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Office of Audits and Evaluations

VETERANS HEALTH ADMINISTRATION

Improved Oversight of VHA's Nonexpendable Equipment Is Needed

Audit | **24-01676-153** | **September 4, 2025**

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Executive Summary

Veterans Health Administration (VHA) staff use nonexpendable equipment to deliver patient care and operate medical facilities. Nonexpendable equipment is defined as having continuous use and a durable nature with an expected life of two or more years.[1] Nonexpendable property becomes accountable—meaning it requires an annual inventory—if it costs at least $5,000 to purchase, is sensitive in nature, or is capitalized property.[2] VHA inventory data show medical facilities have about 2.1 million nonexpendable accountable items valued at about $12 billion. At the outset of this audit, VHA had about 86,500 accountable items valued at approximately $306 million that had not been inventoried in the past year.

Many program offices, Veterans Integrated Service Networks (VISNs), and facility leaders operate in parallel streams of authority to make sure management of nonexpendable inventory complies with policy.[3] At the facility level, the director is primarily responsible for ensuring that sufficient resources are allocated to meet supply chain requirements. The facility supply chief generally serves as the facility's accountable officer and makes sure inventories are accurate and maintained in accordance with VA policy.[4] Additionally, VA policy states the facility director will designate custodial officers—usually service chiefs—to assume responsibility for nonexpendable equipment.

Each fiscal year, the accountable officer must schedule annual physical inventories for all accountable equipment. This process includes physically locating an item and verifying pertinent information such as the serial number, model number, and location. During this time, medical facility staff should also assess their equipment to determine whether it is still needed, and if not, take appropriate action. If equipment cannot be located, facility staff are required to immediately report the item as missing and explain the circumstances.

The VA Office of Inspector General (OIG) conducted this audit to determine whether VHA managed accountable nonexpendable equipment in accordance with policy. This included

[1] VA Handbook 7002, *Logistics Management Procedures*, January 8, 2020. This handbook states nonexpendable equipment normally has an acquisition cost of $300 or more; an item classified as nonexpendable may cost less than $300 (for example, microwave ovens, toasters, and printers).

[2] Sensitive property, regardless of acquisition cost, is property that is subject to theft, loss, or conversion to personal use or, for some other reason, must be subjected to more stringent controls than other property. Capitalized personal property has an aggregate acquisition cost of $1 million or more.

[3] VHA delivers health care through 18 regional networks called VISNs. Each VISN is led by a director responsible for coordinating and overseeing administrative and clinical activities at medical facilities in the network. See VHA's website at https://www.va.gov/HEALTH/visns.asp.

[4] VA Directive 7002, *Logistics Management Policy*, January 8, 2020. This directive states the facility accountable officer shall be a senior manager who maintains the facility's inventory accounts, has oversight over personal property assets, and assigns staff to receive and manage those assets.

conducting site visits to eight VA medical facilities and assessing a statistically random sample of equipment to determine whether inventory was accounted for and in use.

What the Audit Found

The OIG found that the management of nonexpendable inventory can be improved.[5] Based on a physical inspection of a statistical sample of equipment, the OIG estimated that VHA medical facilities could not account for at least 75,500 items (5 percent). These items had a collective value of at least $210.9 million and included exam tables, computers, and medical equipment such as microscopes.[6] Because the purchased equipment was no longer available for use, the OIG considered the estimated value of unaccounted nonexpendable equipment as funds that VA could have better used.[7]

The audit team found equipment in locations that differed from what the inventory system reflected and equipment that was not being used. During site visits, the audit team searched for equipment and did not find an estimated 537,000 items (33 percent) at their last inventoried location. Additionally, the audit team found an estimated minimum of 62,500 items that facilities may not need. VA policy states each VA facility is obligated to use all its property until it is no longer functional or required.[8] When nonexpendable equipment is no longer required, medical facility staff should attempt to transfer the equipment within VA or to another federal agency, sell the item, or dispose of it.

Updating location and determining usage should be completed during an annual inventory, but the audit team found that inventories were not always conducted. Facility staff said one of the reasons inventories were not completed was that service lines inventoried their equipment by exception. This means that if an item was inventoried since the last annual inventory (due to maintenance or other reasons), it does not need to be included in the next scheduled annual inventory. Program office staff from VHA's Procurement and Logistics Office (P&LO) told the audit team that the inventory-by-exception process weakens facilities' accountability of nonexpendable equipment. Based on an assessment of a sample of items that had not been inventoried within the last 13 months, the audit team found that at least an estimated 8,100 were inventoried by exception and an average of 600 days elapsed between inventory dates (about 20 months). Inventory by exception generally lengthens the interval between inventories, weakening medical facilities' assurances that items are properly accounted for, in good condition, and still needed. As a result, the audit team determined that items that are inventoried

[5] Appendix A describes the audit's scope and methodology, and appendix B provides the statistical sampling methodology.

[6] The projections presented here use a lower-bound scenario, which assumes conservative estimates due to the highly variable sample data.

[7] See appendix C for more on the monetary benefits the audit team identified.

[8] VA Directive 7348, *Utilization and Disposal of Personal Property*, January 8, 2020.

by exception are at greater risk of being mismanaged or lost because they are not included in the annual inventory cycle.

While VA, VHA, VISN, and facility leaders all play critical roles in overseeing nonexpendable inventory, the OIG found that oversight responsibilities at all levels were not always effectively conducted. Although both P&LO and VA's Office of Acquisition and Logistics have responsibility over supply chain management, both program offices deferred oversight to the medical facilities. Proper management of nonexpendable equipment is the responsibility of medical facility staff, VISNs, and both VHA and VA program offices.

The OIG also found that reports of survey processes for missing or damaged items have not been conducted as required, and the staff investigating these items are generally unable to obtain sufficient evidence to identify the cause or determine liability.[9] Based on VA's report of survey data, the OIG found that medical facilities had not finalized about 915 reports, which contained items collectively valued at about $31.2 million. Additionally, the OIG determined that not all missing or damaged items were reported, estimating at least an additional 210 items required a report of survey that medical facility staff had not initiated.[10] P&LO maintains a report of survey dashboard, which facilities can use to track these reports. However, facilities are not required to use this dashboard and can maintain their own local logs. As a result, the national dashboard is incomplete, which hinders oversight by the VHA program office.

Facility directors are responsible for finalizing inventory compliance reports, which identify the number of noncompliant inventory items that require a report of survey. Directors also need to review and approve reports of survey. Although facility directors are overseeing the compliance of inventory, the audit team determined that not all noncompliant services are being reported.

Medical facilities that do not inventory their nonexpendable equipment on an annual basis are at risk of mismanaging or losing those items. In addition to losing equipment, facilities risk not assessing the condition of their medical equipment to make sure it is adequate for patient care and may miss opportunities to plan for future equipment needs. Additionally, when reports of survey are not completed in a timely manner, staff investigating the missing or damaged items may not have access to documentation and evidence needed to determine what occurred and draw effective conclusions.

What the OIG Recommended

The OIG made six recommendations to the under secretary for health, including reassessing and clarifying physical inventory requirements for equipment in medical facilities to make sure they

[9] The report of survey process is VA's process to account for lost, damaged, or destroyed government property. Specifically, the report is used to document the findings, determine responsibility, and record liability.

[10] The projections presented here use a lower-bound scenario, which assumes conservative estimates due to the highly variable sample data.

are consistent with VA Directive 7002.[11] VHA should also ensure medical facility directors regularly review nonexpendable inventory to determine whether the equipment is still needed, review the inventory compliance results to identify noncompliant services, and take action as required. Additionally, P&LO, in coordination with VA's Office of Acquisition and Logistics, should regularly monitor inventory compliance data to identify noncompliant facilities to address delinquent inventories. Finally, medical facilities should use a standardized report of survey dashboard to centrally report lost, stolen, or damaged items, and facility directors should ensure that all noncompliant equipment is timely reported.

VA Management Comments and OIG Response

The acting under secretary for health concurred with all recommendations and submitted corrective action plans to address issues identified in the report. These actions included updating VA Handbook 7002 and drafting additional property management handbooks to reassess physical inventory requirements, assessing compliance through periodic reviews to identify and address noncompliant services, monitoring and addressing gaps identified through supply chain metrics and reports, and mandating the use of the report of survey dashboard, which includes tracking all noncompliant items.

The OIG will close all recommendations when VHA provides sufficient evidence that meets the intent of the recommendations and addresses the issues identified. The full text of the acting under secretary's comments can be found in appendix D.

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Assistant Inspector General
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[11] The recommendations addressed to the under secretary for health are directed to anyone in an acting status or performing the delegable duties of the position.

Contents

Abbreviations

AEMS/MERS	Automated Engineering Management System/Medical Equipment Reporting System
FY	fiscal year
OIG	Office of Inspector General
P&LO	Procurement and Logistics Office
SCCOP	Supply Chain Common Operating Picture
VHA	Veterans Health Administration
VISN	Veterans Integrated Service Network

Introduction

Medical facilities in the Veterans Health Administration (VHA) use various nonexpendable equipment to deliver patient care and operate the facility. According to VA Handbook 7002, nonexpendable equipment normally has an acquisition cost of $300 or more, is used continuously, and has a durable nature with an expected life of two or more years.[12] The handbook also provides scenarios where equipment such as microwave ovens, toasters, and printers with an acquisition cost of less than $300 may also be classified as nonexpendable.

Nonexpendable equipment becomes accountable—meaning it requires an annual inventory—if it costs at least $5,000 to purchase, is sensitive in nature, or is capitalized property.[13] VHA inventory data show medical facilities have about 2.1 million nonexpendable accountable items valued at about $12 billion. While policy requires staff to conduct an annual physical inventory of all nonexpendable accountable property, at the outset of this audit VHA had about 86,500 accountable items valued at approximately $306 million that had not been inventoried in the past year.[14]

The OIG conducted this audit to determine whether VHA managed accountable nonexpendable equipment in accordance with policy.

Nonexpendable Inventory Systems

VA medical facilities primarily use two systems to track nonexpendable equipment: Automated Engineering Management System/Medical Equipment Reporting System (AEMS/MERS) or Maximo. AEMS/MERS is used to manage nonexpendable equipment through its life cycle and includes functionality for equipment management, work orders, preventive maintenance, and project planning and tracking.

Maximo is a newer system, first introduced in 2012, that provides life cycle management support for nonexpendable equipment and was implemented at several facilities as a replacement to AEMS/MERS. According to a Procurement and Logistics Office (P&LO) deputy director, 103 medical facilities use AEMS/MERS, while 39 facilities use Maximo. A P&LO supervisor explained that not all facilities use Maximo because implementation efforts were halted in 2017 under the direction of the then–under secretary for health. The specialist said VHA is reviewing supply chain systems to identify a plan forward for its inventory management.

[12] VA Handbook 7002, *Logistics Management Procedures*, January 8, 2020.

[13] Sensitive property, regardless of acquisition cost, is property that is subject to theft, loss, or conversion to personal use or, for some other reason, must be subjected to more stringent controls than other property. Capitalized personal property has an aggregate acquisition cost of $1 million or more.

[14] VA Handbook 7002 states all nonexpendable property requires basic accountability in the inventory system.

Program Office, VISN, and Facility Supply Chain Management

Many program offices, Veterans Integrated Service Networks (VISNs), and facility leaders are responsible for ensuring compliance with VA policy as it pertains to managing nonexpendable inventory, which operate in parallel streams of authority.[15] Figure 1 shows the organizational structure of the different program offices, VISN leaders, and facility leaders.

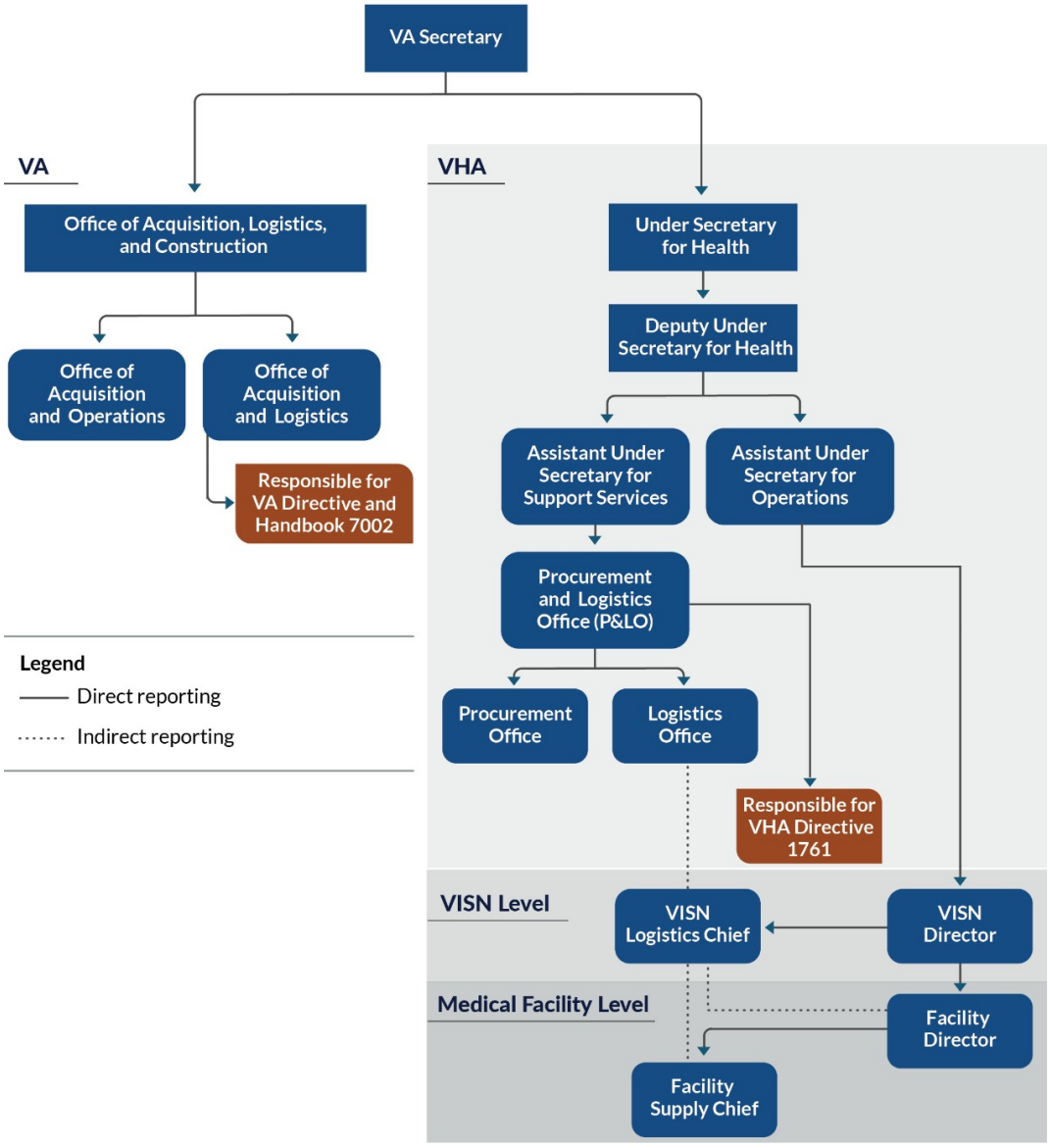

Figure 1. *Supply chain management organizational chart in effect at the time of this review.*
Source: Derived from VA policy and organizational charts.

[15] VHA delivers health care through 18 regional networks called VISNs. Each VISN is led by a director responsible for coordinating and overseeing administrative and clinical activities at medical facilities in the network. See VHA's website at https://www.va.gov/HEALTH/visns.asp.

Program Office Responsibilities

VA's Office of Acquisition and Logistics is responsible for VA Directive 7002 and its associated handbook, which outline criteria for strengthening VA logistics policy in accordance with law and regulations and increasing security and accountability requirements vital for VA personal property. According to its directive, VA's Office of Acquisition and Logistics is responsible for oversight of VA logistics programs and policies and establishing policies supporting those programs.[16]

VHA's P&LO also has a policy that provides standards and requirements for an effective VHA supply chain management program at medical facilities.[17] P&LO serves as the supply chain liaison between VISNs, the VHA central office, and VA's Office of Acquisition, Logistics, and Construction. Under P&LO is the utilization, transfer, and disposition division. According to a VA internal document, this division provides management, outreach, education, transportation, and support to VHA facilities to clear warehouse space, share commodities across VA, and sell or dispose of unneeded property.

P&LO's Supply Chain Data Informatics Office develops and maintains data reports for VHA and its facilities to use for monitoring inventory management and supply chain activities. This includes the Supply Chain Common Operating Picture (SCCOP) Power BI dashboard that captures and organizes data from inventory management systems used by VHA facilities, including AEMS/MERS and Maximo. The SCCOP dashboard specifically has an equipment inventory compliance section, which quantifies the extent to which medical facilities have inventoried their nonexpendable equipment within the past 13 months.[18] VHA's goal is to have 100 percent of its inventory comply with relevant requirements.

VISN Roles and Responsibilities

According to VHA policy, the VISN network director is responsible for maintaining a VISN-level supply chain management program that effectively meets VHA policy.[19] The VISN chief logistics officer reports to the VISN director and is responsible for assessing programs at medical facilities through quality reviews and ensuring compliance with policy.

[16] VA Directive 7002, *Logistics Management Policy*, January 8, 2020.

[17] VHA Directive 1761, *Supply Chain Management Operations*, December 30, 2020.

[18] The 13-month metric in the SCCOP dashboard is derived from VA Handbook 7002, which states that the "inventory is conducted on an annual basis which is from the month of completion to the next 12-month period." According to a P&LO management analyst, the dashboard allows for a 30-day grace period for medical facility staff to update the inventory system.

[19] VHA Directive 1761.

Facility Roles and Responsibilities

VHA policy states the medical facility director is responsible for ensuring that sufficient resources are allocated to meet supply chain management requirements. Additionally, the director is responsible for conducting a review of property management effectiveness by reviewing inventory reports.[20] The medical facility chief supply chain officer (facility supply chief), who reports to the facility director, is responsible for establishing a local supply chain management program that meets VHA policy and operational requirements, including inventory auditing and reporting requirements. [21]

The facility supply chief also generally serves as the facility's accountable officer, delegated by the facility director.[22] VA procedures state the accountable officer is responsible for making sure inventories are accurate and maintained in accordance with VA policy.[23] Facility logistics staff report to the facility supply chief. Additionally, the facility director will designate custodial officers to assume responsibility for nonexpendable equipment. These individuals are generally service chiefs who lead a service line, such as the chief of surgery.[24]

Each fiscal year, the accountable officer must schedule an annual physical inventory for each equipment inventory listing, which is a list of equipment by service.[25] The officer must also certify that inventory values are accurate.[26]

Custodial officers are responsible for all property that has been assigned to their service and listed on one or more associated inventory lists. One of the duties of the custodial officer is to certify by signature that all property on the list is present and accounted for. Custodial officers are responsible for the equipment until they are relieved of their role.[27]

Nonexpendable Inventory Management Process

VA policy requires medical facility staff to account for all nonexpendable equipment in an approved inventory system. This process starts when equipment is delivered to a medical facility. A material handler is responsible for verifying that the equipment received matches what was

[20] VHA Directive 1761.

[21] This report refers to chief supply chain officers as facility supply chiefs.

[22] While the facility supply chief generally assumes the role of the accountable officer, the role can be filled by other facility staff. VA Directive 7002 states the facility accountable officer shall be a senior manager who maintains the facility's inventory accounts, has oversight over personal property assets, and assigns staff to receive and manage those assets.

[23] VA Handbook 7002.

[24] VA Directive 7002.

[25] This report refers to the equipment inventory listing as the inventory list. Custodial officers may have more than one inventory list.

[26] VHA P&LO, "Accountable Officer Overview" (fact sheet).

[27] VA Directive 7002.

ordered and is in good condition. The handler processes a receiving report in the inventory system documenting that the item was received and then notifies logistics staff.[28]

Logistics staff are then responsible for verifying the receiving report matches the vendor invoice and information in VA's internal portal where purchases for nonexpendable equipment are requested and approved. Logistics staff are also required to create an electronic equipment entry record in the inventory system that includes fields such as manufacturer name, serial number, model, asset value, and inventory list department. VA guidance states that staff must print and attach a label before delivering the equipment to the appropriate service.[29]

After the equipment record has been created, the equipment is delivered to the custodial officer, or applicable service line staff, for signature verifying the receipt of the equipment. At this point, the item is the custodial officer's responsibility and should be inventoried and maintained as appropriate.

Annual Inventories of Nonexpendable Equipment

Accountable nonexpendable equipment must be on an inventory list and is required to be inventoried annually.[30] Custodial officers are responsible for overseeing nonexpendable equipment assigned to them by conducting the inventory annually.[31] This process includes resolving missing equipment, identifying future equipment needs, and identifying unneeded equipment.[32]

Custodial officers must inventory the equipment assigned to their inventory list by physically locating and scanning each equipment barcode label or confirming the equipment recorded on their inventory list is available and on hand. They must also verify the serial number, model number, and location of the item.[33]

In addition to barcodes, VA procedures allow the use of electronic tracking methods.[34] This includes methods such as radio frequency identification, which bounces signals between a tag

[28] According to a supervisory logistics management specialist, warehouse staff notify logistics staff via paper forms or emails. The specialist noted that this process is important for medical equipment that requires inspection before being incorporated for use into the medical facility.

[29] VHA P&LO, "Receiving & Delivery Process Overview for New, Replacement, and Additional Equipment" (fact sheet); VHA P&LO, "Your Role in Receiving New Equipment" (fact sheet).

[30] VA Directive 7002.

[31] VA policy states inventories that fall below a 95 percent accuracy rate are required to be inventoried again in six months. VA Directive 7002.

[32] VA Handbook 7002.

[33] VHA P&LO, "Annual Equipment Inventory Listing (EIL) Maintenance"; VHA P&LO, "Custodial Officer" (fact sheet).

[34] VA Handbook 7002.

and a reader to determine the equipment location, and real-time location systems, which can include the use of tags and badges to track equipment.

While VA policy states that accountable nonexpendable equipment must be inventoried annually, some items may be exempt from these requirements if they were serviced after their last scheduled inventory for preventive maintenance, manually scanned using barcode technology, or automatically connected to real-time locating systems. Once inventorying is complete, facility staff must resolve any discrepancies and decide whether equipment should be retained or disposed of. Figure 2 details the inventory management process.

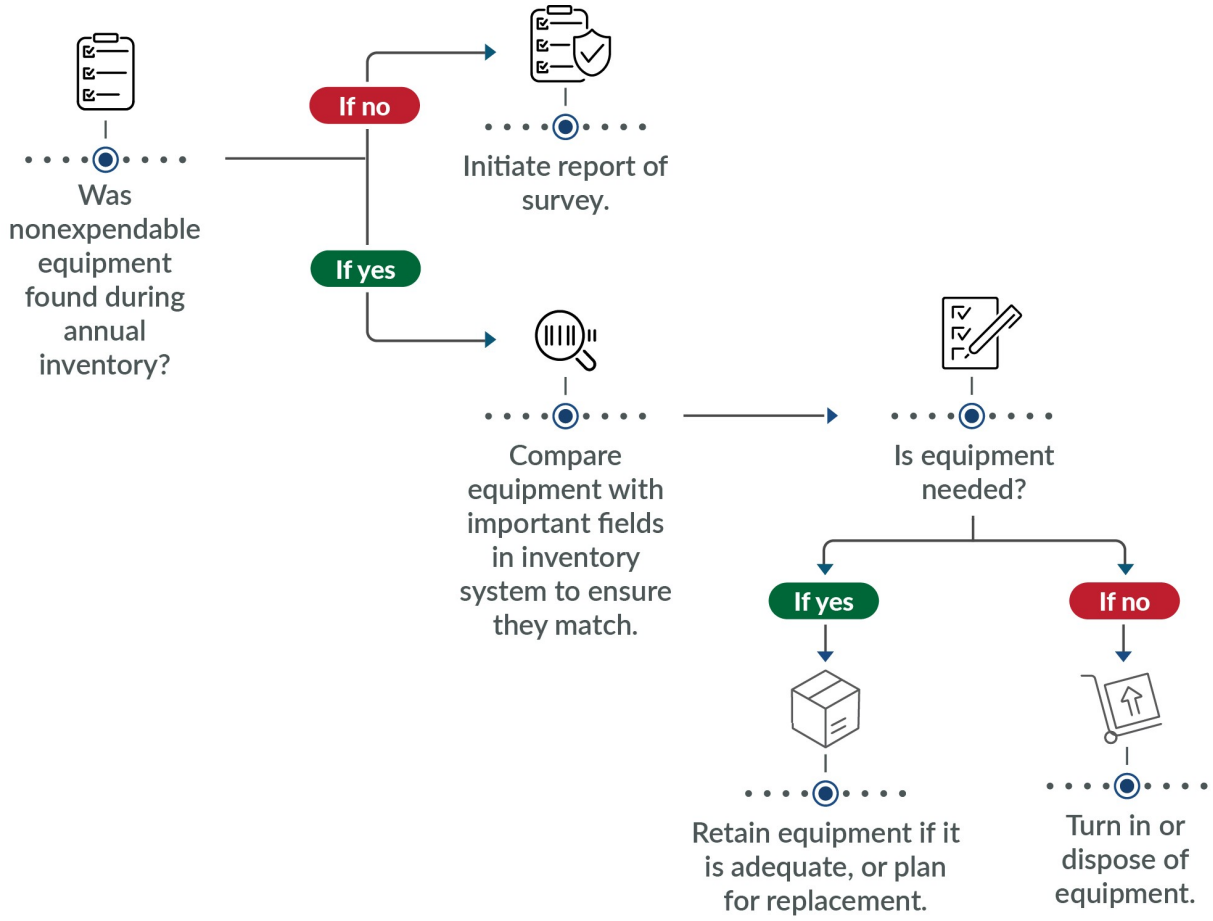

Figure 2. *Annual inventory flow chart.*
Source: OIG analysis of P&LO fact sheets.

Reporting Lost or Damaged Equipment

VA policy requires any employee who discovers government property is missing or damaged to immediately report the incident to a supervisor, who will notify the VA police (if necessary) and the medical facility's logistics staff. The supervisor must then submit a formal report of survey to

explain the circumstances surrounding the loss, damage, or destruction of government property within 24 hours.[35]

In addition to a report, VA procedures state that if a missing item is worth $5,000 or more, or assessing financial liability is likely, the accountable officer will establish a board of survey to investigate why the item went missing.[36] The board consists of three members who investigate and review supporting documentation to make recommendations for corrective actions. The board is also responsible for determining whether someone is financially liable for lost or damaged equipment.

The timeline for the entire process should not exceed 60 days. VA procedures state that equipment inventories are considered complete only when report of survey documentation has been provided to logistics staff.[37]

Identifying Unneeded Equipment or Future Needs

VHA internal guidance states that, as part of the annual equipment inventory, the custodial officer must identify unneeded equipment and identify and prioritize equipment needs.[38] According to federal regulations, if the property is no longer needed by any VA office, VA is required to declare the property as unneeded and report it to the General Services Administration for possible transfer to eligible recipients, including federal agencies for direct use or for use by their contractors, project grantees, or cooperative agreement recipients.[39]

[35] VA Directive 7002. The report of survey process is VA's process to account for lost, damaged, or destroyed government property. Specifically, the report is used to document the findings, determine responsibility, and record liability.

[36] VA Handbook 7002.

[37] VA Directive 7002. The directive further notes that the formal report should be completed within 60 days unless there is a possibility of liability or there is an ongoing law enforcement investigation.

[38] VHA P&LO, "Annual Equipment Inventory Listing (EIL) Maintenance."

[39] 41 C.F.R. § 102-36.35(a) (2024).

Results and Recommendations

Finding: Management of Nonexpendable Inventory Can Be Improved

VHA medical facilities are responsible for over 2.1 million items of accountable nonexpendable equipment valued at about $12 billion. However, the OIG found that staff did not always manage the inventory in accordance with policy. The OIG conducted eight site visits and assessed a statistically random sample of equipment to verify whether inventory was accounted for and in use.[40]

Based on a physical inspection of a statistical sample of equipment, the OIG estimated that VHA medical facilities could not account for at least 75,500 items (5 percent), with a value of at least $210.9 million.[41] Of the found nonexpendable equipment, the audit team determined an estimated 537,000 items (33 percent) were in a location that differed from what the inventory system reflected. Additionally, the audit team found an estimated minimum of 62,500 items that facilities may not need.[42] The audit team found these issues occurred because annual inventories were not always conducted and neither were oversight responsibilities.

Medical facility staff are required to immediately report missing or damaged equipment. The audit team's analysis of VHA data from fiscal year (FY) 2022 through FY 2024 shows medical facilities reported at least 76,800 items missing or damaged, valued at about $262 million. The OIG found the report of survey process for missing or damaged items generally had not been followed, completed in a timely manner, or effective in yielding sufficient evidence to determine liability. VA leaders at medical facilities have generally not enforced this requirement, which has contributed to weaknesses in the report of survey process.

VHA needs to improve its processes to make sure medical facility staff are properly accounting for and managing their nonexpendable equipment. Otherwise, facilities risk not properly maintaining or using their equipment. Additionally, VHA needs to conduct proper oversight to ensure that lost, stolen, and damaged items are reported and investigated in a timely manner. VHA has lost track of millions of dollars in nonexpendable equipment and will continue to do so if processes are not improved.

The finding is based on the following determinations:

- Nonexpendable equipment was not always readily available or used by a facility.

[40] Appendix A describes the audit's scope and methodology.

[41] The projections presented here use a lower-bound scenario, which assumes conservative estimates due to the highly variable sample data. One-sided lower bounds are described in the body of the report with preceding language such as "at least" or "at minimum." See appendix B for details.

[42] The projections presented here use a lower-bound scenario, which assumes conservative estimates due to the highly variable sample data.

- The inventory-by-exception process increased risk of mismanagement and loss of nonexpendable equipment.
- Oversight responsibilities were not always conducted.
- The report of survey process for missing or damaged items was not always conducted as required.

What the OIG Did

The audit team identified a universe of about 2.1 million items of accountable nonexpendable equipment at VA medical facilities valued at approximately $12 billion. The team randomly selected eight medical facilities. From those facilities, the team selected a statistically random sample of 267 nonexpendable items to validate information reported in VHA's data, locate the items at the facility, and determine whether the equipment was in use.[43] The team also selected another statistically random sample of 65 nonexpendable items that were not inventoried in the previous 395 days to determine why facility staff had not inventoried the items according to policy.[44] The audit team interviewed over 80 staff members, including VA and VHA officials, VISN and facility supply chain officers, and logistics and service line staff at the eight selected medical facilities.

Nonexpendable Equipment Was Not Always Readily Available or Used by a Facility

VHA requires medical facility staff to account for all nonexpendable equipment. During site visits, the audit team (with the assistance of facility staff) searched for nonexpendable equipment to verify the location of items and determine whether the equipment was in use. Figure 3 summarizes the audit team's sample results.

[43] The sample included items that had or had not been inventoried in the past year.

[44] The audit team identified items that had not been inventoried within the last year based on the date the data were obtained and subtracted 395 days (about 13 months). This methodology is consistent with VHA's Supply Chain Common Operating Picture (SCCOP) Power BI dashboard.

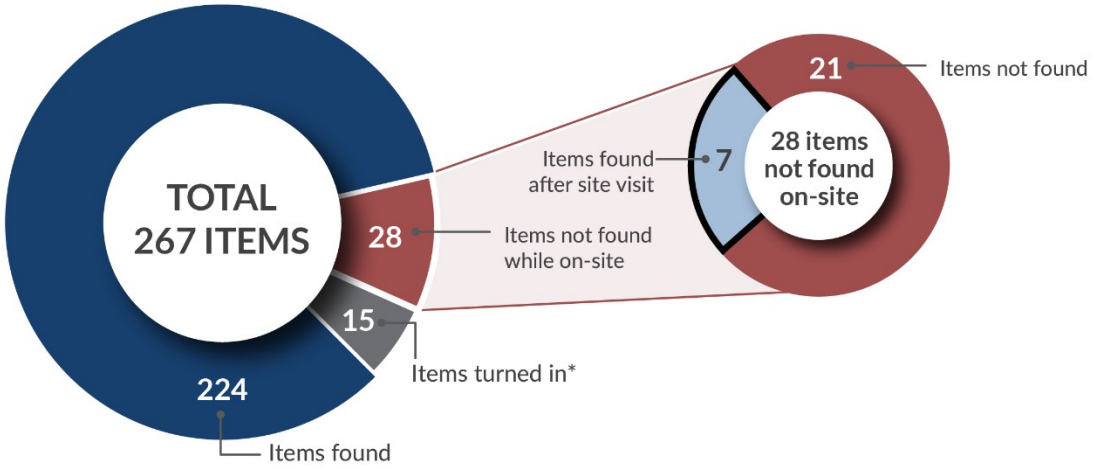

Figure 3. *Sample review results of nonexpendable equipment status.*

Source: OIG analysis of sample results from eight site visits.

** Fifteen items had been turned in, meaning the medical facility determined the item was no longer needed, between the time the data were obtained in March 2024 and the time the team conducted the site visit. Facilities provided sufficient evidence that all the items were properly turned in.*

Based on the findings from the sample, the audit team conservatively estimated that nationwide medical facilities did not account for at least 75,500 nonexpendable items, with a value of at least $210.9 million.[45] Because the purchased equipment was no longer available for use, the OIG considered the estimated value of unaccounted nonexpendable equipment as funds VA could have better used.[46] Some items medical facility staff could not account for included exam tables, computers, and medical equipment such as microscopes. Example 1 is an instance of a microscope that could not be located.

Example 1

A microscope valued at approximately $80,000 was last physically inventoried on February 1, 2022. The team determined this item was not inventoried during the February 2023 or February 2024 annual inventories. According to facility logistics staff, they tried to help the service line with inventorying, but since this item was not located at the facility, they required the custodial officer's assistance at the off-site location. As of January 2025, this item had not been inventoried and should have been reported as "missing" on a report of survey. The audit team

[45] The projections presented here use a lower-bound scenario, which assumes conservative estimates due to the highly variable sample data.

[46] See appendix C for more on the monetary benefits the audit team identified.

determined that medical facility staff were 23 months late initiating a report of survey.[47]

The Inventory System Reflected Inaccurate Locations

During site visits, the audit team searched for equipment based on the last known location. When unable to locate an item, the team worked with medical facility staff to search other areas of the facility or to track the item through the electronic location service. Of the nonexpendable equipment accounted for, the location recorded in the inventory system did not always match where an item was located. Specifically, the audit team projected that about 537,000 items (33 percent) were in a location other than where the inventory system reflected.

According to VHA guidance, the custodial officer should verify or update the location of nonexpendable equipment during the annual inventory.[48] This is important so medical facility staff can readily access equipment when needed for patient care. Additionally, accurate locations assist with completing future annual inventories. Of the items in the wrong location, at least an estimated 2,300 had not been inventoried within the last 13 months.[49]

Although VA tracks equipment locations in the inventory system, medical facility staff are not always able to locate it based on this information. Staff at medical facilities said they track some equipment using an electronic location service, which allows them to electronically track tagged equipment. However, the team found these tags were not always reliable, such as when a tag battery died. In other instances, the tagged equipment would ping to a general area of a facility but would not pinpoint a specific room or section of the medical facility. The team also determined that not all medical facilities use electronic location services to track their equipment, meaning they rely on staff to manually update equipment locations during annual inventories or through other scheduled maintenance.

Some Nonexpendable Equipment May Not Be Needed

The audit team found an estimated minimum of 62,500 items that facilities did not seem to need.[50] At the time of the site visits, facility staff explained that some nonexpendable equipment was not in use because it needed to be serviced, was being saved as a backup, or because the turn-in for the item had been initiated but not completed. VA policy states each VA facility is

[47] The report of survey should have been initiated when the annual inventory was scheduled to be completed in February 2023.

[48] VHA P&LO, "Annual Equipment Inventory Listing (EIL) Maintenance."

[49] The projections presented here use a lower-bound scenario, which assumes conservative estimates due to the highly variable sample data.

[50] The projections presented here use a lower-bound scenario, which assumes conservative estimates due to the highly variable sample data.

obligated to use all its property until it is no longer functional or required.[51] When nonexpendable equipment is no longer required, medical facility staff should attempt to transfer the equipment within VA or report it to the General Services Administration to be transferred to another federal agency, sold, or disposed of.[52]

VHA guidance states custodial officers are responsible for maintaining equipment assigned to them by conducting an annual equipment inventory, which includes identifying equipment that is excess, not required, or in need of replacement.[53] During site visits, the audit team determined whether nonexpendable equipment was actively in use based on where and how the item was found (such as if it was in storage or still packaged) and through discussions with medical facility staff. For example, after searching many areas of a facility for an item, the audit team and medical facility staff finally located it in a storage room. Facility staff said the item had not been used for many months.

It is imperative that VA medical facilities transfer or dispose of unneeded nonexpendable equipment to free space and realize potential cost savings by making it available to another VHA facility or reporting it to the General Services Administration for sale or disposal.

The Inventory-by-Exception Process Increased Risk of Mismanagement and Loss of Nonexpendable Equipment

The audit team determined that of the estimated minimum of 75,500 items that medical facility staff could not account for, at least 14,200 items had not been inventoried within the last year.[54] Facility staff said one of the reasons items were not included in the annual inventory was because the service line inventoried their equipment by exception.[55]

VA policy states a physical inventory of all nonexpendable accountable property and designated sensitive items will be conducted annually, meaning from the month of completing the inventory to the next 12-month period. Later in the handbook, there is an exception that allows facilities to "inventory by exception" so that an item that was accounted for since the last annual inventory (due to maintenance or other reasons) does not need to be included in the next scheduled annual inventory for the inventory list it is assigned to.[56] Because these items may go up to 24 months before being included on the next annual inventory list, the inventory-by-exception process may delay identifying equipment that is missing or damaged.

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[51] VA Directive 7348, *Utilization and Disposal of Personal Property*, January 8, 2020.

[52] VA Handbook 7348, *Utilization and Disposal of Personal Property*, January 8, 2020.

[53] VHA P&LO, "Annual Equipment Inventory Listing (EIL) Maintenance."

[54] The projections presented here use a lower-bound scenario, which assumes conservative estimates due to the highly variable sample data.

[55] Staff at five of the eight facilities said some or all service lines at their facilities conduct inventory by exception.

[56] VA Handbook 7002.

According to a staff member at VA's Office of Acquisition and Logistics, the requirement to do annual inventory is the baseline inventory requirement.[57] They said the intent for including the exception in the policy was to improve baseline inventory requirements, subsequently improving efficiency and accountability. The audit team found through data analysis that items were inventoried less often than annually—in some cases, up to 24 months apart—moving items further from the desired baseline requirement of an annual inventory.

Program office staff from P&LO told the audit team the inventory-by-exception process weakens facilities' accountability of nonexpendable equipment. They said a lot can go wrong, including losing equipment, when nonexpendable items are not inventoried annually. The audit team concluded that the exception extends the timeline to search for and inventory equipment, which may hinder medical facility staff from investigating and assessing liability for any lost items through the report of survey process. Additionally, several medical facility staff stated it is important to proactively inventory equipment to make sure it has been properly maintained and is safe for patient care.

VA policy also states that "inventory by exception items are permitted to go beyond one year's timing from last inventory date, and up to 2 years timing total, before a ROS [report of survey] is necessary."[58] Office of Acquisition and Logistics officials said the exception in policy is specific to inventory and that facility staff are still required to immediately report lost or damaged equipment and submit a report of survey. The audit team concluded the policy language was not clearly understood by staff at one of the facilities visited. Specifically, one facility inventory management supervisor said a report of survey was not initiated for a lost item at their facility because 24 months had not yet elapsed since it was last scanned. Failure to immediately report nonexpendable equipment that is missing or lost is inconsistent with VA's report of survey policy.

Based on a secondary random sample of noncompliant items that had not been inventoried within the last 13 months, the audit team projected that at least 8,100 were inventoried by exception, and the items averaged 600 days (about 20 months) between inventory dates.[59] The following is an example of two items that were not inventoried due to this exception and were temporarily misplaced.

[57] As defined in VA Handbook 7002, accountable nonexpendable equipment must be on an inventory list and is required to be inventoried annually. VA's Office of Acquisition and Logistics officials referred to this as a "baseline inventory requirement."

[58] VA Handbook 7002.

[59] These results are based on a secondary random sample of noncompliant equipment to determine whether VA medical staff documented the equipment on a report of survey as required. This is different from the 14,200 items previously mentioned, which the audit team drew conclusions from based on physical on-site observations.

Example 2

Two handheld scanners valued at approximately $2,700 each were physically inventoried on October 17, 2022. The annual inventory for these items was due in November 2022, but based on the inventory-by-exception rule, these items were not subject to the annual inventory because they had been accounted for within the last year. The team determined these items could not be located during the subsequent December 2023 annual inventory. Logistics staff provided undated report of survey documentation showing they reported the equipment missing, but the responsible officer did not sign the report, as required.[60] These scanners were eventually inventoried in November 2024.

VHA's P&LO maintains the SCCOP dashboard, which captures and organizes data from the inventory management systems to measure the extent to which medical facilities have inventoried their nonexpendable equipment within the past 13 months. The dashboard does not accurately reflect facility compliance because it shows all items that have not been inventoried within 13 months as noncompliant even though some of those items may have been inventoried by exception. As a result, facility leaders are unable to track or identify trends with items that are being inventoried by exception.

Items that are inventoried by exception are at risk of being mismanaged or lost because they are not being physically accounted for annually. Specifically, the exception lengthens the interval between inventories, weakening medical facilities' assurances that items are properly accounted for, in good condition, and still needed. Recommendation 1 is for VHA to reassess and clarify its physical inventory requirements for equipment in medical facilities to make sure they are consistent with and meet the intent of VA Directive 7002.

Recommendation 2 calls on VHA to ensure that facility directors require custodial officers to regularly review nonexpendable inventory to determine whether the equipment is still required and take appropriate action.

Oversight Responsibilities Were Not Always Conducted

VA, VHA, VISN, and facility leaders all play critical roles in overseeing nonexpendable inventory. The audit team found that oversight responsibilities at all levels were not always effectively executed.

[60] Based on the report of survey form, the responsible official's (supervisor or custodial officer) signature is required. The responsible officer is a different role than the accountable officer.

Facility Leaders Have Opportunities to Strengthen Oversight of Nonexpendable Inventory

Medical facility staff are responsible for procuring and overseeing their facility's nonexpendable equipment. The facility director is responsible for having sufficient resources allocated to ensure adherence to the supply chain requirements. Part of their responsibility includes reviewing and signing inventory list compliance reports. Additionally, the facility supply chief is responsible for establishing a supply chain management program that meets policy and operational requirements and ensures the program completes an annual inventory of all nonexpendable equipment.

The audit team determined facility directors and supply chiefs were not effectively overseeing this process. VHA guidance states that custodial officers are responsible for maintaining equipment assigned to them by conducting annual equipment inventory to update locations, identify future equipment needs, and identify unneeded equipment to dispose of.[61] This process calls on logistics staff and service lines to work together to accomplish the required inventories and account for the nonexpendable equipment.

Logistics staff, who report to the facility supply chief (generally the accountable officer), are responsible for initiating annual inventories, but the custodial officers (the service chiefs) are responsible for conducting the inventories. Logistics staff do not have the authority to force a service line to comply with inventory requirements. Inventories did not always occur for many reasons, including the following:

- **Strained relationships between logistics and service lines.** For example, the team observed an instance where logistics staff had to remind service lines multiple times to complete their inventories.
- **Inability to assist.** For example, logistics staff attempted to help with inventorying equipment but were unable to search for items—without assistance from the service line—if equipment was in locked offices or storage areas.
- **Inadequate resources within the service line to complete the inventory.** For example, a facility logistics staff member said some equipment that was not scanned in the past 395 days was due to staffing levels below 40 percent.

The medical facility director must review inventory compliance reports, which include information on which custodial officers and associated service lines are complying, or not complying, with inventory requirements quarterly.[62] This review provides the medical facility director an opportunity to assess and address property management effectiveness and require

[61] VHA P&LO, "Annual Equipment Inventory (EIL) Maintenance."
[62] VHA Directive 1761.

corrective action for noncompliant nonexpendable equipment. Although medical facility directors review and sign off on these compliance reports, the audit team determined through interviews with logistics staff that difficulties with inventory compliance persist.

Additionally, a logistics staff member at one facility said they were completing the inventory on behalf of the service lines. While this helps to maintain inventory compliance, it bypasses the need for custodial officers to assess the equipment on their inventory lists, which may inhibit future planning of purchases or verification that equipment is operational. Facility directors and supply chiefs need to ensure that policy requirements are met so they can properly account for their equipment.

To aid collaboration between custodial officers and logistics staff, recommendation 3 calls on VHA to make sure medical facility directors are reviewing inventory list compliance reports to identify noncompliant service lines and implement a process to resolve noncompliance.

Program Offices Did Not Monitor Nonexpendable Equipment at the National Level

VA's directive states that VA's Office of Acquisition and Logistics has the departmental responsibility for inventory management of nonexpendable equipment.[63] Additionally, VHA's directive provides policy, standards, and requirements for implementing an effective supply chain management program at medical facilities.

The audit team determined through interviews with staff and leaders from VHA's P&LO and VA's Office of Acquisition and Logistics that neither program office believed that monitoring nonexpendable equipment was their responsibility. P&LO program staff said that while they provide guidance, education, and make recommendations to VISN and facility staff, they do not have the authority to enforce policy or mandate actions.

P&LO oversees a quality control review program in which VISN chief logistics officers are required to complete annual quality control reviews of each facility to ensure compliance with supply chain management policy. This review includes oversight of the annual inventory process. P&LO staff said they assess whether VISN chief logistics officers conduct the reviews as intended to make certain that VISN reviews are being used effectively to accurately reflect the state of facilities' supply chain management programs. P&LO staff indicated that they make recommendations to facility leaders to address identified issues but it is the facilities' responsibility to make any necessary changes to fix issues.

A VA Office of Acquisition and Logistics leader also said nonexpendable equipment accountability is managed at the facility level. A different Office of Acquisition and Logistics leader noted that they implemented a new workgroup in FY 2024 to identify pertinent internal

[63] VA Directive 7002.

controls for supply chain management. They further said that before this new initiative, their office would request data and reports from P&LO to ensure medical facilities were compliant with policy. Specifically, the medical facilities would report issues to their VISN, the VISN would raise the issues to P&LO, and then that information would be shared with their office, or P&LO would report issues identified through the quality control programs. With this information, Office of Acquisition and Logistics leaders said their next steps to address the issues would depend on the situation and that they may provide suggestions to P&LO to address the issue.

Although P&LO and the Office of Acquisition and Logistics have responsibility over supply chain management, both program offices deferred oversight to the medical facilities. Proper management of nonexpendable equipment is the responsibility of medical facility staff, VISNs, VHA program offices, and VA program offices. At the time of the audit, the governance structure to ensure and enforce accurate accountability of equipment generally ended at the facility and VISN levels. The team concluded that both the Office of Acquisition and Logistics and P&LO were not actively monitoring inventory compliance and, as a result, were likely missing opportunities to identify and address facility noncompliance.

Recommendation 4 calls on VHA's P&LO, in coordination with VA's Office of Acquisition and Logistics, to regularly monitor inventory compliance data to identify and communicate with noncompliant facilities to proactively address delinquent inventories.

The Report of Survey Process for Missing or Damaged Items Was Not Always Conducted as Required

Medical facility staff are required to immediately report missing or damaged equipment.[64] The audit team's analysis of VHA data from FYs 2022 through 2024 shows facilities reported about 76,800 items as missing or damaged, valued at about $262 million. The team found the report of survey processes for missing or damaged items had not been conducted as required, and the staff investigating these items were not always able to obtain sufficient evidence to identify causation or determine liability.

Reports of Survey Are Not Always Initiated or Completed on Time

VA policy states when an employee detects a missing or a damaged piece of property, they will immediately report the situation to a supervisor.[65] A report of survey should be submitted within

[64] VA Directive 7002.

[65] VA Directive 7002.

one day, and the investigation of circumstances of the lost, stolen, or damaged item must not exceed 60 days.[66]

P&LO has a national report of survey dashboard that contains information on initiated and completed surveys, including the number of surveys and items reported, the cost of reported items, and the days to process the survey. The data revealed about 11,200 submitted reports from FYs 2022 through 2024. The audit team found that medical facilities had not finalized about 915 surveys, with items on them valued at about $31.2 million. An average of 472 days had elapsed since the surveys were initiated.

The team also determined that not all missing or damaged items were being reported to the dashboard. The team's analysis estimated at least 210 additional items required a report of survey, but medical facility staff had not initiated one.[67] According to a supervisory logistics management specialist, the dashboard is not mandatory, and there could be additional missing items that are reported only at the facility level or not reported at all.

The team also determined that if items had been reported promptly or determined as missing through annual inventories, VA's reported number of days to process reports of survey would have increased. VHA's dashboard data showed that it took an average of 57 days to finalize the nearly 10,300 completed reports. However, the team's analysis of VHA's data showed it would have taken an estimated average of at least 69 days to finalize a report had the items been promptly reported or identified through annual inventories as missing.[68]

Additionally, when reports of survey are not completed in a timely manner, staff investigating the matter may not always have access to information that would help identify the root cause of why or how the item went missing or was damaged and to make pertinent recommendations. Based on VHA's dashboard data on surveys from FYs 2022 through 2024, the audit team determined from available survey comments that VHA staff responsible for investigating lost and damaged items assessed liability to a responsible party for only 117 out of 11,295 reports.

According to a P&LO supervisor, the report of survey dashboard is not mandatory, and facilities can maintain their own local logs of reports. As a result, the national dashboard is incomplete, which hinders VHA program office oversight. Recommendation 5 calls on VHA to require medical facilities to use a standardized report of survey dashboard to centrally report all lost, stolen, or damaged items.

[66] VA Directive 7002. The directive further notes that the formal report should not exceed 60 days unless there is a possibility of liability or there is an ongoing law enforcement investigation.

[67] The projections presented here use a lower-bound scenario, which assumes conservative estimates due to the highly variable sample data.

[68] The projections presented here use a lower-bound scenario, which assumes conservative estimates due to the highly variable sample data.

Medical Facility Leaders Did Not Provide Effective Oversight of the Report of Survey Process

According to VHA policy, facility directors are responsible for signing off on inventory list compliance reports, which would identify the number of noncompliant inventory items that require a report of survey. Although facility directors are responsible for reviewing and signing inventory compliance reports, the audit team determined that not all lost items are being reported.

The medical facility director or assistant director has two working days to review and approve reports of survey or recommend more action if necessary. One of the sampled facilities had submitted over 500 reports of survey with a cumulative item value of $10.1 million from FYs 2022 through 2024 to the director or assistant director for review. However, facility leaders had not completed 44 of those reports (including about $805,000 worth of equipment). Logistics staff told the audit team that executive leaders were hesitant to finalize reports of survey and acknowledge the loss. They said leaders were new to the facility and wanted to conduct their own investigations before writing off the equipment.

The audit team also reviewed the results of VISN quality control reviews for the eight sampled facilities and determined three were not compliant with processing reports within 60 days. Two facilities provided corrective action plans as required, with one stating it needed "support from ELT [executive leadership team] to compel services to identify and provide staff to serve as ROS [report of survey] officers."

Expeditiously reporting and investigating missing or damaged items is imperative to obtaining documentation and evidence needed to draw effective conclusions. A P&LO supervisory management specialist said the longer an item is missing, the harder it is to investigate the incident because pertinent information may not be available.

It is important that medical facility directors review inventory compliance to ensure that custodial officers initiate reports of survey and review submitted reports in a timely manner. Recommendation 6 calls on VHA's medical facility directors to review inventory compliance and establish a process to ensure noncompliant equipment is reported as lost, stolen, or damaged within required time frames.

Conclusion

VHA needs to improve its processes to ensure medical facility staff are properly accounting for and managing their nonexpendable equipment. Medical facilities that do not annually inventory their nonexpendable equipment are at risk of mismanaging or losing those items. Facilities also risk not assessing the condition of their medical equipment to make sure it works, is properly maintained, and readily available for patient care. Further, facilities may miss opportunities to plan for future equipment needs.

Additionally, when reports of survey are not completed in a timely manner, staff investigating the matter may not always have access to information that would help identify the root cause of why or how an item went missing or was damaged. As a result, liability may not always be assigned, and impactful recommendations for change are not made. This creates a lack of accountability for medical facility equipment, and VHA risks the continued loss of millions of dollars in equipment.

Recommendations 1–6

The OIG made the following recommendations to the under secretary for health:[69]

1. Reassess and clarify physical inventory requirements for equipment in medical facilities to ensure they are consistent with and meet the intent of VA Directive 7002.
2. Ensure that facility directors require custodial officers to regularly review nonexpendable inventory to determine whether the equipment is required and take appropriate action.
3. Ensure medical facility directors review inventory list compliance data to identify noncompliant services and implement a process to resolve noncompliance.
4. Ensure the Veterans Health Administration's Procurement and Logistics Office, in coordination with VA's Office of Acquisition and Logistics, regularly monitors inventory compliance data to identify and communicate with noncompliant facilities to proactively address delinquent inventories.
5. Require medical facilities to use a standardized report of survey dashboard to centrally report all lost, stolen, or damaged items.
6. Require medical facility directors to review inventory compliance and establish a process to ensure noncompliant equipment—to include equipment identified in this audit—is reported as lost, stolen, or damaged within required time frames.

VA Management Comments

The acting under secretary for health concurred with all recommendations and submitted corrective actions plans to address issues identified in the report. Appendix D includes the full text of the comments, which are summarized here.

To address recommendation 1, VHA noted that its Office of Supply Chain Personal Property Management Office, in collaboration with the Office of Acquisitions, Logistics, and

[69] The recommendations addressed to the under secretary for health are directed to anyone in an acting status or performing the delegable duties of the position.

Construction, are updating VA Handbook 7002 and drafting a VHA-level property management handbook that will reassess and clarify physical inventory requirements for consistency. The Office of Supply Chain Personal Property Management also plans to evaluate standards, establish reporting requirements, and make sure staff are fully informed and trained in revised procedures.

For recommendations 2 and 3, VHA reported that the Office of Supply Chain Personal Property Management Office and VISNs are required to monitor inventory compliance data and coordinate with noncompliant facilities. Together, they will assess compliance through periodic quality reviews to identify and address noncompliant services and ensure timely corrective actions. Further, the Office of Supply Chain Personal Property Management will establish measures to ensure medical facility directors regularly review nonexpendable inventory.

To address recommendation 4, VHA stated that supply chain metrics and reports will be monitored, and VISN chief logistics officers will be alerted when deficiencies are identified. Additionally, VHA noted that VISNs are required to validate the effectiveness of their supply chain management programs through the quality control review process. The facility supply chief and facility director will address any gaps identified.

VHA noted that to address recommendations 5 and 6, the Office of Supply Chain Personal Property Management will mandate the use of the report of survey portal to report lost, stolen, or damaged items. Additionally, the facility accountable officer has a responsibility to report to the facility director when the medical facility is not compliant with inventory requirements, and the director will be required to ensure noncompliant items are reported through the portal.

OIG Response

VHA's comments and corrective action plans are responsive to the intent of the recommendations. The OIG will close the recommendations when VHA provides evidence that the action plans have been completed to address identified issues.

Appendix A: Scope and Methodology

Scope

The audit team conducted its work from March 2024 through May 2025. The review focused on assessing whether the Veterans Health Administration (VHA) accounted for its nonexpendable equipment properly. The team reviewed nonexpendable equipment listed in the inventory record as of March 2024 that had an acquisition date in the past decade.

Methodology

To accomplish the objective, the audit team identified and reviewed equipment inventory records, reports of survey, turn-in documents, and VA policies and procedures related to VHA's accountability of nonexpendable equipment. The audit team also interviewed leaders in the Office of Acquisition and Logistics, the Procurement and Logistics Office, Veterans Integrated Service Networks, and the sampled facilities to determine the processes, risks, and internal controls related to the accountability of nonexpendable equipment.

The audit team also conducted site visits to eight randomly selected facilities in Sacramento, California; Pittsburgh, Pennsylvania; Kansas City, Missouri; Baltimore, Maryland; Reno, Nevada; Beckley, West Virginia; Roseburg, Oregon; and Poplar Bluff, Missouri. The team reviewed a random sample of 267 of 2,121,907 nonexpendable items located at those facilities to assess whether VHA accounted for its nonexpendable equipment.

Additionally, the team conducted a second random sample of 65 of 86,506 nonexpendable items, which facility staff had not scanned in 395 days, located at seven of the selected facilities to determine whether VHA appropriately implemented the report of survey process.[70]

Internal Controls

The audit team determined that internal controls were significant to the review objective. This included an assessment of the five internal control components: control environment, risk assessment, control activities, information and communication, and monitoring.[71] In addition, the team reviewed the principles of internal controls associated with the objective. The team identified internal control weaknesses in the following two components and four principles and made recommendations to address those weaknesses:

[70] The Poplar Bluff medical facility had 100 percent inventory compliance and was therefore not represented in the secondary random sample.

[71] Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014.

- Component: Control Environment
    - Principle 1: Demonstrate Commitment to Integrity and Ethical Values
    - Principle 2: Exercise Oversight Responsibility
    - Principle 5: Enforce Accountability
- Component: Control Activities
    - Principles 12: Implement Control Activities

Data Reliability

The team obtained data from various sources during the review and assessed the reliability of the data used to support findings, conclusions, or recommendations related to the review objectives. The sources included the Corporate Data Warehouse and the report of survey dashboard.

To test the accuracy, reliability, and completeness of the data, the audit team assessed a random sample of 267 nonexpendable items from eight facilities. To do this, the audit team obtained equipment entry records, reports of survey, and turn-in documentation. The team then compared the Corporate Data Warehouse data to the documentation provided and the team's observations of the items at the medical facilities. The audit team also assessed a random sample of 65 nonexpendable items, which had not been scanned in 395 days, from seven facilities. To complete this assessment, the audit team obtained equipment entry records, reports of survey, and turn-in documentation and then compared the Corporate Data Warehouse data to the documentation provided.

Additionally, the audit team obtained the national report of survey database for fiscal years 2022 through 2024. The team then took a judgmental sample of 17 reports of survey to determine whether the national database contained the report of survey information. The team compared the reports of survey received from the sampled facilities with the information in the national database. The team relied on the dashboard for broad analysis to support review objectives for nonexpendable equipment acquired in the last decade.

Government Standards

The VA Office of Inspector General (OIG) conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that the OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on audit objectives. The OIG believes the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

Appendix B: Statistical Sampling Methodology

Approach

To accomplish the objectives, the audit team reviewed a statistical sample of nonexpendable equipment acquired in the last decade. The team used statistical sampling to quantify the number of unaccounted-for items. The audit team also reviewed a second sample of items, which had not been scanned in 395 days, to determine whether the Veterans Health Administration listed the items on a report of survey properly.[72]

Population

The first of the two samples was drawn from an audit population of 2,121,907 nonexpendable items that were either owned or leased by VA, which were found in the Corporate Data Warehouse, with acquisition dates from calendar year 2014 through 2023. The second sample was drawn from a subset of the first population consisting of 86,506 nonexpendable items that had not been scanned in 395 days. The audit team followed the same parameters to identify nonexpendable items, which VA uses in the Supply Chain Common Operating Procedure report. For instance, the procedure report excludes building service equipment and computer monitors so the audit team excluded them too.

Sampling Design

The audit team performed two sample reviews to address the audit objectives. A two-stage sampling approach was used in selecting both samples. In the first stage of sampling, eight facilities were drawn using random systematic sampling with ordering by complexity of medical facility. They are listed below by station number and location:

- 612, Sacramento, California
- 646, Pittsburgh, Pennsylvania
- 589, Kansas City, Missouri
- 512, Baltimore, Maryland
- 654, Reno, Nevada

[72] According to a Procurement and Logistics Office policy, compliance, and standardization project manager, the 30-day grace period beyond one year allows for items that are scanned during different times of the month to be included in the same monthly inventory list schedule. For example, if an inventory is conducted every October, but some items are scanned on October 10 one year, but then October 15 the next year, a 365-day requirement would show the items scanned on October 15 as noncompliant even though the inventory was conducted within the 12-month period following the previous month of completion as stated in VHA policy.

- 517, Beckley, West Virginia
- 653, Roseburg, Oregon
- 657A4, Poplar Bluff, Missouri

For the first sample, nonexpendable equipment associated with each facility was stratified by item value and inventory status. For each medical facility, stratified random samples were chosen from each stratum as follows. See table B.1 for the breakdown of the sampled items per medical facility.

1. Unknown item value or inventory status: two items
2. Inventoried in 395 days: $300.01–$5,000: five items
3. Inventoried in 395 days: $5,000.01–$10,000: 10 items
4. Inventoried in 395 days: greater than $10,000: 10 items
5. Not inventoried in 395 days: $300.01–$5,000: two items
6. Not inventoried in 395 days: $5,000.01–$10,000: three items
7. Not inventoried in 395 days: greater than $10,000: three items

Table B.1. First Sample's Number of Selected Items by Medical Facility and Strata

Station number and location	1	2	3	4	5	6	7
(612) Sacramento, California	2	5	10	10	2	3	3
(646) Pittsburgh, Pennsylvania	2	5	10	10	2	3	3
(589) Kansas City, Missouri	2	5	10	10	2	3	3
(512) Baltimore, Maryland	2	5	10	10	2	3	3
(654) Reno, Nevada	2	5	10	10	2	3	3
(517) Beckley, West Virginia	2	5	10	10	5	0	0
(653) Roseburg, Oregon	2	5	10	10	5	1	2
(657A4) Poplar Bluff, Missouri	0	5	10	10	0	0	0

Source: VA OIG statistician's stratified population. Data were obtained from the Corporate Data Warehouse.

Note: For facility 517, there were no items in strata 6 and 7. In place of sampling from these strata, additional samples were drawn from stratum 5, which resulted in five samples drawn from stratum 5 (all available items in this stratum). For facility 657A4, there were no items in stratum 1 or strata 5–7. Items were sampled from the remaining strata in frequencies indicated above. Additionally, where available, additional backup samples were selected in the same frequencies as the primary samples for use if samples were determined to be out of scope per discretion of the audit team.

For the second sample, a simple random sample of items not inventoried in 395 days was drawn from each site selected in the first stage of sampling. The sample size for each site was chosen to be roughly proportional to the respective site's proportion of items not inventoried in 395 days in the population. See table B.2 for the breakdown of the sampled items per medical facility.

Table B.2. Second Sample's Number of Selected Items by Medical Facility

Station number and location	Sample size
(612) Sacramento, California	3
(646) Pittsburgh, Pennsylvania	21
(589) Kansas City, Missouri	6
(512) Baltimore, Maryland	24
(654) Reno, Nevada	3
(517) Beckley, West Virginia	5
(653) Roseburg, Oregon	3
(657A4) Poplar Bluff, Missouri	0

Source: VA OIG statistician's stratified population. Data were obtained from the Corporate Data Warehouse.

Note: The Poplar Bluff medical facility had 100 percent inventory compliance and was therefore not represented in this sample.

Weights

Samples were weighted to represent the population from which they were drawn, and the weights were used in the estimate calculations. For example, the team calculated the error rate estimates by first summing the sampling weights for all sample records that contained the given error, then dividing that value by the sum of the weights for all sample records.

Projections and Margins of Error

The projection is an estimate of the population value based on the sample. The associated margin of error and confidence interval show the precision of the estimate. If the VA Office of Inspector General (OIG) repeated this audit with multiple sets of samples, the confidence intervals would differ for each sample but would include the true population value approximately 90 percent of the time.

The OIG statistician employed statistical analysis software to calculate estimates, margins of error, and confidence intervals that account for the complexity of the sample design.

The sample size was determined after reviewing the expected precision of the projections based on the sample size, potential error rate, and logistical concerns of the sample review. While

precision improves with larger samples, the rate of improvement decreases significantly as more records are added to the sample review.

Figure B.1 shows the effect of progressively larger sample sizes on the margin of error.

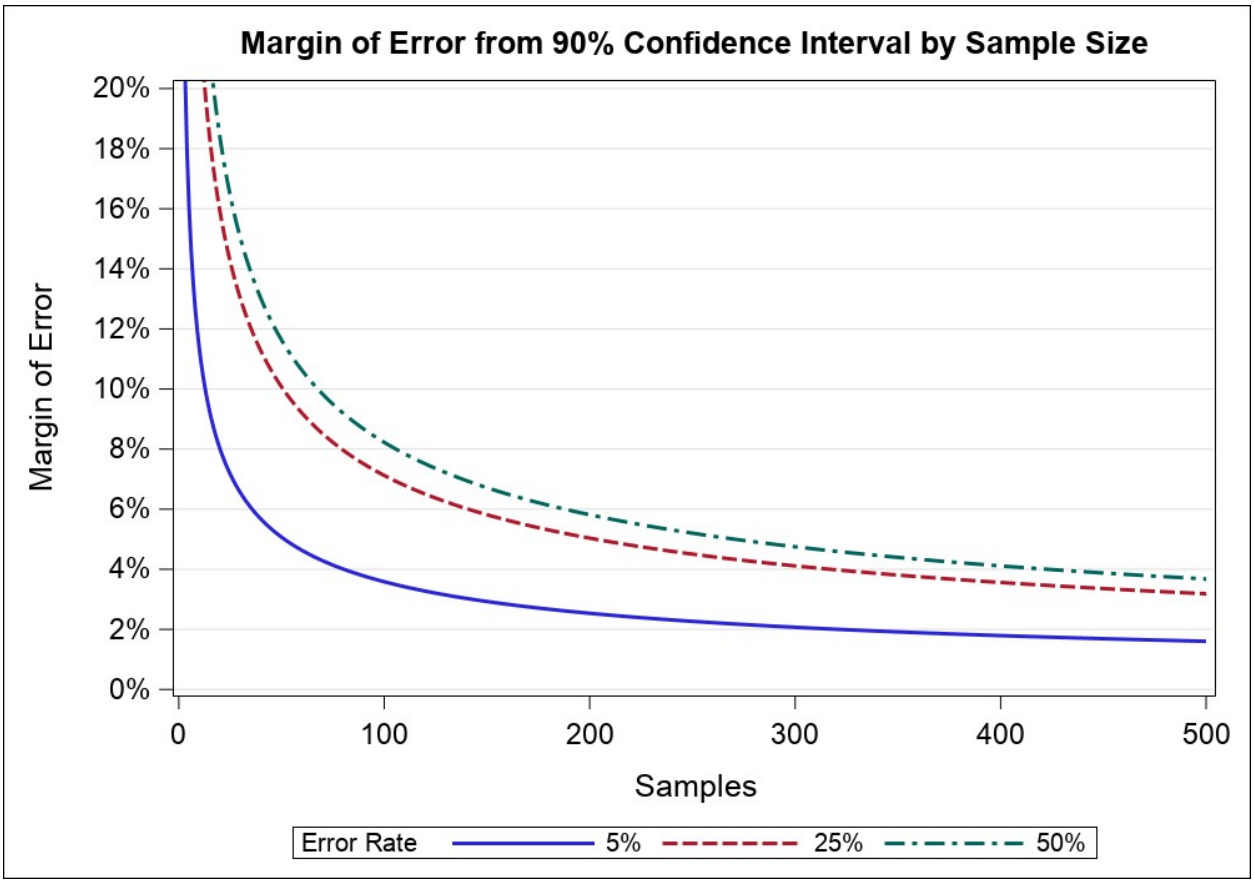

Figure B.1. *Effect of sample size on margin of error.*

Source: VA OIG statistician's analysis.

Projections

Table B.3 shows the six categories of nonexpendable items and the OIG's associated estimates.

Table B.3. Statistical Projections Summary for Nonexpendable Equipment, with a 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error*	Lower limit	Rounded lower limit	Sample count
1. Number of unaccounted-for nonexpendable items	192,498 (9 %)	116,955 (4 %)	75,543 (5 %)	75,500 (5 %)	21

Estimate name	Estimate number	Margin of error*	Lower limit	Rounded lower limit	Sample count
2. Value of nonexpendable items that could not be accounted for	$539,658,189	$328,808,000	$210,850,189	$210,900,000	21
3. Found nonexpendable items but different location‡	537,007 (33 %)	185,995 (10 %)	351,012 (23 %)	351,000 (23 %)	58
4. Found nonexpendable items that were not in use	161,077	98,579	62,498	62,500	20
5. Number of found items in a different location that had not been inventoried in 395 days	18,501	16,157	2,344	2,300	14
6. Number of items that could not be accounted for and were not scanned in 395 days	34,872	20,694	14,178	14,200	9

Source: VA OIG statistician's projections based on in-scope requests.

** Because the audit team reports one-sided confidence intervals, the margin of error for all estimates is calculated as the difference between the respective estimate and lower limit for the confidence interval.*

‡ The coefficient of variation value for this projection was 26.6; therefore, the team did not need to use the rounded lower limit for this projection. The margin of error for this projection is 240,228. Additionally, the lower and upper 90 percent confidence bounds are 296,778 and 777,235, respectively.

Additionally, the audit team projected sample results across the universe of nonexpendable equipment that had not been scanned in 395 days. Specifically, the team used the sample results to estimate the following:

- Average number of days between the last inventory date in inventory system as of March 2024 and the updated inventory day (table B.4, estimate 1, on the next page)
- Number of nonexpendable items that were not inventoried due to inventory by exception (table B.4, estimate 2)
- Number of reports of survey that should have been issued (table B.4, estimate 3)

Table B.4. Statistical Projections Summary for Nonexpendable Equipment That Had Not Been Scanned in 395 Days, with a 90 Percent Confidence Interval

Estimate name	Estimate number	Margin of error	Lower limit	Rounded lower limit	Sample count
1. Average days between last inventory date in inventory system as of March 2024 and the updated inventory day*	597	30	567	570	28
2. Nonexpendable items that were not inventoried due to inventory by exception	31,148	23,008	8,140	8,100	28
3. Reports of survey that should have been issued	14,728	14,522	206	210	11

Source: VA OIG statistician's projections based on in-scope requests.

Note: Because the audit team reports one-sided confidence intervals, the margin of error for all estimates is calculated as the difference between the respective estimate and lower limit for the confidence interval.

** The coefficient of variation value for this projection was 3.5; therefore, the team did not need to use the rounded lower limit for this projection. The margin of error for this projection is 40. Additionally, the lower and upper 90 percent confidence bounds are 556 and 637, respectively.*

Due to low sample counts, the point estimates in tables B.3 and B.4 are highly variable. Consequently, the team conservatively reports one-sided lower bounds associated with the 90 percent intervals in place of point estimates throughout the body of the report.

Appendix C: Monetary Benefits in Accordance with Inspector General Act Amendments

Recommendations	Explanation of Benefits	Better Use of Funds	Questioned Costs[73]
1–6	The OIG estimated that medical facilities could not account for at least 75,500 items with a collective value of at least $210.9 million.	$210,900,000	$0
	Total	**$210,900,000**	**$0**

The audit team estimated that VHA medical facilities were unable to locate an estimated 75,500 items with a collective value of at least $210.9 million.[74] The value reported is based on the initial acquisition price of the item. The audit team made recommendations to address VHA's need to improve its processes and procedures to ensure that medical facility staff are properly accounting for and managing nonexpendable equipment. A lack of stronger controls puts VA at risk for not properly maintaining or using its equipment and thus not efficiently using its funds.

[73] The OIG questions costs when VA action or inaction (such as spending or failure to fully compensate eligible beneficiaries) is determined by the OIG to violate a provision of law, regulation, contract, grant, cooperative agreement, or other agreement; when costs are not supported by adequate documentation; or when they are expended for purposes that are unnecessary or unreasonable under governing authorities. Within questioned costs, the OIG must, as required by section 405 of the IG Act, report unsupported costs. Unsupported costs are those determined by the OIG to lack adequate documentation at the time of the audit.

[74] The projections presented here use a lower-bound scenario, which assumes conservative estimates due to the highly variable sample data.

Appendix D: VA Management Comments, Under Secretary for Health

Department of Veterans Affairs Memorandum

Date: June 26, 2025

From: Acting Under Secretary for Health (10)

Subj: Office of Inspector General (OIG) Report, Improved Oversight of the Veterans Health Administration's (VHA) Nonexpendable Equipment Is Needed (VIEWS 13295503)

To: Assistant Inspector General for Audits and Evaluations (52)

1. Thank you for the opportunity to review and comment on the OIG draft report. The Veterans Health Administration (VHA) appreciates the OIG's comprehensive review. VHA concurs with the recommendations made to the Under Secretary for Health and provides an action plan in the attachment.

The OIG removed point of contact information prior to publication.

(Original signed by)

Steven L. Lieberman, MD, MBA, FACHE

Attachments

Attachment

VETERANS HEALTH ADMINISTRATION (VHA)
Action Plan

Improved Oversight of VHA's Nonexpendable Equipment Is Needed
(Project Number 2024-01676-AE-0068)

Recommendation 1: Reassess and clarify physical inventory requirements for equipment in medical facilities to ensure they are consistent with and meet the intent of VA Directive 7002.

VHA Comments: Concur. The Veterans Health Administration (VHA)'s Office of Supply Chain Personal Property Management Office (PPMO), in collaboration with the Department of Veterans Affairs (VA) Office of Acquisitions, Logistics, and Construction, are updating VA Handbook 7002, Logistics Management Policy, along with drafting a VHA level Property Management Handbook that will reassess and clarify the physical inventory requirements for equipment in medical facilities to ensure they are consistent. The PPMO will evaluate current standards and propose necessary updates, ensuring all staff are fully informed and trained on any revised procedures. VHA's Office of Supply Chain, PPMO, will establish monthly, quarterly and yearly reporting requirements.

Status: In-Progress **Target Completion Date: April 2026**

Recommendation 2: Ensure that facility directors require custodial officials to regularly review nonexpendable inventory to determine whether the equipment is required and take appropriate action.

VHA Comments: Concur. The Office of Supply Chain, PPMO and Veterans Integrated Service Networks (VISNs) are required to regularly monitor inventory compliance data and coordinate with non-compliant medical facilities to address issues. The Office of Supply Chain, PPMO, will establish measures to ensure that medical facility directors regularly review the nonexpendable inventory to determine whether the equipment is still needed. This includes implementing a quarterly review schedule and developing a standardized checklist to assist directors in conducting these reviews comprehensively.

Status: In-Progress **Target Completion Date: April 2026**

Recommendation 3: Ensure medical facility directors review inventory list compliance data to identify noncompliant services and implement a process to resolve noncompliance.

VHA Comments: Concur. The VHA Office of Supply Chain, PPMO, in partnership with VISNs, will assess compliance through periodic quality reviews to ensure medical facility directors review inventory list compliance data. The VHA Office of Supply Chain, PPMO, will develop a process for facility directors to review inventory compliance results systematically. This process will include monthly oversight to identify and address noncompliant services, ensuring timely corrective actions and continuous improvement. VHA Office of Supply Chain, PPMO, will require a facility level review and signature by the Medical Center Director.

Status: In-Progress **Target Completion Date: April 2026**

Recommendation 4: Ensure VHA's Procurement and Logistics Office, in coordination with VA's Office of Acquisition and Logistics, regularly monitors inventory compliance data to identify and communicate with noncompliant facilities to proactively address delinquent inventories.

VHA Comments: Concur. The VHA Office of Supply Chain, PPMO, has tools available to monitor compliance. Metrics and reports are maintained by the Supply Chain Data & Informatics Office (SCDIO). Metrics on the Supply Chain Common Operating Picture (SCCOP) metrics portal and reports on the

SCDIO Toolbox Power BI reporting site will be monitored and VISN Chief Logistics Officers (CLO's) will be alerted when there are property management deficiencies. In addition, the quality control review process requires VISNs to validate effectiveness of their supply chain management programs. Gaps will be addressed with the Facility Chief Supply Chain Officer (CSCO) and/or Facility Director for action planning as appropriate. The VHA Office of Supply Chain, PPMO, will implement a regular monitoring mechanism for inventory compliance data. This mechanism will identify noncompliant facilities, enabling swift intervention and support to address and rectify delinquent inventories.

Status: In-Progress **Target Completion Date: April 2026**

Recommendation 5: Require medical facilities to use a standardized report of survey dashboard to centrally report all lost, stolen, or damaged items.

VHA Comments: Concur. The VHA Office of Supply Chain, PPMO, will mandate use of the Report of Survey enterprise portal to centrally report lost, stolen, or damaged items. This tool will streamline reporting processes, enhance transparency, and improve incident resolution times. PPMO will work with SCDIO to identify further advancements/improvements to the dashboard or other automated systems.

Status: In-Progress **Target Completion Date: April 2026**

Recommendation 6: Require medical facility directors to review inventory compliance and establish a process to ensure noncompliant equipment, to include equipment identified in this audit, is timely reported as lost, stolen, or damaged.

VHA Comments: Concur. The VHA Office of Supply Chain, PPMO, will mandate the usage of the Report of Survey Portal and the equipment inventory list compliance portal that is currently being developed. The draft VHA Property Accountability Handbook removes the usage of Inventory by exception. The Facility Accountable Officer is the senior manager (delegated by the Facility Director in writing) who is responsible for ensuring that inventories are accurate and maintained in accordance with policy. The Accountable Officer (AO) sets an annual equipment inventory schedule and has a responsibility to report to the Medical Facility Director when the medical facility is not in compliance with the personal property directives. Oversight of this process is monitored by the VISN through periodic review of performance reporting and the quality control review process. Facility directors will be mandated to ensure that all noncompliant equipment is reported promptly through the Report of Survey Portal. Training programs and reporting protocols will be reinforced to maintain high standards of accountability and efficiency.

Status: In-Progress **Target Completion Date: April 2026**

For accessibility, the original format of this appendix has been modified to comply with Section 508 of the Rehabilitation Act of 1973, as amended.

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