



WASTE REPORT for April 11, 2016

Veterans Health Administration: It's Not About Logistics

You might have heard some new terms lately, things like: *supply-chain*, *just-in-time inventory*, *Lean Six Sigma*, and even some old words like *efficiency* and *logistics* have gotten new pep. It is all part of a collective realization in business that **letting supplies sit idle is wasteful; even the best tools and products do no good if they are misused or allowed to sit.**

Unfortunately, the Veterans Health Administration (VHA) seems to have missed this trend and allowed 360 pieces of medical equipment to sit idle for months, costing taxpayers \$217,000.¹

According to the Department of Veterans Affairs Office of the Inspector General (IG), the Southern Arizona VA Health Care System took delivery of \$1.8 million worth of leased urology equipment in October 2014, and then let it sit idle for nearly half a year. Unlike purchased equipment that presumably has life based on usage, this equipment has a fixed time (3-years) lease, meaning the taxpayer pays for it whether they are using it or not.

The VHA's tried to justify this delay in two ways that any new equipment must go through an onboarding process (cataloging, cleaning, training, etc.), and that the contracting officer suddenly retired and was not able to coordinate the onboarding process.

However, it was a whistleblower that brought this issue to the IG, **indicating even within the VA there was a sentiment this equipment was being ignored.** So, how arduous is the onboarding process? While it does include a number of things like tagging and inventory and even staff training, from the time the whistleblower brought it to the VA's attention to the time the equipment was deployed, was roughly one month.

The rapid response to oversight also makes it hard to believe that even a sudden personnel change would cause months of delay. In fact the procurement process was only six months to begin with, from April to October, 2014. The lease itself was signed just one month before delivery. In other words there was a fairly short window for this sudden retirement to have caused such trouble in the onboarding process but not to derail the whole procurement.

Even recognizing that receiving and deploying equipment may take some amount of time, **the IG found that this equipment sat idle of four months, costing the taxpayer \$217,000.** Wasting taxpayer's money is always wrong and troubling, but the IG made another important observation:

“Wasted expenditures reduce the availability of funds necessary to treat veterans...”

¹ Review of Alleged Wasted Funds in the Southern Arizona VA Health Care System, VA Office of the Inspector General; Washington, DC; February 2016. Report Number 15-02413-55