

**Department of
Veterans Affairs**

Memorandum

Date: July 30, 2012

From: Director, Chicago Audits and Evaluations Operations Division (52CH)

Subj: Close-out Memorandum: Review of Endoscope Leasing Agreement at Loma Linda, CA Healthcare System (Project Number: 2011-00458-R4-0075)

To: Director, Hotline Division (53E)

Thru: Deputy Assistant Inspector General for Audits and Evaluations (52A)

1. In November 2010, the Chicago Audit and Evaluations Office initiated a review of an allegation that the VA Loma Linda Healthcare System (VALLHS) received an unfair trade-in value for gastrointestinal (GI) endoscopes from an equipment leasing vendor. According to the complainant, VALLHS received an unfair trade-in value for Pentax GI endoscopes from an equipment leasing vendor, Olympus America. The source provided two examples of GI endoscopes traded-in by VALLHS:
 - A Pentax EC-3890LK purchased last year for \$24,832.
 - A Pentax sigmoidoscope purchased 2 years ago for \$13,776.
2. To address the allegation, we reviewed applicable laws, regulations, policies, procedures, and guidelines pertaining to the procurement of GI endoscopes identified in Olympus America quote and the awarded Blanket Purchase Agreement. We conducted interviews with VALLHS staff, Veterans Integrated Service Network 22 Network Business Center staff, and VA's National Acquisition Center staff. We reviewed pertinent documentation, such as quotes, the Blanket Purchase Agreement, endoscope values, and trade-in values. Also, we contacted the Office of Inspector General Associate Director, Medical Assessment and Consultation, to obtain background information about Veterans Health Administration's (VHA) decision to lease GI endoscopes.
3. We concluded that that VALLHS did not receive an unfair trade-in value for GI endoscope equipment. The trade-in values received by VALLHS met the Olympus America's trade-in value included in the Federal Supply Schedule contract or the Olympus America trade-in policy. Further, we determined that on April 19, 2010, VHA issued a Deputy Under Secretary for Health Operations and Management memorandum requiring the leasing of GI endoscopes. It advised that, in order to facilitate the goal of standardization, the appropriate strategy for the procurement of GI endoscopes is leasing. This strategy would create best value, enhance the safety and quality of patient care, and ensure maximum use of products and equipment within VHA. Consequently, we did not substantiate the allegation and make no recommendations related to the issue that the VALLHS received unfair trade-in value for GI endoscopes.

4. If you have any questions or would like to discuss the review, please contact Ms. Jennifer Roberts, Audit Manager, at (b) (6), or me at (b) (6).

(Original Signed by)
CHERIE PALMER