

# GAO Highlights

Highlights of [GAO-20-169](#), a report to congressional requesters

## Why GAO Did This Study

VHA operates one of the nation's largest health care systems with more than 1,200 sites across the country; however, many facilities were built decades ago and do not align with the agency's current emphasis on outpatient and specialized care. Additionally, new or expanded facilities are needed to accommodate veterans returning from recent conflicts. VHA is constructing and leasing new facilities to respond to these needs. GAO was asked to review VHA's efforts to activate new major medical facilities.

This report examines the extent to which VHA is able to compare the actual costs of activation against the estimated costs, among other objectives.

GAO analyzed VHA's documentation on estimating activation costs. GAO also interviewed officials and analyzed cost information reported by a non-generalizable selection of eight medical facilities. The facilities had more than \$1 million in annual rent or \$20 million in construction costs, reported finishing activation in fiscal years 2016 and 2017, and were located in various regions.

## What GAO Recommends

GAO recommends that VA (1) develop and document a process for estimating total activation costs, (2) develop and document a process for comparing actual activation costs to the estimates, (3) define allowable activation expenses, and (4) clarify when facilities should cease to classify expenses as activation-related. VA agreed with GAO's recommendations.

View [GAO-20-169](#). For more information, contact Andrew Von Ah at (202) 512-2834 or [vonaha@gao.gov](mailto:vonaha@gao.gov).

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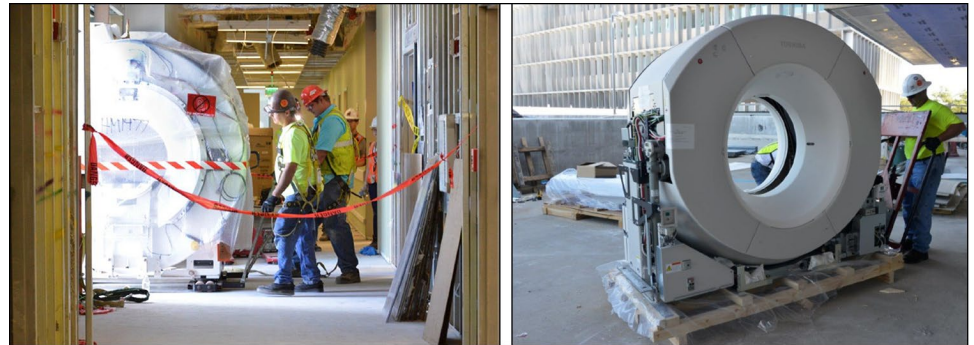
## VA REAL PROPERTY

### VHA Should Improve Activation Cost Estimates and Oversight

#### What GAO Found

The Veterans Health Administration (VHA) under the Department of Veterans Affairs (VA) is constructing and leasing new medical facilities, such as outpatient clinics, to better serve and meet the changing needs of veterans. VHA equips and staffs these new facilities in a multi-year process called "activation." From fiscal year 2012 through 2018, VHA channeled more than \$4 billion to major medical facilities undergoing activation, which these facilities could use toward furniture, equipment, and new staffing costs, among other start-up expenses.

#### Activation Costs Include Equipment Purchases and Installation, among Others



Workers transport imaging equipment into a VA medical facility. Imaging equipment and the cost to install it in a new facility are both activation costs.

Source: Veterans Affairs. | GAO-20-169

VHA lacks processes and clear definitions for estimating total activation costs and for comparing actual expenses against these estimates. Specifically,

- VHA's current cost estimation process does not cover the full duration of activation.
- Headquarters officials have never compared activation costs against estimated costs because until recently, officials said, VHA lacked the accounting mechanisms to facilitate such comparisons; however, while VHA now possesses these mechanisms, it has not documented the process for how the new information should be used.
- VHA documentation does not clearly define allowable activation expenses or the appropriate spending timeframes. Local and regional officials expressed confusion over what items could be purchased with activation funds. In addition, local officials held inconsistent beliefs regarding how long expenses could qualify as activation-related.

VHA management's priorities include data-driven decision-making. Further, the Office of Management and Budget's guidance states that agencies should compare actual project costs against planned expenses so managers can determine if cost goals are being met. Without processes and clear definitions associated with measuring activation costs, VHA does not have reasonable assurance that it will be able to effectively manage the resources associated with activation.