cannot have any annotation on its shipping label that identifies its contents.

s. Return receipt from USPS is not required for controlled substances. Facilities need to use special handling (e.g., return receipt or package delivery tracking from USPS, United Parcel Service, or the current Government Services Administration (GSA) small package carrier) for patients with an identified trend for lost or stolen packages. *NOTE: A notation needs to be made, by a pharmacist, in the patient narrative with instructions on delivery preferences.*

t. All returned mail, identified to pharmacy services, must be made secure. Local medical center policy must clearly define the processes enacted to ensure that security needs are met.

u. The local medical center's Pharmacy Service needs to rectify controlled substance issues when CMOP mailed prescriptions do not reach their intended destination. If these controlled substances left the pharmacy and cannot be delivered to the intended patient they must be logged for destruction in accordance with paragraph 19.

v. Schedule II controlled substances are to be dispensed in 30-day quantities or less. An individual practitioner may issue multiple prescriptions authorizing the patient to receive a total of up to a 90-day supply provided the following conditions are met:

- (1) The patient is deemed competent to receive, have possession of, and present each subsequent prescription to the VA pharmacy at the appropriate time;
- (2) Each separate prescription is issued for a legitimate medical purpose by an individual practitioner acting in the usual course of professional practice;
- (3) The individual practitioner provides written instructions on each prescription indicating the earliest date on which the pharmacy may fill each prescription;
- (4) The individual practitioner concludes that providing the patient with multiple prescriptions in this manner does not create an undue risk of diversion or abuse;
- (5) The patient has a controlled substance agreement established with a single provider or team for chronic opioid therapy (see par. 16); and
- (6) The patient demonstrates a history of adherence to the controlled substance agreement to include compliance with all prescribed medications and all components of the treatment plan, including non-pharmacological measures, consultations, and referrals.

w. Schedule III, IV and V controlled substances are normally dispensed in 30-day quantities. Local medical centers can elect to prescribe a 90-day quantity of these controlled substances if approved by the local Pharmacy and Therapeutics (P&T) Committee and documented in their minutes. A local medical center policy must be developed that outlines the criteria for prescribing a 90 day supply. This policy must define the responsibility for monitoring compliance with the established criteria.

## 16. OPIOID TREATMENT PROGRAMS

*NOTE: Medical centers must be licensed for this program. See Substance Abuse and Mental Health Service Administration (SAMHSA) guidelines at <http://www.samhsa.gov>.*

### a. Ordering

(1) Pharmacy stock requirements of methadone for a maintenance program must be ordered separately from other Schedule II and III narcotic substances on VA Form 222, Request for and Notice of Shipment, or electronically using the Controlled Substance Ordering System (CSOS).

(2) The oral, liquid dosage form, or specially-formulated dispersible tablets of methadone must be utilized initially for a treatment program. The final oral dose administered to the patient must be in oral liquid form. *NOTE: Methadone oral diskettes may be used once the patient is no longer a risk for diversion.*

(3) The provision of take-home medications for Methadone Maintenance and Detox Treatment is defined in Regulation 42 CFR Section 8.12. To be eligible for take-home medications according to this schedule a patient must meet the following eight conditions:

- (a) No recent drug use;
- (b) Attends clinic regularly;

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- (c) No serious behavioral problems;
- (d) No criminal activity;
- (e) Stable home environment and good social relationships;
- (f) Length of time in treatment (see <http://www.dpt.samhsa.gov/regulations/exrequests.aspx>);
- (g) Assurance that take-home medication will be safely stored; and
- (h) Judgment that the rehabilitative benefit to the patient will outweigh the risk of diversion (42 CFR Part 8.12.i (2) (i-viii)).

(4) The maximum number of days of take-home medications according to Federal Opioid Treatment Regulation (see 42 CFR 8.12) is 31 days. However, this is dependent on the time in treatment (see par. 16).

**b. Storage and Dispensing**

(1) Methadone for Opioid Treatment Program must be stored separately from all other controlled substances and meet the Food and Drug Administration (FDA) regulations for storage.

(2) Methadone for maintenance and detoxification treatment must be dispensed on receipt of VA Form 10-2577F, VA Form 10-1158, Doctor's Orders (see App. E), or other local medical facility-approved form, written by a physician who is an authorized provider of an approved Opioid Treatment Program.

(3) Methadone must be packaged and dispensed in a single dose form conforming to 42 CFR, Chapter I, Section 8.12, Federal Opioid Treatment Standards.

(4) Each take-home dose must be dispensed in a child resistant container and must be labeled with the:

- (a) Treatment center's name,
- (b) The center's address,

(c) Telephone contact number, and

(d) Physician's name.

(5) When dispensing more than one take-home dose, the medication must be dispensed as a prescription and conform to all VA regulations. This includes the submission of a written VA Form 10-2577F, VA Form 10-1158, or other local medical facility-approved form. A pharmacist either in the Opioid Treatment pharmacy or in the Outpatient pharmacy must dispense all prescriptions requiring more than one take home dose.

## 17. RECORDS AND FORMS

a. Records on personnel authorized access to areas where Scheduled drugs are stored must be maintained at each facility. Prescription filling and record keeping may be delegated to technical personnel under the direct supervision of an assigned pharmacist. This pharmacist must sign all records of receipt, dispensing and distribution.

b. Controlled substance records (e.g., the Controlled Substance II Order File; the Schedule II and Schedule III Narcotics and Alcohol Register; the Excess Alcohol and Narcotics File; and Controlled Substance Prescriptions) must all be maintained for a 3 year period.

*NOTE: In paragraph 17, subparagraphs 17c through 17g do not apply to the CRPCC facility.*

c. Receiving documents for all controlled substances must be maintained separately from all other receiving records.

d. The VistA Controlled Substances Package is the primary storage mechanism for all forms. If VA Form 10-2321 is selected for ward stock orders, they must be filed separately in a numerical file once completed and manually signed.

e. All automated outpatient dispensing systems must have an interface with the VistA Controlled Substance Package and the Outpatient Pharmacy Program.

f. All automated inpatient dispensing systems will be made to interface with the inpatient medication profile, Bar Code Medication Administration Record and VistA controlled substance package if an interface is available and can be accomplished by the Information Technology Section.

g. The completed VA Form 10-2577F, or other approved forms for Schedule II controlled substances dispensed to outpatients, must be filed separately in a numerical file, or according to 21 CFR 1304.04.

**18. PROCEDURE IN CASE OF LOSS OF CONTROLLED SUBSTANCES**

a. Any suspected theft, diversion, or suspicious loss of drugs must be immediately reported to the CSC, VHA medical center Police Service, and the medical center Director, CMOP Director, or CRPCC Facility Director for investigation and to implement the action needed to prevent recurrence. When ongoing diversion is suspected, the first contacts are the medical center Director, CMOP Director, or CRPCC Director, the Office of Inspector General (OIG), and the facility VA Chief of Police.

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b. Any suspected theft, diversion or suspicious loss of drugs at the CRPCC facility must be immediately reported to the medical center Director, DEA, and OIG.

c. In cases of accidental loss, breakage, or destruction of small quantities of Schedule II thru V controlled substances (e.g., five dosage forms or less), the appropriate controlled substances record must be balanced, and a brief explanation of the circumstances entered into the electronic inventory management software program.

(1) At the earliest opportunity, entries and explanations must be signed by the person responsible for the loss or breakage and must be called to the attention of the immediate supervisor. All balance adjustments must be reviewed by the Chief of Pharmacy, medical center Director, or designee, and reported to the CSC as part of the monthly inspection process.

(2) If the explanation is not considered satisfactory by the immediate supervisor, the incident must be reported to the CSC, facility Police Service, and the medical center Director for investigation and to implement the action needed to prevent recurrence.

(3) The use of a two-person (facilitator and witness) signature system for documentation must be strictly enforced on all adjustments or discrepancies. Balance adjustments must be done on paper and have two signatures, by individuals authorized in local medical center, CMOP and CRPCC policy, documenting the adjustment. *NOTE: CMOP and CRPCC facilities can make these adjustments with two electronic signatures in their inventory management software.*

(4) The inventory management program allows a brief explanatory statement to be entered electronically with the record.

d. In cases of recurring shortages, loss of significant quantities of Schedule II-V controlled substances (or Schedule I-V at the CRPCC), or if there is indication of theft, a report must be made to the respective medical center Director, National CMOP Director, or CRPCC Facility Director; and a DEA Form 106, Report of Theft or Loss of Controlled Substances, must be completed in accordance with 21 CFR 1301.74.

(1) The inspecting official must report such losses disclosed during monthly inspections to the CSC, who forwards the information to the medical center or facility Director.

(2) In addition, the AO must complete VA Form 1217, Report of Survey (see App. F), from the information contained on the DEA Form 106. This must be prepared to substantiate adjustment actions in accordance with VA Handbook 7125. **NOTE:** *A copy of the report detailed in subparagraph 12f may be attached to VA Form 1217 to complete the report.*

e. The medical center Director, the CMOP Director, or the CRPCC Facility Director must, in turn, notify the OIG and the facility Police Service (if located on VA medical facility grounds). CMOPs or CRPCC not located on VA medical facility grounds must notify VA Central Office Police Service.

f. The theft, loss, or suspected diversion of any controlled substance, or high-value drug, must be reported through the VISN Director, National CMOP Director, or CRPCC Facility Director to the Chief Consultant, PBM Services (119); and in cases involving the CRPCC, the Chief Research and Development Officer. The report must be forwarded to email group "VHAPBH Pharmacy Reporting CS Diversion/Loss," using email encryption. The following information must be included in the report:

- (1) Date(s) or approximate date(s) of each incident;
- (2) Description of each action planned or taken to prevent future loss or theft of drugs;
- (3) Date each action in subparagraphs 18c. and 18d. was completed;
- (4) In any incident of theft, loss, or suspected diversion, provide the:
  - (a) Generic name and strength of each controlled substance, if appropriate, and the total quantity for each drug stolen or lost.
  - (b) Date on which VA initially became aware of theft or loss.
  - (c) Means by which VA first became aware of the theft or loss.
  - (d) Agency or service that initially discovered the theft or loss.
  - (e) Agency or service initially reporting the theft or loss to VA.
  - (f) Agencies known to have investigated the theft or loss.
  - (g) List of all law enforcement and agencies contacted (OIG, DEA, Police Service, etc.).
  - (h) Category of the suspect (if known) when diversion is suspected, for example;
    1. Current VA employee,
    2. Former VA employee,

- 3. Current VA patient,
  - 4. Former VA patient,
  - 5. Current VA volunteer,
  - 6. Former VA volunteer, or
- 

7. Unknown.

(i) If the suspect identified was a VA employee, provide the employment series and grade.

g. In case of suspected loss by substitution, the medical facility Director must direct a qualified analyst to analyze the suspected material. Adjustment must be made in the appropriate record by the medical facility Director, or designee, for quantities used in the testing procedure. If substitution is confirmed, an immediate investigation must be conducted and the loss must be reported as outlined in subparagraphs 18b and 18f.

h. Upon completion of any investigation, all appropriate records must be balanced.

#### 19. DISPOSITION OF EXPIRED OR EXCESS CONTROLLED SUBSTANCES

*NOTE: In paragraph 19, subparagraphs 19a; 19b(3), 19b(4), and 19b(5); and 19c do not apply to the CRPCC facility.*

a. All controlled substances returned from ward, clinic, or from pharmacy stock (determined unusable) must be posted with all appropriate information on the Controlled Substance Destruction menu in VistA and are to be destroyed. The CSC must ensure that the "Drugs on Hold for Destruction" report in VistA and sealed bags of the unusable controlled substances are inspected monthly. The inspector must verify the accountability of the sealed bags. The contents must be verified at the time of destruction or at the transfer to a DEA-licensed destruction company.

b. Excess controlled substances in authorized storage locations (e.g., inpatient ward areas, clinics, research section, CBOCs, and procedure rooms) must be returned to Pharmacy Service for redistribution or destruction. Items determined unsuitable for reissue by Pharmacy Service are accepted in the pharmacy only for storage purposes, prior to destruction or transfer to a DEA-licensed destruction company.

(1) The authorized pharmacy employee must check the alleged controlled substances in the presence of another approved health care professional, then:

- (a) Place each item returned into an evidence bag;

(b) Write in ink on the evidence bag the date, name and quantity of the controlled substance (believed or purported to be returned);

(c) Seal the bag; and

(d) Store the sealed medications in the pharmacy safe, or vault, apart from other drugs or current stocks.

(2) The authorized pharmacy employee and health care professional must follow all procedures outlined in the VistA Controlled Substance Package, including:

(a) Completion of the "Hold for Destruction" report in VistA (attaching the document to the bag for future reference); and

(b) Posting the unusable controlled substance in the database.

(3) Expired or unusable controlled substances must be removed from pharmacy or CRPCC stock and posted in the Controlled Substance Destruction file in VistA; CMOP and CRPCC facilities must post to their inventory management software.

(a) The Chief, Pharmacy Services, or designee, and other health care professional using the VistA generated VA Form 10-2321, must identify the controlled substance, the quantity, sign (two signatures) and inscribe "Hold for Destruction" on the VA Form 10-2321.

(b) Each item removed from stock must be placed in an evidence bag as described and signed by two Pharmacy Service designees (facilitator and witness).

(c) The electronic record must be stored in the VistA Controlled Substance Package. The date, reason, and amount removed from pharmacy stock must be indicated in the VistA Controlled Substance Package on VA Form 2320, Daily Activity Log.

(d) Once medication(s) have been identified for destruction in the "VistA CS Destructions" file, number 58.86, DEA Form 41, Registrants Inventory of Drugs Surrendered Report, is to be generated only those substances that are destroyed locally.

(4) The AO, or designee, is to be involved in the controlled substances turn-in to the destruction company or when the destruction is performed on site.

(5) At the CMOP or CRPCC, posting to the unusable controlled substances ledger must be by a two-person (facilitator and witness) signature process. The Accountable Officer is required to act as one of these two people. *NOTE: The electronic recordkeeping system must have the means to accommodate a two-person (facilitator and witness) signature system.*

(6) Controlled substances returned by USPS, or other authorized delivery services cannot be reused and must be posted in VA Form 10-2321 (or electronic equivalent), "Hold for Destruction"

in the VistA controlled substance package. At the CMOP, all returns must be entered into the "Returned Product Tracking Program." At the CRPCC all returns must be entered into their individualized inventory management software.

(7) Controlled substances not picked up by patients at the pharmacy window must be mailed to the patient or returned to pharmacy stock; with appropriate documentation and inventory adjustment.

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(8) The VA Pharmacy Service does not accept returned drugs, including controlled substances, from the patient. However, there are instances when, due to an admission, pharmacy is required to store controlled substances until the time of discharge.

(9) If unable to return the stored drugs to the patient (e.g., the patient's death), the same procedures for destruction must be followed as outlined in subparagraph 19b(2).

c. When it is necessary to "waste" part of a controlled substance an entry documenting the usage must include the amount given and the amount wasted.

(1) The first entry must be the dose given (e.g., one-half ampule, 25 milligrams (mg) administered).

(2) The second entry is the amount wasted (e.g., one-half ampule wasted, 25 mg wasted). All waste from a partial dose of all controlled substances must be witnessed and signed by authorized health care professionals (facilitator and witness). The amount "wasted" must be disposed of in an appropriate manner according to local medical center policy.

d. Disposal of excess or expired controlled substances must be in accordance with DEA Regulations, 21 CFR 1307.21. The use of a third-party distributor, authorized to destroy controlled substances, is sanctioned.

e. When a distributor authorized to destroy controlled substances is utilized, the transfer of items for destruction need to include, for the record, the following in writing: drug name, dosage form, strength, quantity, and date of transfer. The distributor must provide a receipt for all drug products taken at the time of transfer.

f. The "Hold for Destruction" or other electronic file must be "cleared" of accountable inventory once the disposal of an item has been rendered.

g. The facility AO, or designee, is to be involved in the immediate receipt, inspection of all incoming shipments, turn-in and disposal process of all controlled substances.

## 20. CONTROLLED SUBSTANCES IN MEDICAL CENTER RESEARCH AREAS

a. Procurement. All controlled substances for use in research (animal or human) conducted on VA property or facilities must be ordered through and received by Pharmacy Service. When

approved VA research is conducted at an affiliate institution or other non-VA location, the local Chief of Pharmacy Services must be consulted to determine whether controlled substances are to be obtained through the VA pharmacy. The research section is to initiate the purchase order with the designated fund control point and forward it to pharmacy for authorization. All controlled substances purchases must be ordered separately from non-controlled drugs.

(1) Controlled substances needed by the Attending Veterinarian for the treatment and care of laboratory animals or needed by an investigator to conduct animal research approved by the Institutional Animal Care and Use Committee (IACUC) must be procured by a local VA pharmacy unless prohibited by Federal regulations or VA policy.

(2) Circumstances in which controlled substances are needed for animal research, but cannot be procured locally need to be brought to the attention of the Chief Veterinary Medical Officer immediately by the Associate Chief of Staff for Research and Development, or other local administrator.

**b. Issue**

(1) On receipt, Pharmacy Service inventories and issues the drug to the appropriate research section.

(2) Issuance of controlled substances to research areas must be in accordance with the general provisions for dispensing controlled substances outlined in paragraph 14. Persons authorized to receive controlled substances in the research section must be designated in writing by the Medical Center Director, on the advice of the Associate Chief of Staff for Research, or the Chief of Staff.

**c. Control**

(1) If an automated dispensing device is not used in the research area, VA Form 10-2638 must accompany each drug issued.

(2) Authorized employee(s) in the research area(s) must maintain appropriate records in accordance with the provisions of this Handbook (see par. 17).

(3) Documentation of administration on either VA Form 10-2638, or within the automated dispensing system, must indicate the protocol number, date, and any other identifying information available to provide a satisfactory proof-of-use record for each dose of drug administered.

(a) When the supply of medication is exhausted or it is deemed the controlled substance is no longer needed in the research area, the completed VA Form 10-2638 must be returned to the pharmacy within 72 hours.

(b) A designated pharmacy employee, prior to filing VA Form 10-2638, must review the completed form for arithmetic errors, losses, or unusual waste and update the entry in the Vista Controlled Substance Package to denote completion.

d. **Inspection.** The authorized research staff must make VA Form 10-2638 and the corresponding drug available for any monthly unannounced inspection. With the exception of quality control inventory checks of automated dispensing equipment in use in research areas, there is no requirement for interim (shift change, daily, weekly, etc.) inventory counts by research personnel or other hospital personnel beyond the monthly unannounced inspections.

e. **Storage**

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(1) All controlled substances must be secured under double lock in accordance with VA Handbook 0730.

(2) Access must be limited to employees specifically authorized in writing to have access to the controlled substances.

November 16, 2010

VHA HANDBOOK 1108.01  
APPENDIX A

**SAMPLE OF VA FORM 10-2638, CONTROLLED SUBSTANCE ADMINISTRATION  
RECORD**

A sample of Department of Veterans Affairs (VA) Form 10-2638, Controlled Substance  
Administration Record, can be found on the VA Forms Web site at:

<http://vaww4.va.gov/vaforms/>. *NOTE: This is an internal VA link not available to the public.*

This form must be ordered in paper form the Service and Distribution Center. The Stock number is F01213.



VA form 10-2638.pdf

November 16, 2010

VHA HANDBOOK 1108.01  
APPENDIX B

**VA FORM 10-2320, SCHEDULE II, SCHEDULE III NARCOTICS AND  
ALCOHOLS REGISTER**

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Department of Veterans Affairs (VA) Form 10-2320, Schedule II, Schedule III Narcotics  
and Alcohols Register, can be found on the VA Forms Web site at: <http://vaww4.va.gov/vaforms>

*NOTE: This is an internal VA link not available to the public.*



VA Form  
10-2320-fill.pdf

November 16, 2010

VHA HANDBOOK 1108.01  
APPENDIX C

**VA FORM 10-2321, CONTROLLED SUBSTANCE ORDER**

Department of Veterans Affairs (VA) Form 10-2321, Controlled Substance Order, can be found on the VA Forms Web site at: <http://vaww4.va.gov/vaforms> *NOTE: This is an internal VA link not available to the public.*

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VA Form  
10-2321.pdf

November 16, 2010

VHA HANDBOOK 1108.01  
APPENDIX D

**SAMPLE OF VA FORM 10-2577F, SECURITY PRESCRIPTION FORM**

A sample of Department of Veterans Affairs (VA) Form 10-2577F, Security Prescription Form, can be found on the VA Forms Web site at: <http://vaww4.va.gov/vaforms>

*NOTE: This is an internal VA link not available to the public.*

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Sample of VA Form  
10-2577F.pdf

November 16, 2010

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### VA FORM 10-1158, DOCTOR'S ORDER FORM

Department of Veterans Affairs (VA) Form 10-1158, Doctor's Order Form, can be found on the VA Forms Web site at: <http://vaww4.va.gov/vaforms/medical/pdf/10-2321.pdf> **NOTE:**  
*This is an internal VA link not available to the public.*

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VA Form  
10-1158.pdf

November 16, 2010

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### VA FORM 1217, REPORT OF SURVEY

Department of Veterans Affairs (VA) Form 1217, Report of Survey, can be found on the VA Forms Web site at: <http://vaww4.va.gov/vaforms/medical/pdf/10-2321.pdf> **NOTE:** *This is an internal VA link not available to the public.*

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VA Form 1217.pdf

## INSPECTION OF CONTROLLED SUBSTANCES

1. **REASON FOR ISSUE.** This Veterans Health Administration (VHA) Handbook provides procedures for implementing a Controlled Substance Inspection Program.
2. **SUMMARY OF MAJOR CHANGES.** This VHA Handbook incorporates requirements ~~regarding the implementation of a Controlled Substance Inspection Program, and the~~ responsibilities thereto. This revision clarifies the responsibilities of the Controlled Substance Coordinator as they pertain to the monthly inspection process.
3. **RELATED DIRECTIVE.** VHA Directive 1108 (to be published).
4. **RESPONSIBLE OFFICE.** The Chief Consultant, Pharmacy Benefits Management Strategic Health Group (119), within the Office of Patient Care Services is responsible for the contents of this Handbook. Questions may be addressed to 202-461-7362.
5. **RESCISSIONS.** VHA Handbook 1108.02 dated February 1, 2010, is rescinded.
6. **RECERTIFICATION.** This VHA Handbook is scheduled for recertification on or before the last working day of April 2015.

Robert A. Petzel, M.D.  
Under Secretary for Health

DISTRIBUTION: E-mailed to the VHA Publications Distribution List 4/9/2010

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## INSPECTION OF CONTROLLED SUBSTANCES

### 1. PURPOSE

This Veterans Health Administration (VHA) Handbook provides procedures for implementing and maintaining a Controlled Substance Inspection Program.

### 2. DEFINITIONS

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a. **Controlled Substances.** Controlled substances, subject to inspection, consist of drugs and other substances by whatever official name, common name, usual name, chemical name, or designated brand name, that are listed in Title 21 Code of Federal Regulations (CFR) Schedule I 1308.11, Schedule II 1308.12, Schedules III 1308.13, Schedule IV 1308.14, and Schedule V 1308.15; 21 CFR 1301; and Title 21 United States Code (U.S.C.) 812 and 827.

b. **Designated Provider.** A designated provider is an individual, authorized to use controlled substances in research, who is appointed by memorandum of the Medical Center Director to ensure security, handling, and storage of the controlled substances in the research section.

c. **Unresolved Discrepancies.** Any variance from the expected inventory that cannot be explained.

### 3. SCOPE

A Controlled Substance Inspection Program must be maintained at all Department of Veterans Affairs (VA) medical facilities, Consolidated Mail Outpatient Pharmacies (CMOP), and Clinics. Areas to be inspected are pharmacy, inpatient units, clinics (including Community-based Outpatient Clinics (CBOC)), CMOPs, clinical and research laboratories, anesthesia units, and all other areas authorized to have Schedule II to Schedule V controlled substances.

### 4. RESPONSIBILITIES OF THE MEDICAL CENTER DIRECTOR

Each Medical Center Director is responsible for:

a. Establishing an adequate and comprehensive system for controlled substances to ensure safety and control of all inventories.

b. Requiring uniform and complete compliance with VHA policies on controlled substances.

c. Establishing local written medical facility policy(ies) on the inspection of controlled substances.

d. Appointing a Controlled Substance Coordinator (CSC) responsible for the inspection program.

(1) The CSC must not have a connection with any component of the controlled substance program, including procurement, prescribing, dispensing, or administering of medications.

(2) The CSC duties must be included in the employee's position description or functional statement.

(3) The CSC must have a complete understanding of controlled substance policies and the VHA controlled substance inspection process.

e. Appointing an adequate number of Controlled Substance Inspectors, in writing, who do not have involvement in drug procurement, prescribing, dispensing, or administration. *NOTE: Pharmacists, nurses, or physicians who work in other areas (e.g., Performance Improvement) having no involvement with medication prescribing, dispensing, or administration may be appointed as CSIs.*

f. Providing an orientation for new CSIs and ensuring that CSIs receive annual updates regarding problematic issues identified through external survey findings and other quality control measures. *NOTE: It is recommended that this information be provided in an annual meeting; however, email or other means of communication may be used if necessary to ensure that all CSIs receive the information. Documentation of local meetings should be maintained in the Learning Management System (LMS).*

g. Appointing CSIs to a term not to exceed 3 years; there is no term limit for the CSC. *NOTE: Due to the importance of the controlled substance inspection program and for ensuring accountability and confidence in the management and use of controlled substances, the Medical Center Director needs to formally express appreciation to CSIs and the CSC as they complete their terms. CSIs may be reappointed after a 1-year hiatus.*

h. Ensuring that the current Veterans Health Information System and Technology Architecture (VistA) controlled substance software packages are utilized in all inpatient and outpatient settings. *NOTE: The Pharmacy Automated Data Processing Application Coordinator (AdPac), or other pharmacy appointee, must ensure that all VistA controlled substance packages are utilized and that all appropriate pharmacy staff are trained on its use.*

i. Ensuring that all inspection records are retained for a period of 3 years.

j. Immediately referring to the Office of Inspector General, Office of Investigations, any criminal matters involving felonies related to controlled substances (38 CFR § 1.204).

## 5. RESPONSIBILITIES OF THE PHARMACY DIRECTOR, CMOP FACILITIES

The Pharmacy Director of a CMOP facility is responsible for:

a. Establishing an inspector training program, similar to the Controlled Substance-Drug Diversion Inspection Certificate course, on CMOP specific processes.

b. Appointing a CSC, responsible for coordination of the inspection program, and an adequate number of CSIs.

(1) The CSC must not have a connection with any component of the controlled substance program, including the procurement, dispensing or record keeping of these medications.

(2) The CSC duties must be included in the employee's position description or functional statement.

~~(3) The CSC must have complete understanding of controlled substance policies and the VHA controlled substance inspection process.~~

(4) The CSC must complete appropriate training and the Controlled Substance-Drug Diversion Inspection Certification course available on the VA LMS website at: [www.insidelms.va.gov](http://www.insidelms.va.gov) prior to appointment. *NOTE: Additional information regarding this requirement is available on the Mandatory Required Training Web site at: [www.ees.lrn.va.gov/mandatorytraining](http://www.ees.lrn.va.gov/mandatorytraining). This is an internal Web site and is not available to the public.* Documentation of Certification is maintained in the LMS.

c. Appointing, in writing, an adequate number of CSIs who do not have involvement in controlled substance procurement, dispensing or record keeping. For example: Pharmacists and technicians never assigned controlled substances responsibilities may be utilized, as well as administrative assistants, secretaries, or medical equipment technicians, etc.

d. Appointing inspectors to a term not exceeding 3 years. There is no term limit for coordinators. *NOTE: Due to the importance of the controlled substance inspection program, for ensuring accountability and confidence in the management and use of controlled substances, the CMOP Director needs to formally express appreciation to CSIs and CSC as they complete their terms. Inspectors may be reappointed after a 1-year hiatus.*

e. Providing an orientation for new inspectors and an annual refresher training to furnish annual updates regarding problematic issues identified through external surveys or other quality control measures for the current inspectors. *NOTE: It is recommended that this information be provided in an annual meeting; however, email or other means of communication may be used if necessary to ensure that all CSIs receive the information.*

f. Ensuring all controlled substance storage and dispensing areas are inspected on a monthly basis and verifying all inventory stock and record keeping (e.g., procurement, receipt, dispensing, and inventory (active and outdated). *NOTE: On a rare occasion a given area may go uninspected. However, this area must be inspected in the subsequent month.*

g. Ensuring that all inspectors complete a local orientation and the on-line Controlled Substance Certification Program (subpar. 5b(4)) prior to participation in the inspection program. *NOTE: Documentation of Certification is maintained in the LMS.*

h. Ensuring that CSIs are familiar with the inventory management control software program that is used within the CMOP to safeguard controlled substances.

## 6. RESPONSIBILITIES OF THE MEDICAL FACILITY CHIEF OF STAFF AND THE CHIEF NURSING EXECUTIVE

The Chief of Staff (COS) and the Chief Nursing Executive (CNE), or designees, are responsible for:

- a. Ensuring that all requirements for handling, storage, and security of controlled substances under control of clinical services are followed.
- b. Providing access and support for all assigned inspections in clinical services areas of responsibility, without prior notice.

## 7. RESPONSIBILITIES OF THE MEDICAL FACILITY CHIEF OF PHARMACY SERVICES

The Chief of Pharmacy Services, or designee, at the local facility is responsible for:

- a. Ensuring that all requirements in VHA Handbook 1108.1 are followed and that all the necessary information is available to CSIs.
- b. Ensuring that responsibility for balance adjustments in the Controlled Substances VistA Package and automated dispensing devices within the pharmacy is assigned to as few pharmacy staff as possible.
- c. Being present during monthly inspections of the facility pharmacies and performing a complete physical count, as necessary.
- d. Reviewing, monthly, all controlled substance balance adjustments, and reporting any unresolved discrepancy to the CSC. *NOTE: The reviewer cannot perform inventory balance adjustments at any time.*

## 8. RESPONSIBILITIES OF THE CONTROLLED SUBSTANCE COORDINATOR

The CSC is responsible for ensuring that:

- a. The required inspections are completed in each area that stores controlled substances each month. *NOTE: On a rare occasion a given area may go uninspected. However, this area must be inspected in the subsequent month.*
- b. All new CSIs complete the Controlled Substance-Drug Diversion Inspection Certification course available on the LMS prior to participation in the inspection program. Documentation of Certification will be maintained in the LMS. *NOTE: Additional information regarding this requirement is available on the Mandatory Required Training Web page at: [vaww.ees.lrn.va.gov/mandatorytraining](http://vaww.ees.lrn.va.gov/mandatorytraining). This is an internal web site and is unavailable to the public.*

c. All local orientation and initial certification training provided is documented in the LMS. Competency assessments of the CSIs are documented annually. Attendance at annual refresher meetings is documented in the LMS. All annual updates sent to the CSIs are maintained on file.

d. Inspectors conduct monthly, unannounced controlled substance inspections of the Pharmacy's vault(s) inpatient and outpatient working stocks, all units, research, emergency carts, pharmaceutical caches, and CBOCs where controlled substances are stored.

e. Although an inspector may be assigned to assist in the inspection process on a monthly basis, ~~they may not inspect the same area two months consecutively.~~

f. The inspectors verify source data (e.g., prescriptions, providers orders, Bar Code Medication Administration (BCMA) records, and other manual records) to detect potential diversion.

g. All monthly inspections are assigned and completed. *NOTE: To ensure the element of surprise, inspections must not be scheduled at the same time each month. Inspection dates are to be randomly selected.*

h. A monthly summary of findings (including discrepancies) is provided to the Medical Center Director or National CMOP Director.

i. All documented complaints relating to possible diversion activities (e.g., shorted quantities, mail prescriptions not received, etc.) are recorded by the patient advocate or medical center liaison for the CMOP and summarized for review by either the Medical Center or CMOP Director in the Controlled Substances Monthly Report.

j. All resolved discrepancies, noted during the inspection process, are reported to either the Medical Center or CMOP Director for trending purposes.

k. Unresolved discrepancies are reported to either the Medical Center or CMOP Director for further investigation.

l. A "Quarterly Trends Report" is provided to either the Medical Center or CMOP Director summarizing any identified discrepancies, problematic trends, and potential areas for improvement. For example: discrepancies need to be trended by location, drug, and number of doses.

m. Either the CSC or the pharmacy liaison generates a complete list of the serial numbers for distributed VA Form 10-2638, Controlled Substance Administration Records, by unit, clinic, etc. This list provides all serial numbers to the CSIs for use in the monthly checks of controlled substance inventories and records. *NOTE: The CSIs must have access to: the inactive VA Forms 10-2638, in those rare instances when they are utilized; VA Forms 10-2638, returned to the pharmacy since the last inspection; or the electronic equivalent data in VistA. The records used for the monthly inspection must part of the VistA package, automated dispensing equipment, or both.*

**9. RESPONSIBILITIES OF THE CONTROLLED SUBSTANCE INSPECTORS (CSIs)**

The CSIs are responsible for:

- a. Conducting any random, unannounced inspections as assigned by the CSC. Each inspection area must be completed on the day it is initiated. *NOTE: All CMOP controlled substances inspections are to be completed on the same day. However, at the Medical Center inspections may be assigned on multiple days as long as the element of surprise is maintained.*
- b. Checking on-hand inventories.
- c. Certifying by memorandum, as defined in local policy, to the CSC, the accuracy of the records and inventory of the controlled substance areas that they have inspected.
- d. Randomly verifying that there are valid outpatient prescriptions or inpatient orders for Schedule II prescriptions to support the dispensing activity. *NOTE: For the frequency of random verification see VHA Handbook 1108.1.*
- e. Ensuring that all assigned inspections are completed by the end of the month.

**10. PROCEDURES FOR INSPECTION OF THE PHARMACY**

- a. The Chief of Pharmacy Service, or designee, must be present during the monthly inspections. In the case of the CMOPs, the responsible controlled substance pharmacist must be present at the time of inspection.
- b. The physical inventory inspection includes all active stock of Schedule II to V controlled substances (including outdated stock), and related records (VA Form 10-2320, Schedule II, Schedule III Narcotics and Alcohol Register; VA Form 10-2638; and VA Form 10-2577 F, Security Prescription Form; and electronic equivalents).
- c. The Chief of Pharmacy, or designee, and CSI must perform a complete physical count in the pharmacy during the first month of each quarter and a random physical count of a minimum of 10 percent (or maximum of 50) of the line items during the other 2 months. The CSI must weigh all unsealed powders and measure all unsealed liquids with a volumetric cylinder, unless the container has a graduated scale for volumetric measurement.
- d. The CSI(s) must verify the accuracy of the pharmacy records by dating and initialing VA Form 10-2320, or the electronic equivalent for each drug or preparation, at the time of inspection. This includes:
  - (1) All pharmacy working stocks of controlled substances;
  - (2) A physical count quarterly and monthly verification of the seals of the Emergency Drug Cache;
  - (3) All automated dispensing machines containing controlled substances;

(4) All drugs held for destruction by comparing with the "Destruction File Holding Report;" and

(5) Prescription pads.

e. Do not open manufacturer sealed packages to verify inventory. *NOTE: The inspecting official is not to open any sealed packages of controlled substances for actual count, unless there appears to be evidence of tampering.*

~~f. The CSI must conduct Inventory Reviews.~~

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(1) The inspecting official must verify and document, on the Pharmacy Controlled Substance Inspection Report, that 72-hour inventory checks have been completed in Pharmacy since the last inspection.

(a) Pharmacies open 6 or 7 days per week must complete three inventory checks weekly, unless there is a Federal holiday. On weeks containing a Federal holiday, only two inventories are required in pharmacies open 6 or 7 days per week.

(b) Those pharmacies open 5 days per week must complete two inventory checks weekly.

(2) VHA All Hazards Cache controlled substance inventory must be reviewed every 72 hours. That portion of the inventory that is contained in a bin with an intact seal does not need to be individually counted, but can be accounted for by verifying that their outer seals are intact. All discrepancies, evidenced by this review process, must be resolved when evidenced. Unresolved discrepancies must be reported by the inspectors as a component of their monthly report. *NOTE: A waiver to perform weekly reviews must be granted by the Office of the Pharmacy Chief Consultant, Pharmacy Benefits Management (PBM) Services.*

(3) The CSI ensures that all controlled substances have been received and placed into inventory by reviewing the monthly prime vendor invoice, detailed purchase invoices, and summary reports from prime vendor or direct purchase invoices against the pharmacy drug receipt history report in VistA. *NOTE: All controlled substance inventories must be first received into VistA prior to issuing to automated equipment.*

g. A CSI must inspect the Outpatient Pharmacy.

(1) In the outpatient pharmacy, the CSI must randomly select and verify that there is a hard copy prescription (written "wet signature" prescription) for 10 percent (or maximum of 50) of the Schedule II controlled substances dispensed. Electronic entry of the Schedule II controlled substances prescriptions in a Drug Enforcement Agency (DEA)-approved physician order entry system must have been previously verified using a Public Key Infrastructure certificate.

(2) The inspector is to identify, from the "Daily Activity Log" in VistA, specific prescription entries and then verify that there is a hard copy prescription.

(3) Inspectors must initial on the daily activity log each entry verified with a hard copy prescription. A copy of the daily activity logs must be included with the inspection report.

## 11. CONTROLLED SUBSTANCE DRUG DESTRUCTION

a. Out of date, or other unusable substances that are returned to the pharmacy must be properly stored for transfer to a reverse distributor, or destroyed under the control of pharmacy. The CSI must verify that all drug transfers or destructions are completed at least quarterly, and documented on the inspection report.

b. The CSI must review the audit trail for ten randomly-selected drugs for destruction by comparing the destroyed drugs report to the signed DEA Form 41, Registrants Inventory of Drugs Surrendered; ensuring that accountability is maintained from the time of turn-in to pharmacy until destruction or transfer to a reverse distributor. Any transfer to a reverse distributor must be validated by a signed receipt. Upon transfer the reverse distributor assumes full control and responsibility for the controlled substances.

c. The CSI must ensure that any drug stock removed from inventory for destruction, since the last inspection, is properly documented on the "Destruction File Holding Report."

## 12. PROCEDURES FOR INSPECTION OF INPATIENT UNITS AND CLINICS

a. The unit or clinic manager, or designee, is to be present during the inventory and inspection of controlled substances.

b. The CSI must perform a complete physical count on all unit and clinic areas during the first month of each quarter. A random physical count of a minimum of 10 line items must take place during the other 2 months of the quarter. Manual entries must be reconciled on VA Form 10-2638, for each drug or preparation during each inspection.

c. In the inpatient or clinic setting, the CSI must verify that there is a hard copy order (electronic or written) for five randomly selected dispensing activities on each unit. On a unit with less than five dispensing activities, a minimum of two orders must be reviewed.

d. The CSI must:

(1) Validate control substance transfers, to ensure that appropriate documentation as to the transfer is maintained, by reviewing the document trail of any two transfers from one storage area to another. *NOTE: This is only necessary if controlled substance transfers are permitted by local medical center policy.*

(2) Initial and date the inspection worksheet to verify the accuracy of records on the unit or clinic.

(3) Ensure that change of shift counts for non-automated dispensing units and weekly inventories for automated units on all wards and remote storage areas are completed.

*NOTE: This is only necessary if shift counts and weekly inventory verifications are required by local medical center policy.*

### 13. PROCEDURES FOR INSPECTION OF RESEARCH LABORATORIES

a. The CSI must validate that the medical center Director has authorized a designated provider to ensure security, handling, and storage of controlled substances in a research laboratory.

~~b. The designated provider or designee, is to be present during the inventory and inspection of the controlled substances.~~

c. The CSI must:

(1) Validate that all controlled substances stored in the research laboratory were ordered through and received from Pharmacy Service.

(2) Perform a complete physical count of all controlled substances each month. Manual entries must be reconciled on VA Form 10-2638 for each drug or preparation during the inspection.

(3) Validate that a VA Form 10-2638 accompanies each container of drugs issued. *NOTE: Research staff must always use a printed copy of VA Form 10-2638.*

(4) Ensure that when inventory for a specific VA Form 2638 is depleted that the form is zeroed out, signed, and dated by the designated provider. *NOTE: Once zeroed out, the completed form must be returned to pharmacy service within 72 hours. Any lapses with regard to this requirement are to be noted on the inspection worksheet.*

(5) Initial and date their inspection worksheet to verify the accuracy of all records in the research section. *NOTE: No change of shift counts or daily counts are required of the research department.*

d. Inspectors are cautioned not to open sealed boxes unless evidence of tampering is encountered. Sterile solutions or powders custom packaged or repackaged for research use must not be adulterated or rendered non-sterile by auditing procedures.

(1) The need for special precautions must not prevent an accurate audit. An audit method that allows compliance, while protecting the integrity of powders or liquids, is to be developed, with the input of the Chief of Pharmacy, Associate Chief of Staff for Research and Development (or equivalent), research investigators, and veterinarian (if applicable) as needed. *NOTE: The use of small, pre-measured, and sealed aliquots of powder or liquid (versus bulk storage) can allow ready measurements while maintaining sterility and preventing needless repetitive weighing or volume measurements.*

(2) On rare occasions a powder or liquid, if improperly handled, could represent a potential health risk to inspectors. In such cases, the principal investigator, or designee, must ensure that

appropriate handling precautions are clearly communicated on the item (e.g., if the controlled substance could be absorbed by skin contact, an appropriate warning should be present on the container to avoid skin contact or to only open the item in a chemical hood or other suitable containment environment). Inspectors must not hesitate to ask research personnel with more appropriate training to handle items in such circumstances.

#### 14. PROCEDURES FOR INSPECTION OF AUTOMATED DISPENSING EQUIPMENT

- a. The CSI must have specific, written instructions on how to inspect each automated dispensing device that contains controlled substances.
- b. Each CSI must be assigned an individual password that enables access only in the presence of an authorized user.
- c. A unit or clinic nurse, or authorized provider in the research section, must accompany the CSI during all inspections.
- d. The CSI must:
  - (1) Perform all physical counts on all unit, clinics, and research areas as required by this Handbook.
  - (2) Reconcile 1 day's dispensing from the pharmacy to each unit of automated equipment. These are to utilize the pharmacy dispensing reports to automated equipment, validating what was received into inventory.
  - (3) Verify, in the inpatient or clinic setting, that there is a hard copy order (electronic or written) for five randomly selected dispensing activities on each unit. *NOTE: On a unit with less than five dispensing activities a minimum of two orders must be reviewed.*
  - (4) Ensure that weekly verification for automated units on all devices and remote storage areas are completed. *NOTE: This is only necessary if weekly verification is required by local medical center policy.*

#### 15. TOOLS FOR DETECTING DIVERSION

- a. The CSC and Pharmacy designee may expand the scope of the monthly inspections by utilizing the Controlled Substances Monitoring menu in VistA to identify potential problem areas.
- b. Medical center staff may utilize surveillance tools that accompany automated dispensing equipment (e.g., Pyxis, C-Safe), commercial-off-the-shelf (COTS) software (e.g., Pandora), and future versions of VistA's "Ward Drug Dispensing Equipment (WDDE) interface," to identify potential incidents of drug diversion. *NOTE: A listing of potential fileman templates that can be run on a local level are identified in the VistA Controlled Substances Inspector's Manual.*

March 31, 2010

VHA HANDBOOK 1108.02

**16. DOCUMENTATION OF DISCREPANCY OR LOSS OF CONTROLLED SUBSTANCES**

a. In cases of unresolved discrepancies the CSI must provide a report to the CSC, who must make a report of findings to the appropriate Facility or CMOP Director for action.

b. Reports of loss or potential diversion are to be forwarded to Pharmacy Benefits Management Services using mail group at: VHAPBH Pharmacy Reporting CS Diversion/Loss. In all instances this report is to be sent using e-mail encryption. *NOTE: In the case of an identified discrepancy or diversion, the procedures outlined in VHA Handbook 1108.1 are to be followed.*

March 31, 2010

VHA HANDBOOK 1108.02  
APPENDIX A

**VA FORM 10-2320, SCHEDULE II, SCHEDULE III NARCOTICS AND  
ALCOHOLS REGISTER**

Department of Veterans Affairs (VA) Form 10-2320, Schedule II, Schedule III Narcotics and Alcohols Register, can be found on the VA Forms Web site at:

<http://vawww4.va.gov/vaforms/medical/pdf/vha-10-2320-fill.pdf> *NOTE: This is an internal VA link not available to the public.*



10-2320-fill.pdf

March 31, 2010

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APPENDIX B

**SAMPLE OF VA FORM 10-2638, CONTROLLED SUBSTANCE ADMINISTRATION  
RECORD**

A sample of Department of Veterans Affairs (VA) Form 10-2638, Controlled Substance Administration Record, can be found on the VA Forms Web site at:

~~<http://va.gov/vaforms/>~~ *NOTE: This is an internal VA link not available to the public.*

This form must be ordered in paper form the Service and Distribution Center. The Stock number is F01213.



10-2638.pdf

March 31, 2010

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**SAMPLE OF VA FORM 10-2577F, SECURITY PRESCRIPTION FORM**

A sample of Department of Veterans Affairs (VA) Form 10-2577F, Security Prescription Form, can be found on the VA Forms Web site at: <http://vaww4.va.gov/vaforms/>. *NOTE: This is an internal VA link not available to the public.*

This form must be ordered in paper form the Service and Distribution Center. The Stock number is F05466



10-2577F.pdf

## LOGISTICS MANAGEMENT PROCEDURES

1. **Reason.** This handbook sets forth department wide procedures which implement ~~and supplement materiel management policies and responsibilities found in the FPMR~~ and FMR as appropriate. Together, they comply with requirements established in Title 40, United States Code (U.S.C.), Public Buildings, Property, and Works, and Title 41, Code of Federal Regulations. This document combines the information originally contained in VA Handbook 7125 and 7127 and VA Directive 7347 Appendix A (inventories of firearms and ammunition).

2. **Summary of Changes.** This handbook provides updated policy and procedures pertaining to subject matter in the general area of materiel management and property management. The following areas are a summary of major changes to this handbook:

a. Prohibits the purchase of refrigerators and microwaves for employee use from appropriated funds.

b. Adds clarification and guidance concerning the use of furnishings and equipment pools.

c. Adds information on replacement criteria to be considered when replacing an equipment item.

d. Adds information/requirements under "Accountability" regarding the following:

(1) Delegations of Authority

(2) A listing of Accountable Officers (AO) in each Veterans Integrated Service Network (VISN) will be submitted to the Office of Acquisition and Logistics (OAL) (along with copies of the Delegation of Authority) for review and concurrence

(3) Sections discussing the AOs and the CLO responsibilities and required review process

e. Added annual training requirements for the AO

f. Changed system references to generic terms.

g. Changed references to Chief, Acquisition and Materiel Management Services to Logistics Services.

- h. Incorporated federal terms from 7127, Change 4.
  - i. Incorporated change in capitalization threshold and further explained capitalized property classification.
  - j. Removed Section 5102-5 originally in 7127, Administrative Certifications.
  - k. Added information on unclaimed and voluntarily abandoned personal property.
  - l. Added disposal condition codes and definitions.
  - m. Added information on sanitization of property containing data sensitive material.
  - n. Added information regarding sensitive items to reflect Change 4, originally contained in 7127.
  - o. Condensed Sections 5108-1, 5108-2 and 5108-3 originally in 7127 to references.
  - p. Added information addressing loans of property to employees separately from loans to institutions, added establishment of Loan Register, and added authority to establish nonexpendable equipment loan pools.
  - q. Added information to reflect Change 5 to 7127.
  - r. Added information to reflect authority to change inventory time frames, addition of sensitive item information, removal of authority to waive a scheduled inventory, and redefined extension of scheduled inventory.
  - s. Removed Part 5 in 7127 (Supply Fund) in its entirety which will be separated into its own distinctive Directive and Handbook.
  - t. Added recommendation to use the automated Equipment Request/Turn-in Package, added requirement to use Cataloging and National Stock Numbers (NSN), and to add requirement of documentation of property loans and Loan Register to be maintained with appropriate Equipment Inventory List (EIL).
  - u. Requirements for Year-end Certification Reports and for Equipment Not Installed reports to OAL is no longer required.
  - v. Added section addressing IT equipment inventory and control.
  - w. Added Report of Survey (ROS) timelines.
3. **Responsible Office.** Logistics Policy (001AL-P2), Office of the Deputy Assistant Secretary (DAS) for Acquisition and Logistics (001AL).

July 10, 2009

VA Handbook 7002  
Transmittal Sheet

4. **Related Directive.** VA Directive 7125, Supply and Procurement – General Procedures, dated November 4, 1994, and VA Directive 7127, Materiel Management Procedures, dated September 19, 1995, and VA Directive 7347, Accountability and Disposal of Firearms and Ammunition dated March 5, 2007, and VA Directive 7125.1, Accountability, dated April 5, 1996.

5. **Rescission.** VA Handbook 7125, General Procedures, dated April 5, 1996, and VA Handbook 7127 (changes 1,2,3,4, and 5), Materiel Management Procedures, dated ~~September 19, 1995 and VA Directive 7347, Accountability and Disposal of Firearms~~ and Ammunition, Appendix A only dated March 5, 2007, and VA Directive 7125.1, Accountability, dated April 5, 1996.

**CERTIFIED BY:**

/S/  
Roger W. Baker  
Assistant Secretary for  
Information and Technology

**BY DIRECTION OF THE  
SECRETARY OF VETERAN AFFAIRS:**

/S/  
Glenn D. Haggstrom  
Executive Director Acquisition, Logistics  
and Construction

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**LOGISTICS MANAGEMENT PROCEDURES**

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**LOGISTICS MANAGEMENT PROCEDURES****PART 1. SUPPLY AND PERSONALLY OWNED PROPERTY.**

1. **Supply Through Storage and Issue.** Factors to be considered when determining if an item will be included in the posted (warehouse) supply fund inventory are:

~~a. An item for which a price advantage will be realized from volume buys resulting in more economical costs to using activities (e.g., bulk purchase discounts);~~

b. An item with a high rate of usage; or

c. An item of which stock must be on-hand due to its particular or specialized use.

2. **Personally-owned Property Placed in Official Use.** VA Form 2235 will be used for personally owned property placed in official/unofficial use. Employees are required to obtain approval from their supervisors and advising the facility AO prior to bringing a piece of personally owned property to a VA facility or placing it in use.

A written policy for privately-owned property will be established at the local level which will inform employees of the following:

a. **Official use.** Personally-owned property placed in use for the convenience of the Government. The Government is responsible for loss, service, or repair of property placed in use for the convenience of the Government. Excluded from this authorization are personally-owned vehicles.

b. **Unofficial use.** Personally-owned property placed in use for the convenience of the employee. The Government is not responsible for loss, service, or repair of property placed in use for the convenience of the employee. Exception: devices needed to assist an employee due to a disability or impairment.

c. The facility AO or designee will ensure Engineering Service and Safety is aware of all personally-owned property placed in use (e.g., radios, cup warmers, etc.) for the purposes of ensuring a safety inspection is performed. And, if appropriate, also ensure space and utilities are available to properly accommodate the item in accordance with safety and Joint Commission on Accreditation of Health Organizations (JCAHO) standards.

**PART 2. ACCOUNTABILITY.****1. General**

a. **Responsibility.** Any employee who uses, supervises the use of, exercises control over, or has custody of public property in their personal possession or in possession of employees under their jurisdiction is responsible for such property. Responsibility may

be divided into four categories: personal, supervisory, EIL, and staff and each category are discussed more in depth in paragraphs 3, 4, 5, and 6 of this part.

b. Definitions: (See Appendix A for more definitions used in Property Management)

(1) **Accountability.** The tracking and reconciling of property items from acquisition to disposition (cradle to grave); the ability to account for personal property by providing a complete audit for property transactions from receipt to final disposition.

(2) **Control.** The ongoing function of maintaining physical oversight and surveillance of personal property throughout its complete life cycle using various property management tools and techniques.

(3) **AO.** The facility's appointed AO or designee who has the obligation imposed by law, administrative order, or regulation to render an accounting to another official for funds, property, or supplies entrusted to them, whether VA-owned, leased, or acquired by loan from any source. It is recommended each VA facility should have a single AO.

c. The following areas will have designated liaisons for AO functions and will ensure agreements for AO support services are established with the nearest Veterans Health Administration (VHA) facility:

(1) Veterans Benefits Administration (VBA)

(2) National Cemetery Administration (NCA)

(3) Chief Information Officer (CIO)

(4) Regional Counsel

## 2. Accountability and Delegations.

a. All VHA field facilities shall establish AO positions. The facility's Chief of Logistics Services, or designee, will be the AO at a VHA field facility. VHA facilities shall provide AO support to NCA, VBA, and the Office of Information and Technology (OI&T) through support agreements. In the VA Central Office (VACO), the AO is the DAS for Administration (03). To the fullest extent possible, each administration shall standardize logistics position's specific roles and responsibilities, reporting requirements, and communication channels at the facility level for the benefit of the logistics support staff. This standardization will establish continuity across the board for all logistics operations within VA.

b. The AO will ensure that all inventories are accurate and maintained in accordance with VA directives and handbooks and any other pertinent guidance.

c. The AO will be relieved of accountability for personal property when:

(1) Expendable property is issued to another VA activity or sold from Supply Fund stock.

(2) Expendable or nonexpendable property is transferred to another VA facility, federal agency, or otherwise disposed of in accordance established excess procedures.

(3) Property is reclassified i.e., from personal property to real property.

~~(4) An approved adjustment voucher or Report of Survey is posted to the perpetual inventory account. If the AO is the custodial officer for the property, the adjustment voucher should have an additional higher level of approval (e.g., Associate Director, facility Director, or designee).~~

(5) Relieved of official duty as provided for in this part, paragraph 7.

d. The facility AO shall be delegated by the facility director in writing. The AO may further delegate this responsibility in writing as needed in order to carry out the mission of logistics.

e. A listing of the AO located at each facility within a VISN (VHA), MISN (NCA), or Region (VBA) will be submitted annually by the end of the Fiscal Year through the established logistics office within each administration to OAL, and will be kept on file for reference purposes. This list will include name, a job title, series, grade, and telephone number. In addition, a copy of each AO's delegation from their facility director will be attached to this listing.

### 3. Personal Responsibility.

a. Personal responsibility for government property is the obligation of every employee, whether such property has been issued to, is specifically assigned for personal use, or is used by them on occasion. Employees who, in the performance of their duty, are required to operate or use government equipment or devices have an obligation to perform first echelon care in the daily use of such property.

b. An employee may be held pecuniary liable for the loss, damage, or destruction of government property when the loss, damage, or destruction is due to the employee's negligence or misuse of such property, or to dishonesty or willful destruction of the property.

c. NOTE: The extract from Public Law 772, 80th Congress (18 U.S.C. 641), will be posted on bulletin boards and other conspicuous places for the information and guidance of all concerned.

4. **Supervisory Responsibility.** It is an obligation assumed by every employee who accepts an administrative or supervisory position in a service, section, or division of an

organization? Personnel having this responsibility shall be held pecuniary liable for the loss, damage, or destruction of property under their supervision only when it is positively shown that the employee was guilty of neglect or carelessness, as outlined in Part 11, paragraph a., subparagraph (2), (a) or (b). In addition to these responsibilities, a supervisor may be assigned an EIL that would require them to perform Custodial Officer duties which are discussed in paragraph 6 of this part.

**5. Staff Responsibility.** The facility AO, or designee, has "staff responsibility." This obligation is to assure management that all government property assigned to the facility is accounted for and entered into the proper automated system. Also the AO is to ensure that all property is properly utilized, maintained, and conserved during its useful life, and that procedures are in place to avoid theft, abuse, and loss.

**6. Custodial Officer EIL Responsibilities.** The Custodial Officer (i.e., service chief or component head), or equivalent employee designated by the facility organizational director to assume responsibility for nonexpendable property will do so by personally signing the EIL. In signing this receipt, the employee certifies that all property placed into official use, including VA-owned, leased, loaned, or donated, is listed on the EIL and is present and accounted for as of that date, or the appropriate documentation has been submitted as indicated on the EIL signature page. They also acknowledge that they are, as of that date, responsible to the AO for all property listed on their signed EIL. Additions to, or deletions from, this account made subsequent to the date of signature will be supported by the appropriate signed documentation. The Custodial Officer will remain responsible for such property unless relieved, as provided for in paragraph 7 of this part. Additionally, it is highly recommended that when conducting the official EIL inventory, the Custodial Officer also conduct an inventory of expensed equipment items as well. This allows the Custodial Officer the opportunity to ensure all their equipment items are being adequately utilized and still needed to carry out the service's mission/function. Appendix H is a listing of required standardized department numbers that must be used when entering an item into the property accountability system. The Custodial Officer shall receive EIL training from the AO on an annual basis. This EIL training will be documented accordingly.

**7. Relief From Responsibility.** Custodial Officer responsibility for accountable EIL property, which has been formally charged to them or they have further issued to an employee by means of either the EIL, VA Form 2237, or computer generated form, will terminate when:

- a. Property has been returned to the AO and a valid receipt secured,
- b. They have, with their successor (or person designated in writing as acting in that capacity), inventoried all property for which they are charged, and
  - (1) Have had all overages and shortages properly adjusted,

(2) Obtained the signature of their successor (successor could also imply the person acting in that capacity) on the EIL,

(3) Delivered the signed copies to the AO, and

(4) Secured their clearance.

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**8. Transfer of Accountability.** When an accountable official is relieved of official duties, formal accountability, as distinguished from liability, will be immediately transferred to the temporary or permanent successor. Via memorandum (routed through the facility Director), the official assuming accountability will verify the completeness and accuracy of all property accounts, and with the outgoing official, will affix his or her signature. An adjustment voucher or ROS will be prepared for any additions or missing items, as appropriate. In the event that the outgoing official is prevented from executing this action by reason of death or disaster, the justification will appear on the memorandum in lieu of the signature. The original memorandum will be filed in the Delegation of Authority file maintained in the office of the facility's AO, and copies will be provided to the incoming and outgoing officials.

**9. General Scope of AO's Mandate and Required Review Process.**

a. The AO shall be a senior manager who has direct control of personal property assets and who selects and assigns staff personnel to receive and manage said assets. This manager is responsible to account for all personal property assigned to their facility and for the documentation of all transactions affecting personal property. The AO oversees the materiel management activities associated with the property under his or her control. Additionally, the AO shall ensure that training is provided to administrative staff as appropriate (i.e. EIL Custodial Officer, bar coding/scanner, ADPAC, etc.)

b. Each administration, staff office, and program office will ensure AO activities are accomplished within all offices under their respective jurisdiction. If AO resources are not resident at the facility, a Memorandum of Understanding will be established with the local supporting VHA facility. This includes, but is not limited to the following:

(1) Conduct searches for unrequired/excess supplies and equipment

(2) Inventory maintenance and documentation

(3) Disposal of unrequired/excess property

c. The AO will mandate the use of all official automated inventory systems at their facilities. The AO will ensure the usage and implementation of a VA approved and authorized inventory system for all inventory functions. The AO will ensure that action is taken to populate and maintain these automated inventory systems for both expendable and nonexpendable items. The AO will make sure that use of the standardized EIL

department numbers, Category Stock Numbers (CSN), and NSNs are utilized appropriately in each inventory system.

d. The AO will minimize long supply and eliminate unofficial expendable inventories by monitoring the inventories in the official inventory system.

e. The AO will comply with VA Handbook 7348, "Utilization, Sale, Abandonment or Destruction of personal property." This includes the screening of excess property listings, electronic or physical, circulated by other VA activities, General Services Administration (GSA), and other Federal agencies in order to fill required requisitions at their facility in lieu of acquisition whenever possible.

**10. General Scope of CLO Mandate and Required Review Process.** Within VHA, the CLO will ensure that the following managerial and oversight functions are accomplished as follows:

a. Provide policy guidance and compliance responsibility over inventory management, property management, and acquisition activities.

b. Ensure training for key personnel is obtained and provided as required.

c. Monitor logistics and acquisition performance measures and initiate corrective action to address out-of-line situations;

d. Ensure compliance with federal and VA regulations and procedures;

e. Coordinate corrective actions identified in reviews, audits, or inspections;

f. Serve as point of contact for acquisition and logistics matters within their sphere of responsibility;

g. Review medical center, regional office, or cemetery (as appropriate) acquisition and logistic plans and objectives;

h. Indirectly monitors and establishes reporting requirements for each facility logistics officer; and

i. Ensures required and annual reports are submitted in a timely manner and in the correct format.

**11. General Scope of the Logistics Liaison Office Mandate and Required Review Process.** Within each Administration, a designated office will be required to report to the VA Chief Financial Officer/Senior Procurement Executive (CFO/SPE) through the DAS/OAL - 001AL). This office will provide oversight for all logistics activities and will ensure compliance with all Federal and VA logistics rules and regulations. The

designated office will keep the VA CFO/SPE informed concerning all major changes, decisions, and required reports.

**PART 3. CLASSIFICATION OF PROPERTY.** This part provides VA property managers with a resource for the proper classification of property items. Within VA, property is further classified as real (i.e. buildings/land and building service equipment) and personal (both expendable and nonexpendable).

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**1. Categories.**

a. **Personal Property.** All property other than real property and all property on Federal compounds that is disposed of as trash (reference Handbook 7348 for further guidance on this subject). Items in the personal property category are further classified as expendable or nonexpendable. The classification of property into these categories provides the basis for:

- (1) Segregation of equipment assets from operating supplies.
- (2) Data collection to support a planned maintenance and replacement program.

b. **Real Property.** Buildings, land, structures, and building service equipment (e.g. equipment that is permanently installed in or attached to buildings and structures which when installed, become an integral part of real property for the purpose of rendering the building or structure usable or habitable such as heating and light fixtures, elevators, fire alarms and air conditioning systems).

**2. Classification.**

a. The Centralized Acquisition Analysis Division classifies property with either a NSN for supplies, or a CSN for equipment.

b. Except as stated in paragraph e of this section, the DAS/OAL (001AL), in conformance with the policy in paragraphs c. and d. of this section, shall determine the classification of standard items (or categories of items) in accordance with the Federal supply cataloging system.

c. The Centralized Acquisition Analysis Division (CAAD) will consider the following criteria when classifying property:

- (1) Expendable
  - (a) Has a life expectancy when put to use of less than two years.

(b) When put to use, becomes an integral part of another item, thereby losing its individual identity.

(c) Is purchased for permanent release to beneficiaries. (Prosthetics and Sensory Aids Service usually orders items for beneficiaries.)

(2) Nonexpendable

(a) Normally has, but is not limited to, an acquisition cost of \$300 or more (an item classified as nonexpendable may cost less than \$300, i.e. refrigerators, microwave ovens, toasters, some typewriters, printers).

(b) Has a life expectancy of two years or more.

(c) Is of a sensitive nature which requires accountability/control regardless of cost, life expectancy, or maintenance requirements.

(d) NOTE: Sensitive property is defined as property, regardless of acquisition cost, that by its nature, is subject to theft, loss, conversion to personal use, or for some other reason, must be subjected to more stringent controls than other property (see Part 8, Inventory of Equipment in Use for a listing of sensitive items).

d. Personal Property (expendable/nonexpendable) classifications, once established, will not be revised as a result of price fluctuations reflected in subsequent purchases unless authorized by the DAS/OAL (001AL).

e. Personal property, which may come into being as a result of fabrication and/or the assembly of parts or components, will be reclassified by the facility to correctly identify the unit as a whole.

f. A nonexpendable item will have a CSN assigned; nonexpendable items with assigned CSNs will be found in VA Catalog Number 3, section V. When requested, the CAAD will assign a CSN to new nonexpendable items. VA Form 0886 will be used by field activities when requesting to change an item from nonexpendable to expendable.

g. Expendable items will have an NSN assigned by the CAAD in accordance with Public Law 82-436 and FPMR 101-30.202. In addition, the CAAD is responsible for assisting in the standardization of personal property within VA.

**3. Special Classifications.** For the purpose of accounting control, all Government-owned personal property has been further classified as Supply Fund, Non-Supply Fund (Appropriated), Trust Fund, Compensated Work Therapy (CWT), Medical Care Collections Fund (MCCF) and Recyclable Fund property.

a. Supply Fund Property. This term is applied to all property procured by or donated to the Supply Fund and includes the following:

(1) Capital Leasing Equipment Program from OAL (see VA Directive and Handbook 7132).

(2) Expendable property issued from Supply Fund posted stock inventory that is turned-in by the using divisions and returned to inventory accounts.

(3) Silver and precious metals reclaimed under the silver reclamation program.

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~~(4) Unrequired nonexpendable property that is shipped to the Service and Reclamation Division for rehabilitation prior to disposition of the property.~~

(5) All supplies, materials, and equipment owned by OAL.

b. Trust Fund. Is personal property received as a gift or bequest from individuals or non-Government organizations including equipment purchased from or through the General Post Fund (e.g., motor vehicles from Veterans Service Organizations). Trust Fund (General Post Fund) transactions are non-Appropriated Funds. The General Post Fund authority and reference is US Code Title 38, Chapters 83 and 85.

c. CWT. CWT is personal property acquired for a Compensated Work Therapy program from the proceeds derived from such program. Funds used are neither appropriated nor donated. This is a self-sustained program for the benefit of patients.

d. MCCF. In Fiscal Year 1997, Congress terminated Medical Care Cost Recovery (MCCR) and established MCCF. This is a separate fund which allows VHA to retain medical collections from third party reimbursements. Funds from this account are held in medical care appropriation and remain available for expenditures for supplies and equipment. MCCF consists of personal property purchased and used exclusively in and by program personnel responsible for recovering medical care cost funds.

e. Recyclable Fund. Public Law 108-199, Section 607, authorizes agencies to receive and use funds from sale of materials recovered from recycling and waste prevention programs (see VA Handbook 7348 for guidance on expenditures of funds).

f. Non-Supply Fund. All items not included in a. through e. These items use appropriated funds.

g. Nonexpendable Capitalized Property. Is property within the nonexpendable category which costs \$100,000 or more per aggregated line item, and is accountable on the EIL.

f. NOTE: The capitalization threshold is met in the following circumstances:

(1) When a single stand-alone item costs \$100,000 or more;

(2) When the aggregate cost of an item with its integrated (not separately identifiable) pieces is \$100,000 or more;

(3) When the combined cost of an item (parent) and its major components (children) meet or exceed the \$100,000 threshold; or

(4) When an upgrade or update is purchased whose cost added to the value of the original item causes the value of the item to meet or exceed the \$100,000.00 threshold. If the aggregate cost is \$100,000 or more, the capitalization threshold is met regardless of whether the total asset value is assigned to the original item only or separately assigned among the original item and its major components.

(5) For accountability and depreciation purposes, it is strongly recommended that the value of capitalized assets be assigned individually among the original item and its major components. The parent/child relationship is identified in the automated equipment inventory system as follows: if Item A is a component (child) of Item B (parent), then the Parent field of Item A should contain the Control Number of Item B.

(6) If Item B is, in turn, a component (child) of an even larger Item C (parent), then the Parent field of Item B should contain the Control Number of Item C, and so on.

(7) Inventory items with no entry in the Parent field are either freestanding devices or major systems with one or more levels of components beneath them. An item must already be in the Equipment File before it can be named as the Parent of another item.

**PART 4. ACCOUNTING REQUIREMENTS.****1. Property Voucher, Register, and File.**

a. Documents for posted and unposted receipts, services, nonexpendable receipts, transfers, and miscellaneous transactions (e.g., turn-ins, donations, excess documents, Reports of Survey, and inventory adjustments) will be assigned an individual unique control number or assigned computer-generated common numbers from a series obtained from the Logistics Services' computerized accountability system each fiscal year (currently this is the Integrated Funds Distribution, Control Point Activity, Accounting and Procurement program). Common numbers assigned will be from the appropriation to which the transactions apply. Copies of posted Supply Fund receipts may be filed or maintained within Logistics Services' computerized accountability program, in accordance with the Department record control schedules. Copies of nonexpendable receipts will be filed with the appropriate EIL and will be maintained for three fiscal years (one year active, two years inactive).

b. Posted Supply Fund issues will be assigned a sequential voucher number by Logistics Services' computerized accountability program on a monthly basis using a numerical prefix designating the month in which the transaction occurred. Completed vouchers will be filed in voucher number sequence, in accordance with the Department record control schedules.

c. The AO shall have oversight of all Controlled Substances (to include all Schedule II and III controlled substances) and will ensure that appropriate procedures are in place for their proper tracking. All Schedule II and III controlled substances are to be tracked by the Chief, Pharmacy Service, or designee for receipt and disposal actions. These items are ordered by pharmacy utilizing either an electronic or manual version of UNITED STATES Department of Justice, Drug Enforcement Agency (DEA), Form DEA-222 (Official Order Form for Schedules I and II Controlled Substances). If the facility utilizes the following website (<http://www.deacom.gov/>) to electronically order their controlled substances, the paper form 222 is not necessary.

(1) The facility AO, or their designee, is required to be involved in the immediate receipt and inspection of all incoming shipments, and in the turn-in and disposal processes of all controlled substances and narcotics.

(2) The AO, or designee, shall maintain an electronic file of invoice copies for all delivered controlled items.

(3) The AO, or designee, shall participate in audits with the facility controlled items inspection official/team and shall compare the Logistics invoice copies against the invoice copies maintained by Pharmacy and reviewed by the inspection official/team.

(4) The AO, or designee, shall immediately verify the receipt of controlled items shipments along with the Chief, Pharmacy Service, or their designee, on the date of

delivery. The AO, or designee, shall make arrangements to be available for this immediate joint inspection within two hours of delivery or at a predetermined regularly scheduled receipt inspection time.

(5) A Consolidated Mail Outpatient Pharmacy (CMOP) shall designate the Logistics Manager as the AO.

(6) NOTE: The facility AO, or designee, cannot be under the control of the Chief, Pharmacy Service. The only exception is the CMOP in which the Logistics Manager shall be under the direct authority of the CMOP Director. Any AO designee at the CMOP will be under the direct authority of the Logistics Manager.

**2. Validity of Vouchers.** Vouchers will be executed and validated as follows:

a. Signature (written or electronic) of the contracting officer, or designee (e.g., Storage and Distribution receiving personnel), must certify the receipt and acceptance of the property purchased (other than nonexpendable equipment which requires signature of the Facility AO or the EIL Custodial Official or the respective designee). Representatives of contracting officers shall be designated in accordance with VA Acquisition Regulation (VAAR) 801.603-71.

b. Signature (written or electronic) of the Facility AO or designee must be on the documentation certifying all other receipt or disposition transactions (property acquired by VA, property dropped as excess or otherwise disposed of, and property pending disposition).

c. Signature (written or electronic) of the Facility AO or designee must be on vouchers covering adjustments to perpetual inventory accounts.

d. All vouchers will bear the date on which actual receipt, issue, disposal, transfer or adjustment is accomplished.

e. NOTE: Alteration, change, or correction of a voucher with intent to falsify the record constitutes a violation of 18 U.S.C. 2071. The individual responsible for such action is subject to penalties prescribed by law.

f. It is the responsibility of the receiving facility to ensure that receiving reports for direct delivery items purchased or requisitioned from or by VA National Acquisition Center (VANAC), VACO or any centralized procurement activity are accomplished by facility personnel authorized to receipt for equipment and supplies in accordance with paragraph b of this section. It will also be the responsibility of the receiving facility to ensure the validity of any documentation messages sent to the centralized procurement activity (i.e., VANAC and VACO) indicating the receipt of direct delivery items. The requesting Program Official of the centralized ordering activity will be responsible for providing advance copies of Purchase Order information (either in hard copy or electronic format) to each facility scheduled to receive items. Facilities shall notify

VANAC upon receipt of VANAC-purchased items to schedule acceptance inspections and any other required inspections by VANAC as appropriate for the type of equipment purchased.

### 3. Processing Vouchers, Receiving Reports, and Invoices.

a. Except when inspection or technical assistance is required to accept item(s) of a complex nature, receiving reports will be electronically processed and forwarded to Fiscal within two workdays after items have been received or requested services have been rendered. Acceptance will be by either the contracting officer, the Facility AO, or the contracting officer's authorized representative as stated in VAAR, Section 801.603-71 (e.g., Storage and Distribution receiving personnel; authorized purchase card holder for purchase card orders). This includes receiving reports for the following:

- (1) Item(s) received;
- (2) Item(s) transferred, dropped as excess, or otherwise disposed of.

b. Vouchers affecting the current month's receipts will be processed to Fiscal not later than the close of business on the last workday of the current month.

c. In lieu of receiving reports from beneficiaries, for carrier deliveries of direct shipments of supplies and equipment to beneficiaries, the following documents will be provided to the Fiscal activity for payment:

- (1) Invoices with signed bills of lading.
- (2) Freight bills and parcel post receipts.
- (3) Signed receipts from the carrier.

(4) NOTE: Certification on the invoice by the vendor stating that direct shipment was made to a beneficiary is sufficient proof to support receipt and payment processes for carrier deliveries of direct shipments. Vendors will be instructed to bill only for those items shipped and to indicate on their invoice that shipment was made directly to a beneficiary. If the vendor makes shipment through other than a commercial carrier, or if the beneficiary receives an item at the vendor's business location, the vendor should be instructed to indicate this on the invoice.

d. In lieu of receiving reports for services, a certification on the invoice stating that the service has been rendered, will be sufficient proof to support receipt and payment processes.

f. NOTE: Under no circumstances does this constitute authority, other than as reflected in paragraph c. of this section, to use certified invoices for receipt of supplies or equipment.

g. Invoices covering fee-basis transactions will be processed by Medical Administration Service or applicable service. Logistics Services' personnel are not authorized to certify these type invoices.

**4. Receipt of Security Items.** The facility AO or designee is required to be involved in the immediate receipt of the following items: Schedules I and II Controlled Substances; Schedule III Narcotics and Controlled Substances; alcoholic preparation fit for beverage purposes (e.g., bourbon, scotch, beer, whiskey, rye) excluding sacramental wines; firearms; ammunition; software; and precious metals.

(a) The shipment of controlled items will be examined jointly by the facility AO, or designee, and the Chief, Pharmacy Service, or designee, to ascertain whether the shipping containers show any signs of tampering. The shipments will be opened, inspected and the contents and quantities will be verified. Both the facility AO or AO designee and the Chief, Pharmacy Service or designee, will sign an appropriate certification on the receiving document/invoice/delivery ticket. Deliveries of controlled and narcotic drugs will be signed for by an authorized pharmacist on the date of receipt. The AO, or designee, shall immediately verify the receipt of controlled items shipments in conjunction with the Chief, Pharmacy Service, or designee within two hours of delivery or at a predetermined regularly scheduled receipt inspection time. As noted in paragraph 1, subparagraph c of this Part, the Facility AO or designee may not be under the control of the Chief, Pharmacy Service.

(b) Software costing \$5,000 or more will be accounted for in the appropriate automated inventory system, by indicating the proper equipment entry (EE) number, and inventoried annually. Software licenses will be tracked and accounted for by the appropriate program manager for which the software was originally purchased.

**5. Receipt of Equipment and Supplies.** All vendor deliveries of equipment, unposted supplies, processed stores supplies, and government purchase card procurements, will be made to the authorized receiving activity to ensure proper processing of receiving reports where other arrangements have not formally been made. After performance of required incoming procedures (e.g., electrical safety check, overall incoming inspection), the item(s) will be released to the requesting activity. By signature, the employee designated in paragraph 6 of this part will acknowledge receipt of the property as delivered. For items purchased with the government purchase card and picked up by the card holder, the electronic signature in the computerized accountability system serves as certification of receipt of the items on the purchase card order. Purchases of nonexpendable equipment with the government purchase card will be approved by the facility equipment committee and receipt coordinated through the facility AO. Specific authority to purchase nonexpendable equipment (accountable) by a non-warranted cardholder must be granted by the head of the contracting activity, based on the facility Agency Program Coordinator (A/OPC) recommendation.

**6. Authorization to Receipt for Supplies, Equipment, and Services.** Employees (e.g., Storage and Distribution receiving personnel; authorized purchase card holder for purchase card orders) designated in accordance with VAAR 801.603-71 and the facility AO or designee will receipt for and accept supplies, equipment and services, including prime vendor orders, on behalf of VA.

**7. Free, Donated, or Leased Personal Property.**

~~a. Free or donated personal property given to a facility with the understanding (written or verbal) that the facility must purchase the donor's products is strictly prohibited.~~

Facilities are permitted to accept free or donated personal property only if there is no obligation on the part of the facility to purchase the donor's products or services. The competitive bidding process will be accomplished for the purchase of supplemental supplies for the free or donated property; once the competitive bidding process has been completed, it is acceptable for VA to receive such items. Facilities will not enter obligations for the equipment/supplies, not even a zero dollar obligation.

b. Bonus or free goods furnished by a vendor in lieu of a price reduction will be recorded in the appropriate inventory point. The exact quantities received will be identified as "Free Goods" on the receiving report. When free goods and items purchased are identical, the total quantity received (free goods plus purchased goods) will be used to establish a new unit price for the purchased goods. This quantity and price will be recorded in facility accounts. If the free goods are not the same as the item purchased, the free goods will be recorded as a separate item on the receiving report. The Free Goods will be recorded in the facility's accounts at the manufacturer's suggested wholesale price.

c. Property, other than that listed in paragraphs a and b of this section, donated to VA by a manufacturer, an individual, or a service organization will be recorded in the inventory account as Trust Fund property. When acquisition cost is unknown, the item will be priced at the manufacturer's wholesale price if known or a fair market value price will be assessed for the item.

d. Cost per test equipment must be recorded in the appropriate automated inventory system as leased equipment with a notation in the equipment file that it is a cost per test item. Under cost per test, the facility pays a fee for tests performed by the facility on the manufacturer's equipment. A Cost per test contract will be solicited on a competitive basis.

e. The following procedures will be used for unclaimed personal property not proven to belong to a veteran:

(1) Property must generally be held for 30 calendar days. If the previous owner does not file a claim, title vests to the Government after the 30 days.

(2) If unclaimed personal property is not retained for official use or abandoned or destroyed, it must be reported to GSA as excess in accordance with FMR 102-41.140. When reported to GSA, a fair market value (i.e., the Blue Book value for vehicles adjusted for the condition and mileage of the vehicle) will be assigned to the property.

(3) Proceeds of sales of unclaimed personal property must be held in a special account for three years pending a claim by the former owner. If no claim is received, the proceeds must be deposited in the U. S. Treasury as miscellaneous receipts.

(4) For further details regarding unclaimed personal property, see FMR 102-41.120 through FMR 102-41.180.

f. The following procedures will be used for unclaimed personal property belonging to a deceased veteran:

(1) If the deceased veteran has a written designation for the property on file, the Secretary of the Department of Veterans Affairs or designee (facility director) will transfer possession of the property to the person designated.

(2) If no such person has been designated by the deceased veteran, or if the designated person has not claimed the property within 90 days of being mailed a notice of death, transfer of the property may be accomplished in accordance with Title 38, U.S.C., §8502.

(3) If the property is not transferred or claimed, the Secretary or designee (facility director) may dispose of the property by public or private sale in accordance with Title 38, U.S.C., §8502. Proceeds of the sale must be held in a special account for five years. If the property is not sold, it may be used, destroyed, or otherwise disposed of.

(4) For further details regarding unclaimed personal property belonging to a deceased veteran, see Title 38, U.S.C., §8502.

g. Voluntarily abandoned personal property may be retained for official use or abandoned and destroyed in accordance with FMR 102-41.85. If voluntarily abandoned personal property is neither retained for official use nor abandoned or destroyed, it must be reported to GSA as excess in accordance with FMR 102-41.95. Proceeds from sales of voluntarily abandoned personal property must be deposited in the U. S. Treasury as miscellaneous receipts. For further reference for this type property, see FMR 102-41.80 through FMR 102-41.115.

## **8. Property Accompanying Patients to VA Facilities.**

a. When beneficiaries are transferred between VA facilities, nonexpendable property normally will not accompany them because each facility should have standard equipment requirements established for the care of all VA patients. In the event that a beneficiary has a unique item that the VA has purchased specifically for his/her care or

comfort (e. g., invalid chairs, stretchers, etc.) the nonexpendable property will normally be considered as VA property shipped to the facility receiving the beneficiary. The property may be retained or returned in accordance with an agreement established between the facilities involved. Property transferred will be dropped from the shipping facility's records at the time of shipment. Where the volume of property transferred results in a budget problem, the shipping facility may arrange with the receiving facility for the return of property when it has been determined that returns can be shipped economically. Transportation costs will be borne by the facility requesting the return of the property. Transfer of property or funding of transportation may be documented on VA Form 134, Combination Requisition and Shipping Ticket.

b. All property other than VA-owned property accompanying beneficiaries to VA facilities will be returned to the owning facility if requested and transportation expenses will be borne by the owning facility. Property will be properly cleaned before return is initiated. If return of the property is not requested by the owning facility, the facility at which the item resides may either dispose of the item in accordance with VA Handbook 7348 using proper turn-in procedures or place the item into use and perform an inventory pick up.

**9. Credit Memorandums.** All credit memorandums will be forwarded to the Fiscal Activity for processing.

a. Credit memorandums will be maintained in Fiscal Service as prescribed in MP-4, Part III, Paragraph 2.07b, and routed to Logistics Services for determination of the appropriation or fund control point from the original order. If not identifiable, it will be determined by the last order placed with the vendor. The credit memorandum(s) will then be returned to Fiscal Service.

b. A list prepared by Fiscal Service of credit memorandums will be forwarded to Logistics Services for action. If no future purchases are anticipated and there are no outstanding payables with the vendor, Logistics Services will prepare a memorandum to Fiscal Service requesting collection action from the vendor. The memorandum will cite the applicable appropriation and fund control point for debit.

c. Credits due the VA on purchase card procurements must be processed against the affected purchase card. Under no circumstances is the credit due on a purchase card procurement to be issued as a credit memorandum. This is to insure the purchase card order is properly reconciled and an adequate audit trail exists for the procurement.

**10. Prevalidation of Funds.** Prevalidation of funds is automated within the current computerized accountability system by application of the control point official's, or designee's, signature approving a VA Form 2237 Request, Turn-In and Receipt for Property or Services, prior to release to Logistics Services for action.

11. **Control Procedures for Expendable Items** – refer to FPMR 101-25.107. The facility AO may establish controls on expendable personal property items when the local situation indicates a need. When a control is established it will be documented. Controls should be restricted to sensitive items which may be easily converted to private use, subject to abuse, or involve security issues.

12. **Sales of Special Items.**

a. **Beneficiary Items.** Prosthetics sales documents and receiving reports containing items for direct release to a beneficiary will be annotated to identify each item.

b. **Sales to Veterans Canteen Service.** If Posted Stock is maintained at the facility for Canteen Service, their sales will be processed as an issue book request through the automated computerized inventory program maintained by Logistics Services.

c. **Burial Flags**

(1) Upon receipt of properly executed sections of VA Form 2008, Application for United States Flag for Burial Purposes, Logistics Services will furnish replacement burial flags to authorized issue points, e.g., Postmaster; Chief, Medical Administration Service or appropriate using service; Veterans Service Officer; VA National Cemetery Directors; and Arlington National Cemetery. The bottom section of the properly executed forms will be maintained in Logistics Services by the month in which the replacements were issued and will be filed with the replacement requests to support issues.

(2) Arlington National Cemetery, Washington, DC, is established as an issue point for burial flags.

(3) For further reference on burial flags, see Title 38, U.S.C., §2301.

d. **Limitations**

(1) Narcotics, alcohol products, and drugs for therapeutic use will be sold only to the Chief, Pharmacy Service, or designee.

(2) Absolute alcohol will be sold only in original containers. Sales will be confined to the Chief, Pharmacy Service; Chief, Pathology and Laboratory Medicine Service (PALMS); and Chief, Research and Development Service.

(3) Supplies will not be issued directly to physicians or other personnel rendering service on a fee basis, nor will Government supplies be made available for their use, except in the performance of their official duties at VA installations.

e. Subsistence for Approved Programs. Subsistence required by other services for approved programs will be issued to the service involved in accordance with VHA Manual M-2, Part III, Paragraph 5.07.

f. Implantables. The AO will ensure that implantables (i.e. pacemakers, etc.) are being tracked and inventoried in the appropriate system. Implantable devices must be tracked throughout their life cycle (cradle to grave) in accordance with the Safe Medical Device Act.

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**13. Delivery of Nonexpendable Property.** The Facility AO will establish an equipment record for all nonexpendable property in an approved VA automated inventory system. A receipt signature of the EIL Custodial Officer, or designee, will be obtained upon delivery of nonexpendable equipment utilizing a properly executed document. A property voucher copy of the receiving report may be used. Reference paragraph 2, subparagraph a of this Part.

**14. Processed Stores/Office Supplies.**

a. Logistics Services will ensure that a method of inventory control (preferably automated) is in place for all office supply items classified as processed stores. The inventory system will be used to maintain stock control data including inventory levels, receipts and issues, distribution worksheets (picking tickets), and auto generation for stock replenishment.

b. Processed Stores/office supplies may be sold to all VA activities.

**15. General Turn-in Procedures.** An automated turn-in package (i.e., the Equipment Request/Turn-In Package) should be utilized to the maximum extent possible and shall be used for all nonexpendable property.

a. Expendable or nonexpendable property that is no longer needed by a using activity, or property that has become unserviceable through normal use, will be considered as unrequired. Unrequired property will be returned to Logistics Services utilizing VA Form 2237 in accordance with local turn-in procedures. Acknowledgment of receipt of the turned-in property will be furnished to the using activity.

b. Property turned-in to Logistics Services will be classified as Supply Fund, Non-Supply Fund or Trust Fund. Logistics Services will determine if turned-in personal property can be reutilized within the VA, disposed of by the VA, or replaced pursuant to the exchange/sale authority in accordance with FMR 102-39. Logistics Services must advertise/post unrequired property in accordance with VA Directive and Handbook 7348. When unrequired property cannot be reutilized within VA, it is then considered to be VA excess and must be reported to GSA in accordance with VA Handbook 7348.

c. Coding for each item will be properly documented by Logistics Services to indicate the action necessary to continue, establish or terminate accountability utilizing the following action codes on the turn-in document:

- (1) C Item continued in service
- (2) P Item held pending disposition as facility unrequired property
- (3) X Item held pending disposition as VA excess
- (4) D Item destroyed. Accountability terminated
- (5) S Item disposed of as scrap or salvage. Under excess property procedures, property coded with an action code S will be assigned a disposal condition code based solely on the definition of respective terms (salvage or scrap) as shown in FMR 102-36.40. Salvage material is required to be reported to GSA.

d. When Logistics Services makes a determination for disposition, turned-in property will be assigned a disposal condition code in accordance with FMR 102-36.240. The disposal condition codes will denote an accurate description of the condition of the property at the time it is turned-in. The disposal condition codes are as follows:

- (1) 1 - New. Property is in new or unused condition and can be used immediately without modifications or repairs.
- (2) 4 - Usable. Property shows some wear but can be used without significant repair.
- (3) 7 - Repairable. Property is unusable in its current condition but can be economically repaired.
- (4) X - Salvage. Property has value in excess of its basic material content, but repair or rehabilitation is impractical and/or uneconomical. (Note: such items are required to be reported to GSA)
- (5) S - Scrap. Property has no value except for its basic material content.
- (6) NOTE: Since salvage is normally disposed of as an item of property identified by its original nomenclature, jacket accountability will be maintained pending its disposition.

e. For items disposed of using abandonment or destruction procedures, the justification will contain a complete summary of all actions taken and efforts made prior to disposal by this means in accordance with VA Handbook 7348.

**16. Expendable Property.**

a. Serviceable supplies returned to Logistics Services may be redistributed to other issue points within the facility to fill immediate needs.

b. When the property returned is neither serviceable nor economically repairable, but has value for its scrap content, it will be sold as scrap. Unrequired property that meets the criteria for recycling should be recycled if at all possible.

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~~c. Unrequired items, or items in long supply, will be advertised for reutilization within the agency unless justified in writing (e.g., items retained that will ultimately be used; and/or items that are more economical to retain than to dispose of and then reacquire at a later date). Long supply is defined as the quantity on hand of an item that is above the established stock level criteria for that item (the stock level should be designated in the automated inventory system). Items that cannot be reutilized will be determined to be VA excess and should be processed for disposition in accordance with VA Directive and Handbook 7348.~~

d. Drugs, biologicals, and reagents (serviceable and unserviceable) eligible for exchange or allowance with the contractor or manufacturer, will be returned to the contractor or manufacturer in accordance with FMR 102-39 and will not be picked up in the VA excess accounts. Items not disposed of by this means will be processed for disposition in accordance with current procedures in VA Directive and Handbook 7348.

**17. Nonexpendable Property.**

a. When property is serviceable or economically repairable, and is to be reissued, the accountability will be transferred to the applicable EIL (See Appendix B for guide regarding economical repair costs).

b. When property is serviceable or economically repairable, and unrequired by the facility, but has not been determined to be VA excess, it will be advertised to other VA facilities through the appropriate reporting system in accordance with VA Directive and Handbook 7348.

c. When property is serviceable or economically repairable, and is determined to be VA excess, it must be reported to GSA in accordance with VA Directive and Handbook 7348.

d. When property is to be disposed of by trade-in to offset the purchase cost of a similar piece of equipment or similar supplies:

(1) The turn-in document will be cross-referenced to the purchase order document to which the trade-in applies;

- (2) The trade-in item will be cross-referenced to the EIL file;
  - (3) An adjustment will be made to remove the property from the inventory account.
- e. When property is to be disposed of by using the exchange/sale authority, and the proceeds applied toward the purchase of new equipment, a written determination is required to be documented in the contract for the purchase of the similar or like item (reference FMR 102-39.50).
  - f. When the property returned is neither serviceable nor economically repairable, and its unserviceability is due to normal usage, disposition will be effected in accordance with VA Directive and Handbook 7348.
  - g. Logistics Services will annotate the equipment record with the turn-in date when nonexpendable property is removed from service.
  - h. Engineering Service will be notified by Logistics Services when nonexpendable personal property is transferred, relocated, or removed from service. Notification will be accomplished using the automated nonexpendable inventory system or via e-mail.
  - i. Sanitization of Automatic Data Processing (ADP)/Information Technology (IT) nonexpendable property shall be in accordance with VA Directive and Handbook 6500. Turned in IT property/equipment must be sanitized and a certification of sanitization signed by a minimum of an IT technician and the Information Security Officer (ISO) prior to any type of disposal or donation action being taken. VA Form 0751, IT Equipment Sanitization Certificate, will be used for the certification of sanitization. See Part 13 of this Handbook for more guidance regarding this subject.
- (1) The IT Custodial Officer is responsible for ensuring that each hard drive is marked with the EE number of the host system whenever the hard drive is removed from the host system. The EE number shall be written on the hard drive with an indelible marker at the time the hard drive is removed from the host system.
  - (2) Hard drives are not to be reused in other host systems. That is, when a hard drive is removed for maintenance, the EE number of the host system shall be written on the hard drive and the hard drive submitted for sanitization in accordance with VA Handbook 6500.1.
  - (3) Hard disks awaiting sanitization will be secured in a controlled environment. Refer to VA Handbooks 6500 and 6500.1 and VHA Handbook 0730.

**18. Trust Fund Property.**

- a. When Trust Fund property is turned-in, it will be offered back to the donor.
- b. Trust Fund property shall be handled in accordance with the provisions of the preceding sections except documents will be marked "Trust Fund Property." Proceeds from sales will be deposited in the General Post Fund account only.

~~19. **Unrequired Property for Purchase/Hire Construction Contracts.** Unrequired property of this type will be handled in accordance with the provisions of the preceding paragraph 15, subparagraph a. All documents will be clearly marked "Purchase and Hire, Construction of Medical Centers and Domiciliary Facilities Excess." Property may be picked up on the Engineering Service EIL if there is a need for it.~~

**20. Leased (Rental) Personal Property.**

- a. Personal property leased/rented exceeding a 90-day period will be accepted and recorded in the appropriate EIL.
- b. Cost per test equipment should be recorded in the appropriate automated inventory system as leased equipment with a notation in the comments or specifications field that it is cost per test equipment. Under cost per test, the facility pays a fee for tests performed by the facility on the manufacturer's equipment.
- c. The value entered for the item(s) will be the annual rental cost.
- d. A copy of the lease and procurement document and other conditions pertinent to the lease will be maintained in the EIL folder.
- e. Equipment leased/rented for a beneficiary's home use is exempt from this provision.

**21. Adjustment Vouchers.**

- a. An adjustment voucher will be used for the following purposes:
  - (1) To adjust Supply Fund inventory account discrepancies. Discounts greater than three percent should be adjusted to the inventory, e.g., the discount should be credited to the appropriate stock item in the automated inventory system. Discounts less than three percent can remain in the discount (variance) account.
  - (2) To adjust general ledger for discrepancies in inventory of EIL nonexpendable accounts.

(3) To adjust general ledger accounts when property is turned-in for disposition action (including controlled substances) that may be eligible for replacement/credit from the manufacturer or under an established drug return policy for outdated drugs.

(4) To effect transfer between inventory accounts when no other document is specified.

(5) To advise the Fiscal activity when adjustments are required as a result of erroneous posting data. Adjustment vouchers of this type will be cross-referenced to the erroneously prepared voucher and routed to the Fiscal activity for correction of general ledger postings.

(6) To record in the inventory accounts property acquired from other than purchase or requisition such as donation, unrequired/excess, or transfer.

(7) To remove from inventory accounts property that has been disposed of by exchange or sale when no other documentation relative to the transaction is used.

(8) To adjust general ledger accounts when and if Reports of Survey findings and recommendations have been approved and signed.

b. Circumstances necessitating the preparation of adjustment vouchers will be described in sufficient written detail to allow for proper accounting actions and management analysis.

c. Documents will contain the required accounting information for the Fiscal activity including cross-reference to original voucher(s).

d. A report captured from the automated inventory system recapping all posted adjustment transactions will be reviewed, signed, and dated on a monthly basis by the Chief, Logistics Services or designee.

e. Unposted adjustment transactions will update the appropriate Fund Control Point (FCP).

## **22. Review of Adjustment Vouchers.**

a. If an Adjustment Voucher/Journal Voucher is required due to Government property being lost, stolen, or damaged, a Report of Survey action shall be completed. Adjustment Vouchers for discrepancies over \$5000 require a Board of Survey action. A copy of such voucher, along with appropriate supporting documentation, must be forwarded to VACO, Office of DAS/OAL.

b. Reference VA Directive and Handbook 7132 for Adjustment Vouchers regarding Supply Fund discrepancies.

**23. Survey Action.** Upon completion of survey action, the Facility AO will assign the same common number to the Report of Survey as on the adjustment voucher. A copy of the Report of Survey will be filed with the adjustment voucher to support entries made to the inventory account.

**24. Adjustment of Discrepancies Between Receiving Reports and Invoices.** Invoices that do not coincide with receiving reports in quantity and price will be brought to the attention of the contracting officer, who will make a written determination for the record as to whether payment will be made or further contact with the vendor is required. ~~If in the best interest of the Government and if appropriate funding can be secured, the purchase order will be amended to reflect the actual quantity and correct price. Purchase card orders require an amendment for all discrepancies over the threshold amount established in accordance with VA Handbook 4080, Government Purchase Card Procedures, and local procedures. All adjustments will be made in the computerized accountability system and, if affected, the automated inventory system.~~

**25. Property Acquired Under Research Contracts.** Personal property acquired under research contracts will be maintained in accordance with Title 31 U.S.C. §6306, Authority to vest title in tangible personal property for research, and Federal Acquisition Regulation (FAR) Part 35, Research and Development Contracting.

**26. Retention or Transfer of Title.** Title to personal property acquired under research contracts may vest in the research contractor or the government in accordance with Title 31 U.S.C. §6306, Authority to vest title in tangible personal property for research, and FAR Part 35.014, Government property and title.

**27. Research Contracts Property Records.** Personal property records for VA property furnished to contractors under research contracts, or any other contract providing a contractor with government furnished equipment (GFE) will be maintained in accordance with FAR Part 45.105, Records of Government property.



**PART 5. USE STANDARDS.**

1. **General.** In accordance with FPMR 101-25.301 (a), this part prescribes the Use Standards established for VA. Use Standards are the criteria used to determine when specific types of personal property are authorized for use. In authorizing specific items for use, it must be determined that the item benefits VA. Items shall not be put into use for the sole purpose of benefiting an individual or certain group of personnel (exceptions: safety considerations or handicapped persons).

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~~2. **Telephone Monitoring Devices.** Telephone monitoring instruments, mechanical or electronic, are authorized for use by field facilities only in accordance with and under the controls applicable to the use and operation of the item(s) as outlined in MP-6, Part VII, Chapter 2.~~

**3. Refrigerators.**

a. Appropriated funds may not be used to purchase refrigerators for employee use (exception – VA quarters and Resident Engineers).

b. Only explosion proof refrigerators approved by Underwriters' Laboratories, or other nationally recognized testing laboratories will be used for storage of flammable and combustible liquids (i.e., solvents). Explosion proof refrigerators are those which are constructed to meet the requirement for class I, division I locations, as described in Article 500, National Electrical Code NAPA No. 70.

c. All regular household refrigerators, other than in personnel quarters, assigned for use at the facility will be distinctly labeled in a conspicuous place as follows: NOT FOR THE STORAGE OF FLAMMABLE LIQUIDS.

d. Refrigerators for specimens and reagents will be clearly labeled as: NOT FOR STORAGE OF CONSUMABLE FOOD PRODUCTS.

**4. Flags and Reproduction of the VA Seal.**

a. The United States flag, the VA flag, and a plastic or wood reproduction of the VA seal are authorized for display in the respective offices of administration heads, assistant secretaries, deputy assistant secretaries, other key officials, and facility directors and in auditoriums used and operated by VA. At installations where VA is the sole occupant of the building, and at Manila, Philippines, these flags and seals are also authorized for display in the main lobby. In addition, at Manila, Philippines, the Philippine flag is authorized for display with the United States flag. The directors of memorial service networks may authorize display of a VA flag in the administration building of the national cemeteries under their jurisdiction when such action is approved by the Director, National Cemetery Administration.

b. Directors of VA regional offices and memorial service networks may authorize display of a United States flag and a plastic or wood reproduction of the VA seal in VA offices and national cemeteries under their jurisdiction, where the size and activity of the office indicate such action to be in the best interest of the Government.

c. In accordance with the U.S. Code: Title 4, the United States flag is authorized for display in:

- (1) Chapels or other buildings used for religious purposes.
- (2) Theaters used and operated by VA.
- (3) Rooms established to conduct formal hearings for veterans.
- (4) The reception area of veterans services divisions.
- (5) The reception area of outpatient clinics.
- (6) The personnel office where the oath of office is administered.

d. A plastic or wood reproduction of the VA seal is authorized for display in areas where display of the VA flag is not authorized, but where display of the seal is desirable due to the presence of beneficiaries or the public.

e. The United States flag and the VA flag may be carried in burial ceremonies and other outdoor ceremonies, with appropriate escort, at the discretion and under the responsibility of the facility director or the national cemetery director.

f. Where services are held, one flag, indoor type, indicating the appropriate religious faith, as applicable, is authorized for each chapel.

g. Destruction of national, state, local, or VA flags will be coordinated with local service organization and accomplished by burning or shredding.

#### **5. Furniture, Furnishings, and Office Equipment Pools.**

a. New furniture or furnishings (e.g., lamps, filing cabinets, pictures, draperies, etc.) will not be purchased unless no suitable furniture exists in excess or is available from a property rehabilitation program. Open market purchases will not be made unless there is a written determination provided by a Contracting Officer that the General Services Administration (GSA – i.e., GSA Advantage) does not have a suitable item.

b. Beyond use in administrative offices, office furniture and furnishings may be provided for use in laboratories, clinics, wards, diagnostic rooms, and in other non-administrative areas where there is a demonstrated need for items of this nature. Use

of office furniture and furnishings in other than administrative areas does not change the categorization as office furniture and furnishings.

c. Office furniture such as desks, tables, etc., shall not be substituted for benches or other equipment for which technical or specialized fixtures or equipment may be obtained.

d. The least expensive items of standard metal, wood, or renovated furniture available from GSA should be obtained when excess or unrequired property is not available. ~~To the maximum extent possible, furniture and furnishings shall be made from recyclable material.~~

e. Public Law 110-161, Consolidated Appropriations Act of 2008, sets a \$5,000 limit on expenditures to furnish or redecorate VACO and field facility employee offices, including those occupied by Senior Executive Service, GS-15, or Title 38 equivalent employees. This limit applies to conference rooms, briefing rooms, and reception areas supporting or serving the individual's personal office.

f. Each facility may establish office equipment pools and sharing programs to reduce procurement and increase utilization for, including, but not limited to, such items as facsimile, transcribing, duplicating, calculating, typing, automatic data processing (i.e., laptops, etc.) cell phones, pagers, and audiovisual equipment. Procedures will be in place to control these items and to know to whom and where assigned.

g. Carpeting is only authorized for use where it can be justified over other types of floor coverings that are less expensive. The need to maintain an environment commensurate with the purpose for which the space is allocated may be taken into consideration. Cost, safety, insulation, acoustical control and the degree of interior decoration required are all factors that may be considered in the justification for purchasing carpet over other type of flooring. To the maximum extent possible, carpet made from recyclable material will be purchased and utilized.

#### **6. Personnel Quarters Established within VA.**

a. Each set of housekeeping quarters will be equipped with smoke detectors, fire extinguishers, cooking stove, refrigerator, microwave and, where not installed, kitchen cabinets and a medicine cabinet. Items essential to the protection or maintenance of housekeeping quarters may also be furnished. Such items are:

- (1) Fireplace equipment (irons, tools, and screens).
- (2) Doormat.
- (3) Rods, curtains, or draperies.
- (4) Waste receptacles (outside use only).

b. Quarters designated for use by and occupied by an employee will also be provided with a dishwasher, a clothes washer and dryer or a washer-dryer combination, carpeting (wall-to-wall) or rugs and/or rug cushions.

c. In addition, housekeeping quarters may be equipped with furniture and furnishings in order to accommodate any specific requirements of the resident (i.e. married, children, special needs, etc). Items furnished will be limited to those necessary to provide a reasonable degree of livability and will be obtained from excess sources. These quarters will not be furnished with the equipment listed in paragraph (b) of this section.

d. Furniture and furnishings presently assigned to housekeeping quarters may be repaired provided that the immediate or cumulative cost of such repairs, including labor and material, shall not exceed 75 percent of the cost to replace the item. The facility director will, under any one of the circumstances cited in this paragraph, have all furniture and furnishings not authorized by this section removed from housekeeping quarters when:

(1) The quarters are vacated, and it is determined that the condition and quantity of the furniture are such that the quarters may not be considered adequately furnished.

(2) The incoming occupant of the quarters requires less than 50 percent of the furniture presently in the quarters.

(3) The facility director determines that the quarters will be rented at the unfurnished rate.

e. Furniture will not be stored when removed from housekeeping quarters, but may be used to upgrade similar furniture in other housekeeping quarters or utilized elsewhere at the facility. Items not utilized will be disposed of in accordance with excess property procedures.

## 7. Motor Vehicle Components.

a. Fire fighting vehicles may be equipped with a siren and red or blue emergency warning lights. Facility ambulances and police patrol vehicles will be equipped with emergency running lights and accessories in conformance with the motor vehicle code of the state in which located. All vehicle warning accessories must conform to the vehicle manufacturer's electrical system tolerances. Subject to approval of GSA, in accordance with FMR 101-39.304, accessories will be temporarily installed on GSA-owned vehicles by use of detachable roof cross bars.

b. Radio transmission equipment is authorized for use by field facilities only in accordance with and under controls applicable to the use and operation of the item as outlined in VA Manual MP-6, Part VIII, Chapter 5. All radio frequencies must be within the narrow band range in order to comply with federal regulations.

**8. Microwave Ovens.**

a. Microwave ovens will not be purchased for employee use utilizing appropriated funds. Exceptions are as follows:

- (1) Temporary living quarters used to house employees on TDY;
- ~~(2) Engineering and construction services, e.g., resident engineer;~~
- (3) Regional Medical Education Centers and educational training centers;
- (4) Hospital wards for patient use. Any use of microwave ovens must comply with VA Safety, Occupational Health, and Fire Protection Standards, as set forth in VA Manual MP-3, Part III, Appendixes 5H and 5N.

**9. Reproduction Equipment.**

a. Requests for approval will be forwarded to the Publications Service (001AL-97P), VACO, on VA Form 134, Combination Requisition and Shipping Ticket.

b. In accordance with the Government Printing and Binding regulations, Title 3, General Provisions, paragraph 30, VACO approval is required for the lease or acquisition of copiers meeting one or more of the following criteria:

- (1) Exceeds 65 copies per minute,
- (2) Costs more than \$10,000, or
- (3) Requires a dedicated operator.

c. All related commercial print-shop capacity items, such as cameras (composing and process), composition devices, offset presses, paper cutters (power operated), paper drilling machines (power operated), collating machines (sheet and signature), and binding equipment (adhesive, perfect, wire or plastic, power operated), must have VACO approval.



**PART 6. REPLACEMENT STANDARDS.**

**1. General.**

a. Purpose. To provide policy and guidance in support of FPMR 101-25.4 regarding the replacement of equipment and furniture.

b. Definitions:

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(1) Replacement means acquiring an item for the specific purpose of using it in place of an item that will no longer perform the tasks for which it is needed.

(2) Exchange means to trade or trade-in an item to reduce or offset the cost of the acquired item.

(3) Acquired means obtained in any manner, e.g., purchased, transferred, donated, manufactured, leased, or rented.

**2. Program Objectives and Responsibilities.**

a. Objectives:

(1) To maximize utilization.

(2) To provide for orderly replacement of equipment and furniture.

(3) To facilitate projected estimates of equipment and furniture replacement

(4) Provide an estimate of projected costs for planning purposes.

(5) Enable management to maintain a balance between equipment and furniture investment and actual needs.

b. Responsibilities. It is the responsibility of each administration, (i.e., NCA, VHA, and VBA) to ensure VA Handbook 7348 and FMR 102-39 are adhered to regarding premature replacement, trade-in allowances, and accurate disbursement of funds received from sales.

**3. Replacement Criteria:**

a. VA facilities should retain equipment items in service which are in usable condition even though they have met their given life expectancy, provided the item can continue to be used or operated without excessive maintenance cost or substantial reduction in trade-in value. In determining the need to replace a piece of equipment, there are three overarching factors to be considered, and then there are sub-factors within each category. They are as follows:

(1) Function:

- (a) Obsolete or does not meet established standards i.e., safety.
- (b) New modality or need to support a new mission or program.
- (c) Improve customer service.

(2) Reliability/Regulating Compliance:

- (a) Age.
- (b) Excessive down time.
- (c) Parts and service no longer available.
- (d) Documented regulating deficiency i.e., JCAHO, OSHA, etc.

(3) Economy:

- (a) Payback period through reduced recurring cost.
- (b) Increased workload or productivity.
- (c) Sharing with other sites with potential to generate income.
- (d) Excessive repair costs.

b. Furniture (office, household, quarters, and institutional) shall not be replaced unless the estimated cost of repair or refurbishing (based upon GSA term contracts, including any transportation costs) exceeds 75 percent of the cost of a new item of the same type and class.

c. Replacement of motor vehicles will be in accordance with FMR 102-34.280.

d. Replacement of materiel handling equipment will be in accordance with FPMR 101-25.405.

e. NOTE: It is not an accepted practice to retain replaced equipment. However, if approved by the facility AO or designee for retention at the facility, each item retained will be identified on the applicable EIL and within the property accountability program to ensure they are not included in future replacement or budget forecasts.

**PART 7. HAZARDOUS PRODUCT/EQUIPMENT REPORTING.**

1. **General.** Policy for the identification, tracking, and removal of potentially hazardous products, including medical devices, equipment, and subsistence items that could endanger the life or safety of VA beneficiaries, visitors, or employees will be in accordance with the Safe Medical Device Act; Public Law 101-629 dated November 28, 1990; Public Law 102-300 dated June 16, 1992 (21 Code of the Federal Regulations (CFR)); and VHA Directive 2008-080. The facility director will designate a program coordinator.

a. The Food and Drug Administration (FDA) has the authority to ban or recall devices which present unreasonable risks or substantial harm. When a manufacturer or the FDA recognizes that a product is potentially hazardous, action must be taken to notify all users of the product and to provide instructions for its removal or recall. The FDA recalls the devices and field corrections are classified into three categories:

(1) Class I. A situation in which there is a reasonable probability that the use of or exposure to a hazardous product will cause serious adverse health consequences or death.

(2) Class II. A situation in which the use of or exposure to a hazardous product may cause temporary or medically reversible adverse health consequences, or where the probability of serious health consequences is remote.

(3) Class III. A situation in which the use of or exposure to a hazardous product is not likely to cause adverse health consequences.

b. The GSA issues "Safety Alerts" on potentially hazardous products under its contracts. Other Government agencies issue notices of hazardous products under their jurisdiction. Manufacturers may also issue warnings or recalls on their products.

c. Each VA facility shall establish written procedures for the identification, handling, storage, transport, and disposal of hazardous products. VA employees who routinely come into contact with hazardous products shall be trained in proper procedures.

2. **Externally Identified Hazardous Products.** A facility plan will be written to outline procedures for externally identified hazardous products and materials. The following elements shall be included:

a. VHA will ensure that all health care facilities subscribe to the "FDA Enforcement Report." For a current listing of FDA Enforcement Report or recalls, refer to [www.fda.gov](http://www.fda.gov).

b. The facility AO, or designee, will assure the maintenance of a file of all recalls and hazardous product notifications. A listing of the notices will be maintained on file with final disposition for accountability purposes.

c. Upon receipt of a hazardous notice, the Facility AO, or designee, will promptly send a copy of the notice to affected management official(s) to include safety and risk management for review and response. The original notice will be retained on file at the facility.

d. When responses from the using organizations are received, appropriate action will be initiated by the facility AO, or designee.

**3. Internally Identified Hazardous Products.** As defined in accordance with FMR 101-42.001, a facility plan will be written to outline procedures for internally identified hazardous products and materials. The identification of hazardous material will be in accordance with FMR 101-42.002. The facility AO, in collaboration with the facility safety manager, will ensure proper storage and distribution of hazardous products and materials. The following elements will be included in the facility plan:

a. Hazardous products and material will be reported to the designated coordinator. That official shall consult with the appropriate authority to determine to what extent the hazard may affect the safety of beneficiaries, visitors, or employees. When the degree of risk has been established, action to limit, restrict, or remove the product from use will be immediately implemented.

b. Action should be taken on validated hazards within 72 - hours through the following channels:

(1) VACO, Office of Asset Enterprise Management (004B2).

(2) Medwatch Form 3500 and 3500A will be submitted to the FDA Medical Products Reporting Program. Assistance is available through [www.fda.gov/medwatch](http://www.fda.gov/medwatch) or call 1-800-332-1088. Copies of form 3500 and 3500A will be submitted to the manufacturer, in accordance with 21 CFR part 803.

c. This policy involves hazardous products only when the degree of risk has been established by appropriate authority and action has been taken to limit, restrict, or remove the product from use. The Federal Supply Classification (FSC) groups which contain hazardous material have been identified and are listed in FMR 101-42.1101. The VA Quality Improvement Program, as outlined in VAAR 846.70 and VHA Directive/Handbook 1761.2 Inventory Management remains in effect.

**PART 8. PHYSICAL INVENTORIES.**

1. **Using Department Inventories (Expendable).** Control of expendable property inventories in using activities is a part of the staff responsibility of the field facility. This responsibility is exercised through the application and enforcement of consumer levels in an automated inventory system. A level will be established in collaboration with Logistics Services and the using activity for each repetitively used item.

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**2. Using Department Inventories (Nonexpendable).**

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a. Nonexpendable property on hand in using activities will be only the amount necessary to perform the assigned functions. Each facility will establish controls to ensure that all using activities continually evaluate the need for assigned equipment. When unrequired property is identified, it will be turned-in for reassignment, reutilization or disposal in accordance with excess procedures.

b. When a project has been approved and funded through the major/minor construction program or the nonrecurring maintenance (NRM) program to expand existing programs or establish new programs, equipment may be retained to activate such programs.

3. **Nonexpendable Property Required to be Inventoried.** All property requires basic accountability in the automated equipment inventory system. Sensitive items, regardless of cost, and accountable property valued at \$5,000 or greater will be maintained in an automated equipment inventory system and listed on an EIL. Property costing \$100,000 or greater will be accounted for as a capitalized asset. Logistics Services' records will be reconciled with Fiscal's records on a monthly basis for all capitalized nonexpendable property. In addition, all sensitive items as designated in paragraph 5, subparagraph a, of this part, will be accounted for during the inventory process (See Appendix F for a guide to conducting a successful nonexpendable inventory). Due to required preventive maintenance or JCAHO requirements, some items below the accountable thresholds will also need to be added to the automated inventory system in accordance with local Engineering policy.

**4. Expendable Stocks Maintained in Inventory Records.**

a. A complete physical inventory of all stock, posted and unposted, will be taken within a 12-month period, either wall-to-wall or by cycle. Cycle inventory may be by class, account, location, inventory group, or by the ABC Principle. The ABC Principle is a concept whereby a small percentage of the inventory is equal to the largest fraction of value. The ABC Principle is more fully explained in the Materiel Handlers Training Guide TG-90-1. The accuracy rate will be determined based on the number of line items inventoried in relation to the number of line items discrepant. The minimum acceptable accuracy rate is 90 percent. If a 90 percent accuracy rate is not achieved, another stock inventory shall be completed in six months. The criteria used for determining long supply will be if the stock on hand is 10 percent or greater than the

established stock level (this also includes items due in from procurements) in accordance with FPMR 101-27.300. The accountable record will be reconciled with the appropriate inventory point, and all discrepancies will be promptly adjusted (See Appendix G for a guide in conducting a successful expendable inventory).

b. Public Law 91-513 requires a biennial inventory of items subject to the Controlled Substances Act (reference 21 CFR §1304.11). The biennial inventory may be taken on any date within two years of the previous biennial inventory. The inventory must remain on file until the next inventory.

#### 5. Inventory of Equipment in Use.

a. Annually, a physical inventory of all nonexpendable accountable property and designated sensitive items will be conducted. Accountable personal property is defined as nonexpendable property with an acquisition value of \$5,000 or more and property that is of a sensitive nature regardless of acquisition cost. The inventory is conducted on an annual basis which is from the month of completion to the next 12 month period; however, 25 percent of the established EILs will be completed quarterly. The inventory due date can be changed in the following three circumstances, but will not be allowed to be extended beyond 12 months from the date of the previous inventory:

- (1) EIL custodial officer request a change (requires adequate justification)
- (2) Accuracy rate falls below 95 percent
- (3) Management decision to balance workload

(4) Property Management will reconcile the inventory to the automated property accountability system through adjustments, Reports of Survey, and turn-in documents within five working days.

b. Physical (which includes electronic means) inventory is the process of reconciling accountable personal property records with the property actually on hand. At a minimum, when the inventory process is being conducted the following elements will be verified against the EIL: serial number, model number, and location. Annual inventories will include the following sensitive items:

(1) Handheld and portable telecommunication devices, (e.g., Palm Pilots, Blackberries, two-way pagers and personal digital assistants (PDA)). Keynote pagers are not included.

(2) Printers.

(3) Data storage equipment, (e.g., desktop computers, laptops and fixed CD drives, copiers, and facsimile machines).

(4) Video imaging equipment, (e.g., surveillance monitoring equipment, CRT monitors, LCD monitors, smart boards, panaboards, video projectors, cameras, VCR and DVD players and recorders).

(5) Cell phones and telephone monitoring devices.

(6) Radios, (e.g., two-way radios and base stations (but not household type)).

(7) Motor vehicles including donated, leased or rental for 90 days or longer.

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c. Firearms and ammunition (Sensitive items that have other considerations)

(1) All firearms, regardless of cost, will be recorded, inventoried, and tracked in an authorized VA automated asset inventory system.

(2) Ammunition will be inventoried, recorded, and tracked in an authorized VA automated perpetual inventory system.

(3) Proper hazardous warning labels must be posted on outside doors of ammunition storage areas.

(4) Procedures outlined herein will be adhered to by all VA organizations with the exception of the Office of Inspector General (OIG). The OIG will adhere to VA OIG Directive 51 103 regarding accountability, and adhere to FMR 102-36 and FPMR 101-42 regarding disposal. Upon request, OIG will provide a copy of its firearm inventory.

(5) Inventories:

(a) At a minimum, physical inventories of firearms and ammunition will be conducted on a semiannual basis. These inventories will be conducted by the organization authorized to carry firearms and the facility AO or designee. If discrepancies, i.e., missing firearms and/or ammunition are noted, quarterly inventories will be required by that facility thereafter.

(b) Data resulting from all internal inventories of firearms and ammunitions conducted by VA organizations that are authorized to carry such items will be provided to the AO or designee upon request.

(c) Facility directors will certify that firearm and ammunition inventories are included in the Annual Certification of Property Inventories or applicable report as a separate line item.

(d) In the event that a Department-owned firearm is lost or stolen, the following actions must be taken immediately:

1. Notify the local law enforcement office, OS&LE for VA Police Service firearms

only, the Federal Bureau of Investigation, local police, the supporting facility AO, or designee.

2. Enter the information into the National Crime Information Center/National Law Enforcement Telecommunications System.

3. Complete a detailed VA Form 1393, Uniform Offense Report, and follow appropriate Report of Survey procedures as outlined in Part 10 of this handbook.

4. For improved accountability, facilities may include additional items to be inventoried. Above is a minimal listing of items designated as sensitive that must be inventoried annually. Facilities may establish local policy that identifies additional items as sensitive property as the facility deems appropriate. Sensitive items include all items containing memory storage capability for retaining personally identifiable information that is protected and/or confidential as specified in the Privacy Act and in the Health Insurance Portability and Accountability Act, whether or not the item is classified as IT (e.g., ID card embossing machines).

d. Facilities may use 'inventory by exception' (meaning the item has been physically identified and the inventory location updated during scheduled preventive maintenance, or movement of the item, or electronically scanned and updated by any entity utilizing the bar code technology, or Radio Frequency Identification (RFID)/Real Time Location System (RTLS), etc, or subsequent electronic tracking mechanism related to the electronic asset inventory management system utilized in the facility) which will negate the requirement to physically count the item during an annual inventory. However, when inventory by exception is utilized, at a minimum, the serial number and location will be verified. In addition, EILs that have a 95 percent or above accuracy rate will be required to be inventoried annually. EILs that fall below a 95 percent accuracy rate must be inventoried again in six months. EILs not attaining a 95 percent accuracy rate on initial inventory shall be reported to the facility director and to the VISN CLO. EILs not attaining a 95 percent accuracy rate when re-inventoried shall be reported to the Associate DAS (ADAS) for Acquisition and Logistics Programs and Policy (001AL-P), OAL, through the facility director's office for consultation and advisement.

e. To the maximum extent possible, EIL inventories will be conducted using barcode technology or RFID/RTLS, etc., that is compatible with the automated equipment inventory system. In addition, the FSC to which the equipment item belongs will be identified on the barcode label by printing the CSN on the label. This requirement is being established to specifically assist an auditor in differentiating between IT and non-IT equipment. Inventory data collected on the barcode scanner will be uploaded to the automated equipment inventory system. Upon initial receipt of any new equipment item, Logistics Services shall populate the automated equipment inventory system with the following data (comments and specifications (spex) fields are optional):

(1) Manufacturer name;

(2) Serial number;

(3) Model number;

(4) CSN;

(5) Life expectancy (LE - may automatically populate when CSN entered);

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(6) Manufacturer equipment name (brief narrative identifying the equipment; facility decision to identify as common equipment name or manufacturer name of equipment, but should be formatted as noun first with adjectives following);

(7) EIL number of responsible service or section;

(8) Purchase Order (PO) number (should contain station number followed by a dash and 5-digit PO number);

(9) Acquisition method;

(10) Vendor purchased from (could be different from manufacturer name);

(11) Lease cost (if applicable);

(12) Asset value (acquisition cost);

(13) Acquisition date;

(14) Warranty expiration date;

(15) Replacement date (may automatically populate after LE and acquisition date entered);

(16) Acquisition source code of procurement;  
Type of item;

(17) If replacement equipment, EE number of item being replaced;

(18) Use status;

(19) Parent system (if applicable);

(20) Using service (could be different from service aligned with EIL number);

(21) Location (will be populated automatically when inventory data uploaded from barcode scanner; can be updated manually; location must be contained in Engineering Space File to be accepted);

(22) Last inventoried date (will be populated automatically when inventory data uploaded from barcode scanner and can be updated manually);

(23) Turn-in date (populated only after item turned in to Warehouse; location field must be updated to reflect proper location of turned in item);

(24) Final disposition date (populated only after final disposition of item occurs);

(25) Disposition method (populated only after final disposition of item occurs)

(26) Disposition value (populated only after final disposition of item occurs);

(27) Ownership (station number);

(28) Investment category (capitalization designation);

(29) Fund (Treasury Symbol appropriation fund code of procurement; i.e., AMAFMC);

(30) Fund Control Point (FCP) from purchase order (may automatically populate when PO number entered);

(31) Budget Object Code (BOC) from purchase order (may automatically populate when PO number entered— applicable only to capitalized items);

(32) Standard General Ledger (SGL) account number pertaining to type of equipment;

(33) Administration Office - accounting classification identifying office or administration equipment purchased for;

(34) Equity account (accounting classification, i.e., 3299 for medical)

f. Normally, Engineering Service is responsible for entering certain information in the automated equipment inventory system which includes the following:

(1) Category (used for Preventive Maintenance (PM) scheduling);

(2) Service contract designation;

(3) Contract cost amount;

(4) JCAHO requirement designation;

(5) All data for Building Service Equipment (BSE) and expendable items requiring engineering maintenance

g. The EIL inventory schedule in the Logistics Services will include the following:

(1) Date(s) of scheduled inventory (by month, quarter, or fiscal year as appropriate).

(2) Title of custodial officer.

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(3) Date of notification of custodial officer.

(4) The date of completion of all adjustments made by the Logistics Services.

(5) Accuracy rate of inventory.

(6) Next scheduled inventory month.

(7) Five percent verification completion date.

(8) When an inventory is due, the custodial officer will be notified (electronic mail notification is acceptable) and provided a copy of the applicable EIL for inventory and the following will apply:

(a) If the EIL contains less than 100 line items the custodial officer, or designee, will, within 15 working days after receipt of the notice, conduct a physical count of all nonexpendable property listed.

(b) If the EIL contains 100 or more line items, the physical count will be conducted within 20 working days after receipt of the notice.

(c) Inventories will be considered complete when the EIL custodial officer has conducted the inventory, checked appropriate certification blocks, provided any documentation required based upon certification blocks checked (i.e., turn-ins or Reports of Survey), and signed the EIL within the specified time frames as stated in (a) or (b) above.

(d) NOTE: Using services can request preliminary working copies of their EIL prior to the official scheduled inventory period. These advance copies can be used to identify and correct any issues before the scheduled inventory period begins. The time frames listed above pertain to the official scheduled inventory period.

g. During the inventory process, the custodial officer will evaluate the need for all equipment assigned to them and will certify on the EIL by selecting and checking the applicable statement, personally signing on the EIL, and dating. At a minimum, when conducting the inventory process, the following elements will be verified on the EIL listing: serial number, model or model number, and location.

h. All completed EIL inventories will have a five percent verification inventory conducted by the AO or designee, a disinterested party and the custodial officer or designee. This five percent verification will be completed within 10 working days from the completion of the required annual EIL inventory.

i. A scheduled inventory may be extended for extraordinary reasons which include natural disasters, fire, or an act of terrorism. If circumstances warrant, an extension may be granted for any number of days not to exceed of 60 days, as deemed appropriate by the facility director or designee. The maximum extension is established as 60 days based on EIL inventory cycles (i.e. a portion of the total number of EIL inventories are conducted each quarter so the 60-day extension will eliminate the EIL inventories from crossing quarters and increasing the EIL inventory workload for the next quarter). Circumstances requiring an extension will be specified in the written request (memo or e-mail format). A copy of the approved request will be forwarded to Logistics Services and maintained with the EIL.

j. NOTE: Extensions will not offset a delinquent status. Inventory completion exceeding 12 months from the date of the last inventory will be considered delinquent regardless of an approved extension timeframe and will be based upon a beginning date no later than the date the inventory was originally due for completion.

k. Medical centers will establish a method of accountability covering furniture and equipment in VA quarters. Nonexpendable property located in VA quarters shall be maintained on individual EILs for each unit of established quarters.

l. A physical count of all property on loan to or from VA will be taken as scheduled by the accountable official, with action taken on all discrepancies.

m. For improved accountability, the use of an automated Equipment Request/Turn-In Package that is compatible with the computerized accountability system shall be utilized to the maximum extent possible.

**6. Tenant Property Inventory Responsibility.** Facility directors and AOs, or their designees, are responsible for accountability and oversight for all equipment stored or utilized in their facility regardless of ownership and will ensure that certain functions are properly implemented.

a. A tenant may be a virtual entity and is defined as a location having physical control of the receipted item but that does not have an established inventory tracking system and requires inventory management, tracking and accountability support functions from a VAMC in proximity to the tenant or virtual entity.

b. EIL custodial officers who have oversight of tenant equipment will report operational status or physical location changes to the facility AO or designee.

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c. Facility AOs are responsible for coordinating inventory management information with tenant inventory EIL custodial officers and program managers to ensure proper accountability of all property maintained within the facility.

d. Tenant EIL custodial officers are responsible for communicating new purchases or changes in inventory quantities with facility AOs by email. A constant flow of communication between the tenant EIL custodial officer and the facility AO is critical to ensuring the security and accountability of VA property.

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**PART 9. INVENTORY ACCOUNTING.**

1. **Accounting Methods.** Automated inventory accounting systems will be utilized at field facilities for expendable and nonexpendable inventories and Logistics Services programs, to meet materiel management requirements and to provide data for reporting needs, including the integration of inventory accounts with standard general ledger accounts. Regulations require the use of Cataloging for proper identification and classification of property (reference 41 CFR 101-30.501). For proper identification and control of property, a NSN field will be included in any automated inventory system

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utilized for personal property management functions. The NSN field should be populated. The CSN field in the automated equipment inventory system is required for all nonexpendable items.

**2. Valuation of Excess Property.**

a. Supply Fund stocks determined to be unrequired by the facility will be transferred to the applicable property pending disposal account at record value.

b. Unrequired Non-Supply Fund property will be transferred between VA facilities at record value and to other Government agencies without reimbursement. Transfer documents for Non-Supply Fund property will show the dollar value at which the property is currently recorded. Transfer documents for Supply Fund property will show the value of the property for the purpose of recording the inter-facility transfer.

c. Unrequired Trust Fund property will be transferred between VA facilities without reimbursement and will remain classified as Trust Fund property.

**3. EIL.**

a. Accountable nonexpendable property valued at \$5,000 and greater will be listed on the EIL. In addition, nonexpendable sensitive items as defined in Part 8, paragraph 5, subparagraph b, will be included on the EIL regardless of cost.

b. VACO department heads and staff office directors or their deputies will be designated as custodial officers and will assume responsibility for nonexpendable property assigned to their departments or staff offices.

c. For the following determinations, consideration shall be given to the inventory management responsibilities required for the proper control, utilization and replacement of property:

(1) The facility director shall designate, in writing, one employee to assume custodial officer responsibility for nonexpendable property (maintained on appropriate EIL) assigned to each of the various services/activities (i.e., service lines, sections of service lines, departments, including ward equipment responsibilities).

(2) Designations will be confined to members of the director's immediate staff, normally division and service chiefs. An exception may be made in research activities by designating either the research coordinator or the individual investigator as the custodial officer.

d. Custodial officers specified in paragraphs b. and c. may designate, in writing, administrative or other employees to act for them in handling inventories and other paperwork involved in equipment management and control. The written designation must state that the custodial officer acknowledges that designating an employee to act in their behalf does not relinquish their responsibility as custodial officer. They must continue to personally sign the EIL and mark the appropriate certifications. The original of this designation will be furnished to the Facility AO.

e. Any changes to the EIL, accomplished subsequent to the date on which the EIL is signed, will be supported by appropriate documentation. Upon receipt by Logistics Services, any required updates to the EIL will be processed within five working days. The documentation will be filed with the EIL until the next inventory is completed and the custodial officer has personally signed it and made the appropriate certifications. A copy of the supporting documentation for changes shall be furnished to the custodial officer.

f. Each EIL will be assigned a number in accordance with standardized department numbers which are provided in Appendix H of this handbook.

g. Nonexpendable property used by the resident engineer will be assigned a standardized department number EIL and the property will be listed on the EIL. When the project has been completed and disposition instructions have been received from the Office of Construction and Facilities Management, VACO, the following actions will be completed:

(1) Property not to be shipped to another facility and declared unrequired will be disposed of in accordance with current excess procedures contained in VA handbook 7348.

(2) Property to be shipped to another facility will be transferred by the receiving facility executing VA Form 134, Combination Requisition and Shipping Ticket.

h. Prior to disposing of property containing data sensitive material, refer to VA Directive and Handbook 6500. Property containing data sensitive material must be sanitized and the sanitization must be certified by the technician and the ISO at a minimum. VA Form 0751 may be used for certification of sanitization.

i. Information pertaining to government-owned property on loan will be maintained with the appropriate EIL. This information could be a copy of the VA Form 0887 with a copy of the Property Pass or a copy of the applicable section of the Loan Register which

shall be maintained by Logistics Services (in VACO – Property Management Division – 032D) and the IT EIL custodial official.

j. A copy of VA Form 0887, VA Government Property Loan Form, and VA Form 0888, Revocable License, shall be filed in the official EIL/Non-EIL equipment file maintained in Logistics Services and a copy provided to the custodial officer. A copy of the agreement shall be maintained with the EIL for the duration of the agreement.

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#### **4. Reporting Requirements.**

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a. Reconciliation of standard general ledger accounts is a Department-wide requirement of Logistics Services and Fiscal or Financial Services (VHA, VBA, NCA, etc.) and will be accomplished at the end of each month. Research will be conducted on all discrepancies to include verification of the original document. Corrections will be promptly completed. Documentation supporting the reconciliations must be maintained by the medical center for three years after the close of the fiscal year.

b. The facility AO, or designee, will submit, in letter form, a certification that inventory values have been reconciled and are in balance with those of Fiscal or Finance Service as of the fiscal year-end. In addition, the Chief, Fiscal or Finance Service, will cosign the certification thereby attesting to accuracy of the year-end standard general ledger account balances for equipment and Supply Fund stock inventories. Certifications will be submitted to the appropriate office as specified in the Year-End Financial Reports and Statements Certification memo sent annually from the VACO Chief Financial Officer prior to the end of the fiscal year. A certification regarding compliance requirements of the Government-wide Purchase Card Program will be signed by the A/OPC, the Facility AO and the Chief, Fiscal or Finance Service. Certifications will be submitted in accordance with VA Directive 4540 and VHA Handbook 1730.1. These year-end certification reports are maintained in the VACO Fiscal/Finance office.

5. **Receiving and Sales.** A copy of the signed receiving report or VA Form 2237 is the required document, for receipts and/or sales for nonexpendable property. A copy of the receiving report or 2237 will be filed in the appropriate EIL.

6. **Turn-ins.** Documentation for the turn-in of nonexpendable property will be properly annotated with the intended action code. A common number will be assigned to the document. After action is taken, the document will be filed with the applicable EIL. Automatic Data Processing (ADP)/IT nonexpendable property, in accordance with VA Directive and Handbook 6500, must be sanitized and a certification of sanitization signed by an IT technician and the ISO, at a minimum, prior to any type of disposal or donation action being taken. VA Form 0751 may be used for certification of sanitization.

7. **Adjustment Vouchers.** Discrepancies discovered as a result of an inventory will be adjusted by preparing appropriate debit and credit adjustment transactions. A computer prepared "Adjustment Voucher" (AV), or manually prepared VA Form 140, Adjustment

Voucher, shall be used for documentation. For adjustments resulting from Reports of Survey actions, reference Part 10 of this handbook.

**8. Equipment Installed as Part of Initial Construction.** Nonexpendable property installed as part of initial construction will, on completion of the contracts, be picked up in property records at the acquisition value or the current market value. After a construction project is completed and accepted, title to property furnished and installed by construction contractors is transferred to the facility through the resident engineer. It is the joint responsibility of Logistics Services and Engineering Service to ensure all items have been identified and entered into property records. The resident engineer will transfer all descriptive literature, warranty data, and maintenance manuals to Engineering Service.

**PART 10. REPORT OF SURVEY PROGRAM.****1. General.**

a. The ROS system is the method used by VA to obtain an explanation as to the circumstances surrounding the loss, damage, or destruction other than through fair wear and tear of Government property. VA Form 1217, Report of Survey, will be used to document the findings, determine responsibility; record pecuniary liability, if any, ~~established by a board of survey or surveying officer, and will be used as the official document to adjust the record account.~~ The term board, wherever used in this part, refers to the board of survey or the surveying officer. Each facility will ensure that training regarding the ROS process will be established.

(1) Surveying officials are personnel charged with the review or investigation of incidents involving loss, damage, or destruction of Federal property; determination of financial liability for loss or damage of such property; and authorization for removal of items from official property records. Local policy will be established which addresses who may be designated as a surveying official. A surveying official should be at least a GS- 9 or equivalent.

(2) Definitions for Negligence:

(a) Simple. An act, failure, or omission on the part of the responsible employee(s) to exercise the appropriate degree of care, precaution, or vigilance resulting in loss, damage, or destruction of government property.

(b) Gross. An act, failure, or omission on the part of the responsible employee(s) to a greater degree and deemed by competent authority to be misconduct or willful, wanton or reckless disregard for government property resulting in the loss, damage, or destruction of government property.

b. When the findings indicate the possibility of holding a beneficiary responsible for the action investigated, VA professionals (e.g., nurses, doctors, therapists for VHA; Cemetery administrative staff for NCA; and Judiciary personnel for VBA) should be added to the board. The findings and recommendations pertinent to the incident will be completed by the board, annotated as to the action taken, and submitted to the facility director.

**2. Initiation of Report of Survey.**

a. Any employee who detects a loss of, or observes damage to, Government property will immediately make an oral report to the supervisor, who, in turn, will advise the VA police and property management activity. If the item contains sensitive information, the Information Security Officer must be notified within one hour after realization of loss by the employee. For further information, please read the Office of Management and

Budget (OMB) memorandum 06-19, dated July 12, 2006. Once the AO is informed of the situation, he/she will confirm that the VA police were notified.

After the oral report has been submitted, the supervisor will formalize the findings on VA Form 1217, ROS, within 24 - hours. The ROS will reflect the value of the property carried in the perpetual inventory account. If this is identified as nonexpendable property, VA Form 1217 must be signed by the EIL official. The ROS will be submitted to the AO within 72 hours. Employees failing to report, and supervisors failing to initiate a ROS, may be subject to disciplinary action.

b. If appropriate, VA police will be included in the preliminary investigation conducted by the supervisor or their subordinates. If required, a copy of VA Form 1393, Uniform Offense Report, will be submitted along with VA Form 1217 to the property management activity. VA Form 1217 must be submitted to the AO within 72 - hours of theft, loss, damage, or destruction of VA property. Under no condition will such a report be delayed longer than the time required to search the immediate area or question persons who might have knowledge of the incident.

c. Except where circumstances make it necessary, damaged property will not be moved until inspected by the AO or board. If removal is necessary, the reasons will be listed on the certificate of circumstances for later review.

d. When property is lost by a suspected theft, local law enforcement will be requested by VA Police and Security to assist in recovering the property, in accordance with instructions contained in VA Manual MP-1, General Administrative, Part I, Chapter 2. Notation of such action will be incorporated in the ROS. Police Service will provide the AO with a monthly listing and status of any ongoing investigations involving loss, damage, or destruction of government property.

e. VA Form 1217 may not be required when a government motor vehicle is damaged or destroyed and the approving authority determines that there is sufficient evidence contained in the accident report to establish whether pecuniary liability or disciplinary action will or will not be initiated. In this instance, copies of VA Form 1393, Uniform Offense Report, with additional supporting documents, will be made a part of the file and may be used as the official document to adjust the inventory record.

f. Upon the discovery of any shortages in inventory of a Schedule I through V, Controlled Substance, regardless of dollar value, the AO will be notified and VA Form 1217 will be prepared to substantiate adjustment actions and submitted to the AO. The registrant shall complete DEA Form 106, Report of Theft or Loss of Controlled Substances, in accordance with 21 CFR 1301.76b, and notify the DEA field division officer of the loss or theft and the VA police.

### 3. Report of Survey Register.

a. The AO will establish and maintain, on a fiscal year basis, a ROS register and file. The register will be maintained as shown in Appendix C of this handbook.

b. Each VA Form 1217 will be assigned a number in sequential order. Follow-up procedures will be established to expedite action. A copy of each ROS will be retained on file and under the purview of the AO.

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4. **Surveys Involving Loss.** To eliminate the possibility of clerical error and assure that the property is actually missing from the facility, the VA police investigating officer will check with the AO or designee to review all related records in cases of reported loss to include outstanding repair service records, as well as the loans from the VA file and property pass file.

5. **Surveys Involving Damage.** In cases involving damage, the AO or designee will inspect the damaged property and verify reported information. The assistance of technically qualified persons (Government employee or commercial representative) will be obtained to assess the extent of damage, feasibility of repairs with respect to operating efficiency, cost of repairs, and reasonable estimate of depreciation from acquisition or construction cost. This information will be documented on or attached to VA Form 1217.

6. **Surveys Involving Sensitive Information.** Special requirements apply when there is potential loss of sensitive information. The Facility ISO (FISO) approves and provides oversight for procedures implemented to address potential loss of sensitive information to ensure compliance with all related security requirements. At the direction of the FISO, the ROS process will be initiated to investigate the loss of the property containing sensitive data (even when the media on which it is stored is not classified as nonexpendable property). OMB memorandum 06-19, requirements apply.

7. **Admission of Responsibility for Loss or Damage.** In the event that an individual admits responsibility for the loss or damage and volunteers payment, the collection will be completed without need for a ROS investigation or police report. The AO will provide the responsible official with the facts and circumstances so that possible disciplinary action may be assessed.

### 8. Approving Authority.

a. The approving authorities for the ROS involving the loss, damage, or destruction of Government property are:

(1) VA Medical Center, Outpatient Clinic, or VISN - Director

(2) National Cemetery Administration facilities- Director

- (3) Regional Office Director (VBA)
- (4) Denver Acquisition and Logistics Center - Director
- (5) National Acquisition Center (NAC) – Executive Director/Chief Operating Officer, NAC
- (6) Corporate Franchise Data Center – Director
- (7) Austin Financial Services Center – Director
- (8) VACO- DAS for Administration (03)

b. Delegation of this authority will be limited to the Assistant/Associate Director or equivalent at a facility or within a department/organization. This approval or disapproval authority is directly related to the recommendations of the survey board or surveying officer.

c. In cases where the ROS item exceeds the capitalized threshold, the approving authority may refer the ROS to higher authority for approval. For purposes of this system, the higher approving authorities are:

- (1) VHA field facilities – VISN Director
- (2) VBA field facilities - Deputy Under Secretary for Benefits
- (3) CIO field activities – Executive Director, Field Operations and Security
- (4) Denver Acquisition and Logistics Center - ADAS for Acquisitions
- (5) NAC – ADAS for Acquisitions
- (6) Corporate Franchise Data center – DAS for Enterprise Operations and Infrastructure
- (7) Austin Financial Service Center – DAS for Finance
- (8) VACO - Assistant Secretary for Human Resources and Administration.
- (9) National Cemeteries - Directors, Memorial Service Network

**9. Approving Authority Action.**

a. A survey official or board will be appointed by the approving authority, or Administrative Officer, if so delegated, from a standing list of trained officials.

b. The approving authority may designate the AO to appoint a survey officer and board when a previously approved group of trained individuals has been appointed to conduct survey investigations.

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c. The approving authority may make recommendation of no board and no further investigation and instruct AO to remove property from inventory records. There should exist adequate justification or information pertaining to the circumstances which would convince the approving authority to make such a decision.

**10. Establishment of Board of Survey.**

a. It is mandatory that a board of survey, comprised of three impartial and qualified persons, be appointed when:

(1) There is a possibility that a VA employee may be assessed pecuniary liability or disciplinary action as a result of loss, damage, or destruction of property; and/or,

(2) The value of lost or destroyed property involved (estimated value of real property or value of personal property carried in the perpetual inventory accounts) is \$5,000, or a fair market value of \$5,000 can be assessed for other property, or the estimated cost of repairs to damaged property is \$5,000 or more.

(3) If sufficient information is available and present to make an accurate determination (i.e., through a VA police investigation or civilian police investigation) regarding the circumstances revolving around the incident, a board of survey will not be mandatory. However, a board of survey may still be convened at the discretion of the approving official.

(4) NOTE: Local management may establish policy to establish a board of survey for inventory losses of a lower value than \$5,000

b. A copy of VA Form 1393, Uniform Offense Report, if applicable, and any other supporting documents will be made a part of the ROS file. Documentation will provide satisfactory explanation of the circumstances surrounding the loss, damage, or destruction of Government property and contain sufficient evidence to determine that pecuniary liability or disciplinary action is or is not involved.

c. The person formally charged with the responsibility for the property in question will not serve on the board, nor will any person involved in the circumstances surrounding the property loss or damage or who may be involved with processing a collection action from an employee (see paragraph 24 of this part). The AO will not be appointed to the board but may act as an advisor unless he/she is responsible for the property involved.

d. A permanent board and alternates may be appointed to handle these surveys. All persons serving on the board will be advised of the importance and extent of their responsibility by the approving authority. The board will have a maximum of 10 days to conduct an investigation and make recommendations to the AO. It is recommended that the board members and alternates receive refresher training at a minimum of every two years.

**11. Responsibility of Board of Survey.** The board will give their full attention to the survey action, arrange their official duties accordingly, be thoroughly familiar with, conduct investigations according to, and arrive at findings and recommendations in compliance with the provisions of Part 10 of this handbook.

**12. Preliminary Board Agreement.** The board will carefully study all available information (e.g., VA Form 1217) supporting statements, exhibits, and other related documents. An agreement will be reached on certain critical points relative to identity of property involved, nature of action affecting its property status, and existence of evidence indicating fault on the part of a particular individual or group.

**13. Conduct of Board of Survey.** The board will determine the method and extent of investigation. Where the facts, such as suspected theft or violation of criminal statutes indicate a need for more extensive investigation, the matter will be referred to the approving authority with recommendation for further investigative action by a facility board, facility police, or the Federal Bureau of Investigation, in accordance with the authority outlined in 38 CFR 1.452(a) and (c).

**14. Determinations by Board of Survey.** The board will conclude and document, on the ROS, one or more of the following determinations:

- a. Property recovered without loss or cost to the Government.
- b. Property recovered - Government required to suffer cost of repair, servicing, or replacement.
- c. Property not recovered.
- d. Extent and nature of damage to property.
- e. Identification of the person or group responsible for loss or damage.

f. A finding of pecuniary liability or of insufficient evidence to support a charge or pecuniary liability.

g. A finding that the evidence establishes a degree of negligence or a violation of regulations for which some disciplinary action is required. Disciplinary action will be taken in accordance with current human resources policies.

**15. Findings and Recommendations.** The Findings and Recommendations section of VA Form 1217 will be completed based on the board's findings and determination.

The board will include recommendations for corrective action, i.e., training, update local policy, etc. In presenting the findings, all evidence will be clearly described or cross-referenced. If Police Service was involved in the process, a copy of the ROS file will be forwarded to them upon final approval by the director. At the beginning of this process, the VA Police Service will be responsible for reporting lost or stolen property to the Federal Bureau of Investigation, or the appropriate law enforcement agency.

**16. Pecuniary Liability.** A recommendation of pecuniary liability must be based on evidence which clearly shows intent, neglect, or carelessness.

a. No one is to be held liable for performing, or failure to perform, an action because of a reasonable human error of judgment or a normal physical limitation. In arriving at a recommendation, especially one where a charge of pecuniary liability will result, the board will consider the following:

(1) The existence of adequate evidence contained in the findings to support the recommendation.

(2) Evidence of prior incidents of negligence, misuse, abuse, or acts of a questionable nature with respect to handling property by the persons involved.

(3) Evidence of attempts by persons involved to improve or correct conditions causing the action being investigated.

(4) Evidence that officials charged with the responsibility failed to establish and enforce sound property utilization, training, protection, and security measures.

(5) Factual statements of acquisition or construction costs, applicable depreciation, reliable repair or replacement estimates, and estimate of salvage or sales value relative to the property in question.

(6) Evidence that property responsibility upon the individual(s) was incompatible with the requirements of their assignments.

b. Whenever there is a dissenting opinion relative to the findings or recommendations among the members of a board, the majority opinion will be the recommendation. However, the minority view will be included for the approving official's review.

c. When it is recommended that an employee be held financially liable, a copy of the ROS, complete with findings and recommendations, will be sent directly to the employee, instructing them to submit a written reply within 10 working days to the approving official. The reply must state the employee's concurrence or objection to the findings. Failure to reply to the approving official, in writing within the 10 working days, will be considered as acceptance of the pecuniary liability (see paragraph 25 of this handbook).

**17. Disposal of Property Prior to Completion of Board Action.**

a. Except when property constitutes a hazard to health or other danger, it will not be disposed of until it has been determined by the board that it is no longer needed for investigative purposes.

b. Property turned in to the accountable official will be receipted for on VA Form 2237 and disposed of in accordance with the FMR and VA Handbook 7348.

**18. Completion of Board Action.** The board will complete, sign, and forward the ROS to the approving official through the AO. Under no circumstances will any documentation that is required to support the ROS be withheld. Official documents are not to be removed from their proper location; however, copies will be provided and certified to be true by the surveying officer or chairman of the board. Information, no matter how confidential or delicate in nature, will be presented in written form.

**19. Review.** Upon receipt of the completed VA Form 1217, the approving official will personally review the entire file, giving special attention to the following:

a. Thoroughness of investigation.

b. Clarity and validity of findings and recommendations.

c. Completion of applicable criteria in recommendations, including statements of person(s) held liable by the board in cases involving pecuniary liability.

**20. Additional Data.** The approving official may request that the board conduct further inquiries to obtain additional data, whenever such action may assist in more fully supporting the recommended action.

**21. Decision.** The approving official, after careful consideration of factors and recommendations, extenuating circumstances, and the effect of their decision upon the policy of sound property utilization will either:

a. Concur and sign. When this will require collecting pecuniary charges from any person other than an employee of the United States acting within the scope of their employment, the original file will be forwarded to the District Counsel at the regional

office having jurisdiction over the area where the facility is located. Collection will be accomplished by the District Counsel pursuant to 38 CFR 14.618.

b. Disapprove by entry on or attachment to the VA Form 1217, state their exception to the recommendation, and request reconsideration by the board. The board's reply will be made part of the survey file.

c. Forward the original and one copy of the file to the higher approving authority when ~~a reversal of the board's original recommendation will result in holding an individual pecuniary liable.~~

d. Forward the original and one copy of the file to the higher approving authority when the facility approving authority and the survey board are unable to reach a unanimous decision.

## 22. Responsibility of the Facility AO.

a. Upon completion of the survey action, the entire file will be forwarded to the AO for coordination of the appropriate action required by the report.

b. If the ROS was required for items originally recorded on an adjustment voucher, the ROS will cross-reference the same adjustment voucher number for audit trail purposes.

c. The approved ROS will be filed with the adjustment voucher to support entries made in the accounts, and a copy will be maintained in the ROS file. The ROS covering items which are not accounted for in the perpetual inventory accounts will not be assigned a common or voucher number.

d. Timelines and actions concerning the ROS process are provided below:

(1) In the event a VA employee detects a missing or a damaged piece of property, they will immediately report the situation to the responsible individual (supervisor or EIL Custodial Officer).

(2) Upon report of a missing item, the responsible individual will conduct an immediate search of the area in an attempt to locate the missing property and question individuals concerning their knowledge of the missing item or circumstances surrounding damaged property.

(3) If suspicious evidence exists and deemed appropriate, the VA police (in VACO, Office of Security and Law Enforcement) will be contacted, and a preliminary Uniform Offense Report (VA Form 1393) will be performed and forwarded to the AO along with the completed ROS (VA Form 1217). Both forms are required to be submitted by the responsible individual no later than three working days from the discovery of the missing or damaged property.

- (4) If the facility AO is responsible for conducting all inventories at a facility and locates the missing item, the AO will inform the custodial officer for who has responsibility for the EIL being inventoried within one working day of the discovery of the missing item.
- (5) The AO will assign a ROS surveying official for all items below \$5,000. If the item is worth \$5,000 or more, or the assignment of pecuniary liability is likely, the AO will establish a board of survey. Both are required to be performed within five working days after receipt of the ROS from the responsible individual. The ROS, along with accompanying information (e.g., preliminary police report; or statement from an interested party; or a Security Operations Report from the ISO on whether or not the item could or did contain sensitive data) will be forwarded to the approving official for review and approval of the personnel assigned to conduct the ROS investigation. The approving official may not be any position lower than the associate director or equivalent.
- (6) The approving official has eight working days to approve the assignment and return the ROS to the AO.
- (7) Once approval of the assignment has been received from the approving official, the AO has three working days to conduct a meeting to brief the assigned surveying official or board members on their role in the ROS process.
- (8) After receipt of the ROS and the briefing is conducted, as appropriate, by the AO, the ROS surveying official or board members will conduct the survey and submit a completed and signed ROS by the close of business on the 10<sup>th</sup> working day after the receipt and briefing.
- (9) After the AO receives the completed and signed ROS, it must be forwarded within seven working days to the approving official for review and approval.
- (10) The approving official has two working days to review and approve, or recommend more action if deemed necessary. If more action is required by the ROS surveying official or board, the ROS package will be forwarded back to the AO for completion of the action recommended by the approving official.
- (11) Upon receipt of the request from the approving official for more action by the ROS surveying official or board, the AO has two working days to ensure the recommended action is completed and forwarded back to the approving official for final approval.
- (12) Except when property constitutes a hazard to health or other danger, damaged property will not be disposed of or put back into service until it has been determined by the surveying official or board that it is no longer needed for investigative purposes. Once this is determined, the property will be disposed of within established VA guidelines and will be removed from property records as appropriate.

(13) When property cannot be found, it will be designated as lost or stolen and removed from property records.

e. The overall ROS process will not exceed 60 days unless there is an ongoing law enforcement investigation requiring additional time. If the process exceeds 60 days, as a result of law enforcement activity, the ROS should be noted and annotated by the facility director.

~~f. NOTE: When the AO is responsible for the property involved in the report, the final action will be completed under the direction of the approving official.~~

**23. Disposal of Property After Completion of Board Action.** When directed by the approving authority, the property involved will be disposed of in compliance with the provisions of the FMR and VA Handbook 7348. All disposal documents covering surveys will be cross-referenced to VA Form 1217.

**24. Pecuniary Liability.** When the survey requires for collection of pecuniary charges from a Government employee acting within the scope of employment, a memorandum citing the circumstances and referencing the ROS number will be prepared by the AO and forwarded to Fiscal Service for action.

**25. Employee's Right of Review.** An employee has the right to have an adverse survey finding reviewed by higher authority. A request for such review will be submitted, in writing, to the approving official within 10 working days of receiving notification of the findings. The employee's request should detail the specific reasons why the findings should be reviewed. The approving official will forward the request, his/her comments, and the complete ROS record to the appropriate higher approving authority. The decision of the higher approving authority will be final.



**PART 11. LOAN OF PROPERTY.****1. Loans of Department of Veterans Affairs-Owned Personal Property.**

a. Loans of VA property to employees and non-employees are authorized when they support VA's mission, goals, and objectives and for the convenience of the government. VA field facility's Directors have the option of designating loan approval authority to AOs and IT EIL Custodial Officers for the purpose of enhancing security and accountability of the property to the individual level. ~~The AO will be responsible for issuing non-IT~~

~~property and IT EIL Custodial Officers will be responsible for issuing IT property and are~~ responsible for verifying, issuing, and tracking VA property loans which they are accountable for. In addition, the ISO must also approve loans of property containing sensitive data. If no designations are made at field facilities, facility Directors must approve loan requests personally in writing. Loans of property within VACO are addressed in paragraph g. of this section.

b. ~~VA Form 0887 (See Appendix D) has been created and will be used to track~~ government property loans to all VA employees and non-employees. Part one is the Employee Loan Description, part two is the Employee/Non-employee Property Return Receipt, part three is the VA Property Pass. The form will be used to track the return of loaned property and the issuance of a property pass, as required. The only authorized system of record for maintaining manual or electronic VA Form 0887s is chronological (by month). Any other system of record is considered a violation of the paperwork reduction act.

c. Note: VA Form 0887 may be issued for up to one year for a VA employee. The VA employee loan process should not be confused with the revocable license process. Revocable licenses are used to allow institutions, organizations, or other groups (not VA employees) to borrow VA property when authorized by facility directors and approved by Regional Counsel.

d. Employees/Non-employees will sign for all loans of property. The borrower's signature that is receiving the loan is considered certification that the loan is for official government use only. Upon return of the property, the individual will sign part two of VA Form 0887 (Property Return Receipt) and will be provided with a copy for their records. If a property pass was issued, the borrower must return the property pass along with the property.

e. When designated, the AO or IT EIL custodial officer will assume the responsibility for oversight and inventory management of VA property. At VA facilities where no AO or EIL officials exist, the director will assume responsibility (to include loan approval) over all property.

f. VA field directors have the responsibility for management oversight and accountability of VA property to include donated, grant, IT, and other types of government property. As such, directors must execute one of the following options:

(1) Designate, in writing, loan approval authority to any of the following individuals: AO for non-IT property and the Chief IT EIL custodial officers for IT property. These Delegations of Authority (DOA) authorizations will be forwarded to the facility law enforcement entity for verification purposes within 72 hours.

(2) Directors who do not designate loan approval authority must sign each loan request.

(3) At VBA facilities where no AO positions exist, the director will delegate (in writing) loan approval authority for non-IT and IT property to a designated official. IT loan requests must be submitted in writing through the custodial officers (service chiefs or equivalent) and sent to the facility IT EIL custodial officer (or designated official) for approval.

(4) At National Cemetery Administration facilities and other VA field staff offices where no AO position exist, directors will be responsible for approving loan requests for both IT and non-IT property. When loans are approved, VA Form 0887 will be utilized to track loans both for IT and non-IT property.

(5) Note: VBA and NCA will establish a memorandum of understanding or agreement with the nearest VA medical center to acquire AO support for the purpose of inventory management and other logistics functions performed by the AO.

f. The AO and IT EIL custodial officer (with limited access) shall maintain and manage the official property inventory system (currently the Automated Engineering Management System/Medical Equipment Reporting System or AEMS/MERS).

(1) VA Form 0887 will be initiated by the appropriate facility custodial officer (IT/non-IT) for the purpose of removing property from the facility.

(2) The IT EIL custodial officer shall maintain the loan register and jacket files for loaned IT property and AO shall maintain the loan register and jacket files for non-IT loaned property.

(3) Jacket files will contain the original signed VA Form 0887. Loan registers will include the borrower's name; item nomenclature; serial number; EE number, if applicable; and the date the property is due to be returned.

(4) For security purposes, Part three of VA Form 0887 shall serve as a "property pass" for commonly loaned property. Within VA, loaned property shall always be accompanied by a property pass.

g. Within VACO, the head of each staff office has the responsibility, oversight and accountability of all VA property within their respective organization, and shall designate, in writing, an EIL custodial officer, and one alternate, for the control of all

property within their respective areas. A copy of the designation letter will be forwarded to the Office of the DAS for Administration (03) for non IT property and the IT Asset Management Officer (005) for IT property within 48 hours.

(1) Each organization's EIL custodial official shall be responsible for initiating and coordinating VA Form 0887, documenting loans in the facility property management system, and forwarding the VA Form 0887 electronically for signature through either the IT Asset Management Officer for IT property, or the AO within the Office of the DAS for Administration (03) for non-IT property.

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(2) The VACO AO and the IT Asset Management Officer will be responsible for approving the property passes (part three of VA Form 0887) and verifying the loan against the official EIL system of record prior to removal of the property from VACO. The AO and IT Asset Management Officer will provide the VACO's security office with a current listing containing the names and signatures of designated VACO loan approval personnel. To facilitate management of the designated loan approval personnel list (the individuals who can issue the VA Form 0887); the list will be kept to a minimum. The AO/IT Asset Management Officer provides the VA property management system with a check and balance which strengthens quality assurance and security elements.

(3) Note: If the property is for or contains sensitive data, the local information security officer must also sign VA Form 0887.

h. Facility or VACO security/law enforcement entities will ensure that VA property leaving the premises will be accompanied by an approved VA Form 0887, part three, Property Pass. Property passes are issued as proof that individuals have the authority to possess VA property off VA grounds. Individuals shall maintain the property pass while in possession of the VA property assigned to them.

i. All of VA's AOs shall oversee and/or develop local written procedures to ensure control and oversight for loans of VA property at their facility is conducted and carried out appropriately. AOs are responsible for maintaining the facility's property management system, and thus will ensure the issuance of VA property by EIL officials is conducted in accordance with established VA policy contained within this handbook.

j. Employees will report any loss or theft of IT property to the supervisor within 24 hours of occurrence. Property containing sensitive data must also be reported to the ISO immediately (within one hour) upon realization of the theft.

k. In VACO authority to print barcode labels or edit property records resides with Property Management Division (032D). In the field, IT EIL custodial officers (or designated officials) will be granted limited access to AEMS/MERS to edit location and comment fields as well as print barcode labels. In addition, the following actions must be accomplished prior to the loan of property:

(1) Ensure all IT equipment with data storage capabilities are approved by the facility information security officer.

(2) Ensure that the most recent versions of encryption and security software are properly loaded and operational on all IT equipment.

I. VA Personal Property may also be loaned to non-employees on a temporary basis utilizing VA Form 0887. The process for non-employee loans will be similar to those established for VA employee loans. Loans to non-employees will not exceed 60 days. If the property is being loaned to a contractor, the Program Manager or the Contracting Officer's Technical Representative (COTR) will verify that the loan is authorized per the established contract, and will sign the VA 0887 loan form blocks K and L. In addition, loans to non-employees will be approved by the facility director or equivalent. VA discourages loans to non-employees; however, consideration for such loans must only be made when the loan is determined to benefit VA.

2. Loans of Personal Property to the Department of Veterans Affairs. When a facility obtains a loan of property, the following will apply:

a. Loans will be confined (except as indicated in paragraphs d. through f. of this section) to those from other VA facilities, other government agencies, local, state, and charitable institutions.

b. Once approved by the Facility Director, loans will be accepted through Logistics Services. All property will be tagged or labeled to identify the owner, and the AO will maintain records to reflect the following:

- (1) Date of loan.
- (2) Ownership of property and who arranged loan.
- (3) Description of property.
- (4) Quantity.
- (5) Estimated value.
- (6) Other terms and conditions as may be pertinent to the arrangement.

c. Funds may be expended to place borrowed property (from other VA facilities or Government agencies) in as good condition as when loaned provided that such action is agreed upon as a condition of the loan. Equipment loaned to VA from other sources may be repaired to the extent necessary for the continued use of such equipment. However, repairs are not authorized to return the equipment in good condition after the use has terminated. The purchase of operational supplies required in connection with loaned property will be done on a competitive basis.

d. Loans of recreational and other supplies and equipment (except vehicles) by individuals or organizations for use of beneficiaries will be made through one of the welfare organizations with the understanding that VA will not assume responsibility. Representatives of VA will not accept or receipt for such loans, except books obtained on inter-library loan.

~~e. Articles used in Religious Services which have been purchased from the Chaplain's Fund or donated as gifts and are blessed, sanctified or consecrated, do not~~  
become the personal property of the chaplain or the property of VA. Such items are regarded as the property of the ecclesiastical endorsing commission of the chaplain concerned, placed at the field facility by the commission on a continuous loan basis. Each article will be listed on a memorandum forwarded through the facility director to the Logistics Services to be filed with the EIL file for the Chaplain Service. The chaplain will be responsible as custodian for these articles.

f. An offer by a contractor to loan VA a piece of equipment, pending the repair of VA-owned equipment, may be accepted provided such loan is at no cost to VA. Loaned equipment may be repaired at VA expense only to the extent necessary to maintain it in operating condition essential to perform the tasks for which it was borrowed. Some vendors will loan property to a VA facility for the purpose of evaluation of the equipment. Should this occur, the loan to the VA, as well as any associated consumable items and/or accessories required to conduct the evaluation the loan to the VA will be at no cost to the VA, and this shall be documented on the form that is signed by the vendor representative.

g. Loan of equipment by a commercial establishment for use in the CWT program will be approved by the facility director and processed in accordance with paragraph b. of this section. Repair of this equipment will be in accordance with paragraph c. of this section.

### **3. Affiliated Institution-owned or Institution-administered Grant Fund Purchased Equipment Utilized by a VA Investigator.**

a. Equipment owned by an affiliated institution, or purchased by such institution from grant funds, used by a VA investigator in a research project at a VA installation will be accounted for in the appropriate VA property accountability system regardless of cost of the equipment. The investigator or designee responsible for all such equipment will maintain a jacket file containing an EIL, as appropriate, or a list providing the nomenclature, location, and ultimate disposition of all such equipment under their jurisdiction.

b. As indicated in OMB Circular A-110; all grant-purchased equipment will be entered into the appropriate property accountability system. No dollar value should be entered into the Acquisition Cost field; however, the below listed information marked with an asterisk (\*) must also be entered in the property system in the comments field. The

remaining information listed below should be included in the property accountability system as well.

- (1) A description of the equipment.
- (2) Manufacturer's serial number, model number, federal stock number, NSN, or other identification number.
- (3) Source of the equipment, including the award number (i.e., the Purchase Order (P.O.) number).
- (4) Whether the title vests in the recipient or the federal government.
- (5) Acquisition date (or date received, if the equipment was furnished by the federal government).
- (6) Information from which one can calculate the percentage of federal participation in the cost of the equipment (not applicable to equipment furnished by the federal government).
- (7) Location and condition of the equipment, and the date the information was reported.
- (8) Unit acquisition cost (no costs will be entered into the Acquisition Cost field in AEMS/MERS). This info will be entered in either the Comments field or the Specs field.
- (9) Ultimate disposition data, including the date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the federal awarding agency for its share.

c. Such equipment, while in the possession of the investigator and used at the VA installation, may be maintained in operating condition by VA. In addition, if the equipment is being used on a veteran or VA employee, it will have preventive maintenance performed in the same manner as any other VA-owned property.

**4. Authority to Issue VA Owned Personal Property by Revocable License.** A revocable license is a license required for the loaning of VA property to an institution, organization, or authorized group. VA Form 0888 will be used for this purpose. Original copy will be kept on file in Logistics services. A revocable license can be terminated at any time by either party pending proper notification.

a. The facility director may authorize, through Logistics Services, issue of personal property by revocable license.

b. An agreement utilizing VA Form 0888 shown in Appendix E will be prepared by Logistics Services and submitted to the facility director for approval prior to execution. Justification for the license will include specific benefits to be derived by VA.

c. Duration of the license will not exceed a one-year period.

d. Each request for a revocable license will be forwarded to the Regional Counsel for review and concurrence prior to implementation of the loan.

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~~e. The facility director may authorize the issue of hemodialysis equipment by revocable license method to a state, local, or community hospital subject to the following circumstances and conditions:~~

(1) A hardship exists for the veteran to receive dialysis at a VA facility.

(2) House conditions preclude installation of home self-dialysis units, or the cost of installation and servicing in the home is greater than total cost of arrangement for dialysis at a community hospital and this arrangement is acceptable to the patient. (M-2, Pt. IX, Change 2, addresses loan of hemodialysis equipment under the purview of prosthetic activity).

(3) In exchange for the use of the hospital's facilities and staff in dialyzing the veterans, the hospital is permitted to dialyze non-veterans when the equipment is not needed for treatment of a veteran.

f. Upon expiration of the license, the property will be promptly returned to the field facility by the licensee.

g. Request for renewal of an existing license agreement will require the facility director's approval and review and concurrence of the Regional Counsel.

h. Personal property issued by revocable license will be tagged or labeled to clearly identify VA-ownership and is subject to the inventory requirements contained in Part 8, paragraph 5 of this handbook. Items will remain on the EIL. A copy of the revocable license will be maintained in Logistics Services and provided to the Custodial Officer.



**PART 12. MISCELLANEOUS SPECIAL REQUIREMENTS.**

**1. Weighing Scales and Fuel Pumps.** The services of state, county, municipal, or other equally reliable agencies to accomplish inspections will be utilized as required by local ordinances and laws. Any requirements for inspections of these items will be coordinated with the Chief of Engineering Service, as appropriate.

**2. Safes, Vaults, and Other Depositories.**

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a. Safes, vaults, and other depositories for valuables, Schedules I and II controlled substances as defined in 21 U.S.C. 812, and precious metals from all sources of supply will be located so as to provide maximum security and will be locked at all times when not in use. In addition, vehicle titles and certificate of origins will be maintained in an appropriate depository.

b. Firearms and ammunition will be stored in accordance with VA Directive 7347.

**3. Custody of Combinations.**

a. A copy of the combination to each safe, vault, or depository at a VA facility will be kept in a sealed envelope in a safe or vault under the custody of the facility director. The envelope will be properly labeled, sealed in the presence of the facility director, service chief concerned, or designee. Each of these officials will sign the envelope in such manner that it cannot be opened without detection.

b. If, in the absence of personnel having knowledge of the combination, it becomes necessary to open any safe, vault, or depository, the only one authorized to do so is the facility director, service chief concerned, or designee.

c. Combinations will be entrusted to the fewest possible individuals consistent with good operations. Those individuals will be held personally responsible for safeguarding this information and shall keep any combination in their personal possession at all times.

**4. Changing Combinations.** Combinations of safes, vaults, or depositories shall be changed at least once every five years, or immediately under the following conditions:

a. When such equipment is placed in use upon receipt from the manufacturer or other sources.

b. When a person knowing a combination is transferred, separated, or reassigned to a position where such knowledge is not warranted.

c. When deemed necessary by the facility director.

**5. Exceptions.** The provisions of paragraph 2, 3, and 4 of this Part do not apply to safes, vaults, or other depositories assigned to an agent cashier or those under the control of the facility director used for the safeguarding of classified information. Policies and procedures with respect to such equipment are set forth in MP-1, Part I, Chapter 5, and MP-4, Part I.

**6. Trust Fund Property.** Policy regarding gifts and donations is found in VHA Supplement, MP-4, Part VII and Title 38, section 8301.

**7. Training Requirements.**

a. At a minimum, the AO or designee will receive annual training in the following areas:

- (1) Utilization and Disposal Program (including Recycling requirements).
- (2) Report of Survey Program.
- (3) Supply Fund.
- (4) Planning for Equipment Needs:
  - (a) Five year Plan.
  - (b) Capital Asset Planning.
  - (c) Equipment Request Process and Equipment Committee Procedures.
- (5) Materiel Management Requirements
- (6) Proper Storage and Handling of Hazardous Materials
- (7) Methods of Sales and their Requirements

b. To fulfill this annual training requirement, all AOs or designees will be required to attend training each calendar year regarding the above topics. Documentation of the required training will be made part of the employee's personnel file.

**Part 13. CONTROL AND INVENTORY OF IT EQUIPMENT.**

1. **General.** The following section of the handbook is designed for personnel responsible for tracking and controlling IT equipment assets. This policy requires each facility's IT Custodial Officer to institute procedures necessary to ensure: (1) full accountability for nonexpendable IT equipment items, including sensitive equipment items regardless of cost, from receipt of the item through sanitization and disposal, and (2) full compliance with the guidance and information provided within this handbook. For the VA IT Inventory Tiger Team's full text version, see Appendix I.

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2. **Sensitive Information.** OI&T defines sensitive information as all Department data, on any storage media or in any form or format that requires protection due to the risk of harm that could result from inadvertent or deliberate disclosure, alteration, or destruction of the information. The term includes information whose improper use or disclosure could adversely affect the ability of an agency to accomplish its mission, proprietary information, records about individuals requiring protection under various confidentiality provisions such as the Privacy Act and the HIPAA Privacy Rule, and information that can be withheld under the Freedom of Information Act. Examples of VA sensitive information include the following: individually-identifiable medical, benefits, and personnel information; financial, budgetary, research, quality assurance, confidential commercial, critical infrastructure, investigatory, and law enforcement information; information that is confidential and privileged in litigation such as information protected by the deliberative process privilege, attorney work-product privilege, and the attorney-client privilege; and other information which, if released, could result in violation of law or harm or unfairness to any individual or group, or could adversely affect the national interest or the conduct of federal programs. Sensitive and removable media items will be handled in accordance with VA Handbook 6500.

**3. IT Inventory Responsibilities.**

a. The Facility Director has overall accountability for all assets and information at the facility. During an audit, it is the Facility Director that will be held accountable for full control of the assets and the protection of sensitive information. The Facility Director provides oversight to the asset management program at the Facility. The asset management program function is under the cognizance of Logistics Services.

b. The Facility Director delegates IT equipment inventory responsibilities to the IT Custodial Officer and the control and oversight for property management functions to the Facility AO. This structure will be tailored by the Facility Director to the unique constraints of the facility (e.g., if there is no Senior Property Management Official at the facility, for IT inventory, the Facility Director will delegate the associated responsibilities to an IT staff member directly reporting to the Facility Director/Associate Director).

c. The IT Custodial Officer may assign inventory control responsibilities to subordinate personnel (referred to as Custodial Officer Designees). However, the IT Custodial Officer retains responsibility for all facets of inventory control under their

respective purviews in accordance with the signed Delegation of Authority (DOA) provided to them by the Facility Director.

d. Documentation required to track the delegation of signature authority for IT Inventory Control requirements defined in this Handbook will be established and maintained in a centralized repository. The intent of this requirement is to establish clear accountability for IT inventory items at all times. Electronic systems are approved for use for this purpose. A copy of each Delegation of Authority memo related to the control of IT inventory is to be provided to the IT Custodial Officer.

e. The designated employees are bound by the terms of the DOA until officially relieved of responsibility in accordance with Part 2 of this handbook.

f. The IT Custodial Officer at a facility is required to ensure that a current, accurate inventory of all nonexpendable IT equipment, including all sensitive items regardless of cost, at the facility is established and maintained. IT equipment will be inventoried, assigned and tracked throughout its life; disposal procedures will ensure the protection of any personally identifiable information and the security of sensitive data.

#### 4. Accountability (Loan Form Usage)

a. For IT equipment assigned exclusively for individual use, a loan form will be signed by the receiving employee. For common use IT equipment items within a department (i.e., equipment used or accessible by more than one individual), the Department Head/Service Chief will sign the receipt indicating accountability for the equipment item. For IT equipment used to support multiple departments, the Facility Director will identify the Custodial Officer who will be assigned asset owner responsibilities.

b. VA Form 0887 will be used to document accountability for individually assigned equipment, whether the individual assigned the equipment is a VA employee or non-employee (e.g., support contractor). This form must be recertified based on whether the individual is an employee or a non-employee (at least annually for employees, every 60 days for non-employees (i.e., because these forms document accountability for VA property, it is essential that they be maintained current)). AEMS/MERS provides the ability for authorized personnel to assign equipment to an individual and produce the VA Hand Receipt/Loan Form. The IT Custodial Officer must provide a delegation of authority memo to VA personnel authorized to assign IT equipment to individuals using this mechanism.

c. VA Form 0887 (for Government employees and non-government personnel – see Appendix D) will be used as the hand receipt to document receipt of the equipment assigned to the individual and the individual's acknowledgement of personal accountability for the equipment (see Part 11 of this handbook for further guidance on Loan Form requirements).

d. When IT equipment is loaned to an individual on a temporary basis, the individual will agree not to process or save any sensitive information on the equipment. The individual will agree not to install any software on the equipment. Only OI&T technicians are authorized to load software on loaned IT equipment. The individual will agree not to add any additional hardware or make any changes to current hardware configurations and will agree to always keep the equipment in his/her possession.

**5. Sensitive Information Used Outside the Facility.** For IT equipment that will be used outside of the facility, all Department staff, contractors, business partners, or any person who has access to and stores VA information must have written approval from their respective VA supervisor and the FISO before sensitive information can be removed from a VA facility. VA sensitive information must be in a VA protected environment at all times, or it must be encrypted in accordance with the requirements of VA Directive 6500. The FISO must approve the protective conditions being employed.

**6. Purchase Card Use.**

a. Purchase card holders will not purchase nonexpendable IT equipment with a government purchase cards unless they are authorized Purchasing Agents and are authorized to make such procurements.

b. Purchase cardholders will inform the AO of all nonexpendable IT equipment, including sensitive items regardless of cost, procured with purchase cards so as to ensure the items are entered into the appropriate inventory management system.

c. Equipment purchased with a purchase card will be entered into the proper EIL and included in the physical inventory along with all other IT equipment items.

d. Any issues associated with the implementation of these requisite procedures are to be brought to the attention of the IT Inventory Control Process Improvement Forum for resolution.

**7. EIL.** It is required that all of VA utilizes the Standardized EIL Department Numbers. The EIL will begin with the 78 series followed by one additional character either alpha and/or numeric to indicate the appropriate assigned EIL. All IT equipment will be maintained in an automated equipment inventory system and listed on the proper EIL in accordance with Part 2 of this handbook (see Appendix H for listing of EIL numbers).

**8. Conduct of Physical Inventory.** (see Part 8 of this handbook).

**9. Potential Loss of Sensitive Information.** There are special requirements that apply when there is a potential loss of sensitive information. Whenever an individual identifies that non-expendable IT property (including sensitive items regardless of cost) cannot be accounted for and there exists a potential for loss of sensitive data (e.g., loss of laptop, thumb drive, or other IT equipment), the issue will be reported immediately,

within one hour of the detection of the potential loss, to the FISO and the IT Custodial Officer. (Reference OMB memo 06-19.)

**10. Removable Storage Media.** Per VA Directive 6500, Removable storage media presents additional security risks and must be tracked from receipt through disposal.

a. Universal Serial Bus Flash Drives:

(1) To comply with the FIPS 140-2 standard, VA Directive 6500 requires that specific actions be taken with regard to Universal Serial Bus Flash Drives (USBFDs), also referred to as Thumb Drives. USBFDs will be encrypted and the level of encryption must comply with Federal Information Processing Standards (FIPS) 140-2. Any other (non-FIPS compliant) Thumb Drives are not authorized and are to be sanitized to remove all VA data. Note that new software tools will soon prevent the use of non-FIPS-compliant USBFDs.

(2) The IT Custodial Officer is required to validate the need for USBFDs. The risk of exposure of personally identifiable information can be best mitigated by first ensuring that only those VA employees whose positions require the transit of information on USBFDs are provided such a device.

(3) Employees wishing to check out a USBFD will be required to complete a USB Flash Drive Request Memo in accordance with VA Handbook 6500 and obtain approval from their immediate supervisor.

(4) If there is a need to store, transport and/or utilize sensitive information outside a VA protected environment, then an additional approval step is required. The employee must complete a request to take VA information offsite and seek approval from the Director of the local VA facility or his/her designee.

(5) Local facility management will submit the justification forms to the FISO. The FISO will review the requests, provide concurrence and forward the spreadsheet to the local IT Operations Service for action. The FISO will keep all request memoranda on file.

(6) USBFDs are considered IT items for the purpose of acquisition, operations and maintenance. USBFDs will be procured at the National level and distributed to the Regional Directors based on the USBFD requests that were submitted for procurement. Local IT Operations Services will be responsible for the issuance, tracking and recovery of USBFDs.

(7) Only one gigabyte and two gigabyte drive types are on the approved list of USBFDs to procure.

b. With regard to the issuance of USBFDs, the IT Custodial Officer will ensure that the following actions are performed:

(1) Testing USBFDs for functionality.

(2) Configuring USBFDs to ensure all authentication and encryption features are set appropriately. This includes steps to register the USBFD and obtain a serial number. The serial number should be recorded on the Hand Receipt and be shared with the local Acquisition and Material Management or Logistics Service to ensure appropriate inventory accountability.

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(3) Demonstrating appropriate USBFD use to the employee, including the appropriate transfer of files to and from the USBFD.

(4) Obtaining employee signature on the Hand Receipt. Proxies are not acceptable. A photocopy of the Check-Out Sheet should be provided to the employee once all information is obtained and all signatures are recorded.

(5) -Maintaining a file of all Hand Receipts issued in a secured locked location (e.g. lockable file cabinet).

(6) All existing FIPS 140-2-compliant USBFDs will be returned, inspected and reissued using the new IT Equipment Hand Receipt.

(7) FISOs will accept existing, government-furnished USBFDs and will dispose of all legacy USBFDs in a secure manner.

(8) Other removable media (e.g., external hard drives) will be provided on an approved basis, following the same procedures described above for USBFDs.

#### 11. IT Inventory Storage.

a. IT equipment storage locations must be physically secured under the same guidelines as have been established for computer rooms/data centers in National Institute of Standards and Technology (NIST) Special Publication 800-53, paragraph PE-3.

b. Access to these areas will be restricted to authorized IT staff with the written approval from the IT Custodial Officer at each facility.

c. IT storage spaces are required to be protected with physical access control systems (PACS). Electronic entry systems will be used so that any access will be logged and regularly reviewed by the IT Custodial Officer and FISO. Security cameras and sensors/alarms will be installed in the storage locations to raise the level of security.

d. In accordance with NIST requirements:

(1) All physical access points (including designated entry/exit points) to facilities containing information systems (except for those areas within the facilities officially designated as publicly accessible) will be controlled; individual access authorizations will be verified before access is granted to restricted areas. The facility will also control access to areas officially designated as publicly accessible, as appropriate, in accordance with the facility's assessment of risk.

(2) Physical access devices (e.g., keys, locks, combinations, card readers) and/or guards will be used to control entry to facilities containing information systems. Keys, combinations, and other access devices will be secured and such devices will be inventoried regularly. Combinations and keys will be changed: (1) periodically; and (2) when keys are lost, combinations are compromised, or individuals are transferred or terminated.

(3) After an emergency-related event, reentry to facilities will be restricted to authorized individuals only. Workstations and associated peripherals connected to (and part of) an organizational information system may be located in areas designated as publicly accessible with access to such devices being appropriately controlled. Collaboration between IT and security is essential in ensuring the protection of sensitive information. In accordance with Security and Law Enforcement policy (0730/1), each VA facility will establish a Security Management Committee (SMC). One of the tasks of the SMC is to develop a local strategic security plan (SSP). The SSP is intended as a framework for identifying a facility's physical and procedural security needs and resolutions.

(4) Access to IT equipment storage locations will be provided to facility security personnel to perform regular inspections. Security personnel will provide a Report of Physical Security Inspection of IT Equipment Store Rooms to the IT Custodial Officer at the facility within 10 days of completing a physical security inspection. The report will document corrective actions necessary to establish full compliance with applicable security regulations.

(5) The IT Custodial Officer will coordinate with the SMC to develop a plan of action to address IT-related security requirements identified in the SSP. (Note: this does not mean that all identified requirements will need to be met in a prescribed manner). The IT Custodial Officer may identify alternative measures to address concerns raised by security. Security will have to approve such alternatives and validate that they adequately address the security concerns in question. The plan will be approved by the Facility Director.

(6) A plan of action to address all corrective actions identified in the Report of Physical Security Inspection of IT Equipment Store Rooms will be completed by the IT Custodial Officer within 10 days of receipt of the Report of Physical Security Inspection of IT Equipment Store Rooms; it will be submitted to the Facility Director for approval.

## 12. Oversight and Compliance.

a. The VA's CIO is responsible, at the Department level, for ensuring the integrity and security of VA's IT assets, including physical inventory as well as data protection and the sanitization of data when IT resources are retired from service. Responsible for IT operations and maintenance, the CIO will monitor, review, and evaluate compliance with this policy.

~~b. As such, the VA CIO established the Office of IT Oversight and Compliance (OC) in February 2007. The mission of the VA IT OC is to ensure the effective management of VA information. As such, this office provides independent, objective, and consistent assessment services in the areas of cyber security, privacy, records management and physical security. The objective is to ensure the protection and integrity of sensitive VA data through the consistent application of VA policies and regulations and full compliance with established regulations. The three areas of focus established for the OC are described in the following paragraphs:~~

(1) Compliance. Initial emphasis will be placed on areas of known weakness (i.e., those that have led to low FISMA scores). This includes compliance with: NIST SP 800-53 security controls; VA OIG 17 recurring audit findings; Certification & accreditation Plans of Actions and Milestones (POA&Ms). Many of the activities required to address identified deficiencies are described in this Handbook. As such, compliance with the requirements herein will be assessed through scheduled and unscheduled audits.

(2) Remediation. The intent of the OC initiative is to ensure the establishment of standardized, sound information management practices. As such, the lessons learned during the audit process will be used to define best practices which will be made available to facilities. In addition, a community of practice will be established to promote collaboration and standardization. The objective is to ensure that the right people have the right information when they need it so that VA becomes a model for information management and security.

(3) Audits. Audits will be conducted at all VA facilities and support facilities, including medical centers, outpatient clinics, Vet Centers, regional offices, cemeteries, program offices, data centers, off-site storage facilities, VACO, and media destruction vendors.

c. Emergency Response. VA IT OC will establish an Emergency Response Team (ERT) to help coordinate activities required to address critical incidents.

d. Artifacts. Audit activities related to compliance with this policy will include interviews, physical inspections and documentation reviews. The artifacts that will be reviewed during the Inventory Control portion of the audits include: EILs; ROS file; Loan Forms/Hand Receipts; documented procedures, training records, roles and responsibilities and delegations of authority; proceedings from collaboration sessions; sanitization records; and other products documenting compliance with this policy. In

addition, there will be additional areas audited by OC to ensure assessment of all of the areas of information control (e.g., verifying that laptops are encrypted, patched, and have latest antivirus software; conducting vulnerability scanning). OC will be developing and disseminating checklists and process guides to support the facilities in preparing for audits.

### 13. Training.

a. Training of personnel in both IT property inventory control and the protection of sensitive and personally identifiable information will be standardized by functional role throughout the facility and conducted on a periodic basis (no less than annually) by IT Custodial Officers. For example, IT Custodial Officers and Custodial Officer designees will receive training on all aspects of their assigned roles, including the specific requirements associated with maintenance of the IT EIL, information protection, and the procedures associated with loss of equipment; Security personnel will be trained in the integration of inventory control and security activities. Those personnel without any direct inventory control responsibilities will be provided familiarization training, including an overview of the IT inventory control and accountability program, protection of sensitive information, hand receipt requirements, and proper handling of IT inventory movement.

b. All new personnel will receive training in their responsibilities related to IT inventory control before accessing the IT system.

### Definitions

1. AO – individual (usually the Chief, Logistics Services at field facilities) having overall accountability for all personal property at a facility to include personal property functions from cradle to grave (acquisition to final disposition)
2. Accountable personal property – personal property having an acquisition cost at or above \$5,000 and personal property that is considered sensitive in nature (includes capitalized personal property which has an acquisition cost of \$100,000 or more in aggregate)
3. Action code – a code assigned by Logistics services to turned-in personal property that indicates the intent of the action to be taken with the property (i.e., whether the item will be kept in service, or will be processed for disposal, etc.)
4. Chief of Logistics Services: The individual responsible for the management and oversight of facility logistical operations including personal property management and inventory functions (may also be known as the Chief Acquisition and Materiel Management; Chief, Materiel Management; Chief, Supply Service; Chief, Personal Property Management or Logistics Manager)
5. Custodial Officer – individual (usually service chief at field facilities) responsible for personal property under his/her purview to include EIL and inventory responsibilities
6. Disposal condition code – a code assigned by Logistics services to turned-in personal property that determines the process to be taken for final disposition of the property (whether the item will be processed through excess procedures for reutilization or sale, abandonment or destruction procedures, or scrap procedures)
7. Expendable Property – property that may be consumed in use or loses its identity in use and may be dropped from stock record accounts when it is issued or used
8. IT EIL Custodial Officer. The individual responsible for management oversight of all facility IT property. This individual has loan authority for IT property and has similar authority to the facility AO for loans. The IT EIL Custodial Official shall coordinate inventory requirements and the application of rules and regulatory requirements with the facility AO
9. Long Supply – the quantity of inventory of an item that exceeds the established stock level by a greater than 10 percent margin.
10. Nonexpendable property - is property which has a continuing use, is not consumed in use, is of a durable nature with an expected service life of two or more years, has an acquisition cost of \$300 or more, and does not become a fixture or lose its identity as a component of other equipment or plant

11. **Posted Stock** – supply items maintained in bulk that have been acquired through the VA Supply Fund for issue to various using departments within the medical center facility (some facilities may not have posted stock). The automated inventory system should be used for auto-generation, maintenance and replenishment of posted stock inventory
12. **Process Stores** – a bulk distribution area that maintains office supply type items for issue throughout the medical center facility. Process stores inventory should be maintained using the automated inventory system, including auto-generation and replenishment of stock
13. **Trust Fund Property** – Property received as a gift or bequest from individuals or non-government organizations and personal property purchased from General Post Funds.
14. **Unclaimed personal property** – personal property that has been unknowingly abandoned and found on premises owned or leased by the Government (i.e., lost and found property)
15. **Unrequired property** – property that is no longer needed by the using activity and at the facility level, and/or property that has become unserviceable through normal use. This property must be turned in to Logistics services for proper disposition (reutilization, recycling or disposal)
16. **Voluntarily abandoned property** – personal property that the owner has intentionally and voluntarily given up title to and title vests with the Government. Documentation should be maintained that supports the voluntary relinquishment of title by the owner

**ILLUSTRATIONS**  
**Economical Repair Costs As a Percent of Acquisition Cost**

		Years in Use (Year After Year of Manufacture)																			
		2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
A v g	1																				
	2	40	0																		
	3	50	25	0																	
	4	60	40	20	0																
Y r s U s e f u l	5	80	60	40	20	0															
	6	80	64	48	32	16	0														
	7	80	67	53	40	27	13	0													
	8	80	68	57	46	34	23	11	0												
	9	80	70	60	50	40	30	20	10	0											
	10	80	71	62	53	44	36	27	18	9	0										
	11	80	72	64	56	48	40	32	24	16	8	0									
	12	80	73	65	58	51	44	36	29	22	15	7	0								
	13	80	73	67	60	53	47	40	33	27	20	13	7	0							
	14	80	74	68	62	55	49	43	37	31	25	18	12	6	0						
	15	80	74	69	63	57	51	46	40	34	29	23	17	11	6	0					
L i f e	16	80	75	69	64	59	53	48	43	37	32	27	21	16	11	5	0				
	17	80	75	70	65	60	55	50	45	40	35	30	25	20	15	10	5	0			
	18	80	75	71	66	61	56	52	47	42	38	33	28	24	19	14	9	5	0		
	19	80	76	71	67	62	58	53	49	44	40	36	31	27	22	18	13	9	4	0	
-- N e w --	20	80	76	72	67	63	59	55	50	46	42	38	34	29	25	21	17	13	8	4	
		[            percent of acquisition costs considered economical            ]																			

**SAMPLE FORMAT OF REPORT OF SURVEY REGISTER FILE**

1. **Report of Survey Number.** Item Description and Acquisition Cost – Date of actual incident - Date ROS initiated - Date Processed (assigned surveying official and forwarded for approval of assignment) - Voucher Number (if applicable) - Date ROS has final Approval (signature of Facility Director).

2. **Report of Survey (R/S) Register File.** The accountable official will establish and maintain, on a fiscal year basis, a report of survey register and file that at a minimum contains the following information:

R/S No.	Item Description & Acq. Cost	Date of Report	Date of ROS Report	Date R/S Processed	Voucher Number	Date Completed
1/05	Theft of computer (\$1436)	2/1/05	2/2/05	2/4/05	A3A043	3/1/05
2/05	Loss of paint from paint shop (\$70 est.)	4/7/05	4/8/05	4/10/05	N/A	5/1/05

 Department of Veterans Affairs		<b>VA GOVERNMENT PROPERTY LOAN FORM</b>	
<b>PART I - PROPERTY LOAN DESCRIPTION</b>			
<i>NOTE: This agreement sets forth the conditions under which the facility has agreed to loan the following property. VA defines a loan as "for the borrower's temporary use."</i>			
<b>A. DESCRIPTION OF PROPERTY ON TEMPORARY LOAN</b> (Enter exact make, model, serial number, and description of property prior to date)			<b>B. EQUIPMENT ENTRY (EE) NO.</b>
<input type="checkbox"/> LAPTOP <input type="checkbox"/> BLACKBERRY <input type="checkbox"/> PAGER <input type="checkbox"/> MONITOR <input type="checkbox"/> PRINTER <input type="checkbox"/> MOBILE PHONE <input type="checkbox"/> BROADBAND CARD <input type="checkbox"/> REMOVABLE MEDIA <input type="checkbox"/> DESKTOP COMPUTER <input type="checkbox"/> OTHER (Specify)			
<b>C. VALUE OF EQUIPMENT</b>		<b>E. SERIAL NO.</b>	<b>F. MODEL</b>
<b>G. JUSTIFICATION FOR LOAN OF VA PERSONAL PROPERTY</b>		<b>H. ISSUE DATE</b>	<b>I. EXPECTED RETURN DATE</b> (Employee, date not to exceed one (1) year)
<b>J. APPOINTED RESPONSIBLE OFFICIAL</b> <input type="checkbox"/> ORGANIZATION EIL OFFICIAL (VACAT) <input type="checkbox"/> PROGRAM MANAGER/COITR (Non-VA employee, date not to exceed 60 days) <input type="checkbox"/> EIL CUSTODIAL OFFICER			
<b>K. NAME OF RESPONSIBLE OFFICIAL</b>		<b>L. SIGNATURE</b>	<b>M. TELEPHONE NUMBER</b>
<b>N. SIGNATURE OF INFORMATION SECURITY OFFICER</b> (if data sensitive items)			<b>O. DATE SIGNED</b>
<b>AGREEMENT:</b> I hereby accept the responsibility of the item referenced above in item A, and agree to return the item in as good condition as when loaned, fair wear and tear excepted.			
<b>P. NAME/SIGNATURE OF BORROWER</b>		<b>Q. NAME/SIGNATURE OF DIRECTOR/APPROVING OFFICIAL</b>	<b>R. DATE SIGNED</b>
<b>S. ADDRESS OF VA PERSONAL PROPERTY</b> (other than home)		<b>T. OTHER PERTINENT INFORMATION</b>	
<b>PART II - VA PROPERTY RETURN RECEIPT</b>			
<b>A. IDENTIFICATION OF EXCEPTIONS, DISCREPANCIES, CONDITION CODE ISSUES, AND PROBLEMS</b> (Please note N/A if property is returned in as good condition as when loaned, fair wear and tear excepted, and there are no other problems with the returned property.)			
<b>ACKNOWLEDGEMENT OF RECEIPT:</b> The property identified in Part I, Item A, of this form has been returned without any exceptions, discrepancies, condition code issues, and/or problems except as noted. A signed copy of this form (VA Form 0887) shall be forwarded to and maintained in the Property Management Division for Central Office property. Within 72 hours of receipt the IT EIL Custodial Officer/Accountable Officer will annotate corrective changes to the "location" and "comments" fields in AEMS/MERS.			
<b>B. RETURN ACKNOWLEDGED BY IT EIL CUSTODIAL OFFICER/EIL CUSTODIAL OFFICER</b> (Signature of IT EIL Officer/EIL Custodial Officer)		<b>C. DATE SIGNED</b>	<b>D. EQUIPMENT ENTRY (EE) NO.</b>
<b>ACKNOWLEDGEMENT OF RECEIPT:</b> A copy of this signed form has been received for my files.		<b>E. BORROWER INITIALS</b>	<b>F. DATE</b>
<b>PART III - VA PROPERTY PASS</b>			
<b>PROPERTY PASS</b>		<b>DESCRIPTION OF PROPERTY ON TEMPORARY LOAN</b>	
<b>ISSUE DATE</b>	<b>EXPECTED RETURN DATE</b>	<input type="checkbox"/> LAPTOP <input type="checkbox"/> BLACKBERRY <input type="checkbox"/> PAGER <input type="checkbox"/> MOBILE PHONE <input type="checkbox"/> BROADBAND CARD <input type="checkbox"/> MONITOR <input type="checkbox"/> REMOVABLE MEDIA <input type="checkbox"/> DESKTOP COMPUTER <input type="checkbox"/> PRINTER <input type="checkbox"/> OTHER (Specify)	
<b>NAME OF BORROWER</b>		<b>NOTE: Cut and fold Property Pass for placement in wallet for quick access and reviewing by Security or Law Enforcement Officials.</b>	
<b>NAME OF IT EIL CUSTODIAL OFFICER/ACCOUNTABLE OFFICER</b>			
<b>SIGNATURE OF IT EIL CUSTODIAL OFFICER/ACCOUNTABLE OFFICER</b>			
<b>TELEPHONE NUMBER</b>			
		<b>SERIAL NO.</b>	<b>MODEL</b>
VA FORM 0887 DEC 2008		Adobe LiveCycle Designer 8.0	

GOVERNMENT FURNISHED EQUIPMENT (GFE) USAGE GUIDELINES		
<ul style="list-style-type: none"> <li>• Do not loan GFE to anyone.</li> <li>• Do not install personal software.</li> <li>• Save data only to secure locations, such as FIPS 140-2 compliant storage devices.</li> <li>• Do not attach non-approved portable devices to this equipment.</li> <li>• Secure and store GFE under lock and key when not in use.</li> <li>• Do not check GFE as checked luggage when traveling.</li> <li>• Do not modify the configuration of the GFE.</li> </ul>		
USER RESPONSIBILITIES		
<ul style="list-style-type: none"> <li>• I understand this equipment is provided for official use only.</li> <li>• I understand the transit of VA Information off-site is strictly prohibited unless accompanied by express written authorization.</li> <li>• I am required by my supervisor to utilize this equipment to perform the duties of my job.</li> <li>• I accept responsibility for the equipment identified on this form issued to me by the Department of Veterans Affairs.</li> <li>• I fully understand that I will be billed for the replacement cost for any damage or loss occurring as a result of negligence.</li> <li>• I have read and understand VA Directive 6500.</li> <li>• I will care for and protect equipment from loss or damage and will notify IT staff of any damage or operation failures incurred.</li> <li>• I understand that it is my responsibility to periodically return the equipment for routine maintenance.</li> </ul>		
<b>CERTIFICATION STATEMENT:</b> I have read the above guidelines and accept responsibilities.		▶ <small>BORROWER INITIALS</small>
RECERTIFICATION		
DATE	EMJAO INITIALS	BORROWER INITIALS

### Keys to a Successful Nonexpendable Inventory

1. Send an official memorandum notifying the service with 100 line items or less with at least 18 working days remaining in the anniversary month. Services with more than 100 line items should be notified at least 23 days before the end of the anniversary month.

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2. Along with the memo, provide two copies of the EIL (one for working inventory, the second for signature) to the Custodial Officer. In addition, provide the service with an exception listing.

3. Provide service with barcode scanner and ensure service is familiar with barcode operation.

4. In trust the service to identify new locations, update serial numbers, model info, if this data is discrepant during inventory (on working EIL copy). In addition, the service should look at such things as underused assets, misplaced items, poor maintenance, increased operational costs, financial reporting errors, and purchasing of unnecessary assets found during the inventory.

5. In trust the service to make every effort to find missing items.

6. The service is required to submit Report of Surveys for items not found during EIL inventories.

7. The service should evaluate the need for equipment that is not currently being used and provide logistics with turn-ins for these items.

8. Service will send a signed copy of the completed EIL inventory along with all appropriate documentation (e.g., updates, and Reports of Surveys) back to logistics.

9. Logistics will process ROS and update property records within five working days with the information provided by service personnel (e.g., correct serial numbers, model numbers, locations, etc.).

10. Logistics will update property records when all ROSs are completed.

11. All documentation related to an equipment inventory will be filed with the appropriate EIL for a period of 15 months, in accordance with VA Records Control Schedule 10-1, V5, Item 90-23.

### Keys to a Successful Expendable Inventory

1. Establish the inventory date.
2. Ensure that Custodial Officers are made aware of the inventory date and cutoff date through official memorandum.

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3. Request that all inventory issues/receipts be processed prior to the date of inventory, with a cut-off date at least two days prior to inventory.
4. Establish two work teams consisting of the inventory account manager and an inventory manager from a different account (disinterested party). There is one counter and one recorder per team.
5. Request that on-hand inventory count sheets for both teams be printed the day of the scheduled inventory, with no quantities listed on the count sheets. Request another inventory count sheet with quantities (do not share findings with team members prior to inventory).
6. Establish pre-training conference of both teams who will conduct inventory to describe responsibilities, requirements and plans.
7. Each team will conduct full wall-to-wall inventory of all items.
8. Inventory managers and team members must jointly compare inventory counts on both worksheets and inventory count worksheet with actual quantities.
9. Recount any discrepant items to ensure actual discrepancy exists and not just a counting error. Corrected findings will be initialed by all parties.
10. Have all parties sign and date all inventory worksheets.
11. Have a five percent verification check done by disinterested party and AO.
12. Determine reason for any actual discrepancies.
13. Adjust inventory values and quantities as appropriate, utilizing adjustment vouchers, with detailed explanations for adjustments.
14. Notify Fiscal Service of any inventory adjustments.
15. Reconcile inventory balances with Fiscal Service.
16. Notify using services upon completion and regular business can resume.

17. Maintain all worksheets and records used to conduct the inventory for a period of 15 months, in accordance with VA Records Control Schedule 10-1, V5, Item 90-23.

### Listing of Standardized EIL Departments

Numbers are to be assigned according to department responsibility within a series using an additional digit, for example: 130 Engineering, 131 Plumbing Shop, 132 BIO-MED, etc.

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00 Director/Manager

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01 Assistant Director/Manager

02 Chief of Staff

03 Intensive Care

04 Building Management

05 Building Management

06 Canteen Officer

07 Chaplains

08 Clinical Psychology

09 Continued Treatment

10 Dental

11 Dietetic Service

12 Medical Education

13 Engineering

14 Fiscal/Finance

15 Intermediate

16 Laboratory

17 Library

18 Medical Administration

19 Medical Media

19V Test and Maintenance

19W Video Production Equipment

- 19X Inter/Intra Distribution System**
- 19Y Individual Utilization**
- 19Z Specialized TV System**
- 20 Medical Service**
- 21 Neurology**
- 22 Neuropsychiatric**
- 23 Nursing Service**
- 24 Outpatient**
- 25 Paraplegia**
- 26 Personnel**
- 27 Pharmacy**
- 28 Rehabilitation Medicine**
- 29 Prosthetic & Sensory**
- 30 Psychiatry/Neurology**
- 31 Psychology**
- 32 Psychology Training**
- 33 Quarters Housekeeping (1)**
- 34 Quarters Housekeeping (1)**
- 35 Quarters Housekeeping (1)**
- 36 Radiology**
- 37 Radioisotope**
- 38 Research**
- 39 Research**
- 40 Research**
- 41 Social Work Service**
- 42 Acquisition & Materiel Management**
- 43 Surgical Service**

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Appendix H

44 Tuberculosis

45 Voluntary

46 Vocational Counsel

47 Wards

48 Wards

49 Wards

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50 Quarters, Non-housekeeping

51 Domiciliary

52 Domiciliary

53 Nursing Home

54 Nursing Home

56 Comp. Work Therapy

57 Cemeteries

58 Cemeteries

59 Mental Health

60 Accounting

61 Adjudication

62 Administration

63 Services

64 Chief Attorney

65 Contact

66 Insurance

68 Operations

69 Ambulatory

70 Health Care Training

71 Recreation

72 Resident Engineer

**75 OGA**

**76 Readjustment Counseling**

**77 Audiology/Speech Pathology**

**78 Information Resource Management**

**80 Research**

**81 Research**

**82 Security Service**

**83 Fire Department**

**86 MCCR**

**88 Invalid Lifts, Other Devices & Equipment (SGL 1756 only)**

**90 OAL Supply Fund Equipment**

**98 Uninstalled Equipment**

**99 Reserved**

**VA IT INVENTORY TIGER TEAM'S FULL TEXT FOR "CONTROL AND INVENTORY OF IT EQUIPMENT" (PART 13)**

1. **Background.** While overall inventory control policy and procedures are under the purview of the OAL, the tracking of, and accountability for, IT equipment has come under increasing scrutiny due to the sensitive data it frequently stores. OI&T has therefore defined an increased role for those who manage and use IT equipment. ~~Ultimately, this means almost every member of the VA workforce. And it means that a special partnership must be established at the facility level between Logistics and OI&T leadership and staff.~~ The references cited in this section identify the existing requirements for, and provide comprehensive guidance on, inventory control and tracking within VA. It is therefore essential that individuals charged with inventory control responsibilities possess a thorough knowledge of the referenced policies. This section should be regarded as augmenting the established policies to improve the degree of control over VA's IT equipment inventory.

2. **Purpose.** This section of the handbook is designed for field personnel responsible for tracking and controlling IT equipment assets.

**3. Responsibilities.**

a. **VA CIO.** The VA CIO/Assistant Secretary for IT is responsible, at the Department level, for ensuring the integrity and security of VA's IT assets, including physical inventory as well as data protection and the sanitization of data when IT resources are retired from service. Responsible for IT operations and maintenance, the VA CIO will monitor, review, and evaluate compliance with this policy. The VA CIO has delegated day-to-day management of IT asset control to the Executive Director, Field Operations and Development.

b. **Deputy Assistant Secretaries.** The Deputy Assistant Secretaries within OI&T are responsible for ensuring that all personnel under their purview are informed of and adhere to the requirements of this policy. This includes ensuring that collaboration is established with all VA components within and outside of OI&T as required to support full implementation of this policy.

c. **Executive Director, OI&T Field Operations and Development.** The Executive Director, OI&T Field Operations and Development is responsible for directing IT inventory control activities across OI&T and for ensuring coordination across the department to ensure full implementation of this policy. The Executive Director, OI&T Field Operations and Development also ensures adherence to this policy by contractor personnel and other non-Government employees through incorporation by reference in contracts or memoranda of agreement as a condition for using Government equipment and/or space. The Executive Director, OI&T Field Operations and Development charts, appoints members to and provides direction to the IT Asset Advisory Group

(ITAAG) and defines the reporting, performance measure and other requirements associated with establishing IT inventory status and compliance with this policy.

(1) The Executive Director, OI&T Field Operations and Development is responsible for ensuring that this policy is disseminated to all VA facilities and field offices that use IT equipment, that this policy is fully implemented at each facility, and that periodic training (at least annually) is conducted on IT inventory control procedures, associated roles and responsibilities, and the control of sensitive and personally identifiable information stored on those assets. In addition, the Executive Director, OI&T Field Operations and Development is responsible for ensuring compliance with established reporting requirements.

(2) Executive Director, Enterprise Infrastructure Engineering (EIE). The Executive Director, EIE, is responsible for collecting requirements associated with IT inventory control and control and developing technical solutions to enhance information security and IT asset control. The Executive Director, EIE, is also responsible for establishing priorities and expediting deployment of technical solutions designed to enhance control of IT assets.

d. IT Asset Advisory Group (ITAAG). The ITAAG is established by the Executive Director, OI&T Field Operations and Development and serves as a cross-functional advisory and coordinating group on matters relating to the control of VA's IT assets. The ITAAG comprises decision-making representatives from each of the VA administrations, Security, Logistic Services and other components of VA as required to ensure full stakeholder representation. The purpose of the ITAAG is to recommend policies and projects to define and address the requirements associated with controlling VA's IT assets. The ITAAG serves as a forum to gather best practices, define standardized processes and delineate requirements for technical solutions to the VA IT inventory control challenge. The ITAAG provides direct advisory support to, and coordinates established reporting requirements with, the regions/sites through the respective Regional IT Logistic Officer.

e. IT Regional Director/Regional CIO. The IT Regional Directors are responsible for ensuring that all facilities account for and track as required the IT assets under their cognizance. They are responsible for ensuring that this policy is implemented throughout their respective regions, appointing Regional IT Logistic Officers to oversee the implementation of IT inventory control requirements at the regional level, and ensuring that periodic and recurring reports are submitted to the ITAAG on time and in accordance with VA's quality standards.

f. Network CIOs. The Network CIOs are responsible for coordinating with the Regional IT Logistic Officer to ensure that all facilities within their respective regions adhere to the requirements of this policy and that established reporting requirements are fulfilled on time and in accordance with VA's quality standards.

(1) The Regional IT Logistic Officer (RILO) is appointed by the IT Regional Director (Regional CIO) to coordinate IT inventory activities at the regional level. With a background in both Logistic Services and IT, the RILO reports to the IT Regional Director (Regional CIO) and is responsible for coordinating with Network CIOs and Facility CIOs to ensure that all facilities in the region are informed of, and adhere to, the requirements of this policy. The RILO is the liaison from the IT Asset Advisory Group (ITAAG) to the Network CIOs and the individual sites. As such, the RILO is responsible for:

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~~(a) Ensuring effective communication from the ITAAG to the Network CIOs and the individual VA facilities;~~

(b) Identifying barriers to full implementation of this policy and raising those barriers to the ITAAG for mitigation/resolution;

(c) Compiling and submitting required reports based on data obtained from the individual facilities within the respective region in accordance with requirements established by the ITAAG;

(d) Resolving data discrepancies; and

(e) Maintaining the Regional IT Inventory Control Training Plan and ensuring that all facilities implement training programs as required under this policy and as prescribed by the ITAAG.

(2) As a member of the ITAAG, the RILO contributes to the strategic planning effort associated with the control of IT assets, identifies best practices, defines risks, and assists in the development and implementation of risk mitigation plans. VA Facility Director. For those facilities that do not have Facility Directors, the responsibilities identified in this paragraph will be assigned to the senior manager at the facility.

(a) The Facility Director is responsible for ensuring that the requirements of this policy are implemented by all facility personnel and throughout all areas of the facility. If Logistic Services (Property Management) representatives are not resident at the facility, collaboration between the facility and Logistic Services at the servicing medical center will be established by the Facility Director to ensure requisite support is provided. The terms of such support will be documented in a Memorandum of Understanding (MOU).

(b) The Facility Director is responsible for instituting and maintaining collaboration mechanisms and processes required to engage all business units at the facility level in safeguarding VA's IT assets and the information they store. The Facility Director will establish an *IT Inventory Control Process Improvement Forum*, comprising representatives from Logistic Services, OI&T and IT Security at a minimum, where issues and barriers to compliance with this policy may be raised for discussion and resolution. Unresolved issues related to the implementation of this policy may be raised to the ITAAG by any member of the facility for resolution.

(c) The Facility Director will ensure that periodic and recurring reports as required by the ITAAG and as communicated by the RILLO are submitted on time and in accordance with VA standards of quality.

(d) Each facility and each space in the facility must be assigned a unique identifier – the Facility Director is responsible for ensuring that this requirement is met and that the assigned unique identifier is prominently displayed and bar-coded at each location. In addition, procedures will be established to ensure periodic inspection is conducted to ensure that correct signage and barcodes are in place and in readable condition.

(e) The Facility Director will implement procedures to ensure only authorized personnel procure IT equipment items with Purchase Cards and that such purchases are entered into the inventory control system and managed with the same diligence applied to all other IT assets in accordance with this policy.

(f) The Facility Director will implement procedures to ensure that IT equipment is relocated/moved only by IT personnel and that location data is properly recorded at the time the equipment is relocated/moved.

(3) FISO. The FISO is the agency official's assigned representative to ensure that the appropriate operational security posture is maintained for an information system or program. The FISO's areas of responsibility with regard to IT Inventory Requirements include the following:

(a) The FISO will participate in the Facility's *IT Inventory Control Process Improvement Forum* to support the development, implementation and improvement of processes and training required to affect this policy.

(b) The FISO will review and approve local procedures associated with the control of sensitive items.

(c) The FISO will ensure that procedures are implemented to protect information when IT equipment is to be transferred to another facility.

(d) The FISO will coordinate, in cooperation with the Facility Director, all facility-level activities when there is a suspected loss of equipment containing sensitive information.

(e) The FISO will ensure that media sanitization and other security procedures are performed in accordance with VA Handbook 6500.

(4) IT Custodial Officer (Senior IT Official/Facility CIO).

(a) The Senior IT Official is the agency official's assigned representative to ensure that IT assets are managed in accordance with this policy. This individual is responsible for the ensuring the implementation of this policy for all nonexpendable IT property,

specified sensitive IT property and expendable IT items capable of storing information electronically that are under the cognizance of the facility. As such, this individual will work with Logistic Services, IT Security and other organizations represented at the facility to ensure the identification, tracking and control of all nonexpendable IT equipment, including sensitive IT equipment regardless of cost; and all expendable IT items capable of storing information electronically. This includes ensuring that all nonexpendable IT equipment items, and sensitive IT items, classified as Sensitive per this Handbook, are received and entered into the EIL by Logistic Services and that ~~expendable IT items capable of storing information electronically are received and~~ entered into a standardized tracking system (Sensitive Expendable IT Items Listing - SEIIL) and tracked through end of use.

(b) The Senior IT Official will participate in the Facility's *IT Inventory Control Process Improvement Forum* to support the development, implementation and improvement of processes and training required to implement this policy. The Senior IT Official will maintain the Facility IT Inventory Control Training Plan and ensure that required training is conducted for all facility personnel as prescribed by the ITAAG and coordinated by the RILO.

(c) The Senior IT Official will ensure that the IT Hand Receipt/Loan Form program is implemented throughout the facility in accordance with this policy.

(d) The Senior IT Official will submit, on time and in accordance with VA standards of quality, periodic and recurring Facility-level reports as required by the ITAAG and as communicated by the RILO.

(e) The Senior IT Official will ensure that IT procurement packages under the cognizance of the facility are reviewed for compliance with this and related VA IT policies. The Senior IT Official is also responsible for ensuring that personnel responsible for IT inventory control activities, including the receipt and sanitization of returned IT equipment, are informed of, and kept current on, relevant contractual requirements. Unresolved conflicts with contractual terms will be reported to the Facility Director in writing; the memorandum will document the nature, scope and impact of the conflict and the action recommended to resolve the matter.

(f) When the Senior IT Official identifies deficiencies in the IT Inventory Control processes or procedures, s/he is to identify and describe such deficiencies in writing to the Facility Director for resolution by the *IT Inventory Control Process Improvement Forum*. If the matter is not addressed in a manner that fulfills the requirements of this policy, the Senior IT Official will forward the initial correspondence, along with actions taken, to his/her direct supervisor within the OI&T organization for resolution.

(e) In the role of IT Custodial Officer, the Senior IT Official (also referred to as the IT EIL/Sensitive Expendable IT Item Listing (EIL/SEIIL) Official), assumes responsibility for all IT items under the cognizance of the facility in accordance with the Custodial Officer roles and responsibilities delineated in this handbook. In addition:

(1) The IT Custodial Officer may designate, in writing, other individuals to support inventory control efforts. The IT Custodial Officer and designees will coordinate with Logistic Services as necessary to obtain written/electronic documentation required to verify the accountability of all nonexpendable and specified sensitive IT property covered under this policy.

(2) The IT Custodial Officer is responsible for establishing and implementing a process to identify, account for, track, monitor, inventory and dispose of IT items that are capable of storing information electronically but are not assigned Catalog Stock Numbers (i.e., expendable IT items not tracked by Logistic Services). This process will include those activities required to protect sensitive information through the control of IT physical assets. These efforts will be coordinated with the Facility Director, FISO, Logistic Services and Business Unit Leads to ensure full understanding of the requirements and full implementation of the procedures.

(3) The IT Custodial Officer will coordinate perpetual inventory activities and conduct an annual inventory of IT equipment items assigned a Catalog Stock Number (CSN) in accordance with the schedule established by Logistic Services to verify the data contained in the EIL. The IT Custodial Officer will document and report any discrepancies identified during inventory activities.

(4) The IT Custodial Officer will coordinate perpetual inventory activities and schedule and conduct an annual inventory of expendable IT items capable of storing information electronically to verify the data contained in the SEILL. The IT Custodial Officer will document and report any discrepancies identified during inventory activities.

(5) Following an inventory of IT items, or whenever an IT equipment item is identified as 'not accounted for,' the IT Custodial Officer will review the documentation of discrepancies and coordinate with Logistic Services regarding a determination as to the need for ROS action. Logistic Services retains responsibility for the ROS process, including the ROS process for those items tracked on the SEILL.

(6) When a potential loss of sensitive information is detected, either through identification of an item unaccounted for during inventory activities, or through report by an employee or other individual, the IT Custodial Officer will report the matter immediately (within 59 minutes) to the FISO, coordinate with Logistic Services as necessary to initiate a Report of Survey, and provide support as needed through resolution of the matter.

(7) The IT Custodial Officer will ensure that all required turn-in documentation, such as Sanitization Certificates and other pertinent documents are maintained in accordance with VA record retention policy.<sup>1</sup>

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<sup>1</sup> Reference RCS 10-1, Section V, page V-8; items Numbered 90-22, 90-23, & 90-24 are to be followed regarding the retirement of CMRs/EILs, Monthly Summary Files (Vouchers), and Excess Property Files.

(8) The IT Custodial Officer will ensure adherence to any contractual terms that apply to the introduction, use, sanitization or disposal of GFE. Should the contractual terms conflict with the requirements of VA policy, the IT Custodial Officer will report the conflict to the Facility Director in writing; the memorandum will document the nature, scope and impact of the conflict and the action recommended to resolve the matter. If the matter is not addressed in a manner that fulfills the requirements of this policy, the IT Custodial Officer will forward the initial correspondence, along with actions taken, to his/her direct supervisor within the OI&T organization for resolution.

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(a) ~~IT Custodial Officer Designees.~~ Designated employees will assist the IT Custodial Officer in conducting perpetual and annual physical inventory activities of: (1) nonexpendable IT equipment items, including sensitive items assigned a CSN and (2) IT items capable of storing information electronically. Annual inventories for these items will be scheduled by: (1) Logistics Services and (2) OI&T respectively. IT Custodial Officer Designees are also responsible for reporting any process deficiencies to the IT Custodial Officer and for recommending improvements to support full implementation of this policy.

(b) VA Employees. VA Employees are responsible for ensuring the security VA information and the equipment items on which it resides. This responsibility holds true, whether the equipment is entrusted to them solely for their use or used by them on occasion. In accordance with this policy and the VA Rules of Behavior, employees will sign hand receipts for Government IT equipment assigned exclusively for individual use and will obtain appropriate authorizations to remove VA equipment items and/or sensitive information from the VA facilities<sup>2</sup>. They will also employ only approved nonexpendable and specified sensitive IT property, ensure the security of Personally Identifiable Information (PII) and other sensitive data in accordance with VA policy, abide by the requirements of this policy and report non-compliance issues to the facility Senior IT Official. Employees may be held pecuniary liable for the loss, damage, or destruction of Government property.

#### 4. Definitions.

a. Hand Receipt/Loan Form. VA Form 887, referred to as the VA Government Property Loan Form, will be used as the official form to document accountability for Tier 1 IT equipment items. It is used to document accountability to the lowest level in accordance with this policy. In accordance with the VA Rules of Behavior<sup>3</sup>, individuals are required to sign for any Government equipment assigned exclusively for their use. Accountability for IT equipment items is to be documented in the appropriate inventory tracking system.

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<sup>2</sup> Reference VA Handbook 6500 for requirements associated with removing sensitive information from a facility.

<sup>3</sup> Ibid ...



(g) **Sensitive Items.** The list of sensitive items is provided in this Handbook. Sensitive items will be inventoried regardless of cost, are tracked by Logistic Services and are included on the EIL. Note that sensitive items that are not classified as equipment (i.e., not assigned a CSN) must be tracked and managed from receipt through end of use by OI&T. As such, the procurement and inventory of these items will be accomplished using the SEILL under the direction and control of OI&T.

(h) **Telemedicine Systems.** Telemedicine Systems including Teleradiology, Telepathology, Telemental Health, etc (excluding videoconferencing equipment) are NOT considered IT equipment for inventory control purposes. Telemedicine modalities exclude videoconferencing equipment unless the videoconferencing equipment is exclusively used for patient care communications in real time. Thus, multi-purpose videoconferencing equipment is considered IT equipment.

## 5. IT Inventory Governance.

a. **Department Level Governance.** The Assistant Secretary for Information and Technology provides oversight and direction for all IT activities within VA. The management of VA's IT inventory control efforts is delegated to the Executive Director, OI&T Field Operations and Development who provides direction on IT inventory control, appoints stakeholder representatives to and directs the ITAAG, and reports to the Assistant Secretary for Information and Technology on IT inventory control matters.

b. **Regional Level Governance.** IT Regional Directors provide oversight and direction for IT inventory control activities within their respective regions. The RILO reports to the Regional CIO and serves as the coordinator of IT inventory activities for the region. The RILO coordinates with the Network CIOs and the IT Custodial Officer at each facility within his/her region to ensure full dissemination of IT inventory control guidance/direction, full compliance with the IT inventory control requirements, the timely submission of required reports, the identification of risks and the implementation of risk mitigation activities.

### c. Facility Level Governance.

(1) The Facility Director has overall accountability for all assets and information at the facility. During an audit, it is the Facility Director that will be held accountable for full control of the assets and the protection of sensitive information. The Facility Director provides oversight of the inventory control program at the Facility. The asset management program function is under the cognizance of Logistic Services.

(2) The Facility Director is responsible for establishing the processes, procedures and governance structures required to fulfill the requirements and intent of this handbook. Each Facility Director is responsible for establishing clear lines of accountability for all IT equipment under the facility's cognizance.

(3) The Facility Director delegates IT equipment inventory responsibilities to the IT Custodial Officer and the control and oversight for property management functions to the Facility AO. This structure will be tailored by the Facility Director to the unique constraints of the facility (e.g., if there is no Senior Property Management Official at the facility, for IT inventory, the Facility Director will delegate the associated responsibilities to a senior IT staff member).

(4) The IT Custodial Officer may assign inventory control responsibilities to subordinate personnel (referred to as IT Custodial Officer Designees). However, the IT Custodial Officer retains responsibility for all facets of inventory control under his/her respective purview in accordance with the signed Delegation of Authority (DOA) which is signed by the Facility Director.

(5) Documentation required to track the delegation of signature authority for IT Inventory Control requirements defined in this Handbook will be established and maintained in a centralized repository. The intent of this requirement is to establish clear accountability for IT inventory items at all times. Electronic systems are approved for use for this purpose. A copy of each Delegation of Authority memo related to the control of IT inventory is to be provided to the IT Custodial Officer.

(6) The designated employees are bound by the terms of the DOA until officially relieved of responsibility in accordance with the policy in this Handbook.

(7) Collaboration tools and processes will be used to support the coordination required to ensure all Business Unit leads standardize inventory control procedures at the facility level. Collaboration tools and processes can include scheduled meetings and reviews, online repositories for points of contact, processes and procedures, and other mechanisms to ensure stakeholder groups have visibility into and can participate in the implementation of the inventory control processes as appropriate.

(8) The Facility Director, in coordination with the Facility CIO, will establish working groups and teams as required to ensure integration of IT Inventory control and accountability procedures across the facility. An *IT Inventory Process Improvement Forum*, comprising at a minimum IT, Logistic Services, Security and Operations, will be established with the objective of early identification of, and response to, IT Inventory Control issues. Additional working groups will be established to address targeted issues and will include cross-functional representation appropriate to the groups' objectives.

## 6. Training

a. Training of personnel in both inventory control and the protection of sensitive and personally identifiable information will be standardized by functional role throughout the facility and conducted on a periodic basis (no less than annually). For example, IT Custodial Officers and IT Custodial Officer designees will receive training on all aspects of their assigned roles, including the specific requirements associated with maintenance

(5) Manufacturer's Name

(6) Model Number

(7) Acquisition Date

(8) Acquisition Cost

c. For items with a Catalog Stock Number (CSN): The item is entered into the inventory tracking system and assigned to an EIL by Logistic Services. For items that are not sensitive but are assigned CSNs, Logistic Services will process them in accordance with established Logistic Services policy. For sensitive items that are assigned CSNs:

(1) Logistic Services will deliver the item to the assigned EIL Official who will complete the receiving documentation.

(2) If the item is required immediately, it will be delivered to the accountable person, hand-receipted as required, and the location will be documented in the inventory tracking system.

(3) If the item is not required immediately, it will be delivered to secure storage (reference VA Handbook 6500) and the location will be documented in the inventory tracking system.

d. For IT items that are not assigned a CSN, Logistic Services will forward the item to the IT Custodial Officer. The IT Custodial Officer will confirm receipt of the item and will complete the receipt/acceptance process in accordance with established policy.

(1) If the item is capable of storing information, the item must be tracked. In this case, the item will be bar-coded and entered into the inventory tracking system established for IT items not tracked by Logistic Services. The item will then be forwarded to secure storage (per VA Handbook 6500) or to the specified department and the location entered into the tracking system. Hand receipts will be employed as required under the hand receipt/loan form section of this Handbook.

(2) If the item is not capable of storing information, the item is forwarded to storage or to the specified department and its location recorded in the inventory tracking system in accordance with established logistics policy.

individuals with purchase cards, are entered into the inventory control system and managed with the same diligence applied to all other IT assets in accordance this policy. Tier 1, Tier 2 and Tier 3 IT equipment will be entered into the facility's EIL/SEIL and included in the physical inventory process. The IT Custodial Officer is responsible for ensuring such procedures are developed, documented and implemented.

d. Any issues associated with the implementation of these procedures are to be brought to the attention of the *IT Inventory Control Process Improvement Forum* for resolution.

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**9. Geographic Management of IT Inventory Items.** IT equipment will be managed geographically. A Memorandum of Agreement (MOA) will be established between the hosting facility and each tenant organization. The MOA will specify the terms of the tenant agreement, including inventory control responsibilities (i.e., that the hosting facility will assume responsibility for inventory and control of all IT equipment assets within its physical domain). Such MOAs will be signed by the Facility Director and the tenant organization. Exceptions to geographic management of IT equipment assets will be documented in the MOA and approved by the IT Regional Director of the host region. A copy of the MOA will be retained by the host Facility Director and the tenant AO.

**10. Receipt of IT Equipment Items.**

a. When items are received by a Facility, but were not ordered by the Facility (e.g., in the case of national, VACO and VISN procurements), it is the Program Manager's (individual who ordered the item) responsibility to ensure that an advance copy of the Purchase Order is provided to the AO at the receiving facility. When the item will be managed by the receiving facility, the AO is responsible for notifying the Program Manager of receipt of the item and normal Logistic Services transfer procedures apply. Logistic Services is responsible for entering the item into the receiving facility's inventory tracking system; the facility will retain responsibility for the equipment through end of use or until transferred in accordance with approved policy.

b. If the item will NOT be managed geographically (that is, the item will be entered into the inventory tracking system and managed by the Program Office that ordered the item), the following information will be provided by the receiving facility's AO to the Logistic Services Division that will be managing the EIL for the item:

- (1) Receiving Report
- (2) Nomenclature of the item
- (3) Serial number
- (4) Barcode Number

of EILs/SEILs, information protection, and the procedures associated with loss of equipment. Security personnel will be trained in the integration of inventory control and security activities. Those personnel without any direct inventory control responsibilities will be provided familiarization training, including an overview of the inventory control and accountability program, protection of sensitive information and associated authorization/documentation requirements, hand receipt/loan form requirements, and proper handling of movement inventory.

b. All new personnel will receive training in their responsibilities related to IT inventory control before accessing the IT system.

#### 7. Purchase of IT Equipment Items.

a. The Facility Director is responsible for ensuring that IT equipment items (Tier 1, Tier 2 and Tier 3 IT Assets) are procured through a centrally managed process that supports the requisite identification and tracking of IT equipment.

b. The procurement of all IT items will be coordinated with OI&T. IT procurement requirements are provided by accessing the OI&T Logistics Approval Acquisition Guidance site: <http://vaww.vhaco.va.gov/itaae/>.

c. For Tier 1 and Tier 2 expendable equipment items, the procurement will be accomplished under the direction and control of OI&T. Such items will be entered into the proper SEIL and included in the physical inventory along with all other IT equipment items.

d. Any issues associated with the implementation of the procedures addressed in this paragraph are to be brought to the attention of the facility's *IT Inventory Control Process Improvement Forum* for resolution.

#### 8. Purchase Card Use.

a. Purchase card holders will not purchase IT equipment with government purchase cards unless they are authorized Purchasing Agents and are authorized to make such procurements. VHA Handbook 1730.1 provides the requirements associated with authorizing the use of purchase cards.

b. The Facility Director is responsible for oversight of procedures to ensure that IT items procured with purchase cards are entered into the inventory control system and managed with the same diligence applied to all other IT assets in accordance with this policy. Such items will be entered into the proper EIL/SEIL and included in the physical inventory along with all other IT equipment items.

c. Procedures must be implemented to ensure nonexpendable IT equipment items, including sensitive items regardless of cost and expendable IT items that must be tracked due to their ability to store data electronically, procured by authorized

11. **Software.** Logistic Services tracks physical software assets with a procurement value of \$5,000 or more. The procuring program manager is responsible for assigning and tracking licenses to ensure compliance with contract requirements; licenses for software are managed by the procuring program manager using approved automated tools. Facility IT support personnel are responsible for assisting the procuring program manager with reconciliation and validation of license usage at the facility level.

**12. Accountability – Loan Form/Hand Receipts.**

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a. ~~A Hand Receipt/Loan Form is required for all Tier 1 IT equipment items, whether used on or off station. The VA Hand Receipt/Loan Form is also used to document accountability for GFE assigned to individuals and signed by the individual in accordance with VA's Rules of Behavior<sup>4</sup>. (Refer to the VA Handbook 6500 for requirements associated with the removal of sensitive information from a VA facility.)~~

(1) AEMS/MERS provides the ability for authorized personnel to assign equipment to an individual and produce the VA Hand Receipt/Loan Form. For facilities using AEMS/MERS, the IT Custodial Officer must provide a delegation of authority memo to VA personnel authorized to assign IT equipment to accountable individuals. VA personnel so authorized will be granted access to options within the IT inventory tracking menu associated with equipment assignment. The accountable individual will electronically sign for receipt of the equipment. AEMS/MERS will automatically update the equipment file to include the name of the individual that is accountable for the equipment item.

(2) It is essential that the accountability information be maintained current and that any reassignment of accountability for an equipment item to be entered into the system at the time of transfer.

(3) For facilities not using AEMS/MERS, and for SEILL items not entered into AEMS/MERS, a hard copy of VA Form 887, VA Government Property Loan Form, will be used to document individual accountability for Tier 1 GFE<sup>5</sup>. The form will be signed by the individual to whom the item is assigned; the form is then retained by the IT Custodial Officer. Again, the accountable individual is to be identified in the asset tracking system as responsible for the given equipment item.

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<sup>4</sup> In accordance with the Office of Management and Budget (OMB) Circular A-130, VA Handbook 6500, Appendix G, provides VA's Rules of Behavior which must be signed annually by all VA employees who are provided access to VA information or VA information systems (reference VA Handbook 6500, Appendix G, paragraph 2.a). One of the provisions of VA's Rules of Behavior requires those assigned GFE for their exclusive use to sign accountability for the item(s).

<sup>5</sup> Hard copy of the Loan forms may be obtained from: <http://vawww.va.gov/vaforms/>

b. Tier 1 equipment that is accessible by multiple individuals is to be assigned to the supervisor (assigned asset owner) responsible for the area in which the equipment is located. If the equipment is used to support multiple departments, the Facility Director will identify the Supervisor who will be assigned asset owner responsibilities. For those facilities not using AEMS/MERS, the assigned asset owner will sign the Hand Receipt/Loan Form indicating accountability for the IT item.

c. In the event that different individuals are assigned accountability for a single item (e.g., individuals working different shifts using the same piece of equipment), AEMS/MERS will accommodate the assignment of equipment items to multiple individuals. IT personnel authorized by DOA memorandum to loan equipment are to use the multiple assignment capability only when a limited number of specific individuals have access to the equipment item. Otherwise, the supervisor will be identified as the individual accountable for the item and can sub-receipt the item as required (e.g., for a loaner laptop that is used by department personnel on travel).

d. All VA employees and non-Government individuals who will access the VA IT system will be trained on the requirement to complete this form fully and the responsibilities associated with using VA IT property prior to accessing the VA IT system.

e. Individuals who have signed hand receipts for IT equipment will have adequate access to inventory control records so that they can validate the accuracy of data concerning the IT equipment assigned to them. Local procedures will be established so that employees can report errors in the inventory control records to the facility's IT Custodial Officer or designee.

(1) If an individual identifies an error in the inventory tracking system with regard to items assigned to the individual, the individual is to report the error in writing to the IT Custodial Officer or designee.

(2) Inventory control record error reports will be reviewed by the facility's IT Custodial Officer or designee, who will make disposition within five days of receipt of the report.

(3) The inventory record will be corrected as necessary within seven days of receipt and verification of the inventory control record error report.

(4) The reporting employee will be notified of disposition and action taken within 10 days of submitting the inventory control record error report.

f. For IT equipment items entered into AEMS/MERS, the use of electronic signature is approved for hand receipts. The individual assigned responsibility for the equipment item will be provided a copy of the hand receipt.

g. For IT equipment items not entered into AEMS/MERS, all signed hand receipts for items assigned a CSN will be retained by the AO; all signed hand receipts for IT

equipment required to be tracked but NOT assigned a CSN will be retained by the IT Custodial Officer. The individual assigned responsibility for the equipment item will be provided a copy of the hand receipt.

h. The annual EIL/SEIL inventories will include an audit of these forms and the accurate documentation of the asset owner in the asset tracking system. The AEMS/MERS system (or manual forms for IT items not entered into AEMS/MERS) will be maintained and updated any time changes are made to the status of the equipment assigned to the employee or the status of the employee changes.

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**13. Tracking of IT Equipment.** VA is dedicated to the protection of sensitive information; the requirements associated with securing such information, including encryption requirements, are documented in VA Directive and Handbook 6500. VA must be able to account for all assets – especially those with electronic storage capability. It is therefore essential that the location of each item be documented correctly in the asset tracking/inventory system.

a. There are two critical requirements associated with correct location identification:

(1) First, each facility and each space in the facility must be assigned a unique identifier – the Facility Director is responsible for ensuring that this requirement is met and that the assigned unique identifier is prominently displayed and bar-coded at each location. Periodic inspection is required to ensure that correct signage and barcodes are in place and in readable condition.

(2) Second, IT equipment is to be moved/relocated only by authorized IT personnel. When equipment is moved, the authorized IT individual assigned to move the item will scan the item and new location and will update the location file to reflect the new location. This applies to both permanent relocation and temporary transfer of equipment for such purposes as maintenance/repair.

b. For asset tracking purposes, IT equipment items are categorized into three tiers, depending on the degree of risk they represent. The 3-tier structure is defined under Definitions. The following paragraphs describe the tracking requirements associated with each tier of IT assets.

(1) Tier 1 IT Assets - Because Tier 1 assets represent the highest risk to VA (in that such devices are capable of storing data electronically and are portable), tracking of these items must be considered a priority. These items must be hand-receipted and inventory control records (including identification of the accountable individual) must be maintained current.

(2) Each employee is responsible for ensuring that the required documentation (i.e., hand receipts/property passes/authorization to remove sensitive information) is in place before equipment is removed from the facility. The Facility Director is responsible for ensuring:

(a) That adequate security measures are in place at the Facility entrances/exits to validate authorization to remove IT items from the facility;

(b) That procedures are in place to ensure IT equipment is returned to the Facility's IT support team for updates and scanning in accordance with policy (i.e., every 90 days at a minimum); and

(c) That procedures are in place to update the inventory record each time the item is returned for service/update.

(3) Tier 2 IT Assets - Because of their ability to store data electronically, Tier 2 assets must be closely monitored. Approved auto-discovery tools may be employed to verify IT items connected to the network. The deployment of such tools will be coordinated by OI&T. Again, any movement of a Tier 2 asset will be accomplished by IT personnel only and the new location will be recorded in the inventory tracking system upon completion of the move.

(4) Tier 3 IT Assets - This final tier represents low risk IT assets such as monitors, printers, and scanners that have no electronic data storage capability. The Tier 3 equipment items are tracked and inventoried in the same manner as non-IT equipment. However, again, only authorized IT personnel are to move/relocate IT assets and the location file is to be maintained current.

14. **Use of AEMS/MERS.** AEMS/MERS is the current asset tracking system of record and will constitute the baseline for migrating inventory data to the future enterprise asset management system. If a facility does not have access to AEMS/MERS, the Facility Director is responsible for notifying Logistic Services at the servicing medical center about the lack of access. An MOU will be established with the servicing medical center to define the level and scope of Logistic Services support to be provided, including access to AEMS/MERS.

#### 15. **IT Inventory Storage.**

a. IT equipment storage locations must be physically secured under the same guidelines as have been established for computer rooms/data centers by the National Institute of Standards and Technology (NIST) and documented in VA Directive and Handbook 6500.

b. Access to these areas will be restricted to authorized IT staff with the written approval from the IT Custodial Officer at each facility.

c. Workstations and associated peripherals connected to (and part of) an organizational information system may be located in areas designated as publicly accessible; in such cases, access to such IT equipment must be controlled in accordance with VA Directive and Handbook 6500. Collaboration between IT and Security is essential to ensure the protection of sensitive information in common access areas.

d. Physical Security.

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(1) In accordance with VA Handbook 6500, the FISO is required to develop a local System Security Plan (SSP). Part of the SSP is intended as a framework for identifying a facility's physical and procedural security needs and resolutions.

(2) The IT Custodial Officer will provide a list of all IT storage areas to the FISO. This list will be updated as necessary to ensure it is maintained current.

(3) Access to IT equipment storage locations will be provided to facility security personnel to perform regular inspections. Security personnel will provide a Report of Physical Security Inspection of IT Equipment Store Rooms to the IT Custodial Officer at the facility within 10 days of completing a physical security inspection. The report will document corrective actions necessary to establish full compliance with applicable security regulations.

(4) The IT Custodial Officer will coordinate with the FISO to develop a plan of action to address IT-related security requirements identified in the SSP. (Note that this does not mean that all identified requirements will need to be met in a prescribed manner. The IT Custodial Officer may identify alternative measures to address concerns raised by security. Security will have to approve such alternatives and validate that they adequately address the security concerns in question.) The Plan of Corrective Action is to be completed and forwarded for approval within 10 days of the IT Custodial Officer's receipt of the SSP. The plan will be approved by the Facility Director.

**16. Property Passes.** A Property Pass is required whenever property is removed from a VA facility. The accountable individual will retain a copy of the form so that it may be produced upon inspection (e.g., when leaving the VA facility). [Note: VA Form 887, Part III, constitute the approved Property Pass. AEMS/MERS may be used to produce the Property Pass; facilities using other inventory tracking systems may download VA Form 887 from the VA Forms website.] Facility Directors will implement procedures to ensure that Property Passes are verified at the facility exits before equipment is taken out of the facility.

**17. Sensitive Information Used Outside the Facility.**

a. VA sensitive information must be in a VA protected environment at all times and must be encrypted in accordance with the requirements of VA Directive and Handbook 6500. The FISO must approve the protective conditions being employed.

b. In accordance with VA Directive and Handbook 6500, written approval must be obtained from the VA supervisor, Privacy Officer and FISO before sensitive information is removed from VA facilities. This requirement applies to all Department staff, contractors, business partners, or any person who has access to and stores VA information.

**18. EIL/Sensitive Expendable IT Items Listing (SEIIL).**

a. All IT nonexpendable equipment items, including sensitive IT equipment regardless of cost (that is, all IT items assigned a CSN), will be entered into the EIL by Logistic Services. The IT EIL will begin with the 78 series followed by one or two additional characters either alpha and/or numeric to indicate the appropriate assigned EIL. Note: It is required that all of VA utilize the Standardized EIL Department Numbers. The IT EIL will begin with the 78 series followed by one or two additional characters either alpha and/or numeric. The Consolidated Memorandum Receipt (CMR) can accept four characters for the purpose of IT equipment service use identification, example 7820 would represent IT equipment (78) used by Medical Service (20) by combining EIL Department numbers.

b. For Tier 1 and Tier 2 sensitive items not tracked by Logistic Services (not assigned a CSN), and not entered into AEMS/MERS by Logistic Services, IT will establish a tracking system (i.e., the SEIIL) to ensure all such items are documented, assigned and tracked with the same diligence applied to all other IT equipment items.

c. In accordance with established Logistics policy, the IT Custodial Officer at the facility will assume responsibility for assigned IT property by personally signing the EIL/SEIIL. In signing this receipt, the IT Custodial Officer certifies that all assigned IT property, including VA-owned, leased, loaned, or donated, listed on the EIL/SEIIL is present and accounted for as of the given date.

d. Additions to, or deletions from, the EIL/SEIIL made subsequent to the date of signature will be supported by the appropriate signed documentation in accordance with requirements of this handbook.

**19. Potential Loss of Sensitive Information.** Special requirements apply when there is a potential loss of sensitive information. Whenever an individual identifies that a Tier 1 or Tier 2 equipment item cannot be accounted for, and there exists a potential for loss of sensitive data, the issue will be reported immediately, within 59 minutes of the detection of the potential loss, to the FISO, the Privacy Officer and the IT Custodial Officer. (Reference OMB memo M-06-19.) The Facility Director will ensure that this requirement is prominently displayed throughout the facility and that contact information for the FISO and IT Custodial Officer is provided to all facility personnel.

**20. Conduct of Physical Inventory.**

a. The AO will schedule EILs for physical inventory once per year. The IT Custodial Officer will schedule SEILs for physical inventory once per year.

b. Facilities will employ perpetual inventory practices for IT equipment assets. This means barcode scanning to update location data each time IT equipment items are moved and scanning IT equipment in batches throughout the year using an organized, systematic scanning process.

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c. Facilities will employ inventory by exception practices for the conduct of required physical inventories. For inventory purposes, an item will be considered accounted for if it has been physically identified and the location has been scanned into the inventory tracking system within a year prior to the date of the current inventory event.

d. Custodial Officer responsibilities associated with the conduct of required inventories, the timelines associated with the conduct and reconciliation of required inventories, and the post-inventory verification requirements addressed elsewhere in the handbook apply.

e. Auto-discovery tools can register the existence of an asset connected to the network, but this is not considered physical verification of the asset's location. Items must be physically verified to be considered 'accounted for' for physical inventory purposes. Exceptions to this rule may be approved by the Regional CIO and Regional ISO for specific auto-discovery tools and specific IT equipment items. Exceptions will be documented by the Regional CIO and signed by the Regional CIO and Regional ISO; a copy will be provided to the Facility Director and IT Custodial Officer before inventory by auto-discovery is implemented at the facility.

**21. Unaccounted for Items.**

a. The Report of Survey program for items not accounted for is managed by Logistics Services and is described elsewhere in this handbook. Special requirements apply when there is a potential loss of sensitive information. These requirements are covered in VA Handbook 6500.

b. The IT Custodial Officer has the responsibility to initiate Reports of Survey for IT items that are unaccounted for, either during the inventory process, or when an item is reported as missing. Logistics Services will keep the IT Custodial Officer informed of progress on ROS activities associated with the resolution of unaccounted for IT equipment items.

c. IT items on ROS must be resolved within 60 days of initiation of the ROS process for the 'unaccounted for' item. Any exceptions to this time requirement (e.g., due to the necessity for police involvement in the investigation) will be documented in a plan of

action that details the plan for ROS resolution. The plan of action will be approved by the Facility Director.

## 22. Disposition of Unrequired Property.

a. There are numerous regulations that apply to the disposition of unrequired equipment (refer to VA Handbook 7348). From an IT perspective, the risk of inadvertent loss of sensitive data drives the need to secure electronic storage devices through the full sanitization process.

b. IT equipment will be turned in to Logistics Services for disposition at end of service life. However, it is IT's responsibility to ensure that the equipment delivered for disposition contains no sensitive data. IT is thus responsible for securing devices awaiting sanitization and performing required sanitization procedures before an IT item is turned over to Logistics Services for disposition. Refer to the VA Handbook 6500 for electronic sanitization procedures.

c. Logistics Services will provide written documentation to the IT Custodial Officer certifying receipt of the turned-in equipment. As addressed elsewhere in this Handbook, Logistics Services is responsible for management of the asset, including removal from inventory and disposal, upon turn-in by IT.

d. All employees are to be trained in procedures associated with returning unneeded equipment and completing the associated documentation. This includes the completion of Part II of VA Form 887 as required to document the satisfactory return of equipment.

## 23. Oversight and Compliance.

a. The VA CIO is responsible, at the Department level, for ensuring the integrity and security of VA's IT assets, including physical inventory as well as data protection and the sanitization of data when IT resources are retired from service. Responsible for IT operations and maintenance, the VA CIO will monitor, review, and evaluate compliance with this policy.

b. Reporting. The VA CIO will establish periodic and recurring reporting requirements associated with the status of IT inventory control and implementation of this policy. Reporting requirements will be provided to Facility Directors, the Network CIOs and Facility Senior IT Officials by the RILO; facilities will submit reports through their RILO for compilation and analysis by the ITAAG. Summary reports will be submitted to the VA CIO via the Executive Director, OI&T Field Operations and Development.

c. Office of IT Oversight and Compliance.

(1) The VA CIO established the Office of IT Oversight and Compliance (ITOC) in February 2007. The mission of the VA ITOC is to ensure the effective management of VA information. As such, this office provides independent, objective, and consistent

assessment services in the areas of cyber security, privacy, records management and physical security. The goal is to ensure the protection and integrity of sensitive VA data through the consistent application of VA policies and regulations and full compliance with established regulations. The three areas of focus established for the ITOC are as follow:

(a) Compliance. Initial emphasis will be placed on areas of known weakness (i.e., those that have led to low FISMA scores). This includes compliance with: NIST SP 800-53 security controls; VA OIG 17 recurring audit findings; Certification & accreditation Plans of Actions and Milestones (POA&Ms). Many of the activities required to address identified deficiencies are described in this Handbook. As such, compliance with the requirements herein will be assessed through scheduled and unscheduled audits.

(b) Remediation. The intent of the ITOC initiative is to ensure the establishment of standardized, sound information management practices. As such, the lessons learned during the audit process will be used to define best practices which will be made available to facilities. In addition, a community of practice will be established to promote collaboration and standardization. The objective is to ensure that the right people have the right information when they need it so that VA becomes a model for information management and security.

(c) Audits. Audits will be conducted at all VA facilities and support facilities, including medical centers, outpatient clinics, Vet Centers, regional offices, cemeteries, program offices, data centers, off-site storage facilities and media destruction vendors.

(2) Emergency Response. VA ITOC has established an Emergency Response Team (ERT) to help coordinate activities required to address critical incidents.

(3) Artifacts. Audit activities related to compliance with this policy will include interviews, physical inspections and documentation reviews. The artifacts that will be reviewed during the Inventory Control portion of the audits include: EILs; ROS file; Loan Forms/Hand Receipts; documented procedures, training records, roles and responsibilities and delegations of authority; proceedings from collaboration sessions; sanitization records; and other products documenting compliance with this policy. In addition, there will be additional areas audited by ITOC to ensure assessment of all of the areas of information control (e.g., verifying that laptops are encrypted, patched, and have latest antivirus software; conducting vulnerability scanning). ITOC will be developing and disseminating checklists and process guides to support the facilities in preparing for audits.

24. References.

- a. VA Directive 6500, *Information Security Program*, dated August 4, 2006
- b. VA Handbook 6500, *Information Security Program*, dated September 18, 2007
- c. VHA Directive 1730.1, *Use of the Government Purchase Card in VHA*, dated May 19, 2003
- d. VA Directive 7401.6, *Limited Authority to Pay by Purchase Card*, dated November 19, 2003
- e. VA Handbook 7348, *Utilization and Disposal of Personal Property (in draft form)*
- f. VA Handbook 0730 and 0730/1, *Security and Law Enforcement, Appendix B*, dated 8/11/00 and 8/20/04
- g. FIPS Standard 140-2, *Security Requirements for Cryptographic Modules*, dated 3 Dec 2002
- h. NIST Special Publication 800-53, *Recommended Security Controls for Federal Information System*, dtd Feb 2005
- i. OMB Memo M-06-19, *Reporting Incidents Involving Personally Identifiable Information and Incorporating the Cost for Security in Agency IT Investments*, dtd 12 Jul 2006