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Report to the Chairman, Committee on Veterans' Affairs, House of Representatives

April 2013

VETERANS HEALTH CARE

VHA Has Taken Steps to Address Deficiencies in Its Logistics Program, but Significant Concerns Remain

GAO

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Why GAO Did This Study

VHA's logistics program is responsible for the management of medical supplies and equipment in VAMCs' inventories and the standardization of such items throughout VHA. Previous reports have pointed to deficiencies in VHA's logistics program.

GAO assessed (1) the extent to which VAMCs and networks have complied with new VHA requirements to remedy known deficiencies in its logistics program and (2) VHA's progress in enhancing its logistics program. GAO reviewed documents and interviewed officials to identify new requirements affecting VHA's logistics program. GAO then visited a nongeneralizable sample of five VAMCs and verified the extent to which the VAMCs and corresponding networks, which oversee VAMCs, were complying with VHA's new requirements. GAO also reviewed documentation of VHA's plans for funding, implementing, and evaluating efforts it is undertaking to enhance its logistics program, examined the extent to which VHA was on track to execute those plans, and assessed VHA's efforts against criteria in GAO's standards for internal control in the federal government.

What GAO Recommends

GAO recommends that VHA take steps to assist VAMCs and networks in complying with VHA's new logistics requirements and develop plans for implementing and evaluating the performance of its efforts to improve its logistics program, which address the concerns—such as system interoperability issues—GAO identified. VA concurred with GAO's recommendations and provided an action plan to address them.

View GAO-13-336. For more information, contact Randall B. Williamson at (202) 512-7114 or williamsonr@gao.gov.

What GAO Found

To address deficiencies in its logistics program, the Veterans Health Administration (VHA) issued new requirements in 2011 regarding the management of medical supplies and equipment in Veterans Affairs medical centers' (VAMC) inventories, the standardization of these items, and the monitoring of VAMCs' logistics programs. These requirements, some of which apply to VAMCs and some of which apply to networks, are designed to improve veterans' safety and the cost-effective use of resources. GAO found that the five VAMCs GAO visited and their corresponding networks have partially complied with VHA's new requirements. Specifically, as of December 2012,

- none of the VAMCs GAO visited fully complied with all of VHA's new requirements for managing inventories;

- one VAMC GAO visited and two networks fully complied with VHA's new standardization requirements, and the remaining four VAMCs and three networks partially complied; and

- four of the five VAMCs GAO visited and three of the five corresponding networks fully complied with the new monitoring requirements.

Because VAMCs GAO visited and the associated networks have only partially complied with these requirements, potential risks to patient safety and the inefficient use of resources remain.

In addition to the new VAMC and network requirements, VHA has other efforts underway that—according to officials—will further improve the management and tracking of medical supplies and equipment in VAMC inventories and the standardization of such items across VHA. However, there are substantive uncertainties relating to implementation, funding, and operational issues that may impede their success, if not appropriately addressed. Specifically:

- VHA is piloting a new inventory management system that is intended to replace VHA's existing systems for managing medical supply and equipment inventories. However, VHA has not fully funded the pilot, staffing resources to implement it at VAMCs are limited, and VHA has yet to resolve technical issues to ensure that this new system can interface with legacy systems. Furthermore, VHA has yet to develop criteria and collect corresponding data to evaluate the performance of the pilot.

- VHA is also implementing a system for electronically tracking the location of certain medical supplies and equipment in VAMCs. However, there are uncertainties with respect to interoperability issues with other inventory management systems and resources to implement the system.

- Lastly, VHA is establishing a program executive office that will provide logistics support and manage the standardization of medical supplies and equipment VHA-wide. However, the office has not been fully staffed and uncertainty exists about its continued implementation, because VHA's efforts to hire additional staff are on hold pending its evaluation of the effectiveness of this office.

_____ **United States Government Accountability Office**

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Abbreviations

AEMS/MERS	Automated Engineering Management System/ Medical Equipment Reporting System
GIP	Generic Inventory Package
network	Veterans Integrated Service Network
RME	Reusable medical equipment
RTLS	Real Time Location System
SOARD	Service Oriented Architecture Research and Development
VA	Department of Veterans Affairs
VAMC	Veterans Affairs medical center
VHA	Veterans Health Administration

G A O
Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

April 17, 2013

The Honorable Jeff Miller
Chairman
Committee on Veterans' Affairs
House of Representatives

Dear Mr. Chairman:

The Department of Veterans Affairs (VA) provides health care services to approximately 6 million eligible veterans, making it one of the largest health care delivery systems in the nation. To ensure that veterans receive safe and appropriate care and that financial resources are used effectively, the Veterans Health Administration's (VHA) logistics program is responsible for coordinating the management of medical supplies and equipment at VA medical centers (VAMC) and the standardization of such items.[1] Effective management of medical supplies and equipment enables VAMCs to purchase and track such items so clinicians at VAMCs have access to the items when needed and can identify medical supplies and equipment if an item is recalled. Likewise, the standardization of medical supplies and equipment helps VHA deliver a consistent standard of care across its system and leverage its purchasing power through bulk purchasing.

Recently, both GAO[2] and VHA internal reports have identified deficiencies with VHA's logistics program related to the management of medical supplies and equipment and the standardization of these items.

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[1]VHA attempts to standardize items by analyzing their purchase history and identifying similar items, such as endoscopes, that could be standardized by model type. After these items are identified, a team of clinicians determines whether the items are acceptable for use by all VAMCs. Once the items are determined to be acceptable, they can be standardized if VAMCs have the ability to service the items and have the capability to train staff, if needed, on how to use the items. VHA then negotiates national or regional contracts or blanket purchase agreements with vendors to obtain discounts for purchasing these items in volume and to provide more timely procurement of items needed on a recurring basis.

[2]GAO, *VA Health Care: Weaknesses in Policies and Oversight Governing Medical Supplies and Equipment Pose Risks to Veterans' Safety*, GAO-11-391 (Washington, D.C.: May 3, 2011); *VA Health Care: Preliminary Observations on the Purchasing and Tracking of Supplies and Medical Equipment and the Potential Impact on Veterans' Safety*, GAO-10-1038T (Washington, D.C.: Sept. 23, 2010).

These deficiencies may pose risks to veterans' safety and limit the cost-effective use of resources. Furthermore, by VA's own account, VHA has failed in recent attempts to update its inventory management systems because of a lack of VA leadership and other factors. In response, VHA began making changes in 2011 to address inventory management and standardization deficiencies. These changes include new logistics program requirements that VAMCs and veterans integrated service networks (network)[3] must implement and other efforts aimed at enhancing VHA's logistics program. Members of Congress have raised questions about both the extent to which VAMCs and networks are complying with these requirements and VHA's progress in enhancing its logistics program. This report addresses (1) the extent to which VAMCs and networks have complied with new VHA requirements to remedy known deficiencies in its logistics program and (2) VHA's progress in enhancing its logistics program.

To describe the extent to which VAMCs and networks have complied with new VHA requirements to remedy known deficiencies in its logistics program, we reviewed relevant VA and VHA handbooks, directives, and policy memorandums and interviewed VA and VHA officials to identify new requirements affecting VHA's logistics program. We then visited a nongeneralizable sample of 5 of the 152 VAMCs (Sacramento, California; Bronx, New York; Cincinnati, Ohio; Portland, Oregon; and Madison, Wisconsin). These VAMCs are classified by VHA as surgically complex facilities[4] and are located in different networks. In addition, two of these VAMCs are serving as pilot or demonstration sites for VHA efforts to enhance its logistics program. At these five VAMCs and the corresponding networks, we verified, through document reviews and interviews with VAMC and network officials, the extent to which the

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[3]The management of VAMCs is primarily the responsibility of 21 geographically based networks.

[4]VA assigns each VAMC a complexity level—complex, intermediate, or standard—that determines what level of inpatient surgeries may be performed in each of its surgery programs. That model uses multiple variables to measure facility complexity arrayed along four categories: facilities, equipment, workload, and staffing load. VAMCs assigned a complex rating require special facilities, equipment, and staff for difficult operations, such as cardiac surgery, whereas VAMCs assigned an intermediate or standard rating may perform less-complex surgeries. VAMCs that are classified as surgically complex generally have larger inventories of medical supplies and equipment than less-surgically complex facilities and may therefore encounter greater challenges with managing and standardizing these inventories.

VAMCs and networks were complying with VHA's new requirements. Given the small number of VAMCs that we visited and our process for selecting them, the results of our review are not generalizable to all VAMCs.

To assess VHA's progress in enhancing its logistics program, we reviewed documents describing efforts VHA is undertaking or plans to undertake to enhance its logistics program and interviewed officials from VA's Office of Acquisition and Logistics; VHA's Procurement and Logistics Office; and five VAMCs we visited and their corresponding networks. We reviewed documentation of VHA's plans for funding, implementing, and evaluating these efforts, and examined the extent to which VHA was on track to execute those plans. We also assessed progress against criteria in GAO's standards for internal control in the federal government.[5]

We conducted this performance audit from May 2012 to April 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

VHA provides health care services to various veteran populations—including an aging veteran population and a growing number of younger veterans returning from military operations in Afghanistan and Iraq. VHA's 152 VAMCs offer outpatient, residential, and inpatient services, ranging from primary care to complex specialty care, such as cardiac surgery and spinal cord injury care. In providing these health care services to veterans, clinicians at VAMCs use a variety of medical supplies and equipment, which must be appropriately managed and standardized in order to help ensure safe and cost-effective care.

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[5]See GAO, *Internal Control: Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

Logistics Program Organizational Structure	The functions carried out by VHA's logistics program include the management of medical supplies and equipment in VAMCs' inventories and the standardization of these items.

Logistics Program Organizational Structure

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At the VA headquarters level, several offices are involved in the logistics program. VA's Office of Acquisition, Logistics, and Construction develops policies related to department-wide inventory management and standardization of medical supplies and equipment. VHA's Procurement and Logistics Office develops requirements, based on VA's policies, some of which are applicable to networks and some of which are applicable to VAMCs. VA's Management Quality Assurance Service[6] assesses each VAMC for compliance with logistics requirements every 7 to 8 years using a standardized check list, which is updated annually.

Each of the 21 networks is responsible for complying with applicable VHA requirements and ensuring compliance with VHA's requirements by the VAMCs within its network. In turn, the logistics department at each of the 152 VAMCs is responsible for inventory management and standardization, and must comply with applicable VHA requirements.

Logistics Program Deficiencies in Previous Reports

In past reports, GAO and VHA identified major deficiencies related to VHA's management of medical supply and equipment inventories and the standardization of such items. These deficiencies included the following:

Limitations with inventory management systems. A 2011 GAO report and VHA internal reports from 2008 and 2011 identified that the two inventory management systems that VHA currently requires VAMCs to use to track the type and quantity of medical supplies and equipment at their facilities rely on antiquated technology and therefore have limited functionality.[7] Specifically, the Generic Inventory Package (GIP)—used to track medical supplies, such as needles and scalpel blades—and the Automated Engineering Management System/Medical Equipment Reporting System (AEMS/MERS)—used to track medical equipment, such as endoscopes—cannot provide VHA or VAMCs with system-wide data on

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[6]VA's Management Quality Assurance Service is under VA's Office of Business Oversight and is responsible for overseeing compliance with logistics policies and procedures throughout VA.

[7]GAO-11-391.

the types and quantities of medical supplies and equipment in use at VAMCs. This occurs because each VAMC maintains its own inventory management systems, and data have not been entered consistently across VAMCs. Without system-wide information, VHA's ability to identify VAMCs' noncompliance with certain inventory management requirements is limited, which in turn may pose risks to veterans' safety and limit VHA's cost effectiveness. In addition, because of the antiquated technology on which GIP and AEMS/MERS are based, these systems can only be updated to a limited extent, meaning that VHA is largely unable to expand the capabilities of these systems.

Gaps in requirements for managing inventories. In 2011, we reported that VHA's requirements for managing medical supply and equipment inventories had gaps concerning the types of medical supplies and equipment VAMCs must track in their inventories, and that, as a result, VAMCs did not track all the items being used in their facilities. In that report, we also found that items clinical department staff had purchased were sometimes not captured in the medical supply and equipment inventories. Because VAMCs did not track all the items being used in their facilities, they had difficulty ensuring that they maintained appropriate quantities of items to stock, resulting in unavailable or expired medical supplies. VAMCs with incomplete inventories may also have been unable to quickly identify and remove medical supplies and equipment that are the subject of a manufacturer or U.S. Food and Drug Administration recall or patient safety alert so that they would not be used when providing care to veterans.[8]

Lack of standardization of medical supplies and equipment. While VHA has had efforts in place to standardize medical supplies and equipment, a 2011 VHA internal report found that VHA did not have a systematic process for identifying the medical supplies and equipment that could be standardized. In addition, VHA did not have a systematic process to determine the potential financial and clinical effects of standardizing a particular item throughout VAMCs, and VHA lacked appropriate involvement of clinical staff in the standardization process. Clinical staff must be involved in this process, because—as the users of medical supplies and equipment—they have a unique understanding of the

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[8]A patient safety alert is a notification sent to VAMCs from VA's National Center for Patient Safety regarding veterans' safety.

features offered by each item. Greater standardization could allow VHA to better leverage its purchasing power by establishing national contracts and blanket purchase agreements and to increase veterans' safety.[9] For example, if a VAMC standardized certain types of reusable medical equipment (RME), it could reduce the number of different types of RME available for use in the facility.[10] This, in turn, would cut down on the different reprocessing methods that VAMC staff would need to be familiar with in order to clean, disinfect, and sterilize each piece of RME properly, which might reduce instances of inadequate or improper reprocessing of these items.

VAMCs and Networks We Visited Have Partially Complied with New VHA Requirements to Address Deficiencies in Its Logistics Program

To address deficiencies in its logistics program, VHA issued new requirements in 2011 mainly in three areas—management of medical supplies and equipment in VAMCs' inventories, the standardization of these items, and the monitoring of VAMCs' logistics programs.[11] These requirements, some of which apply to VAMCs and some of which apply to networks, are designed to improve veterans' safety and the cost-effective use of resources. We found that the five VAMCs we visited and their corresponding networks have partially complied with VHA's new requirements, as of December 2012.

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[9]National contracts and blanket purchase agreements are methods VAMCs' use to acquire supplies that are reordered on a regular basis. These methods allow VHA the opportunity to negotiate better pricing based on anticipated sales volume and to provide more timely procurement of products needed on a recurring basis.

[10]RME is designed to be reused for multiple patients and includes such equipment as endoscopes and surgical and dental instruments. Reusable medical equipment must be reprocessed—that is, cleaned and disinfected or sterilized—between uses.

[11]These requirements were mandated by the Deputy Under Secretary for Health for Operations and Management on January 11, 2011, February 11, 2011, and October 12, 2011, respectively.

None of the VAMCs We Visited Fully Complied with Requirements for Managing Inventories

None of the VAMCs we visited fully complied with all of VHA's new requirements for managing inventories.[12] These new requirements include three components: (1) having logistics staff manage all medical supplies,[13] (2) establishing and maintaining a list of all medical supplies and RME approved for use at the facility,[14] and (3) entering all stock surgical and dental instruments—a type of RME—into GIP.[15] (Table 1 lists each of the new requirements for managing inventories and each VAMC's compliance with these requirements.)

Table 1: Selected Veterans Affairs Medical Centers' (VAMC) Compliance with New Veterans Health Administration (VHA) Requirements for Managing Inventories

Requirement	Compliance by VAMC				
	VAMC A	VAMC B	VAMC C	VAMC D	VAMC E
VAMC logistics staff manage all medical supplies[a]	◐	●	◐	●	●
VAMC logistics staff establish and maintain a list of all medical supplies and reusable medical equipment (RME) approved for use at the facility[b]	◐	◐	◐	◐	◐
VAMC staff enter all stock surgical and dental instruments into the Generic Inventory Package (GIP)[c]	●	◐	◐	◐	◐

Key: ● = full compliance; ◐ =partial compliance

Source: GAO analysis of information from the five selected VAMCs.

[a]The management of medical supplies includes the following three responsibilities: (1) the management of medical supply inventories, (2) the purchase of medical supplies, and (3) the management of funds allocated to medical supply purchasing. Collectively, these responsibilities are referred to as total supply support. This requirement also prohibits clinical department staff from using purchase cards to purchase medical supplies.

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[12]These new requirements for managing inventories apply only to VAMCs and not to networks, as networks are not responsible for managing inventories of medical supplies and equipment.

[13]The management of medical supplies includes the following three responsibilities: (1) the management of medical supply inventories, (2) the purchase of medical supplies, and (3) the management of funds allocated to medical supply purchasing. Collectively, these responsibilities are referred to as total supply support. This requirement also prohibits clinical department staff from using purchase cards to purchase medical supplies.

[14]Medical supplies and RME approved for use at the VAMC are required to be recorded in the facility's item master file, an electronic database that contains certain information on each item, such as the manufacturer and cost.

[15]Stock surgical and dental instruments include those instruments that are not currently in use, such as spare instruments.

Specifically, compliance with these requirements was as follows:

- At two of the five VAMCs, some medical supplies were still being managed by staff from clinical departments instead of logistics staff as required.[16] Staff at these two facilities cited a lack of staffing resources in light of the additional responsibilities that logistics department staff had to take on as the reason for not fully meeting the VHA requirement. One of these VAMCs only allows staff from two clinical departments to manage medical supplies and requires these staff to comply with VHA's review, approval, and tracking processes. Since our visit, the other VAMC with partial compliance was able to secure additional staffing resources and expects to achieve compliance with this requirement in the near future. The purchase of medical supplies by clinical department staff may circumvent the required review, approval, and tracking processes and thereby poses risks to veterans' safety and limits the cost-effective use of resources.

- Although all five VAMCs had established a list of medical supplies and RME approved for use at the facility, these lists were incomplete at each of the five VAMCs. Specifically, at the five VAMCs, based on VHA data, between 1 percent and 14 percent of medical supplies and RME that had been purchased in October 2012 were not captured on the list, although the percentage of items not captured has decreased at three of these VAMCs since September 2012.[17] VAMC and network officials mainly attributed the incomplete lists of approved medical supplies and RME to two factors. First, a lack of training for logistics program staff has led to inaccuracies in entering medical supplies and RME on this list. Second, such items may not be consistently entered on the list when they are managed by clinical

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[16]At two of the VAMCs we visited that complied with the requirement that logistics staff manage all medical supplies, such supplies had already been managed by logistics staff prior to the issuance of this requirement.

[17]In September 2012, at the five VAMCs, between 7 percent and 19 percent of medical supplies and RME that had been purchased were not captured on the list. VHA began collecting these data in fiscal year 2012 and is using them, along with other data, to assess VAMCs' logistics programs.

department staff rather than logistics staff. VAMCs with an incomplete record of medical supplies and RME in use at the facility may have difficulty determining whether they possess an item targeted by a manufacturer or Food and Drug Administration recall, or patient safety alert. Moreover, VHA's Procurement and Logistics Office is in the process of establishing an electronic database that will contain all medical supplies and RME approved for use across VHA, which will eventually allow VHA to determine which items each VAMC has approved for use.[18] Because data are extracted from each VAMC's list of approved medical supplies and RME to populate VHA's database, each VAMC needs to achieve full compliance with this requirement in order for the database to be complete.

- Officials from four of the five VAMCs said that they had not entered all stock surgical and dental instruments into GIP because they lack the staffing resources necessary to do this. A VAMC official said given the high volume of existing surgical and dental instruments that have not been entered into GIP at each VAMC, this requirement would likely take months to complete. VAMC officials stated that in light of limited resources available to comply with this requirement, they would benefit from guidance from VHA such as how to prioritize the entry of instruments into GIP. At the one VAMC that reported achieving full compliance with this requirement, an official told us that the process of entering these instruments into GIP was cumbersome and resource-intensive and that achieving compliance required extensive collaboration between logistics staff and sterile processing staff within the VAMC.[19]

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[18]As part of this process, VHA is standardizing the naming conventions for all medical supplies and RME in the database, so that each VAMC's data can be aggregated nationally.

[19]Sterile processing staff are responsible for reprocessing RME.

One VAMC We Visited and Two Networks Have Fully Complied with VHA's Standardization Requirements

One VAMC we visited and two networks fully complied with VHA's new standardization requirements, and the remaining four VAMCs and three networks have partially complied. For VAMCs, these new requirements include: (1) establishing and maintaining a clinical product review committee;[20] (2) reviewing and approving medical supplies and RME that have not previously been used at the VAMC, including emergency purchases of these items;[21] and (3) performing standardization activities—including identifying opportunities for standardizing medical supplies and RME within the facility and ensuring facility compliance with national contracts and blanket purchase agreements for medical supplies and RME. For networks, these new requirements include: (1) establishing and maintaining a network commodity standardization committee and four subcommittees;[22] (2) reviewing the activities of the VAMC clinical product review committees; and (3) performing standardization activities—including identifying opportunities for standardization, facilitating the standardization of medical supplies and RME, and tracking and reporting the benefits resulting from the implementation of standardization initiatives.

Extent of VAMCs' compliance. Four of the five VAMCs we visited had not fully complied with all of VHA's new standardization requirements. (Table 2 lists each of the new standardization requirements and each VAMC's compliance with these requirements.)

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[20]The clinical product review committee is responsible for reviewing and approving all medical supplies and RME prior to use at each VAMC, maintaining the list of approved medical supplies and RME, and performing standardization activities. The committee is to comprise both clinical and nonclinical staff.

[21]Medical supplies and RME that have not previously been used at the VAMC also include items on national contracts or blanket purchase agreements and evaluations, trials, or loans of these items.

[22]The network commodity standardization committee is responsible for identifying standardization opportunities and facilitating the standardization process, which includes determining potential benefits of standardization, working with contracting staff to establish network-wide contracts for standardized items, tracking the benefits realized through standardization, and reporting those benefits. In addition, VHA requires the establishment of four subcommittees (at a minimum)—medical/surgical, laboratory, radiology, and sterile processing department/RME—which focus on standardizing items used within those communities. Other subcommittees may be established at the discretion of each network. Subcommittees are to comprise both clinical and nonclinical staff.

Table 2: Selected Veterans Affairs Medical Centers' (VAMC) Compliance with New Veterans Health Administration (VHA) Standardization Requirements

Requirements	Compliance by VAMC				
	VAMC A	VAMC B	VAMC C	VAMC D	VAMC E
VAMC established and maintains a clinical product review committee	●	●	●	◐	◐
Committee has a process for reviewing and approving medical supplies and reusable medical equipment (RME) that have not previously been used at the VAMC, including emergency purchases[a]	●	◐	◐	●	◐
Committee performs standardization activities, including identifying opportunities for standardization and ensuring compliance with nationally standardized contracts and blanket purchasing agreements	●	◐	◐	◐	●

Key: ●= full compliance; ◐=partial compliance

Source: GAO analysis of information from the five selected VAMCs.

[a]Medical supplies and RME that have not previously been used at the VAMC also include items on national contracts or blanket purchase agreements and evaluations, trials, or loans of these items.

Specifically, compliance with these requirements among the five VAMCs we visited was as follows:

- Each of the five VAMCs had established a clinical product review committee; however, at one of these VAMCs, the committee was not meeting on a regular basis. An official at this VAMC stated that the committee had only been meeting sporadically because clinical staff—who are required to be represented on the committee—were not available to attend the meetings. In addition, at another VAMC, the committee was not established until recently—9 months after the deadline for establishing it. However, prior to the establishment of the clinical product review committee, some of its required functions, such as the review and approval of items that had not previously been purchased, were being performed by another VAMC committee. Regular clinical product review committee meetings, which include appropriate representation of clinical and nonclinical staff, are key to ensuring that new medical supplies and RME are reviewed and approved prior to their use and to identify opportunities for standardization.

- Three of the five VAMCs lacked a documented process for reviewing emergency purchases. Specifically, at one VAMC, emergency purchases were made without any approval, while at the other two VAMCs, the process for reviewing and approving these purchases was not documented; however, officials told us that an informal review is conducted. Without a documented process for review and approval of emergency purchases, the VAMCs may purchase these items

without evaluating their cost effectiveness or likely effect on veterans' care.

- Three VAMCs did not perform all of the required standardization activities. Specifically, one VAMC did not identify opportunities for standardization within its clinical product review committee. Officials at this VAMC told us that this was because the committee had not been meeting regularly because of a lack of clinical department staff availability. Identifying opportunities for standardization is an important first step to standardizing medical supplies and RME, which may ultimately result in cost savings and greater continuity of care. Furthermore, officials at this VAMC and two others did not have measures in place to fully ensure compliance with national contracts and blanket purchase agreements for medical supplies and RME. Officials at one of these VAMCs were only assessing compliance with newly issued national contracts and blanket purchasing agreements. Officials at the other two VAMCs used an electronic tool—made available by VHA—to ascertain whether items they were purchasing were available at lower prices through a national contract or blanket purchasing agreement. However, VHA officials told us that this tool was insufficient to assess compliance because it does not provide enough information to determine whether VAMCs are purchasing all of the standardized medical supplies and RME available on these contracts and blanket purchasing agreements.[23] At the two VAMCs that were in full compliance with this requirement, the corresponding networks had developed a spreadsheet that enabled the VAMCs to assess whether they were purchasing standardized items on national contracts and blanket purchasing agreements by manually reviewing their purchase histories. Both of these networks required the VAMCs to assess their compliance with a certain number of national contracts and blanket purchasing agreements each month and report their findings to the network. Assessing compliance with national contracts and blanket purchasing agreements is important because VAMCs that are not in compliance may not be taking advantage of cost-effective options for purchasing medical supplies and RME that have been standardized.

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[23]Procurement and Logistics Office officials told us that VHA is in the process of developing an electronic tool that will allow VAMCs to more easily assess their compliance with national contracts and blanket purchasing agreements.

Extent of network compliance. Two of the five networks we visited fully complied with all of VHA's new standardization requirements, and the remaining three only partially complied. (Table 3 lists the requirements for standardization and each network's compliance with the requirements.)

Table 3: Selected Veterans Integrated Service Networks' (Network) Compliance with New Veterans Health Administration (VHA) Standardization Requirements

Requirements	Compliance by network				
	Network A	Network B	Network C	Network D	Network E
Network established and maintains a commodity standardization committee and four subcommittees—(1) medical/surgical, (2) laboratory, (3) radiology, and (4) sterile processing department/reusable medical equipment (RME)	●	◕	◕	●	◕
Network reviews the activities of the Veterans Affairs medical centers' (VAMC) clinical product review committees	●	◕	◕	●	○
Network commodity standardization committee, including the four subcommittees, performs standardization activities, including identifying opportunities for standardization, facilitating the standardization of medical supplies and RME, and tracking and reporting the benefits resulting from the implementation of standardization initiatives	●	◕	◕	●	○

Key: ●= full compliance; ◕=partial compliance; ○= noncompliance
Source: GAO analysis of information from the five selected networks.

Specifically, compliance with these requirements was as follows:

- While each of the five networks had established a commodity standardization committee and the four required subcommittees, at three of the networks the committee and its subcommittees were not meeting on a regular basis, as required. Officials at these networks stated that the committee had only been meeting sporadically because clinical or logistics program staff from the VAMCs within the networks—who are required to be represented on the committee and its subcommittees—were not available to attend the meetings. Officials at two networks told us that clinical staff serve on this committee as a collateral duty and often lack the time to participate in committee meetings. Similarly, officials at another network told us that VAMC logistics staff were not always available to participate in committee meetings in light of additional responsibilities they had to take on. Regular network commodity standardization committee meetings, which include appropriate representation of clinical and nonclinical staff, are key to identifying and pursuing opportunities for standardization.

- One of the five networks did not review the activities of the VAMC clinical product review committee. Network officials told us that they were not receiving committee minutes from the VAMCs but that they would begin requesting these minutes in the future, which would allow the network to review the committees' activities. Review of the VAMCs' clinical product review committees' activities is important to ensure that the committees are functioning effectively and to help identify standardization opportunities, which can lead to financial savings. Officials at one of the two networks that was partially complying with this requirement told us that instead of reviewing the activities of the VAMCs' clinical product review committee, network officials extract data on the VAMCs' purchases to identify items that are frequently used or costly—in an effort to standardize them across the network. Officials at the other network that was partially complying told us that they review the activities of the VAMCs' clinical product review committee only once annually, as part of a network external review of VAMCs' logistics programs. Because these networks did not regularly review the activities of the VAMC committees, they may not have been aware of new supply and RME purchases the VAMCs are considering. If other VAMCs within the networks are considering similar purchases, the networks may be able to consolidate these purchases across multiple VAMCs and thereby achieve financial savings.

- At one network, the commodity standardization committee had not performed any standardization activities because clinical staff from the VAMCs within the network were not available to attend the committee meetings and identify medical supplies and RME for standardization. At another network that achieved partial compliance, the commodity standardization committee and its subcommittees had not met regularly because VAMC logistics staff were not available to attend committee meetings. Instead, network officials performed some standardization activities outside of the committee. At another network, the committee had just begun the process of reviewing VAMCs' purchase histories to identify opportunities for standardization but had not developed specific plans to standardize medical supplies or RME because of a lack of clinical staff involvement. In contrast, the two networks that fully complied with this requirement were able to identify items for standardization, facilitate the standardization process, and implement the standardized items at the VAMCs within the network. For example, at one of these networks, a medical supply used in certain imaging procedures was standardized across the network, resulting in an estimated cost savings of $1.7 million over 5 years, according to network officials.

Four VAMCs We Visited and Three Networks Have Fully Complied with VHA's Monitoring Requirements

Four of the five VAMCs we visited and three of the five corresponding networks had fully complied with the new monitoring requirements at the time of our visit. One VAMC and two networks partially complied. For VAMCs, these requirements include conducting an annual facility internal review using VA's Management Quality Assurance Service checklist, developing an action plan for correcting deficiencies identified during the review to submit to the network, and ensuring that all identified deficiencies from the internal review are corrected within 90 days after they were identified.[24] The VAMC that only partially complied with these new monitoring requirements failed to correct identified deficiencies within 90 days after they were identified or request an extension. While each of the VAMCs either fully or partially complied, VAMC officials stated that they were unclear about some of the items on the checklist. For example, these officials pointed out that several of the checklist items referred to VHA requirements that appeared to be conflicting, and thus they were unsure how to interpret those items. Officials from VHA's Procurement and Logistics office told us that they were in the process of issuing guidance to VAMCs and networks on how to interpret each checklist item; however, at the time of our report, this guidance had not yet been issued.

For networks, these requirements include conducting a network external review at least 90 days and no more than 9 months after the VAMC's internal review to validate the VAMCs' internal findings. Also, networks must ensure that all identified deficiencies from the external review are corrected by the VAMCs within 90 days after they were identified.[25] At one network that did not fully comply, we found that the network did not use the entire checklist, as required by VHA, when conducting this review. Rather than completing the entire checklist, this network only assessed those items on the checklist for which the VAMCs noted deficiencies during their facility internal reviews. Officials at this network were not aware that they had to complete the entire checklist. Because this network did not complete the entire checklist, it may have failed to identify deficiencies that the VAMCs did not identify during their internal reviews. The other network that did not fully comply completed the review outside of the required time frame. Full compliance with monitoring

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[24]VHA requires that an extension be requested for deficiencies that cannot be addressed within 90 days of the date of the facility internal review.

[25]VHA requires that an extension be requested for deficiencies that cannot be addressed within 90 days of the date of the network external review.

requirements helps ensure the cost-effective use of resources and patient safety by enabling VAMCs and networks to identify and correct deficiencies in the management of medical supplies and equipment.

VHA Has Additional Efforts Underway to Further Improve Its Logistics Program, but They Face Uncertainty about Implementation

In addition to the new VAMC and network requirements, VHA has other efforts underway that—according to officials—will further improve the management and tracking of medical supplies and equipment in VAMC inventories and the standardization of such items across VHA. Specifically, VHA is (1) developing a new inventory management system that will replace VHA's existing systems for managing medical supply and equipment inventories, (2) developing a system for electronically tracking the location of certain medical supplies and equipment in VAMCs, and (3) establishing a program executive office that will provide logistics support and manage the standardization of medical supplies and equipment VHA-wide. However, there are uncertainties related to implementation, funding, and operational issues that may impede their success, if not appropriately addressed.

VHA Is Piloting a New Inventory Management System, but Must Overcome Major Hurdles before It Can Be Fully Implemented VHA-Wide

In early 2012, VHA began to pilot a new inventory management system, called Service Oriented Architecture Research and Development (SOARD) that relies on commercially available asset management software.[26] VHA is developing SOARD to eventually replace VHA's antiquated inventory management systems—GIP and AEMS/MERS.[27] VHA established a project team that is responsible for planning and implementing the SOARD pilot at selected VAMCs.[28] SOARD project team officials told us that SOARD will provide VHA with enhanced inventory management capabilities that are not available through GIP and AEMS/MERS. For example, these planned capabilities include a link to an electronic database of recall information for medical supplies and equipment and a single Web-based system that contains systemwide

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[26]SOARD relies on a Web-based asset management software used by some hospitals in the private sector to manage medical supplies and equipment inventories. This software provides additional capabilities beyond inventory management, such as the management of equipment maintenance requests and maintenance records.

[27]SOARD is also intended to replace other systems outside the realm of logistics.

[28]The SOARD project team selected pilot sites using the following criteria: strong biomedical engineering managers and staff at the VAMCs with enthusiasm for the project.

data on the types and quantities of medical supplies and equipment in use at VAMCs that SOARD project team officials told us will enable VHA to search, view, and report aggregate data from each VAMC.

VA has made two previous unsuccessful attempts to update the inventory management systems in use at VAMCs.[29] In a previous report, GAO attributed these failures to the lack of a reliable program schedule and cost estimate, as well as concerns about the capabilities of the new inventory management systems, among other factors.[30]

The SOARD project team is rolling out SOARD through a multiple-stage pilot and, at the time of our report, it had implemented a limited number of SOARD's capabilities at three VAMCs. Throughout fiscal year 2013, the SOARD project team plans to pilot SOARD at an additional seven VAMCs. VHA plans to roll out SOARD's equipment management capabilities nationwide over the next 3 years (by the end of fiscal year 2015), thereby allowing AEMS/MERS to be replaced early in fiscal year 2016. Three factors could potentially interrupt or derail these plans: (1) VHA has not committed to fully funding SOARD, (2) staffing resources to implement it at VAMCs are limited, and (3) the project team has yet to resolve technical issues such that it can interface with legacy systems.[31] These uncertainties, along with VHA's somewhat aggressive timeline to develop and implement SOARD at VAMCs, raise questions about the project team's ability to effectively implement SOARD.

- *Funding needed to complete project*. Because of previous failures to replace VHA's inventory management systems, VA's Office of Information Technology is not funding SOARD, which is currently projected to cost about $38 million through fiscal year 2015; therefore,

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[29]Previous unsuccessful attempts to update the inventory management systems include the Core Financial and Logistics System in 2004 and the Strategic Asset Management system in 2011.

[30]GAO, *Information Technology: Actions Needed to Fully Establish Program Management Capability for VA's Financial and Logistics Initiative,* GAO-10-40 (Washington, D.C.: Oct. 26, 2009).

[31]VHA is concurrently developing a new system—called Real Time Location System (RTLS)—for electronically tracking certain medical supplies and equipment.

the SOARD project team had to identify alternative funding sources.[32] VHA's Office of Emergency Management and Procurement and Logistics Office provided some funding for SOARD for fiscal year 2012. However, according to officials, of the $16.4 million that the SOARD project team requested for fiscal year 2013, it only received $3.4 million, which has required the team to scale back its efforts and may not allow it to remain on target with its implementation plan. SOARD project team officials told us that it is unlikely that VHA will allocate additional funding for SOARD in fiscal year 2013. Given the budgetary uncertainties facing the federal government, as well the fact that VA has not committed to funding SOARD, the extent to which funding will be available for SOARD in future years is unclear.

- *Resources needed for implementation*. A VAMC official at the initial SOARD pilot site told us that the preparations for the implementation of SOARD, which consist of updating existing inventory databases and training staff to use SOARD, are highly resource and labor intensive, often requiring highly trained and experienced staff to complete. For example, at this VAMC, two engineering staff members spent 3 months updating the inventory databases. The official stated that other facilities with relatively fewer resources and less experience would likely face major challenges completing the necessary steps to implement SOARD. On the basis of feedback from this pilot site, SOARD project team officials have decided to provide additional training as well as greater on-site assistance with preparations for the implementation of SOARD at future pilot sites. However, SOARD project team officials acknowledged that it is a challenge to support several pilot sites with their current resources and nearly impossible to support simultaneous deployment at additional sites.[33] As a result, officials told us that the expansion of SOARD to additional pilot sites is dependent on the SOARD project team being able to hire additional staff members, who will provide support to pilot sites.

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[32]While VA's Office of Information Technology will not be providing funding directly for SOARD, in January 2013, it agreed to provide support services, including a project manager, to the SOARD project team. Furthermore, this office is paying for the license for the software on which SOARD relies.

[33]At the time of our report, SOARD project team officials were developing a methodology to determine the level of resources required to assist the pilot sites with preparation activities and deliver long-term support.

- *System interoperability issues*. It is currently unclear whether SOARD will be able to provide certain capabilities that are supported by the existing inventory management systems. For example, SOARD currently does not have the capability to interface with VHA's financial management system. If this capability is not established, VAMC staff would have to manually enter information on medical supply and equipment purchases in two separate systems, which would increase their workload. SOARD project team officials told us that they are working on solving this interoperability issue but have not estimated a time frame for doing so.

  Furthermore, SOARD project team officials told us that the Web-based product on which SOARD relies was designed to be used for equipment management and that—to their knowledge—only a small number of health care entities use this product to manage medical supply inventories. SOARD project team officials told us that they are working with officials at several entities that use the product for this purpose in order to develop this capability for VHA; however, they have no timeline for when they expect to achieve this capability.

SOARD project team officials told us that—over the course of the pilot—officials are monitoring the development and implementation of SOARD, including whether each phase of the pilot remains on-time and within its budget, and making changes to the system based on feedback that they receive from users at the pilot sites and other stakeholders. However, we found that they had not yet developed formal criteria that rely on data collected from the pilot sites for measuring the overall performance of the pilot, including whether anticipated benefits are being achieved. According to GAO internal control standards, performance measures need to be established and monitored, so that analyses can be made and appropriate actions can be taken. Measuring performance would allow VHA to track the progress it is making towards achieving its anticipated benefits from SOARD implementation and would give officials crucial information on which to base their decisions regarding the necessary modifications and successful implementation of SOARD. Furthermore, VHA's implementation plan for SOARD is ambitious—with nationwide implementation of SOARD's equipment management capabilities expected by September 2015—which may not allow adequate time to address the uncertainties associated with the program, evaluate the performance of the pilot, and address identified concerns. Given the uncertainties that surround the SOARD pilot and the fact that VA has made two previous unsuccessful attempts at updating the inventory management systems in use at VAMCs, it is important that VHA have a

realistic implementation plan—vetted thoroughly in VHA—and assess the SOARD pilot using formal evaluation criteria to increase the probability of success.

VHA Is Implementing a New System for Electronically Tracking Medical Supplies and Equipment, but Concerns Exist about System Interoperability and Resources

At the same time SOARD is being piloted at several VAMCs, VHA is preparing to roll out a system for physically tracking certain medical supplies and equipment, using radio frequency identification and other technologies, called Real Time Location System (RTLS).[34] Officials expect that physical tracking of medical supplies and equipment will enable VAMCs to reduce expenses associated with lost or stolen supplies and equipment and help improve patient safety by—for example—being able to systematically track RME through reprocessing.

According to RTLS program officials, VHA has budgeted up to $550 million through fiscal year 2014 to implement RTLS nationwide through a contractor. However, VHA's nationwide RTLS contract was subjected to a bid protest in 2012, which was upheld and resulted in VHA having to reopen the acquisition. In January 2013, VHA selected a new RTLS contractor which, according to RTLS program officials, will allow for the implementation of RTLS VHA-wide to begin in March 2013—6 months later than anticipated. Because RTLS program officials expect VHA to make funding for RTLS implementation available only through fiscal year 2014, VHA is attempting to implement RTLS VHA-wide by that time.

According to a VHA official, separately from VHA-wide RTLS implementation, RTLS is currently being rolled out at all of the VAMCs in two networks as demonstration sites.[35] These networks began rolling out

[34]RTLS uses radio frequency identification and other technologies to provide wireless tracking and identification capabilities for certain medical equipment and supplies outfitted with an identification tag. At most VAMCs, wireless signals will be used to track both the identification and location of the tags. VHA estimates that each VAMC will have approximately 80,000 identification tags and that additional tags will be added over time. In addition, RTLS allows VAMCs to centrally monitor temperature and humidity levels throughout the facility and to track staff and patients at VAMCs. Lastly, all VAMC-level RTLS data will be consolidated into one national database from which information about any RTLS-equipped item at the VAMC may be obtained or aggregated from any combination of VAMCs, in order to get a network-level or national view of the data.

[35]According to VHA officials, the VAMCs where RTLS is being implemented are considered demonstration sites and not pilot sites because they are using a different vendor than the one that will eventually provide RTLS nationwide to all VAMCs.

RTLS before VHA decided to establish a contract for nationwide RTLS implementation and are using a different vendor than the one that will eventually provide RTLS nationwide to all VAMCs. The demonstration sites are providing VHA with lessons learned for future implementation of RTLS at all VAMCs.

To prepare for VHA-wide RTLS implementation, VHA has begun to equip VAMCs with wireless capabilities and, according to VHA officials, is requiring VAMCs to update existing inventory databases to help ensure that RTLS is populated with accurate data on medical supplies and equipment. In addition, 6 months prior to RTLS implementation, each network will dedicate one staff member to RTLS implementation activities. However, like SOARD, there are uncertainties with respect to interoperability issues and resources that may prevent RTLS from being fully implemented by the end of fiscal year 2014:

System interoperability issues. Once it is operational, RTLS is meant to interface with VHA's current GIP and AEMS/MERS systems as well as with SOARD.[36] RTLS program officials told us that they believe it would likely take 6 to 12 months for VHA's contractor to develop separate interfaces between RTLS and these various systems once the RTLS contract has been finalized.[37] However, a more precise timeline will not be known until VHA's contractor begins to develop these interfaces.

Furthermore, some VAMCs are in the process of rolling out separate systems for tracking the location of surgical and dental instruments, which is a function that RTLS will provide. According to RTLS program officials, once RTLS is implemented at the 44 VAMCs that already have a system for instrument tracking, 14 VAMCs will have to replace these systems because they are not compatible with the instrument tracking capability provided by RTLS. In fiscal year 2012, after RTLS program officials discovered that 24 additional VAMCs were planning to purchase their own instrument tracking systems, these officials placed a moratorium on

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[36]In addition, RTLS is meant to interface with other systems outside the realm of logistics.

[37]According to RTLS program officials, the contract for nationwide RTLS implementation includes the requirement that RTLS interface with existing VA information systems, including VHA's two inventory management systems—GIP and AEMS/MERS—but does not specify the mechanism or timetable for achieving this. Similarly, the contract specifies that interfacing with other systems, such as SOARD, shall be completed by the contractor.

VAMCs acquiring their own instrument tracking systems in order to prevent this incompatibility issue from arising at additional VAMCs.

Resources needed for implementation. Currently, not all VAMCs have wireless capabilities—which are necessary before RTLS can be implemented—and at some facilities that have these capabilities, the wireless signals do not cover the entire facility. RTLS program officials told us that some VAMCs are difficult to equip with wireless capabilities because of the age or configuration of the buildings, or both, and that this, among other issues, has resulted in the installation of wireless capabilities taking longer than initially anticipated.[38] Furthermore, funding has not been identified for the installation of wireless capabilities at the VAMCs in several networks; however, RTLS program officials told us that they are working with VA's Office of Information Technology to secure funding for this purpose. RTLS program officials plan to implement RTLS first at VAMCs that have full wireless capabilities, but nationwide RTLS deployment hinges on wireless capabilities being in place at each VAMC.

Furthermore, as with SOARD preparation activities for updating existing inventory management systems, data in AEMS/MERS must be updated in preparation for RTLS implementation, so that the data used to populate RTLS is accurate. According to RTLS program officials, these activities are resource intensive and have resulted in some VAMCs requesting that RTLS be installed at their facilities during the later stages of RTLS implementation. RTLS program officials told us that they have made training available to VAMCs to help them conduct the necessary preparations for RTLS. However, officials told us that ultimately these preparation activities need to be completed by each VAMC prior to RTLS installation.

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[38]Officials originally estimated that the installation of wireless capabilities would take 6 months to complete at each VAMC; however, they have found that this process takes 9 months to complete.

VHA's New Program Executive Office for Providing Logistics Support and Managing Standardization Nationwide Faces Uncertainty about Its Continued Implementation

In August 2011, VHA established a program executive office, within its Procurement and Logistics Office, for providing logistics support and managing standardization. This office consists of a logistics operations office and six program-management offices—aligned along functional areas—that are tasked with identifying medical supplies and equipment for standardization and facilitating the process of standardizing them.[39] The logistics operations office is responsible for providing overall logistics program support across VHA, which includes monitoring VAMCs' compliance with national contracts and blanket purchase agreements and other logistics metrics. According to VHA officials, each of the six program management offices are expected to collaborate with teams of clinicians and other stakeholders, who can provide insight on identifying certain medical supplies and equipment for standardization and assessing the feasibility of standardizing these items; coordinate with VA's Office of Acquisition and Logistics to develop business cases for standardizing these items; and coordinate with VA's contracting offices, which are responsible for establishing nationwide contracts for standardized items. After contracts have been established, the program-management offices are responsible for helping VAMCs implement standardized items. According to VHA officials, the program-management offices will also collaborate with the network commodity standardization committees to avoid duplication of efforts. At the time of our report, the program-management offices had identified 179 items as potential standardization opportunities. VA's contracting offices had awarded national contracts for six of these items and a regional blanket purchasing agreement for one item. However, VHA did not provide documentation for some of these items to support that VAMCs have been instructed to implement them at their facilities. We were unable to verify whether VAMCs were using the standardized items, and Procurement and Logistics Office officials told us that they were not systematically assessing VAMCs' compliance.

VHA had originally planned to allocate about 140 staff members to the entire program executive office; however, as of February 2013, according to Procurement and Logistics Office officials, only 43 positions had been filled. Officials told us that efforts to hire additional staff are currently on hold because VHA intends to evaluate the effectiveness of the new program executive office before committing additional resources to it. At

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[39]The six program management offices are titled Surgery, Medical, Clinical Support, Ancillary, Advanced Systems, and Prosthetics.

the time of our report, officials had not yet developed a plan for conducting this evaluation.

Conclusions

To its credit, VHA has developed new requirements to address deficiencies in its logistics program that it expects will help improve patient safety and the cost-effective use of resources. However, because VAMCs we visited and the associated networks have only partially complied with these requirements, the potential risks to patient safety and the inefficient use of resources remain.

VHA's efforts to enhance its logistics program—developing a new inventory management system, known as SOARD, rolling out a new system for electronically tracking certain medical supplies and equipment at VAMCs, known as RTLS, and establishing a program executive office that provides logistics support and manages standardization of medical supplies and equipment VHA-wide—offer VHA potential benefits in terms of patient safety and the cost-effective use of resources. However, these efforts face major concerns and uncertainties regarding their implementation. Unless appropriately addressed, VHA may not successfully implement these efforts and could face unnecessary cost increases and wasted resources. Specifically, without an evaluation plan that includes specific criteria and appropriate solutions to address the concerns and uncertainties we identified, VHA's SOARD pilot runs the risk of not meeting its objectives and—in the worst case—meeting a similar fate as previous unsuccessful attempts to update VHA's inventory management systems. Furthermore, the implementation plan for RTLS lacks updated timelines to take into account (1) establishing interoperability between RTLS and VHA's inventory management systems and SOARD, (2) installing wireless capabilities at VAMCs, and (3) data cleansing activities. An implementation plan with updated timelines would help ensure that VHA remains on track for implementing RTLS. Lastly, VHA does not currently have a plan for evaluating the success of its new program executive office for providing logistics support and managing standardization, which would help it determine whether this office is meeting its intended goals of improving VHA's logistics program and increasing cost effectiveness.

Recommendations for Executive Action

We recommend that the Secretary of Veterans Affairs direct the Under Secretary for Health to take the following actions:

To assist VAMCs and networks in complying with VHA's new logistics requirements, and thereby help ensure patient safety and the cost-effective use of resources,

- determine appropriate resource levels for VAMC logistics programs and provide training and best practices to VAMCs to help them

  - ensure that logistics staff, rather than clinical department staff, manage all medical supplies;

  - ensure that all items that VAMCs purchase are captured on their lists of approved medical supplies and RME; and

  - enter all stock surgical and dental instruments into the appropriate inventory management system,

- reinforce through communication the requirement that VAMCs develop a formal process for reviewing and approving emergency purchases of medical supplies and RME,

- develop a systematic method using available VHA data to assist VAMCs in tracking compliance with national contracts and blanket purchase agreements, and

- issue guidance to VAMCs and networks regarding interpretation of the Management Quality Assurance Service checklist and reinforce through communication the requirement that VAMCs correct deficiencies within 90 days after they were identified or request an extension and that networks use the entire checklist when conducting their reviews of VAMC logistics programs and complete their review within the required time frame.

To address concerns about VHA's pilot of a new inventory management system, known as SOARD, develop a written plan that outlines how the SOARD pilot will be evaluated before the pilot is expanded to additional VAMCs or preparations are made to implement SOARD nationally. This plan should include formal criteria for evaluating the overall performance of the pilot, which are based on consistent data collected from each pilot site, as well as a strategy for addressing concerns about

- funding needed for SOARD,

- staffing resources needed for SOARD implementation at VAMCs, and

- establishing interoperability between SOARD and legacy systems.

To address concerns about VHA's implementation of a system for electronically tracking medical supplies and equipment, known as RTLS, develop an updated implementation plan that reflects timelines for

- establishing interoperability between RTLS and VHA's inventory management systems and SOARD,

- installing wireless capabilities at VAMCs once funding is available for this effort, and

- completing data cleansing activities at VAMCs in preparation for RTLS implementation.

To address concerns about VHA's program executive office for providing logistics support and managing the standardization of medical supplies and equipment, develop a plan for measuring the success of the program executive office.

Agency Comments and Our Evaluation

VA provided written comments on a draft of this report, which we have reprinted in appendix I. In its comments, VA generally agreed with our conclusions, concurred with our recommendations, and described the department's plans and time frames to implement each of our seven recommendations. VA did not provide any technical comments.

With respect to its plans for addressing our recommendations, VA described specific actions that VHA, networks, and VAMCs plan to take to improve VAMCs' and networks' compliance with VHA's logistics requirements. VA also stated that it is developing a written plan that outlines how the SOARD pilot will be evaluated before the pilot is expanded and includes a strategy for addressing concerns we identified about the pilot. Moreover, VA stated that it is updating its existing implementation plan for RTLS and developing a plan for measuring the success of its program executive office for providing logistics support and managing standardization of medical supplies and equipment.

In its general comments, VA disagreed with our assessment that uncertainty exists about the continued implementation of VHA's program executive office for providing logistics support and managing standardization of medical supplies and equipment. Specifically, VA stated that there is no uncertainty about the continued implementation of this office. VA stated that this office is being stood up in three hiring phases, the first of which is 86 percent complete, with a planned completion date still months away. However, at the time of our audit work, the implementation plan we received from VHA officials stated that the first hiring phase was scheduled to be completed by September 2012, a milestone target that VHA has exceeded by more than 6 months. Moreover, VHA officials told us that VHA intended to evaluate the effectiveness of the program executive office before deciding whether to proceed to the second and third hiring phases, which further indicates uncertainty as to whether or how VA will proceed with phases 2 and 3, pending the outcome of its evaluation. Therefore, we concluded that uncertainty existed with regard to the continued implementation of this office. VA also stated that VHA currently has a "plan in development" to evaluate the success of its program executive office; however, VA has provided us with neither a copy of this plan for review nor specifics on the nature of the plan it is developing.

We are sending copies of this report to appropriate congressional committees and the Secretary of Veterans Affairs. The report is also available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-7114 or williamsonr@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs are on the last page of this report. GAO staff who made major contributions to this report are listed in appendix II.

Sincerely yours,

Randall B. Williamson
Director, Health Care

Appendix I: Comments from the Department of Veterans Affairs

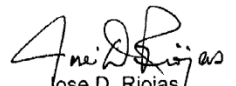DEPARTMENT OF VETERANS AFFAIRS
WASHINGTON DC 20420

April 5, 2013

Randall B. Williamson
Director, Health Care
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Williamson:

The Department of Veterans Affairs (VA) has reviewed the Government Accountability Office's (GAO) draft report, *"VETERANS HEALTH CARE: VHA Has Taken Steps to Address Deficiencies in Its Logistics Program, But Significant Concerns Remain"* (GAO-13-336) and generally agrees with GAO's conclusions and concurs with GAO's seven recommendations to the Department.

The enclosure specifically addresses GAO's seven recommendations, provides an action plan for each, and includes two general comments. VA appreciates the opportunity to comment on your draft report.

Sincerely,

Jose D. Riojas
Interim Chief of Staff

Enclosure

Enclosure

Department of Veterans Affairs (VA) Comments to
Government Accountability Office (GAO) Draft Report
*"VETERANS HEALTH CARE: VHA Has Taken Steps to Address Deficiencies in Its
Logistics Program, But Significant Concerns Remain"*
(GAO-13-336)

Recommendation 1: Determine appropriate resource levels for VAMC logistics
programs and provide training and best practices to VAMCs to help them: ensure that
logistics staff, rather than clinical department staff, manage all medical supplies;
ensure that all items that VAMCs purchase are captured on their lists of approved
medical supplies and RME; enter all stock surgical and dental instruments into the
appropriate inventory management system.

VA Response: Concur. The Veterans Health Administration (VHA) Procurement and
Logistics Office (P&LO) will facilitate determination of appropriate resource levels for
Veterans Affairs Medical Center (VAMC) logistic programs by:

- Conducting a survey to determine numbers of Full-time Employee Equivalent (FTEE)
  per facility, competency levels of FTEE, and workload to establish our baseline staff
  supply and demand.

- Assessing quality data received from Veterans Integrated Service Network (VISN)
  Chief Logistics Officers (CLO) for evidence that a facility is not performing at the
  standards expected.

- Using information from the first and second bullets, P&LO will assess functioning of
  facilities logistics operations and make recommendations regarding whether facilities
  have adequate staff, processes, and/or staff development.

- This action will be complete upon final approval of the plan. Anticipated completion
  date is January 31, 2014.

P&LO will provide training and best practice guidance to staff in VAMC logistics programs by:

- Publishing logistics information fact sheets quarterly. The fact sheets provide
  guidance on training and best practices and are accessible on VHA's Logistics
  SharePoint site. Fact sheets are currently available and will continue to be published
  quarterly. Upon publication, the information is sent out to the field via e-mail and
  announced on the national VISN CLO calls.

- P&LO will develop tailored training courses for logisticians on process improvements.
  These courses will be developed and made available to VHA field staff by
  December 31, 2013.

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<div align="right">Enclosure</div>

Department of Veterans Affairs (VA) Comments to
Government Accountability Office (GAO) Draft Report
*"VETERANS HEALTH CARE: VHA Has Taken Steps to Address Deficiencies in Its
Logistics Program, But Significant Concerns Remain"*
(GAO-13-336)

VHA and the P&LO will monitor and verify that logistics staff manage all medical supplies by:

- Issuing a memorandum from the Deputy Under Secretary for Health for Operations
  and Management directing all facility directors to assign logistics staff to the
  management of medical supplies.

- Requiring all facilities to submit a report, through the VISN CLO and Network
  Director, to P&LO that staff have been appropriately assigned, re-assigned or that
  an implementation plan is in place to do so by September 31, 2013.

P&LO developed and deployed a National Clinical Formulary Web site (NCFW) for use by
VHA field logistics personnel. P&LO completed field staff training on how to list purchases
and will continue to monitor usage with the Network Directors and staff. In addition, P&LO
has established a 24-hour help desk for the NCFW.

P&LO will monitor and verify that all stock surgical and dental instruments are entered into
the appropriate inventory management system by:

- Re-issuing an updated memorandum from the Deputy Under Secretary for Health for
  Operations and Management directing all facility directors to verify that all of the stock
  surgical and dental instruments at their facility have been entered into the appropriate
  inventory management system. The memorandum will be updated and re-issued by
  June 30, 2013.

- Collaborating with the Real Time Location System (RTLS) program management
  office to assist them in developing a plan for implementation of an instrument tracking
  system. This system will track all surgical instruments. The implementation plan is
  under development and will be finalized by September 30, 2013. This action will be
  complete upon final approval of the plan.

**Recommendation 2: Reinforce through communication the requirement that VAMCs
develop a formal process for reviewing and approving emergency purchases of
medical supplies and RME.**

VA Response: Concur. P&LO will reinforce through communication the requirement that
VAMCs develop a formal process for reviewing and approving emergency purchases of
medical supplies and RME by September 30, 2013.

P&LO will update and re-distribute the memorandum from the Deputy Under Secretary for
Health for Operations and Management that provides guidance on the above mentioned
issues. This memorandum was originally issued on October 12, 2011, titled DUSHOM

<div align="center">2</div>

Enclosure

Department of Veterans Affairs (VA) Comments to
Government Accountability Office (GAO) Draft Report
*"VETERANS HEALTH CARE: VHA Has Taken Steps to Address Deficiencies in Its
Logistics Program, But Significant Concerns Remain"*
(GAO-13-336)

Memorandum (VAIQ #7141798) *Correction of Deficiencies Noted in GAO Report 11-39,
Weaknesses in Policies and Oversight Governing Medical Supplies and Equipment Pose
Risks to Veterans' Safety.* Anticipated completion date is June 30, 2013.

P&LO will publish a series of four or more informational bulletins on their SharePoint site and
during monthly national calls; P&LO will communicate that logistics staff need to review the
bulletins. These bulletins will reinforce the requirements that VAMCs develop a formal
process of reviewing and approving emergency purchases of medical supplies and RME.
Input will be solicited during these calls. At least four bulletins will be communicated by
June 30, 2014.

**Recommendation 3: Develop a systematic method using available VHA data to assist
VAMCs in tracking compliance with national contracts and blanket purchase
agreements.**
VA Response: Concur. P&LO will develop a method to track compliance with national
contracts and blanket purchase agreements using available VHA data. The Program
Executive Office will establish a strategic planning team to evaluate the current system for
compliance reporting and provide necessary further revisions. Anticipated completion date is
June 30, 2013.

The team will solicit and evaluate input from chief logistics officers and field chief logistics
officers, and then draft a strategic plan and performance metric that will be used by VAMCs in
tracking compliance with national contracts and blanket purchase agreements. Anticipated
completion date is December 31, 2013.

**Recommendation 4: Issue guidance to VAMCs and networks regarding interpretation
of the Management Quality Assurance Service checklist and reinforce through
communication the requirement that VAMCs correct deficiencies within 90 days after
they were identified or request an extension, and that networks use the entire checklist
when conducting their reviews of VAMC logistics programs and complete their review
within the required timeframe.**
VA Response: Concur. P&LO's guidance clarifying the Management Quality Assurance
Service checklist described in the GAO audit findings is in development and will be
distributed by September 30, 2013.

P&LO will issue guidance to Network Directors to ensure: (1) facilities have corrected
deficiencies within 90 days or requested an extension; (2) that networks use the entire
checklist when conducting their reviews of VAMC logistics programs; and (3) that VISNs
complete their reviews within the timeframe established by P&LO. Guidance will be
distributed by September 30, 2013.

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Recommendation 5: Develop a written plan that outlines how the SOARD pilot will be
evaluated before the pilot is expanded to additional VAMCs or preparations are made
to implement SOARD nationally. The plan should include formal criteria for evaluating
the overall performance of the pilot, which are based on consistent data collected from
each pilot site, as well as a strategy for addressing concerns about: funding for
SOARD; staffing resources needed for SOARD implementation at VAMCs; establishing
interoperability between SOARD and legacy systems.

VA Response: Concur. P&LO is developing a written plan that outlines how the SOARD
pilot will be evaluated before the pilot is expanded to additional VAMCs or preparations are
made to implement SOARD nationally. This plan will address formal criteria for evaluating
the overall performance of the pilot, which are based on consistent data collected from each
pilot site, as well as a strategy for addressing concerns about: funding for SOARD; staffing
resources needed for SOARD implementation at VAMCs; establishing interoperability
between SOARD and legacy systems. P&LO will complete the written plan by July 31, 2013.

Recommendation 6: Develop an updated implementation plan for RTLS that reflects
timelines for: establishing interoperability between RTLS and VHA's inventory
management systems and SOARD; installing wireless capabilities at VAMCs once
funding is available for this effort; and completing data cleansing activities at VAMCs
in preparation for RTLS implementation.

VA Response: Concur. VHA's Health Technology Management Program Office will provide
updated implementation plans that will address timelines for establishing interoperability
between RTLS and VHA's current and future inventory management system (AEMS/MERS)
and SOARD (Maximo), and installing wireless capabilities at VAMCs. Data cleansing
activities will be performed at individual facilities before implementation. Anticipated
completion date is September 30, 2013.

Recommendation 7: Develop a plan for measuring the success of the program
executive office.

VA Response: Concur. P&LO will develop a plan for measuring the success of the Program
Executive Office. The plan will be submitted for final approval by September 30, 2013. This
action is complete upon final approval of the plan.

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General Comments:

GAO Highlight Section, last bullet:

The GAO Draft Report states at the bottom of the first unnumbered page that VHA's planned program executive office has not been fully staffed and uncertainty exists about the continued implementation of this office. While it is true that the Program Executive Office (PEO) has not yet been fully staffed, it is not true that uncertainly exists about implementation of the PEO. In fact, VHA informed GAO that planning for the PEO called for 3 phases of hiring, the first of which is 86 percent complete with a planned completion date still months away.

To more accurately reflect VA's PEO staffing and implementation progress, VA requests that the last sentence in the summary of the report be revised to state that although VHA's planned program executive office has not yet been fully staffed, plans for implementation, staffing and evaluation of hiring needs are underway with the first of 3 hiring phases at 86 percent completion. It is also important to note that future staffing assessments and evaluations may have an impact on the 3 planned hiring phases and the number of hires needed for the office."

Page 24, lines 3 and 4:

The GAO Draft Report states, "At the time of our report, VHA had not yet developed a plan for conducting this evaluation."

VA requests GAO add the following sentence to clarify VHA's current planning process: "However, VHA currently has a plan in development and expects it to be completed by the end of fiscal year 2013."

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Appendix II: GAO Contact and Staff Acknowledgments

GAO Contact

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Staff Acknowledgments

In addition to the contact named above, Mary Ann Curran, Assistant Director; Kathryn Black; Elizabeth Conklin; and Michael Zose made key contributions to this report. Elizabeth Morrison assisted in the message and report development; and Sandra George provided legal support.