



June 2021

# VA COVID-19 PROCUREMENTS

Pandemic  
Underscores Urgent  
Need to Modernize  
Supply Chain



A Century of Non-Partisan Fact-Based Work

# GAO@100 Highlights

Highlights of [GAO-21-280](#), a report to congressional committees

## Why GAO Did This Study

In March 2020 and March 2021, Congress appropriated \$19.6 billion and \$17 billion in supplemental funds, respectively, for VA's COVID-19 response effort. VA also authorized use of emergency flexibilities and automated aspects of its inventory system.

In accordance with Congress's direction in the CARES Act to monitor the exercise of authorities and use of funds provided to prepare for, respond to, and recover from the pandemic, relevant committees requested our sustained focus on VA. GAO was asked to assess VA's acquisition management during its COVID-19 pandemic response. This report examines VA's efforts to obtain and track COVID-19-related products and services amid its ongoing struggle to improve its inventory and supply chain management.

GAO reviewed federal procurement data, analyzed selected VA contract documents, reviewed selected interagency agreements, assessed VA documents on modernization and other initiatives, and interviewed VA officials and staff.

## What GAO Recommends

GAO has made 49 recommendations since 2015 to improve acquisition management at VA. VA agreed with those recommendations and has implemented 22 of them. In March 2021, GAO recommended, and VA concurred, that VA develop a comprehensive supply chain management strategy that, among other things, outlines how its various supply chain initiatives relate to each other.

View [GAO-21-280](#). For more information, contact Shelby S. Oakley at (202) 512-4841 or [oakleys@gao.gov](mailto:oakleys@gao.gov).

June 2021

## VA COVID-19 PROCUREMENTS

### Pandemic Underscores Urgent Need to Modernize Supply Chain

#### What GAO Found

Like most medical institutions nationwide, the Department of Veterans Affairs (VA) faced difficulties obtaining medical supplies, including personal protective equipment for its medical workforce, particularly in the early stages of the COVID-19 pandemic. Long-standing problems with its antiquated inventory management system exacerbated VA's challenges. GAO found VA obligated over \$4 billion for COVID-19-related products, such as ventilators, and services, such as information technology to support VA's telework environment, as of May 2021. GAO also found that some vendors were unable to deliver personal protective equipment, which resulted in VA terminating some contracts, particularly early in the pandemic. VA also took additional steps to screen vendors.

VA has several initiatives underway to modernize its supply chain and prepare for future public health emergencies, but each faces delays and is in early stages (see figure). For example:

- **Inventory management.** VA intended to replace its system with the Defense Medical Logistics Standard Support (DMLSS), with initial implementation in October 2019, and enterprise-wide implementation by 2027. Prior to the pandemic, however, this schedule was at significant risk. VA hopes to accelerate full implementation to 2025, and has received COVID-19 supplemental funds to help, but it is too soon to tell if this will occur.
- **Regional Readiness Centers.** VA planned to establish four centers—as central sources of critical medical supplies—by December 2020. As of March 2021, VA has not completed a concept of operations or implementation plan for the project. VA faces an additional year delay in achieving full operational capability, which is now expected in 2023. According to VA officials, the pandemic, among other things, contributed to delays.
- **Warstopper program.** VA seeks participation in this Defense Logistics Agency program, which would allow VA emergency access to critical supplies. Legislation recently was introduced to require VA participation. However, as GAO reported in March 2021, several questions remain, such as the range of products the program will cover, the amount of funding needed, and the way the program links to Regional Readiness Centers.

Department of Veterans Affairs' Selected Ongoing and New Supply Chain Initiatives, Fiscal Years 2021 through 2028

		Fiscal years	2021	2022	2023	2024	2025	2026	2027	2028
Selected Ongoing Supply Chain Initiatives	Department of Defense's Defense Medical Logistics Standard Support system		[Timeline bar from 2021 to 2027 with a dashed line at 2025]							
	Regional Readiness Centers		[Timeline bar from 2021 to 2023]							
New Supply Chain Initiatives in Response to COVID-19	Defense Logistics Agency's Warstopper		To be determined							

— Planned full implementation date    - - - - Potential accelerated full implementation date

Source: GAO analysis of VA documentation and prior GAO work. | GAO-21-280

---

# Contents

---

Letter		1
	Background	4
	VA Obligated Billions for COVID-19-Related Contracts but Canceled or Reduced Some Obligations Early in the Pandemic	10
	VA Took Steps to Improve Its Ability to Obtain and Track Critical COVID-19-Related Supplies	17
	VA's Medical Supply Inventory System Modernization Is Delayed and Plans for Future Emergencies Are in Early Stages	26
	Agency Comments and Our Evaluation	35
Appendix I	Objectives, Scope, and Methodology	39
Appendix II	Department of Veterans Affairs' Top COVID-19-Related Contract Deobligations	43
Appendix III	Comments from the Department of Veterans Affairs	45
Appendix IV	GAO Contacts and Staff Acknowledgments	46
Tables		
	Table 1: Department of Veterans Affairs' Use of Federal Acquisition Regulation (FAR) Acquisition Flexibilities in Selected COVID-19 Contracts	21
	Table 2: Key Attributes of Veterans Health Administration (VHA) Regional Readiness Centers (RRC) and Defense Logistics Agency (DLA) Warstopper Program	33
	Table 3: Department of Veterans Affairs' (VA) COVID-19 Deobligations for 10 Selected Contract Actions	43
Figures		
	Figure 1: Department of Veterans Affairs (VA) Procurement Organizational Structure and Primary COVID-19 Procurement Responsibilities	5

---

---

Figure 2: Obligations for COVID-19-Related Procurements for Department of Veterans Affairs Contracting Offices from February 1, 2020, through May 31, 2021	6
Figure 3: Top Five COVID-19 Products and Services Procured by the Department of Veterans Affairs, February 1, 2020, to May 31, 2021	11
Figure 4: Department of Veterans Affairs' COVID-19 Contract Information and Obligations to Vendors, February 1, 2020, through May 31, 2021	13
Figure 5: Department of Veterans Affairs (VA) Total COVID-19-Related Contract Obligations, Deobligations, and Contract Actions, February 1, 2020, to May 31, 2021	15
Figure 6: COVID-19-Related Items Requested by the Department of Veterans Affairs (VA) and Received from Federal Emergency Management Agency (FEMA) and the Department of Health and Human Services (HHS) During 2020	23
Figure 7: Veterans Health Administration (VHA) Regional Readiness Center (RRC) Locations, as of March 2021	30
Figure 8: Department of Veterans Affairs' Selected Ongoing and New Supply Chain Initiatives, Fiscal Years 2021 through 2028	35

---

---

## Abbreviations

COVID-19	Coronavirus Disease 2019
DHS	Department of Homeland Security
DLA	Defense Logistics Agency
DMLSS	Defense Medical Logistics Standard Support
DOD	Department of Defense
FAR	Federal Acquisition Regulation
FEMA	Federal Emergency Management Agency
FPDS-NG	Federal Procurement Data System—Next Generation
HHS	Department of Health and Human Services
IAA	interagency agreement
IFCAP	Integrated Funds Distribution Control Point Activity, Accounting and Procurement
IT	information technology
MSPV	Medical-Surgical Prime Vendor
NAC	National Acquisition Center
NCO	Network Contracting Office
OALC	Office of Acquisition, Logistics, and Construction
OPAL	VA Office of Procurement, Acquisition and Logistics
P&LO	Veterans Health Administration Procurement and Logistics Office
PCAC	Program Contracting Activity Central
PPE	personal protective equipment
RRC	Regional Readiness Center
SAC	Strategic Acquisition Center
TAC	Technology Acquisition Center
VA	Department of Veterans Affairs
VAMC	Department of Veterans Affairs medical center
VHA	Veterans Health Administration
VISN	Veterans Integrated Service Network

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

June 15, 2021

### Congressional Committees

Meeting the needs of 10 million veterans a year requires the U.S. Department of Veterans Affairs (VA) to annually spend hundreds of millions on medical and surgical supplies, even under normal circumstances. Responding to the pandemic added significantly to these demands. To support VA's response to the Coronavirus Disease 2019 (COVID-19) pandemic, in March 2020, Congress appropriated an additional \$19.6 billion in supplemental funding to VA. Even with this additional funding and like most medical institutions nationwide, VA faced difficulties obtaining personal protective equipment (PPE) such as N95 masks, gowns, and gloves for its medical workforce during the COVID-19 pandemic. In March 2021, the American Rescue Plan Act of 2021 appropriated an additional \$17 billion to VA for COVID-19 relief.<sup>1</sup> As we reported in March 2021, VA's medical centers had difficulty tracking and obtaining medical supplies during the pandemic.<sup>2</sup>

We also recently reported that VA's antiquated inventory management system further strained its ability to procure needed medical supplies.<sup>3</sup> This system initially made it difficult for officials to identify the extent to which medical centers faced shortages and limited VA's ability to make strategic decisions about where to shift supplies given inventory levels and number of cases. While the difficulties posed by COVID-19 are unprecedented, we have reported on long-standing issues with the efficiency and effectiveness of VA's approach to purchasing medical and

---

<sup>1</sup>American Rescue Plan Act of 2021, Pub. L. No. 117-2, §§ 8001-8008, 135 Stat. 4, 112-17 (2021).

<sup>2</sup>GAO, *VA Acquisition Management: Comprehensive Supply Chain Management Strategy Key to Address Existing Challenges*, [GAO-21-445T](#) (Washington, D.C.: Mar. 24, 2021).

<sup>3</sup>GAO, *VA Acquisition Management: Supply Chain Management and COVID-19 Response*, [GAO-20-638T](#) (Washington, D.C.: June 9, 2020); *VA Acquisition Management: COVID-19 Response Strains Supply Chain While Modernization Delays Continue*, [GAO-20-716T](#) (Washington, D.C.: Sept. 16, 2020); and [GAO-21-445T](#).

---

surgical supplies and services.<sup>4</sup> In 2019, we placed VA Acquisition Management on our High-Risk List due, in part, to VA's medical supply chain challenges.<sup>5</sup>

In accordance with Congress's direction to the Comptroller General in section 19010 of the CARES Act to monitor the exercise of authorities and use of funds provided to prepare for, respond to, and recover from the pandemic, relevant committees requested our sustained focus on VA.<sup>6</sup> This report examines: (1) the obligations VA made from February 2020 through May 2021 for COVID-19-related products and services; (2) steps VA took to obtain and track critical supplies for its COVID-19 response; and (3) the status of VA's efforts to modernize its medical supply inventory system and VA's plans to improve its response to future public health emergencies.

To assess the contract obligations VA made from February 2020 through May 2021 for COVID-19-related products and services, we analyzed obligations data in the Federal Procurement Data System-Next Generation (FPDS-NG).<sup>7</sup> These obligations may include other VA funding beyond what VA received for the response to the pandemic. We found these data to be sufficiently reliable for the purposes of summarizing VA obligations data to determine how and on what supplies and services VA obligated funds. In addition, we selected 20 VA COVID-19 contract actions and reviewed the 16 associated contract files, which represented the top 10 obligations and top 10 deobligations as of August 13, 2020, based on FPDS-NG data. Further, we interviewed the cognizant contracting officers for a subset of these contract actions to obtain their perspective on the contract actions and the circumstances surrounding

---

<sup>4</sup>GAO, *Veterans Affairs Contracting: Improvements in Buying Medical and Surgical Supplies Could Yield Cost Savings and Efficiency*, [GAO-18-34](#) (Washington, D.C.: Nov. 9, 2017), and GAO, *VA Acquisition Management: Actions Needed to Improve Management of Medical-Surgical Prime Vendor Program and Inform Future Decisions*, [GAO-20-487](#) (Washington, D.C.: Sept. 30, 2020).

<sup>5</sup>The High-Risk List is a list of programs and operations that are "high risk" due to their vulnerabilities to fraud, waste, abuse, and mismanagement, or that need transformation. The list is updated every 2 years at the start of each new session of Congress and has led to more than \$350 billion in financial benefits to the federal government. See GAO, *High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas*, [GAO-21-119SP](#) (Washington, D.C.: Mar. 2, 2021).

<sup>6</sup>Pub. L. No. 116-136, § 19010 (2020).

<sup>7</sup>FPDS-NG uses the term "products," but in other sections of this report we refer to products as "supplies."

---

the contracts. We also interviewed officials from VA's enterprise-wide offices and four selected VA medical centers (VAMC). These interviews helped us determine how VA purchased supplies and services during the pandemic, validate contract data we obtained from FPDS-NG, and learn about challenges VAMC staff faced in securing COVID-19 supplies.

To assess steps VA took to obtain and track critical supplies for its COVID-19 response, we reviewed portions of the Federal Acquisition Regulation (FAR), VA policies and supply tracking tools, interagency agreements, select contract files, and analyzed obligations data in FPDS-NG to identify VA procurement of COVID-19-related products and services. We also reviewed Veterans Health Administration's (VHA) October 2020 COVID-19 Response Report, which outlined recommendations for future interagency collaboration to prepare for and respond to national emergencies. We interviewed officials from the VHA's Office of Emergency Management and VHA's Procurement and Logistics Office, including the three VA liaisons that were detailed to Federal Emergency Management Agency (FEMA), the National Response Coordination Center, and Department of Health and Human Services (HHS), respectively. We also interviewed cognizant officials from FEMA, the Department of Defense (DOD), and HHS about their interactions with VA throughout COVID-19 response efforts.<sup>8</sup>

To assess the status of VA's efforts to modernize its medical supply inventory system and VA's plans to improve its public health emergency response, we reviewed Defense Medical Logistics Standard Support (DMLSS) and Regional Readiness Center implementation plans, as well as VA's efforts to participate in DOD's Defense Logistics Agency's (DLA) Warstopper program. We also interviewed cognizant officials from VA and DOD. See appendix I for a more detailed scope and methodology.

We conducted this performance audit from May 2020 to June 2021 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.

---

<sup>8</sup>FEMA is a component of the Department of Homeland Security.



---

## Background

### Key VA Organizations with COVID-19 Procurement Responsibilities

VHA, the largest VA administration, provides medical care to veterans at 170 VAMCs. Several VA and VHA organizations are at the center of VA's COVID-19 procurement response:

- VA Office of Procurement, Acquisition and Logistics (OPAL): Among other things, OPAL facilitates the acquisition of medical and surgical supplies and services by establishing agreements with suppliers.
- VHA Procurement and Logistics Office (P&LO): P&LO supports VHA's acquisition of health care services and supplies, including maintaining a supply chain management system for VHA and exercising oversight and stewardship responsibilities to ensure compliance with laws, regulations, and national policies governing federal acquisition and property management.
- Other VA Contracting Offices: These include the National Acquisition Center (NAC), Strategic Acquisition Center (SAC), Technology Acquisition Center (TAC), and Program Contracting Activity Central (PCAC).<sup>9</sup> These offices are responsible for centralized, generally large-scale purchases across the VA and VHA enterprises.
- Veterans Integrated Service Network (VISN) Network Contracting Offices (NCO): Within each of VA's 18 VISNs, NCOs provide local, regional, and national procurement support.<sup>10</sup>
- 170 VAMCs: Logistics staff, such as inventory management specialists, procure medical and surgical products for VAMCs.

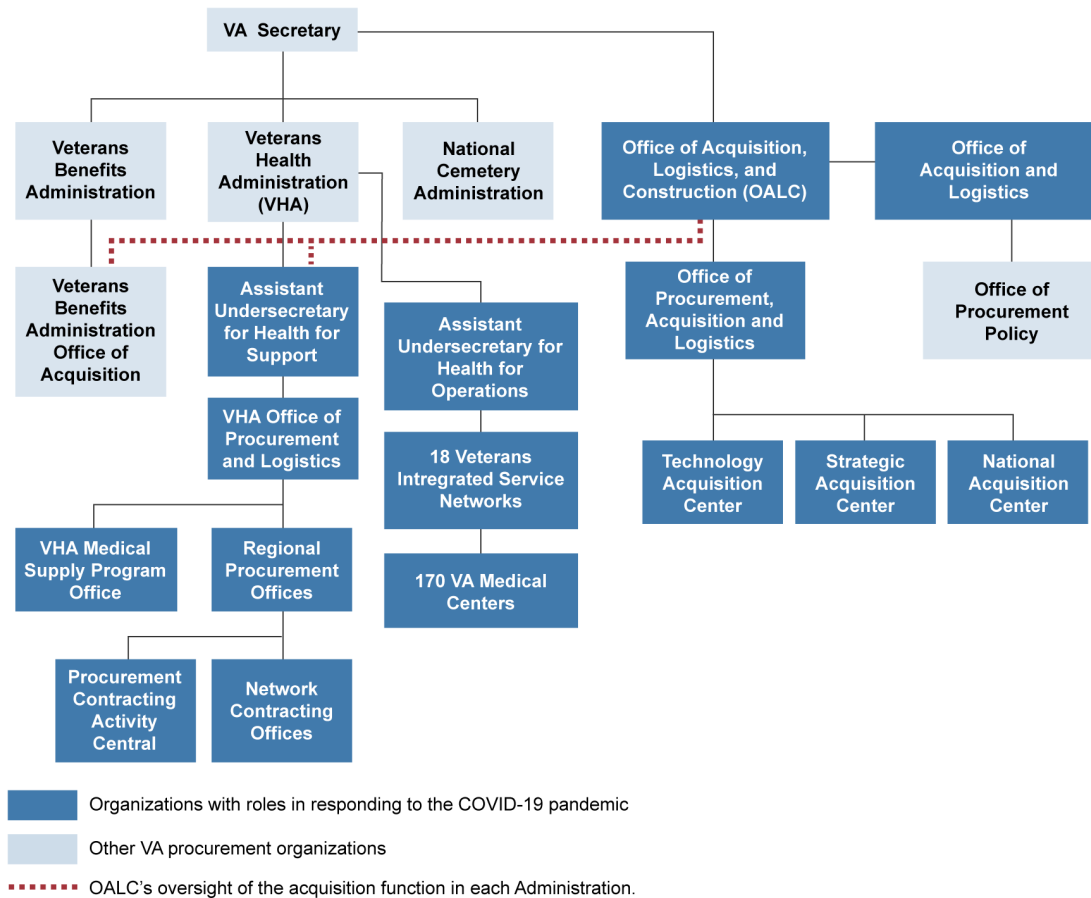
Figure 1 shows the organizational structure of VA's procurement function and denotes key organizations responsible for COVID-19 procurement.

---

<sup>9</sup>According to senior VA officials, PCAC is not a national contracting office like NAC, SAC, and TAC. Under normal circumstances, PCAC is responsible for coordinating national procurements, such as energy savings contracts.

<sup>10</sup>VISNs are VHA organizations that manage VAMCs and associated clinics across a given geographic area. VHA currently has 18 VISNs throughout the nation.

**Figure 1: Department of Veterans Affairs (VA) Procurement Organizational Structure and Primary COVID-19 Procurement Responsibilities**



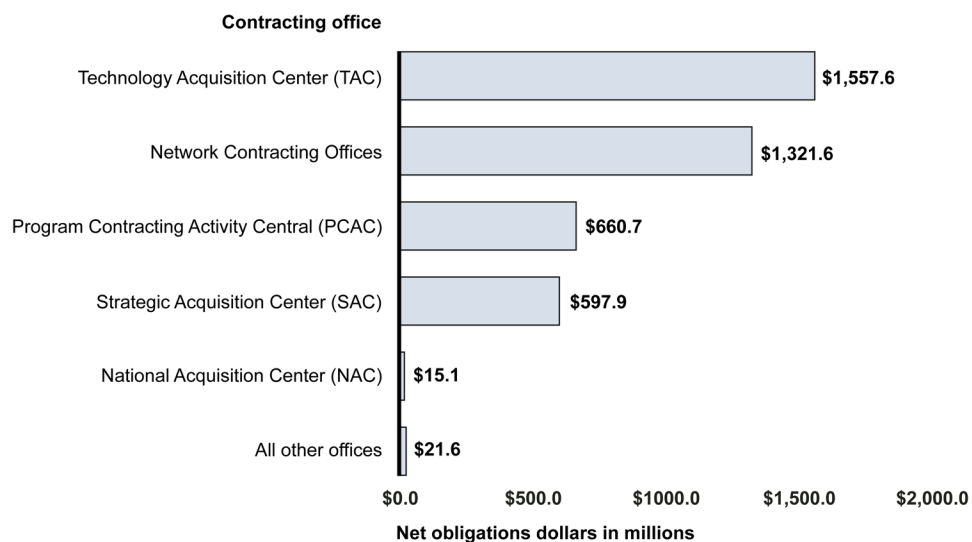
Source: GAO analysis of Veterans Affairs (VA) organizational charts and policies. | GAO-21-280

As we reported in June and September 2020, to help meet its COVID-19 response needs at the onset of the pandemic, VA used various enterprise-wide contracting organizations, some of which do not typically contract for medical supplies and services.<sup>11</sup> The four VA enterprise-wide offices (NAC, SAC, TAC, and PCAC)—responsible for centralized purchases—provided significant contracting support and made approximately 68 percent of VA’s \$4.2 billion COVID-19 related obligations from February 2020 to May 2021. As shown in figure 2, VA’s

<sup>11</sup>GAO-20-638T and GAO-20-716T.

TAC made the highest obligations to support VA’s COVID-19 response efforts.

**Figure 2: Obligations for COVID-19-Related Procurements for Department of Veterans Affairs Contracting Offices from February 1, 2020, through May 31, 2021**



Source: GAO analysis of Federal Procurement Data System-Next Generation data. | GAO-21-280

## Selected Acquisition Flexibilities Available under the Federal Acquisition Regulation

By statute and under the FAR, agencies generally must use full and open competition when soliciting offers and awarding contracts.<sup>12</sup> However, contracting during an emergency or disaster can present urgent demands in the contracting process. FAR part 18 provides a single reference to acquisition flexibilities available in the FAR for emergency acquisitions, including those that are generally available and those that require an emergency declaration. Key flexibilities identified in FAR part 18 include the following:

- FAR § 6.302-2 provides an exception to the general requirement for full and open competition when an agency’s need for supplies or services is of such “unusual and compelling urgency” that the government would suffer serious harm unless it is permitted to limit the sources from which it solicits the supplies or services.
- FAR § 2.101 establishes the micro-purchase threshold generally as \$10,000, but increases the threshold to \$20,000 for acquisitions in the

<sup>12</sup>See 10 U.S.C. § 2304; 41 U.S.C. § 3301; FAR part 6.

---

United States that support a response to an emergency or major disaster declared under the Robert T. Stafford Disaster Relief and Emergency Assistance Act.<sup>13</sup> The FAR provides that the government-wide purchase card is the preferred means to purchase and pay for micro-purchases.<sup>14</sup>

- FAR § 2.101 establishes the simplified acquisition threshold generally as \$250,000, but increases the threshold to \$800,000 for acquisitions in the United States to support a response to an emergency or major disaster declared under the Robert T. Stafford Disaster Relief and Emergency Assistance Act.<sup>15</sup> For purchases at or below the simplified acquisition threshold, agencies may use streamlined procurement procedures, called “simplified acquisition procedures.”
- FAR § 13.500 allows use of simplified acquisition procedures for commercial item purchases in amounts up to \$7.5 million, but increases the amount to \$15 million for commercial item purchases to support a response to an emergency or major disaster declared under the Robert T. Stafford Disaster Relief and Emergency Assistance Act.<sup>16</sup>

In addition, Public Law 85-804 authorizes certain extraordinary contractual actions, including advance payments, during national emergencies.<sup>17</sup> By memorandum on April 10, 2020, the President authorized the Secretary of VA to exercise authority under Public Law 85-

---

<sup>13</sup>The Stafford Act is codified as amended at 42 U.S.C. § 5121 et seq.

<sup>14</sup>FAR § 13.201(b).

<sup>15</sup>At the outset of our review, the simplified acquisition threshold for acquisitions in the United States to support a response to an emergency or major disaster was \$750,000. Effective October 1, 2020, the FAR was amended to increase this threshold to \$800,000. 85 Fed. Reg. 62,485, 62,487 (Oct. 2, 2020).

<sup>16</sup>At the outset of our review, these thresholds, as implemented in the FAR, were \$7 million and \$13 million, respectively. Effective October 1, 2020, the FAR was amended to increase these thresholds to \$7.5 million and \$15 million, respectively. 85 Fed. Reg. 62,485, 62,488 (Oct. 2, 2020).

<sup>17</sup>Codified as amended at 50 U.S.C. §§ 1431-1435. The law permits the President to authorize agencies to enter into, modify, or amend contracts, and make advance payments on contracts, without regard to other provisions of law relating making, performance, amendment, or modification of contracts, when the President deems that such action would facilitate the national defense. *Id.* § 1431.

---

804 with respect to contracts in support of VA efforts to combat COVID-19.<sup>18</sup>

---

## Contracting, Ordering, and Supply Chain Systems

VA tracks procurements, including medical and surgical products and services procurements during the COVID-19 pandemic, in two primary information systems:

- FPDS-NG: This system is the central repository for U.S. government procurement data. Agencies are required to report all unclassified contract actions over the micro-purchase threshold to FPDS-NG.
- Integrated Funds Distribution Control Point Activity, Accounting and Procurement (IFCAP): VAMCs place most orders through this VA system, which is an over 40 year-old information technology system with a text-based interface. The Generic Inventory Package is a software module within IFCAP used to manage the receipt, distribution, and maintenance of stock items received for the supply warehouse from outside vendors and distributed to primary inventory points.<sup>19</sup>

VHA's preferred vehicle to obtain medical supplies is its Medical-Surgical Prime Vendor (MSPV) program. Existing clauses in the MSPV contracts established terms for the suppliers to maintain support to VA in the event of a catastrophe. However, as we reported in June and September 2020, MSPV suppliers faced the same global shortages as other vendors across the country and were not able to meet VA's surging demand. The COVID-19 contract obligations from FPDS-NG include only a small amount of MSPV purchases due to the way MSPV information is reported in FPDS-NG.

In June and September 2020, we also reported that VA supply chain leaders did not have an automated way of tracking the stock of critical supplies at VAMCs during the pandemic due to VA's antiquated inventory management system, and as a result relied on manual tracking. VHA leadership did not have insight into supply levels in an ongoing or

---

<sup>18</sup>Memorandum for the Secretary of Veterans Affairs Authorizing the Exercise of Authority Under Public Law 85-804, 85 Fed. Reg. 21,735 (Apr. 10, 2020). The memorandum provided that the authority conferred to VA under Public Law 85-804 was to terminate on September 30, 2020. *Id.*

<sup>19</sup>We determined that VA's IFCAP data were not sufficiently reliable for us to use beyond generalizations, such as types of items purchased.

---

systematic way prior to the pandemic.<sup>20</sup> VA is in the process of transitioning to a new system to provide inventory management, as well as other supply chain support. Specifically, as we have reported, VA plans to implement the DOD's primary medical-surgical supply ordering system, called the Defense Medical Logistics Standard Support (DMLSS).<sup>21</sup> Currently, DMLSS is operational at a single VAMC—the Captain James A. Lovell Federal Health Care Center (North Chicago joint medical center)—and implementation is significantly delayed at two VAMCs in VISN 20, as well as future VAMC implementation sites due, in part, to COVID-19-related factors.

---

### VA Interagency Collaboration for COVID-19-Related Supplies

VA collaborated with other federal agencies during the COVID-19 pandemic. Specifically, VA participated in interagency groups responsible for coordinating emergency response with DOD, the Department of Homeland Security's (DHS) Federal Emergency Management Agency (FEMA), and the Department of Health and Human Services (HHS). For example, a multiagency coordination center located within FEMA headquarters—the National Response Coordination Center—served as the interagency coordination hub for COVID-19 pandemic actions and resources.<sup>22</sup> VA also participated in the Supply Chain Task Force (led jointly by FEMA and DOD), which was one of several groups created to provide operational guidance and secure resources to coordinate the whole-of-government response to COVID-19.<sup>23</sup>

---

### VA High-Risk Acquisition Management

Due to long-standing issues with VA acquisition management—such as a lack of a medical supplies procurement strategy and lack of reliable data systems—we designated it a high-risk area in March 2019. In March 2021, we reported that VA had made limited progress in addressing High

---

<sup>20</sup>See [GAO-20-638T](#), [GAO-20-716T](#), and [GAO-20-487](#).

<sup>21</sup>DMLSS system serves as the primary ordering system for DLA's MSPV program and supports inventory management activities, among other things. According to VA officials, VA plans to adopt the retail version of DOD's DMLSS system.

<sup>22</sup>The National Response Coordination Center coordinates the overall federal support for major incidents and emergencies, including major national disasters.

<sup>23</sup>As of June 15, 2020, the Supply Chain Task Force became known as the Supply Chain Advisory Group, as part of a reorganization of the eight Unified Coordination Group task forces. According to DOD, the Supply Chain Task Force was the primary federal body coordinating and managing supply chain responsibilities. In contrast, the Supply Chain Advisory Group has an advisory and assistance role, focused on transitioning responsibilities to other stakeholders.

---

Risk areas of concern.<sup>24</sup> Since 2015, we have made 49 recommendations to improve acquisition management at VA; VA agreed with those recommendations and has implemented 22 of them, as of March 2021.

In March 2021, we reported that VA lacks a comprehensive supply chain strategy for its various and interrelated supply chain management initiatives, including MSPV and DMLSS. Without this overarching supply chain strategy, VA is unable to fully address its high-risk acquisition management designation and ultimately better meet veterans' needs.<sup>25</sup> In that report, we recommended, and VA concurred, that VA develop a comprehensive supply chain management strategy that, among other things, outlines how its various supply chain initiatives relate to each other.

---

## VA Obligated Billions for COVID-19-Related Contracts but Canceled or Reduced Some Obligations Early in the Pandemic

---

### VA Obligated over \$4 Billion for COVID-19-Related Products and Services

VA obligated over \$4 billion on contracts since the pandemic onset, based on our analysis of FPDS-NG data.<sup>26</sup> Specifically, from February 2020 through May 2021, VA obligated a total of \$2.1 billion on contracts for products including medical and surgical instruments, equipment, and supplies, such as ventilators and PPE. VA obligated the remaining \$2.1 billion for COVID-related services including those related to information technology, telecommunications, and technical and engineering support services—some used to support VA's telework environment. Figure 3

---

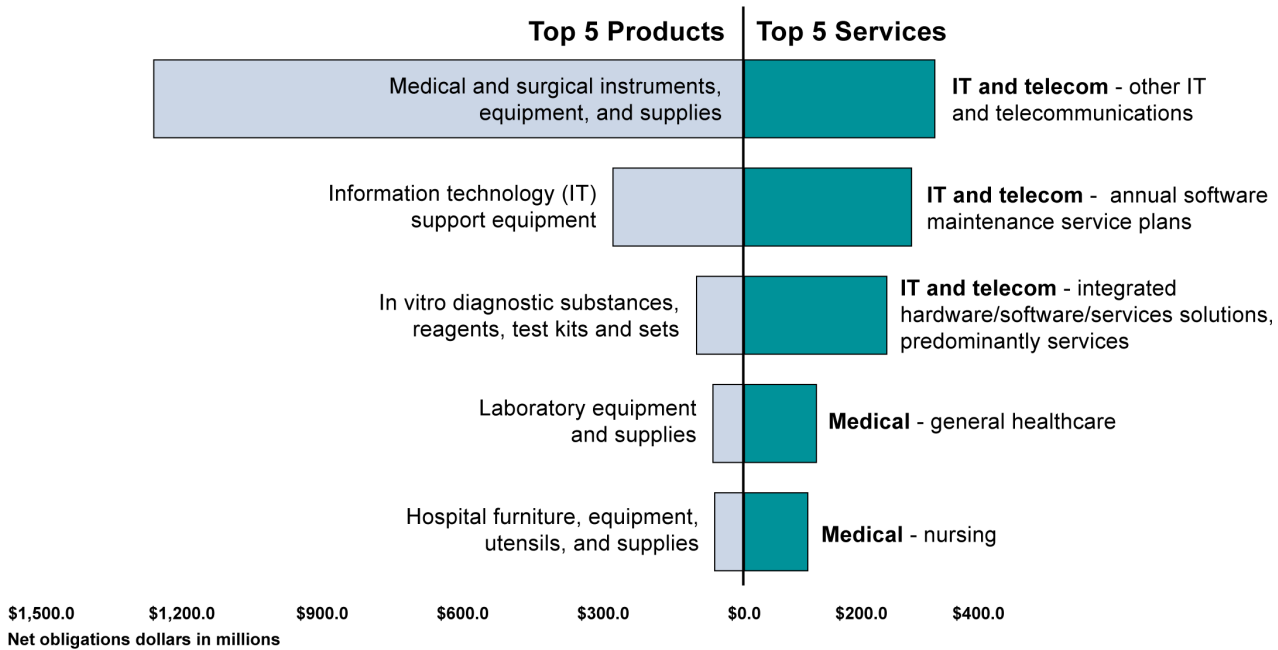
<sup>24</sup>See [GAO-19-157SP](#) and GAO, *High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas* (Washington, D.C.: Mar. 6, 2019); and [GAO-21-119SP](#).

<sup>25</sup>GAO, *VA Acquisition Management: Comprehensive Supply Chain Management Strategy Key to Address Existing Challenges*, [GAO-21-445T](#) (Washington, D.C.: Mar. 24, 2021).

<sup>26</sup>VA's COVID-19 related net obligations (obligations remaining after deobligations) were \$4.2 billion through 11,363 contract actions. A deobligation is a cancellation or reduction of previously incurred obligations.

shows the top five products and services that VA procured during the pandemic.

**Figure 3: Top Five COVID-19 Products and Services Procured by the Department of Veterans Affairs, February 1, 2020, to May 31, 2021**



Source: GAO analysis of Federal Procurement Data System-Next Generation data. | GAO-21-280



---

We also analyzed FPDS-NG data to determine (1) how VA obligated its \$4.2 billion and (2) the types of entities VA contracted with, such as small businesses. As shown in figure 4, we found that about half of VA's COVID-19-related obligations were on contracts that were awarded competitively.<sup>27</sup> In addition, 54 percent of total obligations were on contracts with small businesses, 81 percent of which went to veteran-owned small businesses.<sup>28</sup>

---

<sup>27</sup>Noncompetitive contracts included contracts and orders coded in the FPDS-NG as “not competed,” “not available for competition,” and “not competed under simplified acquisition procedures,” as well as orders coded as an exception to “subject to fair opportunity,” including “urgency,” “only one source,” “minimum guarantee,” “follow-on action following competitive initial action,” “other statutory authority,” and “sole source.” Even for contracts identified as noncompetitive, agencies may have solicited more than one source.

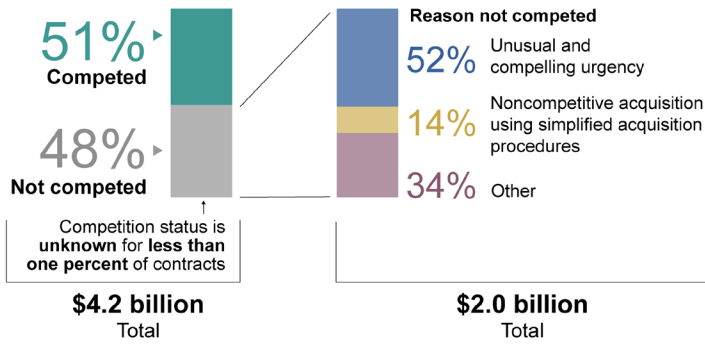
<sup>28</sup>VA has special contracting requirements to engage service disabled veteran-owned and veteran-owned small businesses. The 2006 Veterans Benefits, Health Care, and Information Technology Act requires VA contracting officers to determine whether there is a reasonable expectation that two or more veteran-owned small businesses will submit offers for a particular good or service at a fair and reasonable price that offers best value to the government. If two or more such businesses are found, contracting officers must set aside the procurement for the veteran-owned small businesses. VA refers to this determination as the “VA Rule of Two.” For our prior findings on VA's implementation of the Veterans First program, see GAO, *Veterans First Program: VA Needs to Address Implementation Challenges and Strengthen Oversight of Subcontracting Limitations*, [GAO-18-648](#) (Washington, D.C.: Sept. 24, 2018).

**Figure 4: Department of Veterans Affairs' COVID-19 Contract Information and Obligations to Vendors, February 1, 2020, through May 31, 2021**

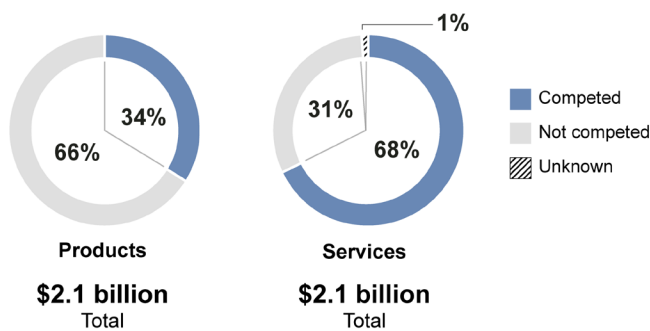
**HOW DID VA BUY IT?**

**Competed Contract Obligations** Dollars (in billions)

About 51 percent of the Department of Veterans Affairs' (VA) \$4.2 billion in COVID-19 contract obligations were on contracts identified as awarded competitively. VA used the urgency exception to full and open competition for about \$1 billion, or 52 percent, of the obligations on contracts identified as not competed. VA's contracts for products were identified as competed less frequently than its contracts for services.



**Obligations on Competed Contracts** Dollars (in billions)



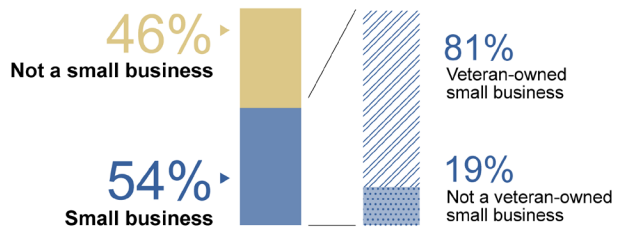
All but about \$214 million of VA's \$4.2 billion in obligations were made on fixed-price contracts. About 51 percent of the obligations from fixed-price contracts were identified as not competed.

Type of contract	Fixed price	Cost reimbursement	Time and materials/labor hours
Competed	\$1,921.3	\$0.0	\$207.4
Not competed	\$2,018.0	\$1.6	\$5.0

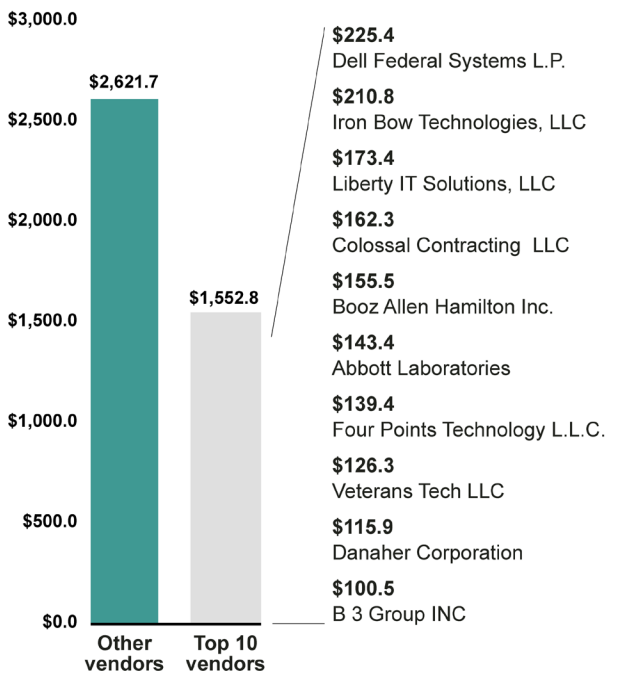
Dollars (in millions)

**WHO GOT THE CONTRACTS?**

About \$2.3 billion, or 54 percent, of VA's contract obligations were on contracts with vendors identified as small businesses. About 81 percent of the obligations to small businesses were to vendors identified as veteran-owned small businesses. VA's top 10 vendors accounted for 689 contract actions, and about \$1.6 billion, or 37 percent, of VA's overall contract obligations.



**Vendors (in millions)**



Source: GAO analysis of Federal Procurement Data System - Next Generation data. | GAO-21-280

Note: For the purposes of this report, obligations on contracts identified as using the unusual and compelling urgency exception include those associated with contracts subject to Federal Acquisition Regulation §6.302-2, as well as orders under multiple award contracts, which are subject to separate

---

requirements under Federal Acquisition Regulation subpart 16.5. Specifically, under Federal Acquisition Regulation §16.505(b)(2), orders under multiple award contracts require contracting officers to give every awardee a fair opportunity to be considered for a delivery order or task order exceeding \$3,500, with exceptions, including if the agency need for the supplies or services is so urgent that providing a fair opportunity would result in unacceptable delays. When using the unusual and compelling urgency exception to full and open competition under FAR § 6.302-2, agencies still must request offers from as many potential sources as is practicable under the circumstances. Under firm-fixed-price contracts, the government pays a fixed price that is not subject to any adjustment based on the contractor's actual cost of performing the contract. The contractor is responsible for providing the good or service, and bears the risk of all costs of performance. Under cost-reimbursement contracts, the government pays the contractor for allowable costs incurred, to the extent prescribed by the contract. These contracts establish an estimate of the total cost of the contract—referred to as the total estimated cost or ceiling cost. The contractor agrees to use its best efforts to perform the work specified under the contract within the estimated cost. However, the government must reimburse the contractor for its allowable costs regardless of whether the work is completed. Under time-and-materials and labor hour contracts, the government pays fixed per-hour labor rates that include wages, overhead, general administrative costs, and profit as well as, in the case of time-and-materials contracts, the actual cost of materials. The government is not guaranteed a completed end item or service within the ceiling price of the contract.

---

## Some Vendors Were Unable to Deliver PPE, Resulting in Contract Terminations Early in the Pandemic

### Challenges Obtaining Personal Protective Equipment

In one contract file we reviewed, the vendor reported the N95 masks were on a plane ready to leave China, but the Chinese government seized the N95 masks for domestic use. VA terminated the portion of the contract for the N95 masks, resulting in a deobligation of \$14.5 million. According to a Veterans Affairs (VA) senior acquisition official, there were also cases in which flights were halted by the Chinese government due to concerns about the products being counterfeit.

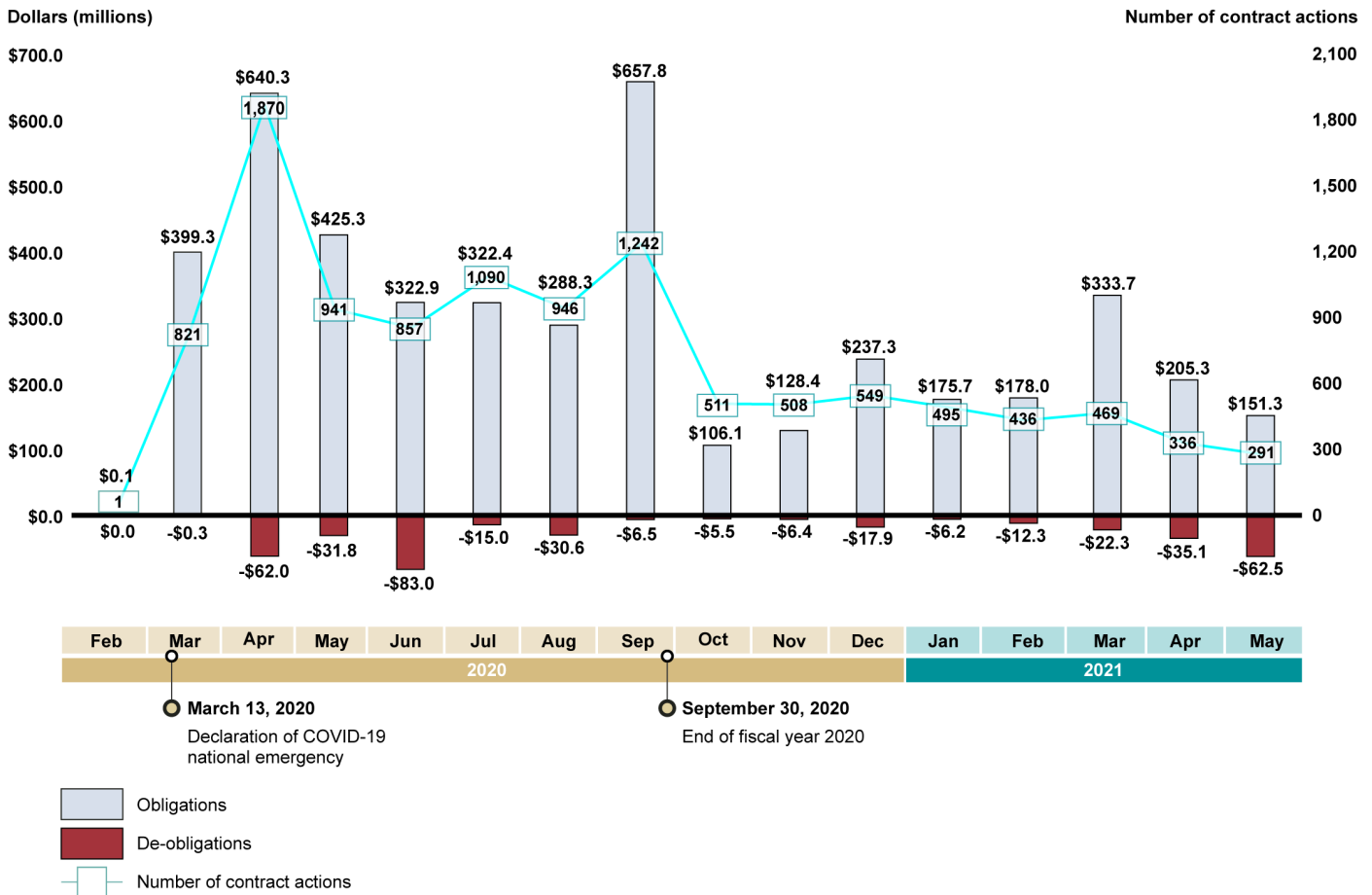
Source: GAO review of VA contract file and interviews with a VA contracting officer and senior acquisition official. | GAO-21-280

Early in the pandemic, VA contracting organizations experienced challenges obtaining critical supplies when some vendors were unable to fulfill contracts, resulting in delays in the delivery of needed products and increased workload for contracting staff. These challenges, among other things, led to VA processing a historically high percentage of contract actions to deobligate funds. VA reported 9 percent of COVID-19-related contract actions were to deobligate funds for the 15 months spanning March 2020 through May 2021.<sup>29</sup> Figure 5 shows VA's COVID-19-related contract obligations, deobligations, and number of contract actions.

---

<sup>29</sup>VA deobligated \$398 million of the \$4.6 billion initially obligated (9 percent) through 892 contract actions to deobligate funds compared to the 10,471 contract actions to initially obligate funds.

**Figure 5: Department of Veterans Affairs (VA) Total COVID-19-Related Contract Obligations, Deobligations, and Contract Actions, February 1, 2020, to May 31, 2021**



Source: GAO analysis of Federal Procurement Data System-Next Generation data. | GAO-21-280

In contrast, the contract actions to deobligate funds were less than 1 percent of VA contract actions for the 5 years spanning fiscal years 2015 through 2019.<sup>30</sup>

<sup>30</sup>From fiscal years 2015 through 2019, VA deobligated \$6.2 billion of the \$129.2 billion initially obligated (less than 5 percent) through 189,463 contract actions to deobligate funds compared to 22.5 million contract actions to initially obligate funds (less than 1 percent).

---

Reasons why funds are deobligated include termination for cause, termination for convenience, or modifications to adjust price or quantity.<sup>31</sup> For the 15 months spanning from March 2020 through May 2021, VA reported 892 COVID-19 related contract actions to deobligate funds, through the following actions:

- 11 terminations for cause, totaling \$39 million in deobligations;
- 75 terminations for convenience, totaling \$114 million in deobligations; and
- 806 reductions in price or quantity and for other purposes, totaling \$245 million in deobligations.

In comparison, for the 5 years spanning fiscal years 2015 to 2019, VA reported terminating 105 contracts for cause, for a total of \$11.4 million versus \$39 million in the 15 months spanning March 2020 through May 2021.

#### **Assuring Quality of Personal Protective Equipment**

In one contract file we reviewed, the Department of Veterans Affairs (VA) ordered two types of medical face masks, each meeting a different test standard. Upon delivery, VA evaluated the face masks and determined one type did not meet the specified standard. This discrepancy was resolved by modifying the contract to match the price of these face masks to the other type ordered, resulting in a deobligation of \$949,380.

Source: GAO review of VA contract file. | GAO-21-280

Of the contracts cited above that had deobligations, we reviewed in more detail the 10 that had the largest deobligations as of August 2020. Of these, VA terminated or partially terminated one for cause, six for convenience, and deobligated amounts on the remaining three through contract modifications that decreased the quantity or price of the supplies being acquired. In two similar examples, VA terminated two separate contracts because the vendors were unable to deliver N95 masks—one for \$2.2 million, which VA terminated for cause; and the other for \$35.4 million, which VA terminated for the government's convenience. Appendix II shows details on the 10 VA contract actions we reviewed with COVID-19-related deobligations. When a vendor failed to provide supplies, contracting officers we spoke with stated that they would try other options to obtain necessary supplies, such as identifying new vendors and soliciting offers.

---

<sup>31</sup>Under the FAR, in the case of commercial item contracts such as those discussed in this report, agencies are permitted to terminate contracts either for the government's convenience or for cause.

---

## VA Took Steps to Improve Its Ability to Obtain and Track Critical COVID-19-Related Supplies

Particularly in the early stages of the pandemic, VA encountered barriers to quickly obtaining PPE, and in subsequent months it took steps to improve its ability to track and obtain critical PPE. First, VA developed a questionnaire to better screen vendors for their capability and capacity to obtain PPE. Second, VA implemented selected FAR-based emergency acquisition flexibilities, some of which contracting officers used to a great extent. Third, to facilitate the delivery of emergency-related supplies, VA expanded its relationship with FEMA and is participating in Defense Production Act-related efforts. Fourth, VA created an automated business intelligence tool to better track each VAMC's inventory of critical COVID-19-related supplies and make purchasing and other supply-related decisions. Finally, VA directed VAMCs to increase PPE stock levels.

---

## VA Took Steps to Help Contracting Officers Screen for Legitimate Vendors

To help mitigate risk when obtaining COVID-19 supplies, VA created a questionnaire for contracting officers to use to screen vendors. In its fiscal year 2020 report, VA's Inspector General noted many companies—"some nefarious and some neophytes"—had sought contracts for PPE and other medical supplies worth millions of dollars that they could not fulfill.<sup>32</sup> Three of the four VA enterprise-wide contracting offices we met with told us they received unsolicited phone calls and emails from vendors offering to sell PPE early in the pandemic. Officials from one enterprise-wide office told us they received an overwhelming volume of contact from hundreds to thousands of vendors expressing interest in selling PPE to the government. A senior VHA procurement official stated that VA was not fully prepared to address the number of vendors that attempted to "exploit the [pandemic] situation."

VA implemented the following measures to assist in screening vendors:

- In March 2020, VA's Deputy Senior Procurement Executive sent an email to VA acquisition personnel to reinforce that staff should be vigilant for spam and fraudulent activity, such as vendors posing as existing Federal Supply Schedule contractors using false accounts. The email referred staff to various federal websites and resources for verifying vendors.
- At a Senate hearing in June 2020, a senior VA acquisition official stated that VA flagged "bad actors" in VA's Electronic Contract Management System and that the VA Senior Procurement Executive

---

<sup>32</sup>Department of Veterans Affairs, Office of Inspector General, *Fiscal Year 2020 Inspector General's Report on VA's Major Management and Performance Challenges* (Washington, D.C.).

---

communicated this information to the entire VA acquisition community.

- Officials from the PCAC told us they worked with an NCO to create a questionnaire to screen potential vendors. The questionnaire asked for information such as whether the contractor was an authorized seller for the item, whether the vendor would require advance payment before delivery, and if the vendor had the quantity of the requested PPE on hand. These officials stated that the questionnaire helped contracting officers assess whether the vendor would be able to provide the contracted supplies.<sup>33</sup> The questionnaire has since been shared VHA-wide, according to VHA's Senior Procurement Executive.

---

## VA Used General and Emergency Acquisition Flexibilities to Obtain Critical COVID-19-Related Supplies

As we reported in June and September 2020, VA exercised selected FAR-based acquisition flexibilities when contracting for critical supplies to address COVID-19. For example, VA awarded a contract on a noncompetitive basis to the state of New Hampshire in order to obtain PPE (see text box). On March 15, 2020, VA's Senior Procurement Executive issued a memorandum implementing certain emergency flexibilities related to increasing certain procurement thresholds, and several times temporarily extended their use. In October 2020, VA issued guidance extending the flexibilities through the effective period of the declared emergency.

---

<sup>33</sup>The form stated that VHA does not customarily provide advance payments.

**Department of Veterans Affairs Established a New Source of Personal Protective Equipment through a Contract with the State of New Hampshire**

In May 2020, the Department of Veterans Affairs (VA) awarded a \$1.66 million contract to the state of New Hampshire under which the state supplied personal protective equipment (PPE). VA’s Senior Procurement Executive had approved a class justification for the purchase of PPE using other than full and open competition based on the exception for unusual and compelling urgency in April 2020. VA used this justification when it awarded the contract, which VA officials say they pursued with the state of New Hampshire because of an existing relationship the state had with a medical device company. VA modified this contract multiple times, increasing the contract’s overall obligations to \$73 million, as of March 2021.

<b>Date</b>	<b>Items purchased</b>	<b>Amount obligated (dollars)</b>
May 18, 2020	2 million swabs	1.66 million
June 5, 2020	5 million swabs	4.15 million
July 10, 2020	16 million gloves and 3 million gowns	21.9 million
July 31, 2020	2 million swabs	1.66 million
August 3, 2020	1 million gowns	6.5 million
August 28, 2020	3.94 million gowns	24.625 million
September 29, 2020	4.5 million gloves	675,000
January 6, 2021	71.6 million gloves	11.987 million

VA procurement and logistics officials stated that they might pursue additional modifications under this contract to procure gloves, if they remain difficult to obtain through other sources. VA officials noted the unique nature of the contract with the state of New Hampshire and stated that they have not pursued similar arrangements with other states.

Source: GAO review of VA contract documentation. | GAO-21-280

VA used FAR-based acquisition flexibilities to obtain COVID-19-related supplies. We analyzed FPDS-NG data and found that VA obligated \$4.2 billion in COVID-19 contract obligations across 11,363 contract actions. Across these actions, VA contracting organizations reported use of the urgency-based exceptions to competition and fair opportunity procedures



---

in almost a quarter of total contract obligations.<sup>34</sup> VA obligated less on actions using the authorized increases in the thresholds for simplified acquisitions and the simplified acquisitions for commercial items—less than 1 percent and 3 percent, respectively.<sup>35</sup>

On April 23, 2020, VA's Senior Procurement Executive issued guidance on use of advance payment authority under Public Law 85-804 for acquisition of commercial items in support of the COVID-19 response, including various limitations on the authority. However, according to VA's Senior Procurement Executive, VA later notified the acquisition community stating that advance payments were not to be used during the pandemic due to a rise in instances of potential fraud. As of March 2021, senior VA officials confirmed that no advance payments had been authorized for COVID-19 related contracts. Table 1 provides details on use of FAR-based acquisition flexibilities derived from our review of 16 VA contract files.

---

<sup>34</sup>VA's use of these exceptions for fiscal years 2015 through 2019 was less than 3 percent of obligated funds. For the purposes of this report, obligations on contracts identified as using the unusual and compelling urgency exception include those associated with contracts subject to Federal Acquisition Regulation 6.302-2, as well as orders under multiple award contracts, which are subject to separate competition requirements under Federal Acquisition Regulation Part 16. Specifically, under Federal Acquisition Regulation 16.505(b)(2), orders on multiple award contracts require contracting officers to give every awardee a fair opportunity to be considered for a delivery order or task order exceeding \$3,500, with exceptions, including if the agency need for the supplies or services is so urgent that providing a fair opportunity would result in unacceptable delays. When using the unusual and compelling urgency exception to full and open competition, agencies still must request offers from as many potential sources as is practicable under the circumstances.

<sup>35</sup>Obligations reflect new awards and orders reported from the date the Veterans Affairs Senior Procurement Executive authorized the use of increased thresholds for acquisitions in support of the COVID-19 response—March 15, 2020, through February 28, 2021—with an estimated contract value above the simplified acquisition threshold (\$250,000) and the simplified acquisition threshold for commercial items (\$7,000,000 before October 1, 2020, and \$7,500,000 after October 1, 2020). In general, the reported obligations reflect new awards and orders subject to simplified acquisition procedures between \$250,000 and \$750,000 and simplified acquisition procedures for commercial items between \$7,000,000 and \$13,000,000, prior to October 1, 2020. On October 1, 2020, the thresholds were increased, as implemented in the Federal Acquisition Regulation, to \$800,000 for simplified acquisition procedures in support of a response to an emergency or major disaster, \$7,500,000 for simplified acquisition procedures for commercial items, and \$15,000,000 for simplified acquisition procedures for commercial item acquisitions in support of an emergency or major disaster. VA notified its acquisition staff on October 13, 2020, of the increased emergency thresholds.

**Table 1: Department of Veterans Affairs' Use of Federal Acquisition Regulation (FAR) Acquisition Flexibilities in Selected COVID-19 Contracts**

Acquisition flexibility	Number of selected contract files reflecting selected flexibilities
Unusual and compelling urgency exception to full and open competition	6
Soliciting from a single source (simplified acquisition procedures)	7
Increased simplified acquisition threshold for purchases to support response to an emergency or major disaster	0
Increased simplified acquisition threshold for purchases of certain commercial items to support response to emergency or major disaster	2
Federal Supply Schedules, multi-agency blanket purchase agreements, and multi-agency indefinite-delivery contracts	1
Letter contracts <sup>a</sup>	1

Source: GAO review of Department of Veterans Affairs (VA) contract documentation. | GAO-21-280.

Notes: One contract used two acquisition flexibilities, resulting in the sum of 17 contract flexibilities, rather than 16.

<sup>a</sup>The FAR describes a letter contract as a written preliminary contractual instrument that authorizes the contractor to begin immediately manufacturing supplies or performing services. FAR § 16.603-1.

Finally, because FPDS-NG data do not capture all data on agencies' use of the increased micro-purchase threshold for acquisitions in support of an emergency or major disaster, we asked VA acquisition leaders as well as contracting staff we interviewed from four VAMCs about the extent to which they made micro-purchases using the increased threshold. Senior VA procurement officials told us they used the increased micro-purchase threshold frequently to purchase supplies and services as it provided a more rapid form of procurement via government purchase cards. Officials we spoke with at four VAMCs in our review stated they used this increased threshold significantly to procure COVID-19-related supplies.

## VA Expanded Its Relationship with FEMA to Meet COVID-19-Related Supply Needs

VA Sought Assistance from FEMA for Emergency Supplies through a New Interagency Agreement

VA and FEMA signed an interagency agreement (IAA) in April 2020, to facilitate the transfer of emergency supplies between these two agencies. Through this agreement, VA obligated \$60.6 million for emergency

---

supplies for a period of approximately 3 months.<sup>36</sup> According to VHA senior procurement and logistics officials, VA's Emergency Management Center had an existing relationship with FEMA to fulfill its role in government wide emergency response efforts but did not have a process in place prior to the COVID-19 pandemic for placing medical supply requests through FEMA for VA's own use.<sup>37</sup> According to VHA procurement and logistics officials, VA and FEMA mutually extended this agreement until the end of fiscal year 2020. They did not extend it further because VA was using its own contracting mechanisms to procure supplies and no longer planned to obtain additional supplies from FEMA. VA officials said that, while there was a slight delay when first establishing the process to sign this agreement, they now understand FEMA's processes and would be able to draw upon that knowledge in the future.

Through the FEMA IAA, VA requested substantial quantities of supplies, including respirator masks, gloves, and swabs. Based on data provided by VA, FEMA met or exceeded most, but not all, of VA's supply requests. For context, figure 6 shows the supplies that VA requested through the FEMA IAA as of June 5, September 11, and November 17, 2020, as well as what FEMA had provided to VA as of each of these dates. VA officials said that after July 15, 2020, FEMA support ended for certain items as HHS began to provide additional supplies.

---

<sup>36</sup>As we reported in September 2020, VA also obtained supplies from the Strategic National Stockpile program early in the pandemic. The Strategic National Stockpile's role is to supplement state and local supplies during public health emergencies. The supplies, medicines, and devices for life-saving care contained in the stockpile can be used as a short-term stopgap buffer when the immediate supply of adequate amounts of these materials may not be immediately available. We recently reported about the role of the Strategic National Stockpile in COVID-19 response. See GAO, *COVID-19: Sustained Federal Action Is Crucial as Pandemic Enters Its Second Year*, [GAO-21-387](#) (Washington, D.C.: Mar. 31, 2021).

<sup>37</sup>VA collaborates with FEMA through its "Fourth Mission," which is to improve the Nation's preparedness for response to war, terrorism, national emergencies, and natural disasters by developing plans and taking actions to ensure continued service to veterans, as well as to support national, state, and local emergency management, public health, safety and homeland security efforts. The obligations referenced here are not included in contract obligations in FPDS-NG.

**Figure 6: COVID-19-Related Items Requested by the Department of Veterans Affairs (VA) and Received from Federal Emergency Management Agency (FEMA) and the Department of Health and Human Services (HHS) During 2020**

	As of June 5	As of September 11	As of November 17
<b>Respirator masks</b>	Requested  5,000,000 Received  7,042,320	Requested  5,000,000 Received  8,225,360	Requested  5,000,000 Received  8,225,360
<b>Generic masks</b>	Requested  7,500,000 Received 0	Requested  7,500,000 Received  2,479,000	Requested  2,479,000 Received  2,479,000
<b>Eye protection (face shield or goggles/glasses)</b>	Requested  660,000 Received  427,000	Requested  427,000 Received  427,000	Requested  427,000 Received  427,000
<b>Gloves (eaches)</b>	Requested  7,200,000 Received  4,992,000	Requested  22,200,000 Received  5,655,400	Requested  22,200,000 Received  7,106,940
<b>Gowns<sup>a</sup></b>	Requested  3,400,000 Received 0	Requested  3,400,000 Received 0	Requested N/A Received N/A
<b>Powered air purifying respirator</b>	Requested 11,500 Received 3,258	Requested 6,258 Received 6,258	Requested 6,258 Received 6,258
<b>Viral transport medium</b>	Requested N/A Received N/A	Requested 0 Received 94,200	Requested 0 Received 94,200
<b>Collection and stabilization tubes</b>	Requested N/A Received N/A	Requested 10,000 Received  787,248	Requested 10,000 Received  1,388,376
<b>Swabs<sup>b</sup></b>	Requested N/A Received N/A	Requested 10,000 Received  933,220	Requested 10,000 Received  2,049,120
<b>Test kits</b>	Requested N/A Received N/A	Requested 0 Received 420	Requested 0 Received 420

Source: VA-reported data on supplies received from FEMA and HHS. | GAO-21-280

<sup>a</sup>FEMA officials stated that they had offered some gowns to VA, but VA declined to accept them because the specific type of gown offered did not meet VA's clinical needs.

<sup>b</sup>"Swabs" includes swabs from several different test manufacturers.

Categories where FEMA did not fully meet VA's requests—such as gloves—reflect supplies affected by global shortages. VHA senior procurement and logistics officials told us in March 2021, that, although

---

they have adequate PPE supplies for immediate use, they have not reached target levels for supplies such as gloves, and a global shortage of gloves persists, which will likely continue even after the COVID-19 nationwide emergency ends.<sup>38</sup> Additionally, according to VA officials, they reduced the amount of eye protection requested after determining that they no longer needed the full amount originally requested.

According to VA officials, heightened engagement between leadership at VA and DHS led to better coordination of PPE deliveries and higher prioritization of VHA requirements for critical PPE supplies during the pandemic. For example, in early April, FEMA identified VA hospitals as a lower priority than public hospitals for critical supply receipt. According to senior VA procurement officials, FEMA's COVID-19 response evolved over time, including from its traditional region-based approach to a national response. By the end of April, VA hospitals became top priority for supplies alongside public, private, and long-term acute care hospitals.

In addition to signing an interagency agreement, VA deployed the Executive Director of VHA's Procurement and Logistics Office to serve as a liaison to FEMA to represent VA's supply needs and capabilities. This official advised the Supply Chain Task Force on VA requirements for PPE and other critical supplies. According to the Executive Director, serving as the liaison to FEMA was helpful in conveying VA's needs but also presented opportunities to demonstrate the scope and scale of VA's capabilities as part of a national response to a medical emergency, which could result in a more active VA role in future interagency response efforts for medical emergencies.

#### VA Continued to Coordinate with Other Agencies as Part of COVID-19 Response Efforts

VA also sent liaisons to the National Response Coordination Center and HHS as part of COVID-19 response efforts, although VA officials said these efforts were part of standard interagency coordination for emergency response or were already in motion when the COVID-19 emergency was declared. For example, prior to the pandemic, VHA's

---

<sup>38</sup>Based on analysis of FPDS-NG data, VA placed orders for supplies and services, through contract vehicles established by other agencies, such as the National Aeronautics and Space Administration's Solutions for Enterprise Wide Procurement and the General Services Administration's Federal Supply Schedules program, many of which were for information technology products and services to support activities such as remote work and telemedicine during COVID-19. VA also placed orders under other agencies' contracts to obtain medical supplies and equipment, but the extent to which VA used other agencies' contracts did not differ substantially during fiscal year 2020 in comparison to fiscal years 2018 and 2019. VA orders for medical equipment and supplies on other agencies' contracts totaled approximately \$84 million in fiscal year 2018, \$80 million in fiscal year 2019, and \$76 million in fiscal year 2020.

---

Office of Emergency Management had already decided to deploy a permanent liaison to HHS to encourage strategic, rather than ad hoc, emergency response coordination. VHA expedited this deployment in response to the pandemic, and beginning in March 2020, the liaison facilitated communication between HHS and VA about VA's ability to support government-wide emergency efforts and identified upcoming requests for VA assistance from other agencies.

In October 2020, VHA issued a COVID-19 Response Report, which had several recommendations relating to the need to establish interagency relationships to integrate federal health capabilities to enhance national readiness. The report recommended that VA and VHA work with DOD, DHS, and HHS to assess the interagency response to COVID-19 to identify standing processes that would improve the coordinated interagency response to future public health crises, such as permanent interagency liaisons.<sup>39</sup>

In addition, VA is a member of the Defense Production Act § 708 Committee for the Manufacture and Distribution of Healthcare Resources Necessary to Respond to a Pandemic Working Group, a committee connected with a voluntary agreement established under authority of the Defense Production Act. The purpose of this committee is to enhance coordination and cooperation between the government and private sector manufacturers and distributors, to provide critical healthcare resources to respond to a pandemic, including expediting the distribution of needed medical supplies throughout the United States. As we reported in November 2020, FEMA is leading this effort alongside other committee members, such as HHS.<sup>40</sup>

### VHA Tracked Critical Supplies with an Automated Tracking Tool and Directed VAMCs to Increase PPE Stock

As we reported in September 2020, VA developed a PPE tracking tool in spring of 2020—through Power Business Intelligence, a Microsoft product used for data visualization—to centrally manage VAMC's manual, daily PPE inventory updates. This tracking tool allowed VA to obtain more timely PPE inventory data for its 170 VAMCs regarding the levels of PPE

---

<sup>39</sup>The VHA COVID-19 Response Report from October 27, 2020, describes VHA's response to the COVID-19 pandemic from early January through June 30, 2020. The report captures VHA's actions and assesses issues from the initial months of the pandemic to inform strategies and actions to follow.

<sup>40</sup>GAO, *Defense Production Act: Opportunities Exist to Increase Transparency and Identify Future Actions to Mitigate Medical Supply Chain Issues*, [GAO-21-108](#) (Washington D.C.: Nov. 19, 2020).

---

on-hand, usage, and supply gaps. However, VAMC staff continue to perform actions such as manual, daily PPE inventory counts.<sup>41</sup> In addition, in the spring of 2020, VHA Procurement and Logistics officials told us that they issued verbal guidance to VHA's 170 VAMCs to increase their PPE stock levels to at least 60 days of PPE at their facilities—a significant increase from a previous 15-day requirement. We spoke with staff at four VAMCs in mid-2020, and staff from all four VAMCs told us they had or were working to secure storage space to hold the increased volume of PPE. Several VA staff noted using conference rooms at VA sites as storage facilities, given the limited space and increased volume of supplies. VHA data showed that, as of March 2021, 96 of 140 VAMCs had yet to meet the 60-day PPE requirement for one or more of seven PPE categories.<sup>42</sup>

---

## VA's Medical Supply Inventory System Modernization Is Delayed and Plans for Future Emergencies Are in Early Stages

VA faces significant delays in its efforts to modernize its medical-surgical supply inventory system as it continues to develop plans to position itself to respond to future health emergencies. Until the system is rolled out in all 170 medical centers VA will continue to use an outdated system that does not provide needed functionality to track medical and surgical supplies, including critical COVID-19 supplies. Further, to bolster its preparedness for regional and national public health emergencies, VHA is in the process of establishing Regional Readiness Centers (RRC) to hold COVID-19-related PPE, among other things, and pursuing participation in DLA's Warstopper program. All efforts are in the early stages, have faced delays, and raise questions on how VA plans for the initiatives to work together.

---

## Modernization Plan for Medical-Surgical Supply Inventory System Faces Significant Delays and VA Plans to Accelerate Implementation

VA continues to experience significant delays in modernizing its antiquated inventory system for medical-surgical supplies, but has taken steps to implement the new system. Prior to the onset of COVID-19, VA was already experiencing delays to modernizing its system, with the schedule further shifted due to the pandemic, among other issues. The inventory system provides limited inventory management and ordering capability and no information on historical use of supplies. In September 2020, we reported that VA's legacy inventory system restricted its ability

---

<sup>41</sup>VHA issued an April 17, 2020, memorandum to VAMCs "to reduce the variation in methods used to report and calculate PPE levels on hand within the VHA."

<sup>42</sup>The seven PPE categories are exam gloves, eye protection, gowns, hand sanitizer, generic masks, N95 masks, and surgical masks. According to VHA, facilities with less than 60 days of supply can "cross-level" (the transfer of supplies between facilities, from those with surplus to those in need) within their VISN.

---

to effectively monitor supplies and make strategic decisions, especially during its early response to the pandemic.<sup>43</sup>

In 2019, VA began an effort to replace its legacy inventory system with a DOD system, Defense Medical Logistics Standard Support (DMLSS). Once in place, DMLSS is intended to provide VA with more powerful analysis and reporting capabilities, among other things, according to VA officials.<sup>44</sup> VA's DMLSS implementation plan, dated October 2020, cites a total cost of approximately \$2.8 billion for DMLSS deployment and sustainment over a 13-year projected implementation schedule at VA sites. The implementation plan also outlines information on VA's current system, the benefits of DMLSS implementation at VA, and how it aligns with VA's goal to modernize systems with rapid integration as outlined in its 2018-2024 Strategic Plan.

As we reported in September 2020, VHA's Modernization Plan update identified that its DMLSS deployment was at critical risk of not meeting system modernization milestones. In addition, in September 2020, we reported on VA's delays in implementing DMLSS on its planned schedule.<sup>45</sup> For example, VA initially planned to implement DMLSS at three VAMCs starting in October 2019. VHA Procurement and Logistics officials stated that they were unable to meet time frames because the initial schedule did not fully consider the time and steps required to integrate DMLSS with VA's existing financial system or address technical implementation issues. In addition, VA needed time to apply lessons learned from the first implementation site—North Chicago joint medical center.

Given the effects that VA's current inventory management system had on its early COVID-19 response, such as VA not having real-time information on PPE levels, senior VA acquisition officials stressed the need to speed up enterprise-wide implementation of DMLSS. VA did not transition to DMLSS at the first medical center until August 2020—almost a year later than anticipated. According to VHA Procurement and Logistics officials,

---

<sup>43</sup>[GAO-20-716T](#).

<sup>44</sup> DMLSS provides other types of capabilities as well, such as facility management. VA plans to implement DMLSS for its medical and surgical supply chain management in the near term. In the future, VA plans to transition to DLA's LogiCole, a system that provides similar functions to DMLSS, but on a more modern technology platform with some additional features. VA plans to begin implementing LogiCole starting in 2023, with plans for enterprise-wide implementation in 2027.

<sup>45</sup>[GAO-20-487](#).



---

they also delayed DMLSS implementation at the second and third locations—scheduled for January 2021 and late 2021. VHA officials attribute the 2020 and 2021 delays to pandemic-related factors, such as staff being unable to receive DMLSS training due to travel restrictions. The officials also have not yet provided estimated rescheduling dates for the second and third locations.

In its fiscal year 2021 Presidential Budget Request, VA requested approximately \$196 million for DMLSS implementation across 39 of its 170 medical centers and an additional \$300 million in advance appropriations for system implementations, such as DMLSS.<sup>46</sup> VA received \$100 million in the American Rescue Plan Act of 2021 for supply chain modernization and VA officials said that they intend to use the funds to accelerate VA’s transition to DMLSS.<sup>47</sup> As we reported in March 2021, VA had planned to complete implementation of DMLSS across all medical centers by 2027 but is exploring whether it can accelerate full implementation to 2025—it is too soon to tell if this will occur.<sup>48</sup> In addition, of the fiscal year 2021 advance appropriation that VA received, officials report that \$84.3 million is planned for DMLSS.

---

### VA Delayed Early Plans for Regional Readiness Centers and DLA’s Warstopper Program

To bolster its preparedness for regional and national public health emergencies, VA is in the process of establishing RRCs to maintain COVID-19-related PPE, among other things, and pursuing participation in DLA’s Warstopper program, though both efforts are in the early stages and have faced delays. As outlined in VHA’s July 2020 RRC white paper, both efforts are intended to address VA’s ongoing supply chain issues.

### Regional Readiness Centers

VHA’s RRC white paper says the purpose of the RRCs is “to build resiliency into VA’s medical supply chain by minimizing disruptions, such as those caused due to the increased global demand for PPE and critical items during this COVID-19 pandemic.” This white paper further states that the “RRCs will provide access to months of critical supplies for response to a public health emergency.” Additionally, the RRCs are intended to mitigate limitations with VA’s current “just-in-time” approach for obtaining medical supplies that were exposed by the pandemic. VHA

---

<sup>46</sup>Advance appropriations are funds that become available one fiscal year or more after the fiscal year for which the related appropriations act was enacted. See [GAO-05-734SP](#).

<sup>47</sup>American Rescue Plan Act of 2021, Pub. L. No. 117-2, § 8003, 135 Stat. 4, 112 (2021).

<sup>48</sup>[GAO-21-445T](#).

---

aims for the RRCs to support VHA preparedness for regional and national public health emergencies.<sup>49</sup>

VHA plans to have four geographically dispersed, fully operational RRCs by 2023.<sup>50</sup> According to VHA officials, in the short-term, VHA is using nine interim sites located in eight locations—including DLA, HHS, VA and contractor facilities. The nine warehouses contain storage of multiple days of supplies and VHA manages them by products stocked and not location supported (i.e., one RRC can support multiple VAMCs, VISNs, and consortia).<sup>51</sup> Further, the interim RRCs will evolve into four permanent RRCs, one within each of the four regional consortia. According to VHA officials, two of the four RRCs will be DLA-owned and -operated, while the other two RRCs will be DLA contractor-owned and -operated. For these four permanent RRCs, DLA will continue to be responsible for the provision of all personnel and equipment for warehouse operations. As shown in figure 7, VHA identifies interim sites and two permanent RRCs locations. VA has yet to determine the two permanent locations for the Southern States Network and Midwest Consortia. As of March 2021, VA is also in the process of closing three of the interim sites serving as RRCs—North East, Maryland; Charles City, Virginia; and Hines, Illinois.

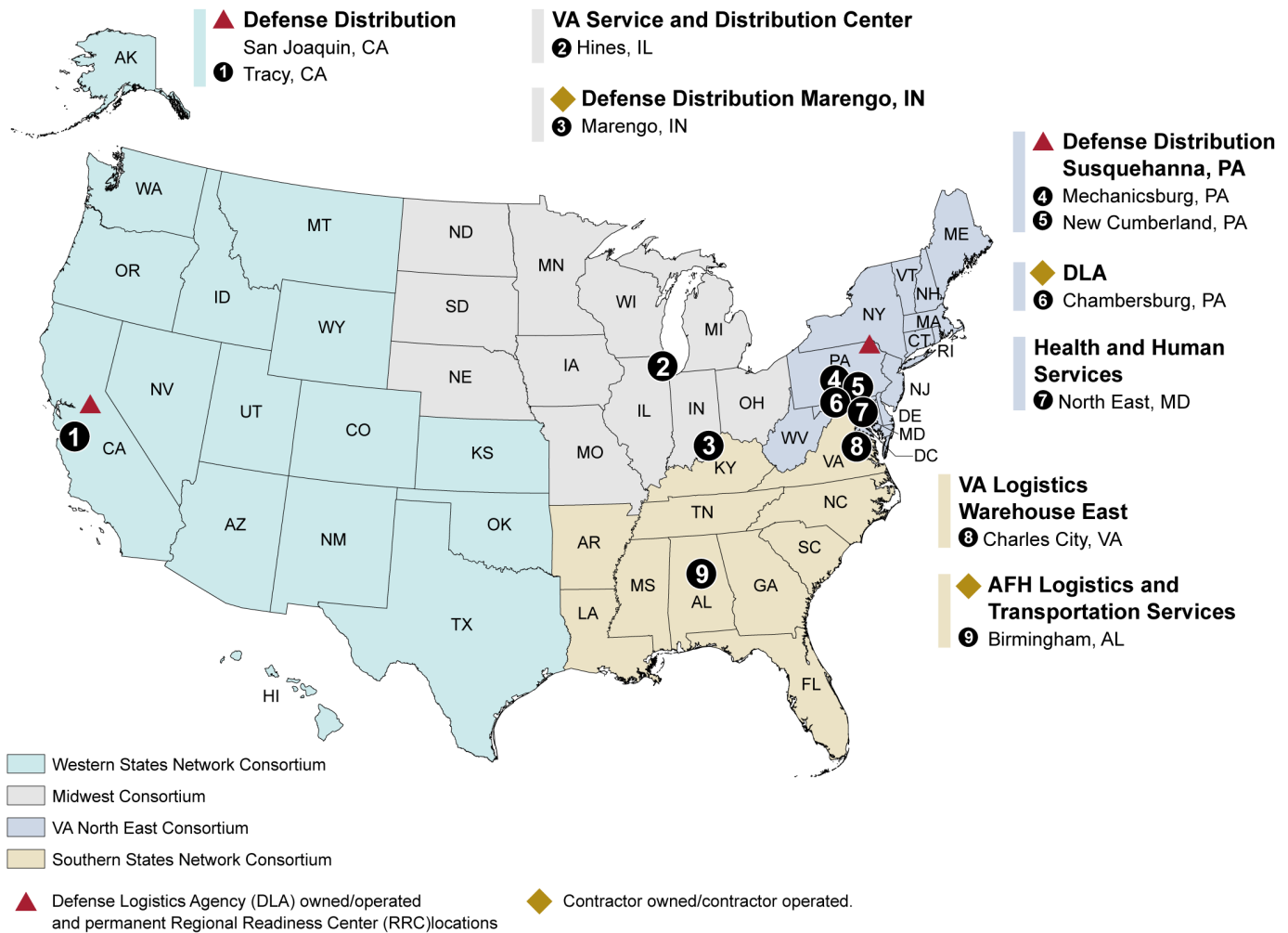
---

<sup>49</sup>VHA also intends for the RRCs to perform tasks such as decontaminating respirator masks.

<sup>50</sup>According to VA, as of March 2021, all RRCs were at initial operating capability, meaning that the RRCs can receive, store and distribute available supplies and equipment. The VA defines full operational capability as the completed implementation of the overall system, wherein all applicable doctrinal, organizational, training, materiel, leadership, personnel, facilities, and policies are in place to provide the needed capability.

<sup>51</sup>VHA established four consortia which are partnerships between multiple VISNs located in the same geographic region—VA Northeast Consortium, Southern States Network Consortium, Midwest Consortium, and the Western States Network Consortium.

**Figure 7: Veterans Health Administration (VHA) Regional Readiness Center (RRC) Locations, as of March 2021**



Source: Analysis of VHA information, March 2021. | GAO-21-280

In order to secure these facilities, VA entered into two IAAs: one with HHS and the other with DLA to provide storage and distribution of PPE, among other things.<sup>52</sup> Specifically, VHA signed a 1-year IAA with HHS in May 2020 for use of its North East, MD location, at an estimated cost of nearly \$1.5 million. In addition, VHA signed an IAA with DLA in July 2020, for use of multiple DLA locations for up to 3 years with a total estimated

<sup>52</sup>VA estimates updating the IAAs in late 2021 or early 2022.

---

cost of nearly \$25 million.<sup>53</sup> The remaining RRC interim sites are VA or contractor owned and operated. VHA's RRC white paper states that partnering with other agencies through IAAs provides VHA the flexibility to expand, reduce, or eliminate RRCs based on operational readiness needs. For example, VHA's agreement with DLA is for one year, with two additional option years. VHA is also finalizing an additional IAA with DLA to help transition the interim sites to full operational capability.

VHA provided overall cost estimates for the current interim sites and permanent RRCs. In January 2021, VHA estimated the cost of the current interim sites warehouse spaces as \$45 million for fiscal year 2021. Additionally, VHA projected that the cost to retain four fully operational spaces and supporting costs will be nearly \$24 million annually. That is in addition to VHA's estimated costs of \$9 million for transportation; \$5 million to implement RRC automated systems; and \$2 million for staffing. In a letter to the House Committee on Veterans' Affairs, dated February 2021, VA indicated that it likely will require an increase in its annual appropriations to sustain the RRCs as CARES Act funds are set to expire at the end of fiscal year 2021.

According to VHA Procurement and Logistics officials, each RRC is to manage and maintain 120 days of PPE and other critical supplies, including the quantity of supply VA's 170 VAMCs ordered pre-COVID-19, as well as those supplies needed to sustain the COVID-19 response or future emergency response efforts. According to VHA officials, it is planning to use about \$700 million of CARES Act supplemental funds for initial procurement costs to obtain RRC medical supplies. As we reported in March 2021, VHA has yet to determine the total annual cost to retain four, fully-operational locations, which would include costs related to transportation, automated systems, staffing, and stock rotation and management. VA officials estimate that the follow-on years' sustainment cost for the RRCs is approximately \$190 million, due to planned stock rotation. VA has also yet to determine how the RRCs will be funded once CARES Act supplemental funds expire at the end of fiscal year 2021. VA's RRC white paper also stated that the RRCs are different in concept from warehouses in that these centers will supply PPE and other readiness materiel to the VAMCs on a recurring basis.

---

<sup>53</sup>The IAA initial cost estimate is for fiscal year 2020 was \$8.25 million with two additional option years at \$8.25 million per year, for a total of approximately \$25 million.

---

According to VHA officials, they initially planned to stand up all four RRCs by December 2020, but were not staffed or funded to implement the RRCs at the onset of COVID-19. VHA subsequently updated the schedule to the fall of 2022. As of March 2021, none of the RRCs are fully operational and remain at initial capability. According to VHA Procurement and Logistics officials, it is taking longer than expected to complete the RRC concept of operations and to implement the RRCs due to several issues including the pandemic, supply chain constraints, VA's lack of a supply chain management system, and budgetary issues. As such, full operational capability for the RRCs is delayed by an additional year—to mid-2023.

#### DLA's Warstopper Program

To improve its response to COVID-19 and future public health crises, VA is pursuing participation in DLA's Warstopper program.<sup>54</sup> According to senior VA officials, the Warstopper program facilitates and improves DLA's access to specific items by addressing weaknesses in certain supply chains by making targeted investments in industry that guarantee DLA access to materiel and enable industry to increase production when needed. As stated on DLA's website, through its Warstopper program, DLA is supporting the nation's COVID-19 response with critical supplies like ventilators and face masks through medical readiness contracts and shielding over 14,000 medical items the military services deemed critical from becoming scarce due to resources or industrial limitations. Further, DLA states that vendors participating in DLA's Warstopper program are contractually obligated to maintain shelf life of the material by rotating it with commercial stock.

VHA's October 2020 COVID-19 Response Report acknowledged VHA's challenges in obtaining sufficient medical supplies during the pandemic and recommended better preparation for future health emergencies.<sup>55</sup> Specifically, the report emphasized the importance of VA having a program, such as DLA's Warstopper program, to position it to access critical supplies in the future.

VA experienced delays in participating in the Warstopper program, although it initially stated its intent to pursue the program in June 2020. VA acquisition officials told us that they held preliminary discussions with

---

<sup>54</sup>In 1994, DOD created the DLA Warstopper Program, in part, to replace war reserves not used during Operation Desert Storm because items had expired.

<sup>55</sup>VA, *Veterans Health Administration (VHA) Coronavirus Disease 2019 (COVID-19) Response Report* (Oct. 27, 2020).

congressional staff on the concept of operations for use of DLA’s Warstopper program at the end of calendar year 2020. In a February 2021 letter to the House Committee on Veterans’ Affairs, VA stated that while there is no impediment for VA to partner with DLA on Warstopper, it would need additional appropriations to fund the program. In March 2021, a bill was introduced in the House of Representatives to require VA participation in the Warstopper program.

In March 2021, VHA officials stated that VHA is exploring how it can leverage DOD programs, to include Warstopper, to support VHA core and fourth mission readiness.<sup>56</sup> VHA plans to pursue both RRCs and Warstopper as part of its supply chain initiatives—with RRCs to buffer the VHA supply chain and the Warstopper program to provide items such as PPE required for future public health emergencies (surge requirements). Table 2 illustrates the key attributes of VA’s planned use of RRCs and DLA’s Warstopper program.

**Table 2: Key Attributes of Veterans Health Administration (VHA) Regional Readiness Centers (RRC) and Defense Logistics Agency (DLA) Warstopper Program**

<b>Supply Chain Mitigation Program</b>	<b>VHA Regional Readiness Centers (RRC)</b>	<b>DLA Warstopper Program</b>
Program description	Store and supply personal protection equipment (PPE) and critical medical supplies to Veteran Affairs (VA) Medical Centers (VAMC) on a recurring basis. Strive to minimize medical supply chain disruptions and build resiliency into the supply chain to enable VHA to sustain continuous services to Veterans and the resumption of normal pre-COVID-19 operations.	Facilitates and improves access to items deemed critical to Department of Defense (DOD) by enabling DLA to maintain an industrial base for critical “go-to-war” items. Its purpose is to fund initiatives that ensure materiel availability when DLA’s normal peacetime procurements, inventory, and service prepositioned war reserve stocks are not adequate to meet the services’ go-to-war shortfalls for critical materiel.
Program timeframes	Estimated full operational capability at four RRCs is 2023.	Established in 1994. VHA is actively seeking participation.

<sup>56</sup> GAO, *COVID-19 Pandemic: VA Provides Health Care Assistance to Civilians as Part of the Federal Response*, [GAO-21-395](#) (Washington D.C.: May 20, 2021).

Supply Chain Mitigation Program	VHA Regional Readiness Centers (RRC)	DLA Warstopper Program
Program contracting approach	Access to supplies through regional and national contracts.	Targeted industry investments that guarantee DLA access to materiel and enable industry to increase production when needed. The investment may take the form of one of several types of contingency contracts or other means of investment, such as the purchase of critical raw materials or the purchase of government-provided equipment to speed up or modernize industrial processes. According to DLA, vendors are contractually obligated to maintain shelf life of the material by rotating it with commercial stock. VA reported that DOD pays a slightly higher fee to have the vendor increase its inventory and guarantee quantity and timeliness when required by DOD, with no separate facility for inventory. Method for VA participation to be determined.
Costs and Funding	CARES Act funding for COVID-19 response to stand up the RRCs. VHA estimates that the cost to retain operational space will be approximately \$24 million annually. Additionally, an estimated \$9 million is needed for transportation; \$5 million to implement RRC automated systems; and \$2 million for staffing.	Approximately \$20 million is obligated every year on medical readiness contracts, including an arrangement with 3M for 6 million N95 masks. Remainder used to procure material ranging from construction equipment to uniform components and batteries. Cost for VHA participation to be determined.
Interagency Agreements (IAA)	Two IAAs with Health and Human Services (HHS) and DLA to provide VA use of warehouse space, among other things. 1-year IAA with HHS signed in May 2020, at a cost of nearly \$1.5 million. Up to a 3-year IAA with DLA signed in July 2020, for a total estimated cost of nearly \$25 million.	According to VHA, it would need to enter into an IAA with DLA if it decides to partner on Warstopper.

Source: Analysis of VHA, DLA, and GAO information. | GAO-21-280

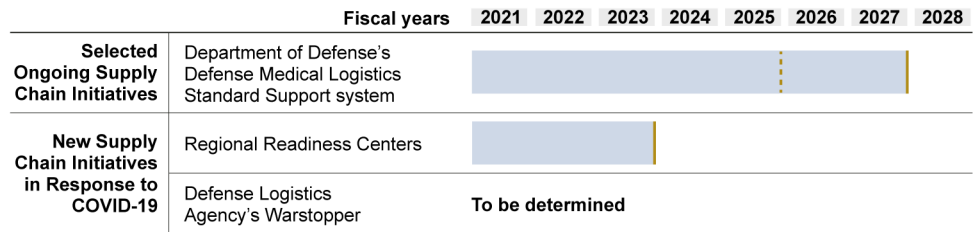
## Questions Remain on VA's Ongoing and Planned Supply Chain Initiatives

However, as we reported in March 2021, several questions remain on how VA would participate in the program, including the range of products the program will cover, the amount of funding needed, and how it will link to the RRC effort.<sup>57</sup> Further, we recommended that VA develop a comprehensive supply chain management strategy that, among other things, outlines how its various supply chain initiatives relate to each other. VA agreed with this recommendation.

Figure 8 illustrates selected VHA ongoing and new supply chain initiatives for fiscal years 2021 through 2028.

<sup>57</sup>See [GAO-21-445T](#).

**Figure 8: Department of Veterans Affairs' Selected Ongoing and New Supply Chain Initiatives, Fiscal Years 2021 through 2028**



— Planned full implementation date    - - - Potential accelerated full implementation date

Source: GAO analysis of VA documentation and prior GAO work. | GAO-21-280

As we also reported in March 2021, the new initiatives and VA's ongoing modernization initiatives do not exist in isolation and are highly interrelated, with overlapping timelines. Delays and other changes in one initiative can affect the others.

## Agency Comments and Our Evaluation

We provided a draft of this report to the Department of Veterans Affairs, the Department of Defense, the Department of Health and Human Services, and the Department of Homeland Security for review and comment. The Department of Veterans Affairs' comments are reproduced in appendix III. The Departments of Veterans Affairs and Homeland Security provided technical comments, which we incorporated. The Departments of Defense and Health and Human Services had no comments.

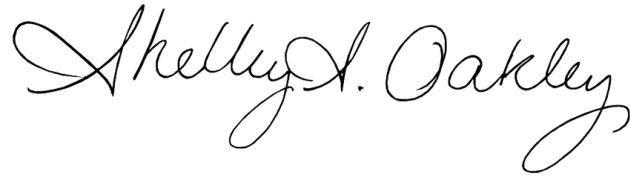
We are providing copies of this report to the appropriate congressional committees, the Secretary of Veterans Affairs, the Secretary of Defense, the Secretary of Health and Human Services, the Secretary of Homeland Security, and other interested parties. In addition, the report will be available at no charge on GAO's website at <http://www.gao.gov>.

If you or your staff have any questions concerning this report, please contact me at (202) 512-4841 or [oakleys@gao.gov](mailto:oakleys@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on



---

the last page of this report. GAO staff who made key contributions to this report are listed in appendix IV.

A handwritten signature in black ink that reads "Shelby S. Oakley". The signature is written in a cursive style with a large, looping 'S' at the beginning and a long, sweeping tail on the 'y'.

Shelby S. Oakley  
Director, Contracting and National Security Acquisitions

---

---

*List of Committees*

The Honorable Patrick Leahy  
Chairman  
The Honorable Richard Shelby  
Vice Chairman  
Committee on Appropriations  
United States Senate

The Honorable Ron Wyden  
Chairman  
The Honorable Mike Crapo  
Ranking Member  
Committee on Finance  
United States Senate

The Honorable Patty Murray  
Chairman  
The Honorable Richard Burr  
Ranking Member  
Committee on Health, Education, Labor, and Pensions  
United States Senate

The Honorable Gary C. Peters  
Chairman  
The Honorable Rob Portman  
Ranking Member  
Committee on Homeland Security and Governmental Affairs  
United States Senate

The Honorable Jon Tester  
Chairman  
The Honorable Jerry Moran  
Ranking Member  
Committee on Veterans' Affairs  
United States Senate

The Honorable Rosa L. DeLauro  
Chairwoman  
The Honorable Kay Granger  
Ranking Member  
Committee on Appropriations  
House of Representatives

---

The Honorable Frank Pallone, Jr.  
Chairman  
The Honorable Cathy McMorris Rodgers  
Republican Leader  
Committee on Energy and Commerce  
House of Representatives

The Honorable Bennie G. Thompson  
Chairman  
The Honorable John Katko  
Ranking Member  
Committee on Homeland Security  
House of Representatives

The Honorable Carolyn B. Maloney  
Chairwoman  
The Honorable James Comer  
Ranking Member  
Committee on Oversight and Reform  
House of Representatives

The Honorable Mark Takano  
Chairman  
The Honorable Mike Bost  
Ranking Member  
Committee on Veterans' Affairs  
House of Representatives

The Honorable Richard E. Neal  
Chairman  
The Honorable Kevin Brady  
Republican Leader  
Committee on Ways and Means  
House of Representatives

---

# Appendix I: Objectives, Scope, and Methodology

---

This report examines: (1) the obligations the Department of Veterans Affairs (VA) made from February 2020 through May 2021 for COVID-19-related products and services; (2) steps VA took to obtain and track critical supplies for its COVID-19 response; and (3) the status of VA's efforts to modernize its medical supply inventory system and VA's plans to improve its response to future public health emergencies.<sup>1</sup>

To assess the obligations VA made from February 2020 through May 2021 for COVID-19-related products and services, we analyzed obligations data in the Federal Procurement Data System-Next Generation (FPDS-NG) from January 1, 2020, through May 31, 2021, using the National Interest Action code and the contract description field to identify obligations related to COVID-19.<sup>2</sup> We analyzed the FPDS-NG data to identify the types of products and services procured, rates of competition, and vendor characteristics.<sup>3</sup> FPDS-NG uses the term "products," but in some sections of this report we refer to products as "supplies." We assessed the reliability of the data by performing electronic data checks, and reviewing relevant documentation and prior GAO reports that used the data. We found these data to be sufficiently reliable

---

<sup>1</sup>GAO, *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*, [GAO-19-157SP](#) (Washington, D.C.: Mar. 3, 2019).

<sup>2</sup>Data from FPDS.gov accessed on June 4, 2021. We primarily identified contract actions and associated obligations related to the COVID-19 response by using the National Interest Action code. To identify obligations made by federal agencies prior to the establishment of the National Interest Action code on March 13, 2020, we relied on the description field in FPDS-NG. We identified three contract actions where the contract description indicated that the part of the obligation was not specific to pandemic response. In our analysis, we adjusted the obligated amount to include only the COVID-19 amount. See GAO, *Data Act: Quality of Data Submissions Has Improved but Further Action Is Needed to Disclose Known Data Limitations*, [GAO-20-75](#) (Washington, D.C.: Nov. 8, 2019); and *DATA Act: As Reporting Deadline Nears, Challenges Remain That Will Affect Data Quality*, [GAO-17-496](#) (Washington, D.C.: Apr. 28, 2017).

<sup>3</sup>For purposes of this report, competition rate is the percentage of total obligations associated with contracts awarded competitively. We calculated competition rates as the percentage of obligations on competitive contracts and orders over all obligations on contracts and orders annually. Competitive contracts included contracts and orders coded in FPDS-NG as "full and open competition," "full and open after exclusion of sources," and "competed under simplified acquisition procedures" as well as orders coded as "subject to fair opportunity" and as "fair opportunity given," and "competitive set aside." Noncompetitive contracts included contracts and orders coded in FPDS-NG as "not competed," "not available for competition," and "not competed under simplified acquisition procedures," as well as orders coded as an exception to "subject to fair opportunity," including "urgency," "only one source," "minimum guarantee," "follow-on action following competitive initial action," "other statutory authority," and "sole source." Even for contracts identified as noncompetitive, agencies may have solicited more than one source.

for the purposes of summarizing VA obligations data to determine how and on what supplies and services VA obligated funds. We also considered using VA's Integrated Funds Distribution Control Point Activity, Accounting and Procurement (IFCAP) data to summarize purchase card and Medical-Surgical Prime Vendor (MSPV) order information to supplement the information we obtained from FPDS-NG. However, due to the concerns by VA officials on the accuracy and completeness of the data, as well as the inconsistent procedures used by VAMCs for ensuring the accuracy of the information in IFCAP, we determined it was not sufficiently reliable for our purposes.

In addition, we selected 20 VA COVID-19 contract actions and reviewed the 16 associated contract files, which represented the top ten obligations and top ten deobligations as of August 13, 2020, based on FPDS-NG data.<sup>4</sup> While the information we obtained from these selected contract files is not generalizable to all contracts, they provide examples of VA procurements of personal protective equipment. Further, we interviewed the cognizant contracting officers for a subset of these contract actions to obtain their perspective on the contract actions and the circumstances surrounding the contracts.<sup>5</sup>

We also interviewed officials from VA's and VHA's four enterprise-wide offices and a nongeneralizable selection of three VA medical centers (VAMC), which we selected based on a range (low, medium, and high) of the total number of cumulative COVID-19 cases at the VAMCs as of May 2020. Although not representative of all VAMCs, these interviews provided illustrations of COVID-19 procurement challenges that faced some VAMCs. We selected a fourth VAMC to look into potential issues with expired personal protective equipment at the facility. We interviewed officials from two Network Contracting Offices (NCO) that served two of the VAMCs we selected. Due to scheduling constraints, the third NCO we selected was an alternate office, but served a VAMC with a similar level of cumulative COVID-19 cases. These interviews helped us determine how VA purchased supplies and services during the pandemic, assess

---

<sup>4</sup>We determined the highest obligation and highest deobligation for each of VA's 32 contracting offices that reported COVID-19 related obligations in FPDS-NG. From this list, we then selected the top 10 obligations and top 10 deobligations.

<sup>5</sup>Selection factors for the subset of contract actions included those related to contract terminations and deobligations (to obtain details on challenges obtaining COVID-19 related products) and uniqueness (for example, only one contract was terminated for cause).

data reliability, and learn challenges VAMC staff faced in securing COVID-19 supplies.

To assess steps VA took to obtain and track critical supplies for its COVID-19 response, we reviewed VA supply tracking tools, VA tools and communications on screening vendors, prior GAO reports, including reviews of VA's MSPV program and GAO's High-Risk List on VA Acquisition Management.<sup>6</sup> We reviewed three interagency agreements between VA and (1) the Federal Emergency Management Agency (FEMA), (2) the Department of Defense (DOD), and (3) the Department of Health and Human Services (HHS). We reviewed the file for VA's contract with the state of New Hampshire and obtained information on the supplies acquired through this contract. We reviewed this contract because it was a contract directly with a state, not a private vendor, for PPE. We also reviewed VHA's COVID-19 October 2020 Response Report, which included information on VHA's collaboration with other agencies to obtain necessary supplies and services, and outlined recommendations for future interagency collaboration to prepare for and respond to national emergencies.

We interviewed officials from the VHA's Office of Emergency Management and VHA's Procurement and Logistics Office, including the three VA liaisons detailed to FEMA, the National Response Coordination Center, and HHS. We spoke with cognizant officials from FEMA, DOD, and HHS about their interactions with VA over the course of the pandemic. We also interviewed VA officials involved with the award and oversight of the contract with New Hampshire to understand their rationale and the role of the contract in VA's supply chain management.

To determine the extent to which VA placed orders through other agencies' contract vehicles, we reviewed FPDS-NG data using the Indefinite Delivery Vehicle Department Name field to identify obligations for such orders, the Product or Service Description field to identify the types of supplies and services that VA ordered under other agencies' contract vehicles, and the four-digit Product and Service code associated with each obligation to determine VA's total obligations for medical supplies and services during fiscal years 2018, 2019, and 2020.

To assess the status of VA's efforts to modernize its medical supply inventory system, and VA's plans to improve its response to future public

---

<sup>6</sup>[GAO-20-487](#) and [GAO-19-157SP](#).

health emergencies, we reviewed VHA's October 2020 COVID-19 response report, VA's implementation plans for Defense Medical Logistics Standard Support (DMLSS) and Regional Readiness Centers, as well as VA's efforts to participate in the Defense Logistics Agency's (DLA) Warstopper program. Further, we reviewed several prior GAO reports, including reviews of VA's MSPV program and GAO's High-Risk List on VA Acquisition Management.<sup>7</sup> We also interviewed cognizant officials from VA and DOD.

We conducted this performance audit from May 2020 to June 2021 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.

---

<sup>7</sup>See [GAO-20-487](#), [GAO-19-157SP](#), and [GAO-21-119SP](#).

# Appendix II: Department of Veterans Affairs' Top COVID-19-Related Contract Deobligations

As part of our assessment of the obligations the Department of Veterans Affairs (VA) made for COVID-19-related products and services, we selected and reviewed the contract files for the top 10 deobligations by dollar value, based on FPDS-NG data as of August 13, 2020.<sup>1</sup>

**Table 3: Department of Veterans Affairs' (VA) COVID-19 Deobligations for 10 Selected Contract Actions**

VA contracting office	Contract award date	Contract modification or termination date (deobligation)	Contract award amount (initial obligation in dollars)	Contract decrease amount (deobligation in dollars)	Product	Reason for deobligation
256-NETWORK CONTRACT OFC 16(00256)	3/21/2020	5/20/2020	6,030,000	-2,974,800	ventilators	Reduction in the number of ventilators purchased by VA.
259-NETWORK CONTRACT OFC19(00259)	5/7/2020	7/23/2020	3,200,000	-3,200,000	N95 masks	Termination for convenience due to vendor's failure to deliver masks. However the contracting officer noted the vendor "made a valiant effort" to obtain them.
260-NETWORK CONTRACT OFFIC20(00260)	4/3/2020	5/20/2020	2,225,000	-2,225,000	N95 masks	Termination for cause due to vendor's failure to deliver masks.
262-NETWORK CONTRACT OFC 22(00262)	4/10/2020	5/29/2020	1,125,000	-1,125,000	N95 masks	Termination for convenience.
PCAC HEALTH INFORMATION	3/28/2020	4/20/2020	47,521,770	-39,194,584	ventilators	Partial termination for convenience due to concerns regarding delivery timing, as well as reduction in the number of ordered ventilators by VA.
PCAC NATIONAL ENERGY	4/10/2020	4/29/2020	35,400,000	-35,400,000	N95 masks	Termination for convenience due to vendor's inability to deliver masks.
241-NETWORK CONTRACT OFC 01 (00241)	3/31/2020	4/3/2020	14,740,000	-14,500,000	N95 masks & medical 3-layer masks	Deobligation for N95 masks after their seizure by Chinese government for their own domestic use.

<sup>1</sup>We determined the highest deobligation for each of VA's 32 contracting offices that executed COVID-19 related obligations in FPDS-NG. From this list, we then selected the top ten deobligations.



**Appendix II: Department of Veterans Affairs'  
Top COVID-19-Related Contract Deobligations**

Network Contracting Office 4	3/21/2020	6/23/2020	4,738,914	-1,886,507	ventilators	Decrease in unit price and reduction of the number of ventilators ordered by VA.
Network Contracting Office (NCO) 15	4/20/2020	5/13/2020	5,100,000	-5,100,000	N95 masks	Termination for convenience.
Strategic Acquisition Center - Frederick	4/16/2020	6/16/2020	6,363,180	-949,380	ASTM level 2 and level 3 masks	Masks were of lower quality/rating than specified in contract, deobligated amount for the difference in mask quality/rating and return of 270,000 masks.

Source: GAO review of selected VA contract documents. | GAO-21-280

# Appendix III: Comments from the Department of Veterans Affairs



DEPARTMENT OF VETERANS AFFAIRS  
WASHINGTON

June 4, 2021

Ms. Shelby S. Oakley  
Director  
Contracting and National Security Acquisitions  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Ms. Oakley:

The Department of Veterans Affairs (VA) has reviewed the Government Accountability Office (GAO) draft report: ***VA COVID-19 Procurements: Pandemic Underscores Urgent Need to Modernize Supply Chain*** (GAO-21-280).

The enclosure contains our technical comments. VA appreciates the opportunity to comment.

Sincerely,

A handwritten signature in black ink that reads "Tanya J. Bradsher".

Tanya J. Bradsher  
Chief of Staff

Enclosure

---

# Appendix IV: GAO Contacts and Staff Acknowledgments

---

## GAO Contacts

Shelby S. Oakley, 202-512-4841 or [oakleys@gao.gov](mailto:oakleys@gao.gov)

---

## Staff Acknowledgments

In addition to the individual named above, Lisa Gardner, Assistant Director; Teague Lyons, Assistant Director; Daniel R. Singleton, Analyst-in-Charge; Rose Brister; Kelsey M. Carpenter; Matthew T. Crosby; Susan Ditto; Lorraine Ettaro; Lori Fields; Suellen Foth; Jeff Hartnett; Gina Hoover; Sameena Ismailjee; Jae Kim; Joy Kim; Kathryn B. Lenart; Edward J. SanFilippo, Roxanna Sun; Jocelyn Yin; Sara Younes; and Alyssa Weir made key contributions to this report.

---

---

## GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

---

## Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through our website. Each weekday afternoon, GAO posts on its [website](#) newly released reports, testimony, and correspondence. You can also [subscribe](#) to GAO's email updates to receive notification of newly posted products.

---

## Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <https://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

---

## Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [Twitter](#), and [YouTube](#).  
Subscribe to our [RSS Feeds](#) or [Email Updates](#). Listen to our [Podcasts](#).  
Visit GAO on the web at <https://www.gao.gov>.

---

## To Report Fraud, Waste, and Abuse in Federal Programs

Contact FraudNet:

Website: <https://www.gao.gov/fraudnet/fraudnet.htm>

Automated answering system: (800) 424-5454 or (202) 512-7700

---

## Congressional Relations

Orice Williams Brown, Managing Director, [WilliamsO@gao.gov](mailto:WilliamsO@gao.gov), (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

---

## Public Affairs

Chuck Young, Managing Director, [youngc1@gao.gov](mailto:youngc1@gao.gov), (202) 512-4800 U.S. Government Accountability Office, 441 G Street NW, Room 7149 Washington, DC 20548

---

## Strategic Planning and External Liaison

Stephen J. Sanford, Acting Managing Director, [spel@gao.gov](mailto:spel@gao.gov), (202) 512-4707 U.S. Government Accountability Office, 441 G Street NW, Room 7814, Washington, DC 20548

