



UNITED STATES GENERAL ACCOUNTING OFFICE
 WASHINGTON REGIONAL OFFICE
 FIFTH FLOOR
 803 WEST BROAD STREET
 FALLS CHURCH, VIRGINIA 22046

093095

~~00375~~

*Medical and Regional
 office Center*

OCT 22 1974

Dr. Harris Walkup
 Veterans Administration Hospital
 1601 Kirkwood Highway
 Wilmington, Delaware 19805

DCG 05812



Dear Dr. Walkup:

We have completed our audit of the Veterans Canteen Service (VCS) facilities at the Veterans Administration (VA) Hospital, Wilmington, Delaware. While we found the financial operations of the canteen generally in order, we did observe one VA administrative matter which we believe warrants your attention.

As you know, the Wilmington hospital bills VCS for the cost of space and utilities provided the canteen. Department of Medicine and Surgery Supplement MP-3, Change 13, paragraph 303.05, dated August 27, 1965, requires that these charges be adjusted whenever any significant change occurs to insure that charges reflect the current situation. The instruction also requires an annual review as of July 1, with records of the review to be maintained for audit. Problems in computing space and utility charges have been noted in prior audits at other VA hospitals. Because of this, VA recently reissued guidelines for space and utilities charges (Engineering Service Letter No. 7, May 3, 1974). This letter reemphasizes the need for each field station to review its charges to VCS annually and to update the charges when a significant change occurs.

We noted that, although electricity charges per kilowatt hour doubled during fiscal year 1974, the charge to VCS for electricity remained constant until June 1974 when it was raised \$5.05 from \$144.95 to \$150 per month, an increase of 3.5 percent. Although a 15 percent increase was planned for July 1974, electricity charges will be understated during fiscal year 1975 by an estimated \$1,500 based on current rates unless an additional adjustment is made.

~~714235~~

093095

Our audit disclosed that cost increases, totaling about \$300, had been recorded on Engineering Division records for charge to VCS but were not reflected on the actual cost transfer vouchers. The Assistant Chief of the Engineering Division stated that this had been an administrative oversight and that in the future the transfer vouchers would be consistent with the engineer's cost records.

We recommend that charges to VCS for fiscal year 1974 be reviewed and an adjustment be made in the current billing so that fiscal year 1975 charges for electricity and other cost items will be updated to reflect current costs. We also recommend that, in the future, care be taken to ensure that costs computed by the Engineering Division are accurately reflected on the cost transfer vouchers. We recommend further that charges be updated when significant changes occur as well as at the annual July 1 review.

- - - -

During our conference with the Assistant Director of the hospital on July 15, 1974, we expressed concern that maintenance provided by the hospital to the canteen was apparently free of charge. Our audit at the VCS central office revealed that this service is in fact not free of charge since, under agreement between the VA and the VCS central office, VCS is billed a flat rate semiannually for maintenance and repair of all canteens in VA hospitals.

We would like to express our appreciation for the courtesies and cooperation extended to us during our audit at the hospital.

Sincerely,



D. C. Pullen
Assistant Regional Manager