

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



# Veterans Health Administration

*Review of  
Alleged Wasted Funds in  
the Southern Arizona VA  
Health Care System*

February 18, 2016  
15-02413-55

# ACRONYMS

HCS	Health Care System
OIG	Office of Inspector General
NCO	Network Contracting Office
VA	Department of Veterans Affairs
VHA	Veterans Health Administration
VISN	Veterans Integrated Service Network

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# Report Highlights: Review of Alleged Wasted Funds in VHA's Southern Arizona VA Health Care System

## Why We Did This Review

The VA Office of Inspector General (OIG) received an allegation in February 2015 that the Southern Arizona VA Health Care System's (HCS) Tucson facility was leasing \$1.5 million worth of urology equipment that had not been used since October 2014. The complainant alleged that HCS had not used the equipment because of installation delays and the updating of equipment cleaning procedures.

## What We Found

We substantiated the allegation that HCS leased, but did not use, about 360 pieces of urology equipment from November 2014 through March 2015. The 3-year lease was valued at about \$1.8 million. HCS delayed using the urology equipment because of inadequate acquisition planning and coordination with its support services. The lack of coordination occurred, in part, because HCS had not established policies and procedures to ensure support services staff review leased equipment requests during acquisition planning.

As a result, HCS missed the opportunity to provide veterans services using endoscopic urology equipment with improved visualization. In addition, we estimated HCS spent approximately \$217,000 on wasteful lease expenses, while the equipment was idle from November 2014 through March 2015.

## What We Recommended

We recommended the Veterans Integrated Service Network 18 Director ensure the Southern Arizona VA HCS develop and implement a policy requiring coordination and review of leased equipment requests with HCS support services during the acquisition process.

## Agency Comments

The Acting Director, Veterans Integrated Service Network 18, concurred with our finding and recommendation. HCS management provided evidence of its new local policy, and we consider the recommendation closed.

A handwritten signature in black ink that reads "Gary K. Abe".

**GARY K. ABE**  
Acting Assistant Inspector General  
for Audits and Evaluations

# TABLE OF CONTENTS

Results and Recommendations .....	1
Allegation	
Did the Southern Arizona VA Health Care System Waste Funds on a Contract To Lease Medical Equipment?.....	1
Recommendation .....	2
Appendix A	
Scope and Methodology .....	4
Appendix B	
Potential Monetary Benefits in Accordance With Inspector General Act Amendments .....	5
Appendix C	
Management’s Comments .....	6
Appendix D	
OIG Contact and Staff Acknowledgments .....	9
Appendix E	
Report Distribution .....	10

## RESULTS AND RECOMMENDATIONS

### **Allegation**      **Did the Southern Arizona VA Health Care System Waste Funds on a Contract To Lease Medical Equipment?**

On February 12, 2015, the VA Office of Inspector General (OIG) received an allegation that the Southern Arizona VA Health Care System (HCS)\* in Tucson was leasing urology equipment worth at least \$1.5 million. According to the complainant, HCS had not used the equipment since it was leased in October 2014 due to delays in the installation of the equipment and the development of cleaning procedures.

**Criteria**              Veterans Health Administration (VHA) guidance requires Biomedical Engineering and other staff to review acquisition requests for medical equipment. In addition, the Federal Acquisition Regulation requires agencies to integrate the efforts of all personnel responsible for significant aspects of the acquisition planning to ensure that the Government meets its needs in the most effective, economical, and timely manner.

**What We Did**        To assess the allegation, we obtained testimonial and documentary evidence from HCS and Veterans Integrated Service Network (VISN) 18 Network Contracting Office (NCO) management and personnel. We reviewed acquisition and contract files, invoice statements, equipment usage logs, and applicable policies and procedures.

**What We Found**      We substantiated the allegation. HCS did not use the leased urology equipment for over 4 months from November 2014 through March 2015.

According to HCS officials, the HCS Surgical Care Line contacted the VISN 18 NCO to lease the equipment in April 2014. In September 2014, the contracting officer for VISN 18 NCO awarded a 3-year lease to obtain a variety of specialized equipment for performing urology procedures at HCS. The value of the lease was about \$1.8 million. According to an HCS official, HCS needed the leased equipment to replace endoscopic urology equipment that no longer provided adequate visualization. HCS officials told us that continued use of older equipment did not prevent physicians from performing procedures safely.

The HCS Sterile Processing Service received about 360 pieces of leased urology equipment from October 2 through October 23, 2014. HCS officials did not have records establishing the usage for some of the equipment, but told us that HCS started to use most of the equipment in March 2015.

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\* HCS is part of the VA Southwest Health Care Network—also known as Veterans Integrated Service Network (VISN) 18.

**Why This Occurred**

HCS delayed using the urology equipment due to inadequate acquisition planning and coordination with its support services. HCS officials stated that, even though the decision had been made to replace existing urology equipment in April 2014, the administrative officer for the HCS Surgical Care Line (now retired) did not coordinate the lease request with its support services before sending the procurement package to the VISN 18 NCO. Normally, HCS support services, such as Biomedical Engineering, Infection Prevention, and Sterile Processing Service, review equipment to determine cleaning and sterilization procedures, training requirements, and maintenance assessments before clinical staff can use the equipment.

This lack of coordination occurred, in part, because HCS had not established policies and procedures to ensure the proper review and approval of leased equipment requests during the acquisition planning process. Although HCS policy required support services to review requests for equipment purchases, the same procedures were not required for leased equipment. This review process would have provided HCS support services with important information necessary to prepare for the arrival of leased equipment. As a result, preparations that HCS support services should have completed before the equipment arrived were not carried out, such as updating cleaning procedures, acquiring appropriate disposable supplies, and conducting installation assessments for the urology equipment.

**What Resulted**

The HCS clinical staff missed the opportunity to provide veterans urology services with improved visualization during a 4-month period. In addition, we estimated HCS unnecessarily spent about \$217,000 for the lease of urology equipment that sat idle from November 2014 through March 2015. Wasted expenditures reduce the availability of funds necessary to treat veterans and undermine the public's confidence in VHA leadership. To mitigate future delays of leased medical equipment, HCS needs to establish policies and procedures that ensure coordination with HCS support services during the acquisition process.

**Recommendation**

We recommended the Veterans Integrated Service Network 18 Director ensure the Southern Arizona VA Health Care System develop and implement a policy requiring coordination and review of leased equipment requests with the Health Care System's support services during the acquisition process.

**Management Comments**

The Acting Director, VISN 18, concurred with our finding and recommendation. As requested by the Acting Director, the Tucson HCS updated its local policy on June 26, 2015, to require full coordination between HCS support services for acquiring leased equipment.

**OIG  
Response**

The response by the Acting Director, VISN 18, fully addressed the recommendation. HCS management provided evidence of its updated policy requiring coordination and review of leased equipment requests. We therefore consider the recommendation closed.

## **Appendix A Scope and Methodology**

<b>Scope</b>	We conducted our review from March through November 2015. Our review focused on the lease agreement for HCS awarded in September 2014.
<b>Methodology</b>	To evaluate the merit of the allegation referred to the OIG Hotline in February 2015, we examined applicable Federal Acquisition Regulation provisions, industry standards, and VHA policies and guidebooks. We analyzed key documentation, such as HCS acquisition and contract files, local equipment policies and procedures, invoice statements, and equipment usage logs. We also asked HCS to identify when leased equipment was used. Finally, we obtained testimonial and documentary evidence from HCS and VISN 18 NCO management and personnel.
<b>Data Reliability</b>	We relied on computer-processed data obtained from the Electronic Contract Management System. We also relied on financial information, such as invoice statements and payment records. To test for reliability, we compared contracting documents in the Electronic Contract Management System with documents provided by HCS officials. We also corroborated invoice statement charges and payment information with the HCS Chief Financial Officer.
<b>Government Standards</b>	We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's <i>Quality Standards for Inspection and Evaluation</i> .



**Appendix B Potential Monetary Benefits in Accordance With Inspector General Act Amendments**

<b>Recommendation</b>	<b>Explanation of Benefits</b>	<b>Better Use of Funds</b>	<b>Questioned Costs</b>
1	Develop and implement policies requiring coordination and review of leased equipment requests by HCS support services.	\$217,000	\$0
<b>Total</b>		<b>\$217,000</b>	<b>\$0</b>

**Calculation of PMB**

Our estimate of potential monetary benefits (PMB) is based on HCS's lease expenses for the equipment from November 2014 through March 2015. VHA would have saved this amount if it had had effective policies and procedures in place to ensure adequate advance coordination and review by its support services for leased equipment requests.

## Appendix C Management's Comments

### Department of Veterans Affairs

### Memorandum

**Date:** January 6, 2016  
**From:** Acting Network Director, VA Southwest Health Care Network (10N18)  
**Subj:** Draft Report, Review of Alleged Waste of Funds at the Southern Arizona VA Health Care System (Project: 2015-02413-D2-0125)  
**To:** Assistant Inspector General for Audits and Evaluations (52)

1. I have reviewed VA Office of Inspector General draft report entitled, *Review of Alleged Waste of Funds at the Southern Arizona VA Health Care System*. I concur with the finding and recommendation submitted by Office of Inspector General Office of Audits and Evaluations.
2. Veterans Integrated Service Network 18 Director Comments for Appendix C:  
  
Acting VISN 18 Network Director directed Southern Arizona VA Health Care System (SAVAHCS) to update the local station policy to include the requisite procedures for acquiring leased equipment. On June 26, 2015, SAVAHCS updated the local station policy, Memorandum 09-15-03, involving coordination and review of leased equipment requests.  
  
Acting VISN 18 Network Director concurs with the facility response dated December 2, 2015. The facility response outlines an action plan to include full coordination between the requesting service line, Biomedical Engineering, Sterile Processing Service, Infection Control and Logistics in future leased equipment acquisition processes. VISN 18 Office will monitor the leased equipment acquisition process quarterly to ensure consistency with a target completion date of March 31, 2016.
3. If you have any further questions regarding this response, please contact Terri Elsholz, Acting VISN 18 Quality Management Officer at 480-397-2782.

*(original signed for:)*

Marie L. Weldon, FACHE  
Network Director, VISN 22

Attachment

Attachment

**VHA RESPONSE TO OIG HOTLINE**

**Alleged Waste of Funds at SAVAHCS**

**Draft Report received November 24, 2015**

**December 2, 2015**

**OIG Project Number: 2015-02413-D2-0125**

**ALLEGATION:** Did the Southern Arizona VA Health Care System (SAVAHCS) Waste Funds on a Contract to Lease Medical Equipment?

On February 12, 2015, the VA Office of Inspector General (OIG) received an allegation that the Southern Arizona VA Health Care System (HCS) in Tucson was leasing urology equipment worth at least \$1.5 million. According to the complainant, HCS had not used the equipment since it was leased in October 2014 due to delays in the installation of the equipment and the development of cleaning procedures.

**METHODOLOGY:** The allegations were reviewed by the SAVAHCS Surgical Care Line, Logistics, Nursing, Sterile Processing Service, Biomedical Engineering, Contracting and other administrative staff.

**SUMMARY AND FINDINGS:** Alleged Waste of Funds at SAVAHCS - **Substantiated**

**SAVAHCS RESPONSE:** The SAVAHCS concurs with the findings and recommendation to improve our acquisition process but feels it is important to further articulate the reasons behind the 4-month implementation delay.

We acknowledge that there was a delay in introducing the equipment into the procedural environment. The process of transitioning from old equipment to new equipment is a detailed process which requires significant coordination with multiple parties. Typically, the person who orders the equipment is the person who manages the coordination with Biomedical Engineering, Sterile Processing Service, the vendor, and staff who will be using the new equipment. As referenced in the documentation provided to the OIG, the person who ordered the equipment retired suddenly, and therefore the normal coordination did not occur in a timely fashion. The coordination of installation and use of the new equipment included the following: inspection, inventory and tagging of equipment; utility installation; cabling, updating standard operating procedures; training staff on cleaning procedures; cleaning the equipment; validation of the proper operation of the equipment; and providing in-service training for clinical staff. In short, any time new equipment is received there is a delay in its utilization due to this necessary coordination, some of which cannot occur until the equipment arrives at the facility.

The report also indicates that “the HCS clinical staff continued using urology equipment with less than ideal visualization during this 4-month period and thus missed the opportunity to provide Veterans with improved urology services.” While the equipment being replaced may have met its life expectancy, at no point were physicians unable to

perform safe procedures and at no time was patient care at risk as a result of this implementation delay.

The SAVAHCS agrees that leased equipment must be part of the HCS acquisition policy and procedures. Our local station policy for the Equipment Committee, SM-09-15-03, was updated on June 26, 2015 to include the requisite procedures for acquiring leased equipment. The leased equipment acquisition process is now consistent with the purchased equipment acquisition process, which requires full coordination between the requesting service, Biomedical Engineering, Sterile Processing Service, Infection Control and Logistics.

**Contact for Further Information:** Jennifer Gutowski, Associate Director, SAVAHCS, at (520) 629-1821.

*(original signed by:)*

Jonathan H. Gardner, MPA, FACHE  
Director  
Southern Arizona VA Health Care System

## Appendix D **OIG Contact and Staff Acknowledgments**

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OIG Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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Acknowledgments	Steven Wise, Director Dustin Clark Sharon Richards Brandon Thompson
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