

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



# Veterans Health Administration

*Review of  
Alleged Waste of Funds  
at the  
VA Medical Center  
in Detroit, Michigan*

August 9, 2016  
16-02729-350

# ACRONYMS

AE	Architecture and Engineering
OIG	Office of Inspector General
TV	Television
VA	Department of Veterans Affairs
VAMC	Veterans Affairs Medical Center
VISN	Veterans Integrated Service Center

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# Highlights: Review of Alleged Waste of Funds at the VA Medical Center in Detroit, MI

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## Why We Did This Review

In January 2016, the Office of Inspector General received an allegation that the VA Medical Center (VAMC) in Detroit, MI, purchased 300 televisions (TVs) and accessories in September 2013 for about \$311,000. The complainant alleged the facility never installed the TVs because they were the wrong type. Thus, the facility could not use the TVs, which remain in storage.

## What We Found

We substantiated the allegation the Detroit VAMC had not installed and used 282 of the 300 TVs, or associated accessories it purchased. The facility acquired the equipment in September 2013 as part of a project to replace the patient TV system in the facility, but as of April 2016, 282 of the TVs and associated accessories were not in use. Despite having all the TVs and accessories on hand for nearly 2 1/2 years, the facility was unable to install the items in the patient rooms because the items did not meet the design specifications identified in the patient TV system architect and engineer (AE) services contract.

We determined Detroit VAMC officials did not communicate with the AE contractor in a timely manner to ensure the TVs purchased were compatible with the project design and specifications. Thus, the Detroit VAMC issued a contract modification for \$19,052 to adjust the project design and specifications to support the TVs purchased.

The TVs and related accessories should have

been purchased closer to award of the construction contract. By purchasing these items well before a construction contract to install them was awarded, the facility exposed itself to unnecessary financial risk in the event it did not proceed with the project. As of June 21, 2016, the facility had not yet awarded a contract to install these TVs. By purchasing too early in the process, the facility also allowed valuable warranties to expire, increasing the risk of incurring additional expenses to replace any faulty TVs.

## What We Recommended

We recommended the Veterans Integrated Service Network (VISN) 10 Acting Director strengthen policy to ensure the proper equipment is purchased at the appropriate time, as well as develop and implement a plan to use the purchased TVs. We also recommended the VISN 10 Acting Director determine whether a *bona fide* needs violation occurred, and take appropriate corrective action if required.

## Agency Comments

The VISN 10 Acting Director concurred with our recommendations and provided plans for corrective action. We will monitor planned actions and follow up on their implementation.

A handwritten signature in cursive script that reads "Larry M. Reinkemeyer".

**LARRY M. REINKEMEYER**  
Assistant Inspector General  
for Audits and Evaluations

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## RESULTS AND RECOMMENDATIONS

### **Finding**                    **The Detroit VA Medical Center Purchased Televisions It Did Not Use**

**Allegation**                    In January 2016, the Office of Inspector General (OIG) received an allegation that the John D. Dingell VA Medical Center (VAMC), located in Detroit, MI, purchased 300 televisions (TVs) and accessories in September 2013 for about \$311,000. The complainant alleged the facility never installed the TVs because it purchased the wrong type of TVs. As a result, the facility could not use the TVs and they remain in storage.

**Purchased TVs Not Used**                    We substantiated the allegation the Detroit VAMC had not installed and used 282 of the 300 TVs, or associated accessories it purchased.<sup>1</sup> The facility purchased the equipment in September 2013 as part of a project to replace the patient TV system in the facility; however, as of April 2016, 282 of the TVs and associated accessories were not in use. Despite having the TVs and accessories on hand for about 2 1/2 years, the facility was unable to install the TVs in patient rooms because they did not meet the patient TV system design specifications identified in the architect and engineer (AE) services contract. We determined Detroit VAMC officials did not communicate with the AE contractor in a timely manner to ensure the TVs purchased were compatible with the design and specifications of the project. As a result, the Detroit VAMC issued a contract modification for \$19,052 to adjust the design and specifications of the project to support the TVs purchased.

**TVs Purchased Before They Were Needed**                    While the TVs are required to complete the project, they were not needed at the time they were purchased because construction to replace the current patient TV system had not been scheduled. In fact, as of June 21, 2016, the facility had not yet awarded the contract to begin construction. Despite not needing the TVs in September 2013, the Chief of Volunteer and Community Relations reported the facility purchased them because they had funds available. The facility may have violated the *bona fide* needs rule<sup>2</sup> by using available fiscal year 2013 funds to fund the needs of a future year. Because the facility ordered the TVs when they were not needed, they were unable to install the TVs, and the TVs have been held in storage for about 2 1/2 years. Further, warranties for the TVs expired in January 2015, thereby putting the

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<sup>1</sup> Accessories included remote controls, wall brackets, and support arms. Eighteen of the 300 units are reportedly used in the facility's hemodialysis clinic.

<sup>2</sup> Section 1502(a), title 31, United States Code, referred to as the "*bona fide* needs statute," provides that the balance of a fixed-term appropriation is available "only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period."

facility at risk of expending additional funds to replace any TVs that are found to be faulty.

***Wrong Type of  
TVs Purchased  
by Facility***

In May 2013, facility officials and the AE contractor held a meeting during which they agreed on the use of TVs powered over Ethernet to satisfy the project requirements. Based on this, the AE contractor reportedly used a Barco 15-inch TV—which is powered over Ethernet—as a basis for the project design. In June 2013, facility officials initiated the process to purchase the TVs for this project and submitted a purchase request for the TVs. The purchase request was approved and contained the required signatures; however, the request was for 14-inch Swing-Arm PDI Patient TVs, which are powered over coaxial cable. In September 2013, the facility placed the order for the wrong type of TVs, as the 14-inch PDI TVs were not compatible with the project design. This information was not shared with the AE contractor and the compatibility issue with the TVs was not discovered until November 2013 when the facility received the first shipment of TVs. At that time, the facility compared the costs between restocking the TVs and modifying the AE contract and made the decision to modify the contract, for a cost of \$19,052, rather than restocking the TVs for about \$124,000.

***Facility  
Exposed to  
Potential  
Financial Risk***

The TVs and related accessories should have been purchased closer to the award date of the construction contract. By purchasing these items at least 2 1/2 years before a construction contract to install them was awarded, the Detroit VAMC prevented the use of about \$292,500 that could have been better spent on other facility priorities. As of June 21, 2016, the facility had not yet awarded a contract to install these TVs. By purchasing the TVs too early in the process, the facility allowed valuable warranties to expire, increasing the risk of incurring additional expenses to replace any faulty TVs.

**Picture. Purchased TVs and Accessories in Storage**



*Source: VA OIG; Detroit, MI, VAMC; 10:00 a.m.; April 19, 2016*

**Conclusion**

We substantiated the allegation that the facility never used 282 of the 300 purchased TVs and accessories because the facility purchased the wrong type of TVs. Facility leadership needs to take action to strengthen its controls over the acquisition of equipment. Leadership needs to ensure requests to acquire equipment support the purchase of the proper equipment at the appropriate time. If facility leadership does not take action to strengthen its controls, the facility is at continued risk of expending funds on equipment that may provide little to no benefit.

**Recommendations**

1. We recommended the Veterans Integrated Service Network 10 Acting Director require the Detroit VA Medical Center strengthen policy to ensure the proper equipment is purchased at the appropriate time when planning projects requiring the purchase of equipment.
2. We recommended the Veterans Integrated Service Network 10 Acting Director ensure the Detroit VA Medical Center develop and implement a plan to use the purchased televisions or make them available to other VA facilities to use.

3. We recommended the Veterans Integrated Service Network 10 Acting Director consult with the appropriate VA financial and legal officials to determine whether the Detroit VA Medical Center violated the *bona fide* needs rule, and if a violation occurred, take the steps necessary to remedy the violation.

**Management  
Comments and  
OIG Response**

The VISN 10 Acting Director concurred with our recommendations and provided plans for corrective action. We consider the planned actions to be acceptable. We will monitor implementation of planned actions and will close the three recommendations when we receive sufficient evidence demonstrating progress in addressing the issues identified. Appendix C provides the full text of the VISN 10 Acting Director's comments.

## **Appendix A Scope and Methodology**

<b>Scope</b>	We conducted our review from April through June 2016. Our review focused on the acquisition and use of TVs purchased by the Detroit VAMC in September 2013.
<b>Methodology</b>	We conducted a site visit at the Detroit VAMC and interviewed facility management and staff involved with the acquisition and employees in engineering who are responsible for the project. We reviewed applicable acquisition regulations, local equipment request policies, and related contract documents. We obtained and reviewed documentation used to support the justification to acquire the TVs mentioned in the allegation. We also inspected inventory storage areas and reviewed inventory reports to determine the location of the purchased TVs and accessories.
<b>Data Reliability</b>	We did not use computer-processed data to support our findings, conclusions, or recommendations.
<b>Government Standards</b>	We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's <i>Quality Standards for Inspection and Evaluation</i> .

## Appendix B Potential Monetary Benefits

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs
1	Costs associated with purchasing 282 TVs and accessories more than 2 1/2 years ago that have not yet been put into use, thus preventing funds from being used for other priorities.	\$292,492	\$0
1	Costs associated with a contract modification that was required because the purchased TVs were not compatible with the project design.	\$19,052	\$0
<b>Total</b>		<b>\$311,544</b>	<b>\$0</b>

## Appendix C Management Comments

### Department of Veterans Affairs

# Memorandum

**Date:** July 11, 2016

**From:** Acting Network Director (10N10), VA Healthcare System of Ohio, Cincinnati, Ohio

**Subj:** Draft Report, *Review of Alleged Waste of Funds at the Detroit VA Medical Center* (Project Number 2016-02729-R1-0137)

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

1. We would like to thank you and the OIG team for reviewing this allegation and submitting the report for review and action. We concur with the findings and have responded to each of the three recommendations as outlined below.

- *We recommended the Veterans Integrated Service Network 10 Director require the Detroit VA Medical Center strengthen policy to ensure the proper equipment is purchased at the appropriate time when planning projects requiring the purchase of equipment.*

Concur

- In late 2014 the Detroit VA Medical Center revised its procedures on procurement of clinical equipment and expendables. A new committee was formed that reviews the procurement of all equipment and expendables, except those procured by Pharmacy and Prosthetics.
- This revised committee is co-chaired by the Chief of Staff and the Chief of Logistics. The submission of requests to include quotes, product description and justification for purchase is now electronic through the Electronic Capital Asset Request (ECAR) system versus a paper system. This electronic process allows all required signers to review and concur on a request. These required signers include Logistics, Engineering, OI&T, Information Security Officer, and Biomedical Engineering. The committee has an approval limit threshold of less than \$10,000. Any items above that threshold must be routed through the Associate Director using the same electronic process, for review, concurrence and oversight.

- *We recommended the Veterans Integrated Service Network 10 Director ensure the Detroit VA Medical Center develops and implements a plan to utilize the purchased televisions or make them available to other VA facilities to utilize.*

Concur

- A construction package that will allow utilization of the purchased televisions has been through contracting; we have received bids on the project and are awaiting a team review and selection of vendor. The expectation is that the construction will begin sometime during the month of August 2016.
- *We recommended the Veterans Integrated Service Network 10 Director consult with the appropriate VA financial and legal officials to determine whether the Detroit VA Medical Center violated the bona fide needs rule, and if a violation occurred, take the steps necessary to remedy the violation.*

Concur

- The VISN 10 Director has obtained a legal opinion regarding the determination of violation of bona fide needs rule from the Office of General Counsel, District Contracting National Practice Group and will follow their recommendations and provide immediate remedy.
2. Should you have any questions or require further information, please contact Jane Johnson, Deputy Network Director, at 513 247-4631.

*(Original signed by)*

ROBERT P. MCDIVITT, FACHE

## Appendix D Contact and Staff Acknowledgments

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Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
Acknowledgments	Nick Dahl, Director John Cintolo Zachery Jensen Jenna Lamy

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