



Federal Update for June 2- 6, 2014



VA Real Property: Action Needed to Improve the Leasing of Outpatient Clinics

What GAO Found

Schedules were delayed and costs increased for the majority of the Department of Veterans Affairs' (VA) leased outpatient projects reviewed. As of January 2014, GAO found that 39 of the 41 projects reviewed—with a contract value of about \$2.5 billion—experienced schedule delays, ranging from 6 months to 13.3 years, with an average delay of 3.3 years. The large majority of delays occurred prior to entering into a lease agreement, in part due to VA's Veterans Health Administration (VHA): 1) providing project requirements late or changing them or 2) using outdated guidance. Costs also increased for all 31 lease projects for which VA had complete cost data, primarily due to delays and changes to the scope of a project. First-year rents increased a total of \$34.5 million—an annual cost which will extend for 20 years (the life of these leases).

VA has begun taking some actions to address problems managing clinic-leased projects. First, it established the Construction Review Council in April 2012 to oversee the department's real property programs, including the leasing program. Second, consistent with the council's findings and previous GAO work (December 2009, January 2011, and April 2013), VA is planning the following improvements: *Requiring detailed design requirements earlier in the facility-leasing process.* VA issued a guidance memorandum in January 2014 directing that beginning with fiscal year 2016, VA should develop detailed space and design requirements before submitting the prospectus to Congress.

Developing a process for handling scope changes. In August 2013, VA approved a new concept to better address scope changes to both major construction and congressionally authorized lease projects. According to VA officials, among other improvements, this process ensures a systematic review of the impact of any ad-hoc changes to projects in scope, schedule, and cost.

Plans to provide Congress with more complete information on costs of proposed projects. VA's 2014 budget submission did not clarify that its estimates for future lease projects included only one year's rent, which does not reflect the total costs over the life of the leases, costs that VA states cannot be accurately determined in early estimates. VA officials clarified this estimate beginning with VA's 2015 budget submission.

However, these improvements are in the early stages, and their success will depend on how quickly and effectively VA implements them.

Finally, VA is also taking steps to refine and update guidance on some aspects of the leasing process, for example the VA's design guides, but VHA has not updated the overall guidance for clinic leasing (used by staff involved with projects) since 2004. Specifically, VHA's *Handbook on Planning and Activating Community Based Outpatient Clinics*, which established planning criteria and standardized expectations for outpatient clinics, was based on past planning methodologies that no longer exist. *Standards for Internal Control in the Federal Government* calls for federal agencies to develop and maintain internal control activities, which include policies and procedures, to enforce management's directives and help ensure that actions are taken to address risks.

Why GAO Did This Study

VA operates one of the nation's largest health-care delivery systems. To help meet the changing medical needs of the veteran population, VA has increasingly leased medical facilities to provide health care to veterans. As of November 2013, VHA's leasing program has long-term costs of \$5.5 billion and growing. Given previous problems that GAO has identified with VA's hospital construction program, GAO was asked to review VA's leasing program.

This report examined (1) the extent to which schedule and costs changed for selected VA outpatient clinics' leased projects since they were first submitted to Congress and factors contributing to the changes and (2) actions, if any, VA has taken to improve its leasing practices for outpatient clinics and any opportunities for VA to improve its project management. GAO analyzed agency documents as well as VA data for 41 ongoing major outpatient-clinic lease projects, for which a prospectus was submitted to Congress with an average annual rent of more than

\$1 million as of January 2014. We also interviewed VA officials and representatives from private companies, involved in VA leasing projects.

What GAO Recommends

GAO recommends that VA update VHA's guidance for the leasing of outpatient clinics. VA concurred with GAO's recommendation and discussed actions under way to implement the recommendation. VA also provided technical comments, which GAO incorporated as appropriate.

Recommendation for Executive Action

Recommendation: To improve the management of VA's leased outpatient-clinic projects, the Secretary of Veterans Affairs should update VHA's guidance for leasing outpatient clinics to better reflect the roles and responsibilities of all VA staff involved in leasing projects.

Agency Affected: Department of Veterans Affairs

Klobuchar Statement on Secretary Shinseki's Resignation

WASHINGTON, D.C. – U.S. Senator Amy Klobuchar (D-MN) made the following statement today on Secretary of Veterans Affairs Eric Shinseki's resignation:

“This week's report on widespread falsification of documents and delayed and denied medical care within the VA is extremely disturbing and the problems it outlines are inexcusable and need to be fixed immediately. General Shinseki is a man of great courage who has devoted his life to serving our country, but as I said yesterday, the VA needs new leadership and I am glad the President accepted his resignation. The VA now needs to take immediate and forceful action to address the systemic problems plaguing the VA health care system and ensure our veterans get the care they need and deserve. I also believe we need to make the system more accountable and that is why I am supporting legislation to make it easier to replace senior officials found responsible for mismanagement and mistreating our veterans.”

Klobuchar Cosponsors Bipartisan Legislation to Boost Accountability in VA System

WASHINGTON, D.C.—U.S. Senator Amy Klobuchar cosponsored bipartisan legislation to boost accountability at the Department of Veterans Affairs (VA). The bill would help bring accountability to the system and better serve veterans by allowing the VA to replace senior officials found responsible for mismanagement and mistreatment of veterans.

“Our veterans deserve the best health care. The systemic problems we’ve seen at the VA are completely inexcusable and need to be fixed immediately so that we can restore the trust of our veterans,” Klobuchar said. “By making it easier to replace senior VA officials found responsible for mismanagement, this bipartisan bill will help bring greater accountability to the system and ensure that our veterans have access to the care they need and deserve on a timely basis.”

The *VA Management Accountability Act of 2014* would authorize the VA to remove any employee of the Department from a Senior Executive Service position upon determining the employee’s performance warrants removal. The bill requires the VA to notify the House and Senate Veterans’ Affairs committees within 30 days after removal.

Acting Secretary Gibson Holds First Meeting with VSOs, Follows Through on Top IG Recommendation

WASHINGTON (June 4, 2014)— At his first meeting with the leadership of Veterans Service Organizations (VSO) as Acting Secretary of Veterans Affairs, Sloan Gibson today announced that the Department of Veterans Affairs (VA) has reached out to all Phoenix Veterans identified in the recent VA Office of Inspector General (OIG) interim report.

During a breakfast discussion with the American Legion, AMVETS, Disabled American Veterans, Paralyzed Veterans of America, Veterans of Foreign Wars, and Vietnam Veterans of America, Acting Secretary Gibson outlined immediate steps taken to respond to the interim report, including announcing travel this Thursday to the Phoenix VA Health Care System.

“No Veteran should have to wait for the quality health care they have earned and deserve. The Inspector General confirmed we have real issues when it comes to patient scheduling and access, and we have moved immediately to address those issues in Phoenix,” said Acting Secretary Gibson. “The Department has now reached out to every Veteran identified by the OIG to discuss individual medical needs and immediately begin scheduling appointments. Getting this right is our top priority, and taking care of the Veterans in Phoenix is a good place to start. The Department will also continue reaching out to Veterans nationwide to accelerate their access to care, and that is the message I intend to deliver in Phoenix, and across the country.”

Last week, OIG released an interim report on patient scheduling and access identifying approximately 1,700 Veterans in Phoenix, Ariz., awaiting health care who were not currently in the scheduling system. After accounting for duplicates and those Veterans who declined to provide contact information, VA called all 1,586 individual Veterans identified by the OIG as of 6:00 pm on Friday, May 30. For those Veterans that VA could not reach after several attempts or who had not provided phone details, VA sent letters via US Mail. VA identified that roughly 725 Veterans of the 1,700 identified by the OIG wanted care within 30 days.

VA will schedule all Veterans requesting care at the Phoenix VA Health Care System. If the Phoenix VA Health Care System is not able to promptly provide care using VA providers, VA will identify providers in the community through the VA’s non-VA care program.

Statement from Acting Secretary of Veterans Affairs Sloan D. Gibson

PHOENIX (June 5, 2014)- Acting Secretary of Veterans Affairs Sloan D. Gibson today announced immediate actions taken to address the recommendations outlined in the recent interim Office of Inspector General report. He made the following statement in Phoenix, Ariz.:

“No Veteran should ever have to wait to receive the care they have earned through their service and sacrifice. As the President said last week, we must work

together to fix the unacceptable, systemic problems in accessing VA healthcare. I believe that trust is the foundation for everything we do – VA must be an organization built on transparency and accountability.

“That’s why we will release results from our nationwide audit, along with patient access data, for all medical centers next Monday. The data will demonstrate the extent of the systemic problems we have discovered.

“As a Veteran, I assure you I have the passion and determination to fix these problems – one Veteran at a time.

“The Inspector General confirmed we have serious issues when it comes to patient scheduling and access, and we have moved immediately to address those issues in Phoenix. VA has reached out to all Veterans identified in the Office of Inspector General’s interim report to discuss individual medical needs and immediately begin scheduling appointments. Getting this right is our top priority, and taking care of the Veterans here in Phoenix is a good place to start.

“We are using our current authority to immediately provide care in the community, to include primary care. In Phoenix, VA is working to award a contract which will extend the ability to use non-VA providers in the community for primary care.

“We’ve deployed a dedicated human resources team to support the hiring of additional staff. We are using temporary staffing measures, along with clinical and administrative support, to ensure these Veterans receive the care they have earned through their service. That includes three of our mobile medical units to take care of patients right here. That’s our first priority – to get all Veterans off waiting lists and into clinics. But more work remains.

“We now know there is a leadership and integrity problem among some of the leaders of our healthcare facilities, which can and must be fixed. That breach of integrity is indefensible. In Phoenix, we initiated the process to remove senior leaders. Across the country, VA has suspended all VHA senior executive performance awards for FY 2014. We will use all authority at our disposal to enforce accountability among senior leaders.

“Additionally, we will remove the 14-day scheduling goal from employee performance contracts to eliminate any incentives to engage in inappropriate behavior. We will revise, enhance, and deploy scheduling training, and we will continue medical center audits and site inspections.

“Veterans must feel safe walking into our VA facilities – they deserve to have full faith in their VA. I will not hold back from asking for help from other agencies, from community partners, from Congress – both sides of the aisle – or from the Veterans Service Organizations, who have been serving Veterans for decades. They are all our valuable partners.

“We will need the support of all our stakeholders to continue to improve the department. I look forward to working with them all to better serve our Veterans.”