

SUPPLY CHAIN MANAGEMENT OPERATIONS

1. REASON FOR ISSUE: This Veterans Health Administration (VHA) directive provides policy, mandatory standards, and operational requirements for implementing an effective VHA Supply Chain Management (SCM) program at medical facilities within the Department of Veterans Affairs (VA).

2. SUMMARY OF MAJOR CHANGES: This revised directive includes the following major changes:

a. Identifies additional roles and responsibilities of the VHA Procurement and Logistics Office (P&LO) to support standardization efforts at the VA medical facility level for non-expendable equipment through the establishment of the National Equipment Catalog (NEC).

b. Requires clinical program offices to support national standardization efforts through the identification of subject matter experts (SME) to assist in the development of contract requirements.

c. Requires Veterans Integrated Service Networks (VISN) to establish a VISN Equipment Committee and implement the use of the Strategic Equipment Planning Guide (SEPG) and Enterprise Equipment Request (EER) portals.

d. Requires VA medical facilities to assign equipment request review responsibilities to a VA medical facility committee and implement the use of the Strategic Equipment Planning Guide (SEPG) and Enterprise Equipment Request (EER) portals.

e. Requires VA medical facilities to assign clinical product review responsibilities to a formal VA medical facility committee and implement the use of the Clinical Product Review Committee (CPRC) portal.

f. Mandates the use of the NEC and certain procurement instruments, including Medical/Surgical Prime Vendor (MSPV) contracts. See Appendix A.

g. Requires the annual inventory of non-expendable accountable equipment and sensitive items in accordance with VA Handbook 7002, Logistics Management Procedures, dated January 8, 2020.

h. Updates definitions. See paragraph 3.

i. Requires implementation of national supply chain organization structure.

j. Requires monitoring and adherence to national supply chain performance monitors and measures.

k. Clarifies storage requirements for Prosthetic inventory items and durable medical equipment and requires VA medical facility funding when establishing initial implantable item inventories.

l. Clarifies allowable inventory models for use in the Generic Inventory Package (GIP) for use with Point-Of-Use (POU), Real Time Locator System (RTLS) and office supply scenarios.

m. Clarifies instructions for performing required physical inventory counts and when a report of survey is required.

n. Eliminates the Reports Review Schedule appendix.

3. RESPONSIBLE OFFICE: The VHA Procurement and Logistics Office (P&LO, 19PLO), under direction from the Assistant Under Secretary for Health for Support, is responsible for the content of this directive. Questions may be addressed to vhacopaq@va.gov.

4. RELATED ISSUES: None.

5. RESCISSIONS: VHA Directive 1761(2), Supply Chain Inventory Management, dated October 24, 2016; Deputy Under Secretary for Health for Operations and Management (DUSHOM) Memorandum, Equipment Accountability, dated September 27, 2007; Special Assistant to the DUSHOM for Supply Chain Memorandum, Mandatory Use of the Strategic Equipment Planning Guide and Enterprise Equipment Request Portals, dated July 18, 2016; DUSHOM Memorandum, Establishment of Network Commodity Standardization Committees, dated January 11, 2011; DUSHOM Memorandum, Correction of Deficiencies Noted in GAO Report 11-391 – Weaknesses in policies and Oversight Governing Medical Supplies and Equipment Pose Risks to Veterans Safety, dated October 12, 2011; and ADUSHOM Memorandum, Supply Chain Performance Improvement Through Increased Use of the Medical Surgical Prime Vendor Program, dated June 11, 2015, are rescinded.

6. IMPLEMENTATION: The following requirements and supply performance measures are effective April 1, 2021:

a. Days of stock on hand, percentage inactive more than 90 days, and percentage long supply for all clinical and non-clinical inventories, including Medical Surgical Prime Vendor items

b. ABC cycle inventories for primary inventory points with secondary locations.

c. Equipment Inventory List requirements. **NOTE:** VHA P&LO is conscious of the current priorities surrounding COVID-19 and understands the change in focus and priorities at the operational level. The effective date of April 1, 2021 reduces some of the administrative burden for facilities while maintaining supply discipline. Questions regarding the requirements and supply performance measures should be directed to the VHA Logistics Operations Center at vhalogopscenter@va.gov.

7. RECERTIFICATION: This VHA directive is scheduled for recertification on or before the last working day of December 31, 2025. This VHA directive will continue to serve as national VHA policy until it is recertified or rescinded.

**BY DIRECTION OF THE OFFICE OF
THE UNDER SECRETARY FOR HEALTH:**

/s/ Richard A. Stone, M.D.
Executive in Charge

NOTE: *All references herein to VA and VHA documents incorporate by reference subsequent VA and VHA documents on the same or similar subject matter.*

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SUPPLY CHAIN MANAGEMENT OPERATIONS

1. PURPOSE

This Veterans Health Administration (VHA) directive provides policy, mandatory standards, and operational requirements for implementing an effective Supply Chain Management (SCM) program at Department of Veterans Affairs (VA) medical facilities, Community Based Outpatient Clinics (CBOCs)/Outpatient Clinics (OPCs), and Consolidated Mail Outpatient Pharmacies (CMOPs). **AUTHORITY:** Title 38 United States Code (U.S.C.) § 8121, 8125.

2. BACKGROUND

a. The Generic Inventory Package (GIP) is the current software being utilized for inventory management of stock. The Automated Engineering Management System/Medical Equipment Reporting System (AEMS/MERS) and Maximo are the software systems used to manage non-expendable equipment from cradle to grave. Above Periodic Automatic Replacement (APAR) is a Veterans Information Systems and Technology Architecture (VistA) overlay designed to facilitate the operation of GIP and AEMS/MERS in a Windows-based environment and enhance reporting capabilities.

b. A transformation period is underway in VHA as the agency undertakes the modernization of its supply chain and supply systems through the implementation of the Defense Medical Logistics Standard Support (DMLSS) system and other initiatives. VHA's goal is to become a lean, efficient supply chain that is recognized by its peers as being among the best in health care. This modernization effort will support the delivery of exceptional patient outcomes that meet or exceed the expectations of our Veterans, their families, those who care for them, and the nation's taxpayers. The effort will focus on improving data and informatics; developing consistent capabilities through improved training, recruiting, and standardized positions and organization structures; implementing and continuing the expansion of a clinically driven strategic sourcing organization; and creating a culture of continuous improvement. As VHA implements new supply chain systems supporting this effort, the new systems are expected to draw historical and operational data from existing VA automated systems.

c. On March 27, 2019, the Secretary of Veterans Affairs signed an Executive Decision Memorandum committing VA to adopt and implement the Department of Defense (DoD) DMLSS application. This application will provide integrated and comprehensive supply chain, pharmaceutical, equipment and facilities management capabilities.

d. Details provided in this directive may at times be specific to current software systems. Amendments to this directive will be issued to address any replacement software systems. Updated information will be available at: <https://vaww.pclo.infoshare.va.gov/PCLO/MMStrategicPlan/default.aspx>. **NOTE:** This is an internal VA website that is not available to the public.

3. DEFINITIONS

a. **Above Periodic Automatic Replacement.** APAR is a VistA-integrated software module designed to streamline workflow processes and improve reporting for both expendable and non-expendable inventory management.

b. **Automated Engineering Management System/Medical Equipment Reporting System.** Automated Engineering Management System/Medical Equipment Reporting System (AEMS/MERS) is a software package shared between the Office of Acquisition and Logistics (OAL) and Engineering/Facilities Management Service and used for the management of non-expendable equipment from cradle to grave. It includes functionality for equipment management, work orders, preventative maintenance, project planning and project tracking.

c. **Breakout Room.** A breakout room is a work area where items are removed from their original shipping containers, inspected, and moved into the central supply storage room in order to keep dust and debris out of central supply and in the breakout room.

d. **Central Storeroom.** A central storeroom is the area which stores and distributes clean/sterile medical supplies and equipment for use throughout the VA medical facility.

e. **Clean/Sterile Storeroom.** A clean/sterile storeroom is a primary or secondary inventory point location where clinical items are stored to protect them from accidental contamination.

f. **Clinical Items.** Clinical items are non-durable disposable health care materials ordered or prescribed, which are primarily and customarily used to serve a medical purpose. Within VHA, items with the following Federal Supply Classification (FSC) codes are identified as meeting this definition.

- (1) 6508 Medicated Cosmetics and Toiletries.
- (2) 6510 Surgical Dressing Materials.
- (3) 6515 Medical and Surgical Instruments, Equipment, and Supplies.
- (4) 6520 Dental Instruments, Equipment, and Supplies.
- (5) 6525 X-ray Equipment and Supplies - Medical, Dental, and Veterinary.
- (6) 6530 Hospital Furniture, Equipment, Utensils, and Supplies.
- (7) 6532 Hospital and Surgical Clothing and Related Special Purpose Items.
- (8) 6540 Ophthalmic Instruments, Equipment, and Supplies.
- (9) 6545 Replenishable Field Medical Sets, Kits, and Outfits.
- (10) 6550 Invitro Diagnostic Substances, Reagents, Test Kits, and Sets.

(11) 6640 Laboratory Equipment and Supplies.

g. **Consignment Agreement.** Consistent with subsection 816.770 of the VA Acquisition Regulation (VAAR), a consignment agreement is defined as a delivery method for a specified period of time in which the contractor provides an item/s for Government use and the contractor receives reimbursement only if and when the item is used by the Government. Unused items are returned to the vendor at the end of the effective period of the agreement without reimbursement or other expense to the Government.

h. **Corrugated.** Corrugated is packaging made of paper or plastic that has an arched layer, called “fluting,” between smooth sheets, called “liners.”

i. **Defense Medical Logistics Standard Support.** DMLSS is a DoD medical logistics asset management system. It is capable of managing medical logistics physical assets, supply inventories, financial components, and related management processes.

j. **Direct Patient Care.** Direct patient care is hands-on, face-to-face contact with patients using expendable clinical items and reusable medical equipment (RME) for the purpose of diagnosis, treatment, and monitoring.

k. **Enterprise Equipment Requests.** The Enterprise Equipment Requests (EER) is a VHA-wide equipment request portal for use in VA medical facilities to request, review and approve new equipment at VA medical facilities. The EER includes the information and supporting documentation, including the contracting paperwork, the VA medical facility committees responsible for equipment request reviews and approvals need to make informed decisions for local approval and investment of capital equipment funds.

l. **Environment of Care.** Environment of care refers to management plans, policies, procedures and controls that are implemented to maintain a safe and healthy environment and facility for patients, staff, and visitors.

m. **Expendable Clinical Supplies.** Expendable clinical supplies are supplies used to treat patients that (1) have a life expectancy when put to use of less than 2 years; (2) when put to use, becomes an integral part of another item, thereby losing its identity, or (3) are purchased for permanent release to beneficiaries. ***NOTE: The Prosthetics and Sensory Aids Service (PSAS) usually orders items for beneficiaries.***

n. **Generic Inventory Package.** The GIP portion of Integrated Funds Distribution, Control Point Activity, Accounting and Procurement (IFCAP) is used to manage the receipt, distribution, and maintenance of supplies utilized throughout the VA medical facility.

o. **Integrated Funds Distribution, Control Point Activity, Accounting and Procurement.** IFCAP is a software system that provides information on supplies, equipment, vendors, procurement history, and control point activity. It automates certain functions in SCM, Fiscal, and in all the services that request supplies and services on VA Form 2237.

p. **Inventory Point Identifier.** The Inventory Point Identifier (IE) is an internal system identifier for the inventory point that is automatically assigned when the inventory point is created

q. **Item Master File.** The Item Master File (IMF) is a file within the VistA IFCAP software program utilized for the storage of item information to include item description, mandatory source, vendor, unit price and packaging, and product and manufacturer information. This file links with the request and procurement files and provides for the extraction of item procurement history.

r. **Maximo.** Maximo is a web-based, commercial software package that provides life cycle management support for non-expendable equipment. Maximo was implemented at several VA medical facilities as a potential replacement to AEMS/MERS.

s. **National Equipment Catalog.** The National Equipment Catalog (NEC) serves as an acquisition tool, utilizing a national, clinically vetted list of commonly purchased medical equipment. It is maintained based on both clinical input as well as support service stakeholders' input.

t. **Non-Expendable Equipment.** Non-expendable (NX) equipment is equipment that has been classified by the VA OAL, Operations and Analysis Branch (OAB), as non-expendable personal property and has been assigned a Category Stock Number (CSN). In accordance with VA Handbook 7002, Logistics Management Procedures, dated January 8, 2020, Part 3, Section 2.c(2), when classifying personal property as non-expendable, OAB considers the following criteria: (1) normally has, but is not limited to, an acquisition cost of \$300 or more; (2) has a life expectancy of 2 years or more; and/or (3) is of a sensitive nature which requires accountability/control regardless of cost, life expectancy, or maintenance requirements. Property classified as NX equipment will be added to the asset management system and assigned a unique asset number for asset tracking purposes. Asset numbers will not be reused after final disposition of an asset.

u. **Ordering Officer Delegation.** The Ordering Officer Delegation (OOD) is a written delegation from a warranted Contracting Officer that allows a non-warranted individual to place funded delivery/task orders against a specific indefinite delivery contract within the limitations of the contract and the ordering officer delegation memorandum.

v. **Patient Safety.** Patient safety is ensuring freedom from accidental or inadvertent injury during health care processes.

w. **Periodic Automatic Replacement Level Inventory System.** A periodic automatic replacement (PAR) level inventory system determines the minimum level of inventory necessary to be on hand for a specific period and requires automatic replenishment if the level of inventory falls below that level.

x. **Point-of-Use Solution(s).** Point-of-Use (POU) solution(s) is the employment of a combination of automated supply stations (POU equipment) and POU systems that streamline the supply chain for timely delivery of required supplies to the point where those supplies are consumed.

y. **Personal Protective Equipment.** Personal Protective Equipment (PPE) is protective equipment, such as approved head and hair coverings, face shields, safety glasses/goggles, long cuffed rubber/vinyl decontamination gloves, impervious gowns, and shoe covers, that is utilized to protect the employee from the environment.

z. **Reusable Medical Equipment.** RME is medical equipment designed by the manufacturer to be reused with multiple patients. Not all RME is considered non-expendable equipment by VA standards for funding and tracking in the VA asset management system.

aa. **Reusable Medical Instruments.** Reusable medical instruments (RMI) refers to medical instrumentation designed by the manufacturer to be reused with multiple patients after being disinfected and/or sterilized according to manufacturer's instructions.

bb. **Real Time Location System.** A Real Time Location System (RTLS) gathers and maintains location-based (and sometimes status) information related to components of a larger system (e.g., health care-related assets, supplies, people).

cc. **Safety Data Sheet.** The Safety Data Sheet (SDS), formerly known as Material Safety Data Sheet (MSDS), is a document containing information on hazardous materials from the manufacturer to the employer and user. A SDS includes information such as: product and manufacturer identification, hazard(s) identification, composition/information on ingredients, first-aid measures, fire-fighting measures, accidental release measures, handling and storage, exposure controls/personal protection, physical and chemical properties, stability and reactivity, toxicological information, ecological information, disposal considerations, transport information, and regulatory information.

dd. **Standard Product Lists.** Standard Product Lists (SPL) are lists that identify all medical supplies and equipment meeting the following two criteria: (1) the cognizant VA medical facility committee responsible for clinical product and/or equipment reviews and approvals (see paragraphs 1.j. and 1.l. of Appendix A) has determined that standardizing the subject item of medical supply or equipment used by the VA medical facility is necessary to ensure and enhance patient safety and the quality of care to Veteran patients; and (2) that item of medical supply or equipment is currently available through an existing contract. SPLs are specific to and maintained by each individual VA medical facility. At a minimum, the lists will include the product name/description, size (if applicable), vendor, and make/model/part number.

ee. **Strategic Equipment Planning Guide.** Strategic Equipment Planning Guide (SEPG) is a VA web-based data entry and capture tool that is the first step in the equipment life cycle management process. SEPG is used to identify additional or replacement equipment needs for Service-level rolling 5-year equipment plans.

ff. **Supply Chain Management.** SCM is the integration and alignment of people, processes, and systems across the supply chain to manage all product/service planning, sourcing, purchasing, delivering, receiving, and disposal activities.

gg. **Total Supply Support.** Total Supply Support (TSS) is management methods, practices, and procedures employed in determining goods and services requirements, and their funding acquisition, receipt, storage, issuance, and final disposition.

hh. **VHA Standardization Program.** The VHA Standardization Program is VHA's clinically driven enterprise-wide effort to identify and gather facility-level needs for medical supplies and equipment and determine whether standardization of specific medical supplies and/or equipment used by a given facility is necessary to ensure and enhance patient safety and the quality of care to Veteran patients.

4. POLICY

It is VHA policy that VA medical facilities establish, operate, and maintain a SCM program that is effective, cost efficient, transparent, and responsive to customer requirements, and to continually identify ways to improve SCM performance in support of high-quality Veteran care.

5. RESPONSIBILITIES

a. **Under Secretary for Health.** The Under Secretary for Health is responsible for ensuring overall VHA compliance with this directive.

b. **Assistant Under Secretary for Health for Operations.** The Assistant Under Secretary for Health for Operations is responsible for:

(1) Ensuring communication of the contents of this directive to each of the Veterans Integrated Service Networks (VISNs).

(2) Assisting VISN Directors to resolve implementation and compliance challenges in all VA medical facilities within that VISN.

(3) Providing oversight of VISNs to assure compliance with this directive, relevant standards and applicable regulations.

c. **Assistant Under Secretary for Health for Support.** The Assistant Under Secretary for Health for Support is responsible for:

(1) Overseeing the VHA Procurement and Logistics Office, including the Supply Chain Program Office.

(2) Ensuring resources are adequate to implement the VHA Supply Chain Management program.

d. **Executive Director, VHA Procurement and Logistics Office.** The Executive Director, VHA P&LO is responsible for:

(1) Maintaining a SCM program within VHA by establishing policy and procedures for inventory and asset management, collecting and managing data, performing quality assurance, implementing tools for corrective action, and providing staff opportunities for education, training, and certification programs.

(2) Serving as a SCM liaison between VISNs, VHA Central Office, and the Office of Acquisition Logistics and Construction (OAL&C).

(3) Enabling a clinically driven operating model that allows VHA to better assess equipment and supply needs, through streamlined enterprise acquisition. This clinically driven operating model provides clinicians with the supplies and equipment they need to improve patient care and safety protocols, and to promote patient safety.

(4) Guiding standardization efforts by establishing program teams to manage the mandatory expendable supply and non-expendable equipment to sustain the VHA Standardization Program. Such standardization efforts also include, when appropriate, establishing national contracts for standardized commodities and equipment through the clinically driven operating model, enhancing patient safety and eliminating unwarranted variances in such commodities and equipment.

(a) The Medical Supply Program Management Office (PMO) manages the Medical Surgical Prime Vendor (MSPV) program, which is a national program providing a customized distribution system to meet or exceed facility requirements through an efficient, cost-effective, just-in-time distribution catalog ordering process.

(b) The Equipment Life Cycle Management (ELCM) PMO manages the NEC to support clinically driven sourcing and patient safety. Where necessary, the ELCM PMO reviews High-Cost High-Tech (HCHT) medical equipment applications in coordination with the Office of Healthcare Technology Management.

(5) Developing and managing the strategic equipment planning tool and equipment request tool and process (i.e., SEPG, EER, or equivalent approved platform or tool).

(6) Establishing processes and tools to enable VA medical facility committees to develop the facility's requirements for medical equipment and supplies within the scope of this directive, develop and document the facility's justification for selecting an item as facility standard, where appropriate, and develop the facility's medical supply and equipment SPL.

(7) Collecting and analyzing VA medical facility medical supply and equipment SPL and, where appropriate, offering recommendations regarding whether establishing national contracts for the items identified would be appropriate.

(8) Analyzing VA medical facility equipment needs and standardization modalities to create requirements for specific technical equipment and parts to add to the NEC that will satisfy VA needs for additional units or replacements.

(9) Approving waiver requests regarding GIP or the VHA-approved inventory system management system received from VISN Directors. See paragraph 4.e. in Appendix B for waiver information.

(10) Working with VISNs and facilities to provide strategic guidance in the management of the VHA High-Tech Medical Equipment (HTME) portfolio through the ELCM PMO in an effort to support the VHA equipment standardization program.

(11) Validating utilization of clinically driven and strategically sourced national contracts coordinated or processed by the VHA P&LO.

(12) Managing and maintaining the Vendor File as stated in paragraph 3 of Appendix B.

(13) Serving as a Utilization Officer, in accordance with VA Directive 7348, Utilization and Disposal of Personal Property, dated January 8, 2020. See paragraph 1.e.(2) in Appendix A for additional performance measure information.

e. **Directors, VHA Clinical Program Offices.** Directors of VHA Clinical Program Offices are responsible for:

(1) Identifying clinical or technical subject matter experts (SME) with the relevant medical or technical experience to conduct analysis or make decisions about the item(s) for which the SME is assigned as a participant of the Integrated Product Team (IPT). Directors will coordinate with appropriate VISN clinical leadership and VHA P&LO to identify and appoint five SMEs from across VHA for each national requirement effort upon request from the VHA P&LO to assist in the development of acquisition requirements for national standardization of contracts.

(2) Appointing and ensuring the IPT members are permitted time away from primary duties to support the IPT in accordance with the Project Charter. Requested support includes: in-person training opportunities and technical evaluation of items and ongoing review, and investigation and recommendation of items. SMEs will be appointed for a minimum of 18 months or until an award of national contract or termination of IPT efforts. This will include release from clinical duties for twice monthly virtual meetings or face-to-face meetings (e.g., industry days, technical evaluations, lock-down meetings).

(3) Providing single and back-up points of contact to VHA P&LO to coordinate SMEs identification.

(4) Annually reviewing clinical needs to identify expendable supplies and non-expendable equipment requirements for consideration for national contracting efforts to VHA P&LO.

f. **Director, VHA Prosthetics and Sensory Aids Service.** The Director, VHA PSAS is responsible for:

(1) Complying with SCM policies and procedures identified within this directive to effectively manage PSAS items.

(2) Sharing PSAS policy and procedures with VHA P&LO that are applicable to SCM functions and identifying ways to consolidate where possible.

(3) Collaborating with SCM to eliminate redundancies in contract requirements.

g. **Veterans Integrated Services Network Director.** The VISN Director is responsible for:

(1) Maintaining a VISN-level SCM program that effectively meets VHA policy, reporting, and operational requirements.

(2) Ensuring that all VA medical facilities within the VISN comply with this directive and informing leadership when barriers to compliance are identified.

(3) Ensuring that VHA SCM performance standards are met by VISN medical facilities.

(4) Establishing a VISN Equipment Committee. See Appendix A, paragraph 1.k. for committee composition and operations.

(5) Ensuring the purchase of clinical items using a government purchase card is limited to staff in SCM, the Network Contracting Office (NCO), Pharmacy, and PSAS.

(6) Reviewing and submitting the VISN-aggregated equipment modality listing as requested to VHA19PLOGisticsELCMO@va.gov in support of the VHA Standardization Program.

(7) Sending waiver requests regarding GIP or the VHA-approved inventory system management system for the VISN or received from VA medical facilities to VHA P&LO for approval. See paragraph 4.e. in Appendix B for waiver information.

h. **Veterans Integrated Services Network Chief Logistics Officer.** The VISN CLO is responsible for:

(1) Representing the VISN on all topics related to SCM; serving on boards, committees, councils, and teams at the VISN and national level; facilitating communication between VA medical facilities, VISNs, and VHA Central Office; and developing and implementing VISN strategies to improve SCM programs.

(2) Working with clinical groups to meet patient care needs while also seeking ways to achieve supply chain goals.

- (3) Assisting with the formulation of VHA SCM policies and procedures.
- (4) Establishing and overseeing a VISN-wide Outlook email group that includes all SCM employees, entitled "VISN__ Supply Chain Management."
- (5) Communicating with VA medical facilities to effectively implement VHA SCM policy, reporting, training, and operational requirements. See Appendix A, paragraph 2 for training program information. See Appendix E, paragraph 2.a.(6) for ABC classification inventory management information, including approval of VA medical facility inventory accuracy action plans.
- (6) Assessing programs at VISN medical facilities through a Quality Control Review (QCR) once per fiscal year utilizing the QCR checklist and instructions published by VHA P&LO at <https://vaww.pclo.infoshare.va.gov/PCLO/MMStrategicPlan/MonthSubmit/Forms/AllItems.aspx?RootFolder=%2FPCLO%2FMMStrategicPlan%2FMonthSubmit%2FLogistics%20Business%20Reviews&FolderCTID=0x012000E3CCED9018148142A2C557A8465B391E&View=%7BB15A5AE0%2DE59A%2D4284%2D840B%2DC820DCADCA8C%7D>.
NOTE: *This is an internal VA website that is not available to the public.* If a VA medical facility has an OAL Facility Logistics Inspection Program (FLIP) review scheduled during the fiscal year, that facility will be exempt from completing a QCR during that fiscal year.
- (7) Ensuring compliance with established Federal regulations, VA and VHA policies, memoranda, notices, and established Supply Chain benchmarks.
- (8) Managing supply chain data in coordination with the VA medical facility Chief Supply Chain Officer (CSCO).
- (9) Scheduling Network meetings, conferences, and trainings to discuss SCM topics.
- (10) Serving as the Network Recall Coordinator (NRC) in accordance with VHA Directive 1068, Removal of Recalled Medical Products, Drugs, and Food From VA Medical Facilities, dated June 19, 2020.
- (11) Serving as a member of the VISN Equipment Committee. See Appendix A for committee composition and operations.
- (12) Collaborating with the Network Director of Contracting (DOC) to establish a standardized communication method to track the status of all procurement packages sent to Contracting within the VISN. In addition, working with the Network DOC and other stakeholders to establish an acquisition plan for emergency preparedness.
- (13) Collaborating with the VA medical facility CSCO to set up local processes and procedures to ensure all necessary reports are monitored as required in paragraph 1.e. in Appendix A.
- (14) Serving as a Utilization Officer, in accordance with VA Directive 7348. See paragraph 1.e.(2) in Appendix A for additional performance measure information.

(15) Sending a waiver request for allowing VA medical facilities and the VISN to suspend requirements of supply chain performance metrics, QCRs, and directives to the Chief Executive of Supply Chain & Logistics, VHA P&LO. See paragraph 1.f. in Appendix A for additional waiver request information.

(16) Providing a status report to the Deputy Network Director at least quarterly on the supply chain training accomplished in the VISN Supply Chain organizations. See paragraph 2.d. in Appendix A for additional status report information.

(17) Reviewing and validating the VA medical facility medical supply and equipment SPL and submitting annually to the VHA P&LO. See paragraphs 1.i.(b)5., 1.j.(h), 1.k.(f) in Appendix A.

i. **VA Medical Facility Director.** The VA medical facility Director is responsible for:

(1) Ensuring sufficient resources (i.e., space, staffing, and technology) are allocated to the VA medical facility SCM program to meet the requirements of this directive.

(2) Implementing SCM initiatives that seek to optimize customer service outcomes.

(3) Establishing a regularly scheduled forum for VA medical facility leadership to discuss SCM performance with the VA medical facility CSCO.

(4) Conducting a review of property management effectiveness by reviewing and signing their Quarterly Equipment Inventory Listing (EIL) Report.

(5) Assigning committee responsibility for clinical product reviews and equipment requests reviews to ensure that supplies and equipment are compatible and meet the needs of clinicians. See paragraphs 1.j. and 1.l. in Appendix A for committee composition and operations.

(6) Certifying that ammunition inventories are included in the Annual Certification of Property Inventories or applicable report as stated in paragraph 4.c. in Appendix E.

j. **VA Medical Facility Chief Supply Chain Officer.** The VA medical facility CSCO is responsible for:

(1) Representing VA medical facility leadership on all topics related to SCM and serving as the VA medical facility Accountable Official (AO) in accordance with VA Handbook 7002. See Appendix E, paragraph 4.a. for AO ammunition physical inventory count audit duties.

(2) Establishing a local SCM program that meets VHA policy and operational requirements, including the program management requirements dictated in Appendix A, the inventory auditing and reporting requirements dictated in Appendix E, and the inventory management in Appendix I.

(3) Ensuring implementation and adherence to the national SCM standardized organizational structure and reviewing SCM staffing levels as program responsibilities dictate.

(4) Facilitating the work of the VA medical facility committees responsible for equipment request reviews and clinical product reviews (see paragraphs 1.i. and 1.k. of Appendix A) to ensure that a clinically and administratively-driven program is established, the supplies and equipment approved are compatible and meet the needs of clinicians, and the VA medical facility complies with established mandatory programs and with policies mandating use of certain specific procurement instruments, potentially including MSPV contracts and other mandatory Blanket Purchase Agreements (BPAs), Basic Ordering Agreements (BOAs), Indefinite Delivery Indefinite Quantity (IDIQs), or other contract vehicles.

(5) Promoting efficient utilization of supplies by ensuring that proper items and levels are set within inventory points.

(6) Ensuring SCM staff complete all mandatory education and training. See paragraph 6 for training information.

(7) Ensuring the appointment of a Facility Recall Coordinator (FRC) and back-up FRC(s) in accordance with VHA Directive 1068.

(8) Working with the VA medical facility Chief Financial Officer (CFO) to address budgetary requirements, ensure all medical supplies and VA medical facility equipment needs are purchased through SCM, establish fund control parameters, and complete a year end certification letter for inventory values and equipment inventory completion.

(9) Collecting information, responding to surveys, submitting nominations for training, serving as point-of-contact for Office of Inspector General (OIG) inquiries, coordinating visits by the VISN CLO, and other related activities.

(10) Establishing a Total Supply Support (TSS) program at the VA medical facility and utilizing a VHA-approved inventory management system to maintain automated inventories.

(11) Monitoring established supply chain monitors and benchmarks, and ensuring local processes are established to meet or exceed all measures.

(12) Ensuring the SCM program completes a physical inventory of all items within primary inventories with distribution points in accordance with Appendix E. Exception: a physical inventory of ammunition must be completed twice a year.

(13) Ensuring the SCM program completes an annual inventory of non-expendable equipment in accordance with procedures outlined in VA Directive 7002, Logistics Management Policy, dated January 8, 2020, and submits Quarterly EIL Reports signed by the VA medical facility Director and VA medical facility CSCO on time to the VISN CLO.

(14) Working with VA medical facility management to ensure that employees do not unacceptably convert VA property for personal use. **NOTE:** For more information on this topic see 28 Code of Federal Regulations (CFR) 45.4.

(15) Ensuring that SDS for all hazardous materials handled or stored are maintained and readily accessible to employees on each shift in their workplace. See Appendix A, paragraph 1.n. for SDS requirements.

k. **VA Medical Facility Pharmacy Program Manager.** The VA medical facility Pharmacy Program Manager is responsible for:

(1) Implementing the inventory management practices specified in this directive (excluding all Consolidated Mail Outpatient Pharmacies (CMOP)).

(2) Conducting a wall-to-wall physical inventory audit at VA medical facilities annually, as required by Pharmacy Benefits Management (PBM). CMOPs must conduct wall-to-wall physical inventory audits twice a year.

6. TRAINING

See Appendix A, paragraph 2 for VISN and VA medical facility SCM staff training program information.

7. RECORDS MANAGEMENT

All records regardless of format (paper, electronic, electronic systems) created in this directive shall be managed per the National Archives and Records Administration (NARA) approved records schedules found in VA Records Control Schedule 10-1. Questions regarding any aspect of records management should be addressed to the appropriate Records Manager or Records Liaison.

8. REFERENCES

- a. VA Directive 7002, Logistics Management Policy, January 8, 2020.
- b. VA Directive 7348, Utilization and Disposal of Personal Property, January 8, 2020.
- c. VA Handbook 0730/4, Security and Law Enforcement, dated March 29, 2013.
- d. VA Handbook 7002, Logistics Management Procedures, January 8, 2020.
- e. VA Handbook 7348, Utilization and Disposal of Personal Property, January 8, 2020.
- f. VA Financial Policy Volume XVI, Charge Card Programs, Chapter 1A, Administrative Actions for Government Purchase Cards, dated June 14, 2018, Chapter 1B, Government Purchase Card for Micro-Purchases, dated February 27, 2019, and Chapter 1C, Government Convenience Checks, dated February 27, 2019.

g. VHA Directive 1068, Removal of Recalled Medical Products, Drugs, and Food From VA Medical Facilities, dated June 19, 2020.

h. VHA Directive 1081.01(1), Procurement of Surgical Implants Under 38 U.S.C. 8123, dated October 29, 2018.

i. VHA Directive 1439, Food Service Management, dated October 21, 2019.

j. VHA Directive 1850.04, Employee Uniforms, dated April 6, 2017.

k. VHA Handbook 1050.01, VHA National Patient Safety Improvement Handbook, dated March 4, 2011.

l. VA PPM (2016-02) – VA Procedures Regarding the Use of Ordering Officers: <https://www.va.gov/oal/docs/business/pps/ppm201602.pdf>.

m. VA HVAC Design Manual, dated November 1, 2017 (Rev. March 1, 2020): : <https://www.cfm.va.gov/til/dManual/dmHVAC.pdf>.

n. VA Pandemic Influenza Plan (March 2006): https://vaww.vha.vaco.portal.va.gov/sites/PublicHealth/HCI/Shared%20Documents/HCI%20Planning%20References/VA%20Pandemic%20Flu%20Plan_2006-03-31.pdf.

NOTE: This is an internal VA website that is not available to the public.

o. VA Physical Security Design Manual, dated January 2015: <https://www.cfm.va.gov/til/spclRqmts.asp#PHS>.

p. Safety Data Sheet/Chemical Inventory Guidebook: <http://vaww.hefp.va.gov/guidebooks/safety-data-sheetchemical-inventory-guidebook>.
NOTE: This is an internal VA website that is not available to the public.

q. VHA Procurement & Logistics Reference Center: <https://vaww.pclo.infoshare.va.gov/PCLO/WebPages/ReferenceCenter.aspx>. **NOTE:** This is an internal VA website that is not available to the public.

r. VHA Procurement Manual: https://vaww.pclo.infoshare.va.gov/PCLO/PMWeb/VHAPM_TOC.aspx. **NOTE:** This is an internal VA website that is not available to the public.

s. Material Handlers Training Guide TG-90-1: https://vaww.pclo.infoshare.va.gov/PCLO/MMStrategicPlan/LogPolicySite/Lists/Log_Policy_List/TrainingGuide.aspx. **NOTE:** This is an internal VA website that is not available to the public.

APPENDIX A

SUPPLY CHAIN PROGRAM MANAGEMENT

1. REQUIREMENTS FOR SUPPLY CHAIN PROGRAM MANAGEMENT

To ensure full implementation and oversee ongoing supply chain program management, the following steps must be taken to implement new inventories and maintain existing inventories:

a. **Evaluating Organization Structure and Staffing Levels.** Staffing levels at the Veterans Integrated Service Networks (VISNs) and Department of Veterans Affairs (VA) medical facilities must be evaluated to determine what levels are required to ensure compliance with this directive and support for all operational needs. VA medical facility Chief Supply Chain Officers (CSCOs) must ensure the Supply Chain Management (SCM) organization conforms with nationally standardized organization structures, and that standardized position descriptions are implemented where appropriate.

b. **Physical Space Planning.** The physical space allocated to the supply chain program must be reviewed periodically and evaluated for adequacy to promote an effective and efficient supply chain operation by the VA medical facility CSCO. Interior design, Safety, Facilities Management or other internal resources can be consulted, as required, to support space planning and needs assessments.

(1) Administrative (office) areas should be reviewed as staffing or other organizational changes occur to ensure adequate space for the tasks being performed.

(2) A current space/floor plan and layout for the warehouse must be reviewed annually, signed by the VA medical facility CSCO, and posted annually. Consideration should be given to receiving operations, shipping, equipment management (tagging, excess), hazardous chemical storage, movement of material handling equipment, and distribution/delivery activities.

(3) Plans for establishing and organizing an inventory storeroom (primary or secondary) must include careful consideration of space, climate control, availability of shelving, and frequency of users accessing inventory. The VA medical facility inventory manager should involve the customer when establishing an inventory storeroom. Failure to plan the layout with customer input could result in the wrong products being stocked and inappropriate levels being set. Consideration must be given to the products being stored, the grouping of products used for a particular procedure or process, security requirements, criticality of the product, infection control requirements, environment of care requirements, and product availability from vendors and manufacturers. Successful implementation is dependent upon this analysis.

c. **Monitoring and Evaluating Inventory Accounts.** Inventory account set-up and operational decisions must be made based on local needs, economic investment in inventory, and the VA medical facility mission. Monitoring and evaluating inventory

accounts requires maintaining two separate inventory categories: clinical and non-clinical.

(1) Monitoring inventory accounts involves ensuring all mandatory inventory accounts are established and baseline performance levels are achieved. At a minimum, inventory points will be established following the naming standards and guidelines in Appendix B for the following types of expendable items:

- (a) Dental.
- (b) Engineering.
- (c) Environmental management.
- (d) Imaging.
- (e) Laboratory.
- (f) Medical surgical.
- (g) Prosthetics.

NOTE: See Appendix C for a list of minimum Functional Areas Requiring Inventory Management. Pharmacy is exempt from this monitoring requirement.

(2) **Action Plan.** If it is determined that an inventory point is not implemented in accordance with this directive, an action plan must be prepared by the VA medical facility CSCO and submitted through the VA medical facility Director, VISN Chief Logistics Officer (CLO), and VISN Director for approval by the Veterans Health Administration (VHA) Procurement and Logistics Office (P&LO). P&LO has 30 calendar days to approve and return the plan to the VISN Director. Upon receipt of the approved plan, the VA medical facility CSCO will proceed with implementation, with updates provided monthly to the VISN CLO. A completed action plan must be submitted to VHA P&LO at the end of the timeframe stipulated in the approved plan.

(3) **Evaluation.** Evaluating the SCM program includes the VISN SCM staff continually analyzing supply chain functions at each VA medical facility within the VISN to include:

(a) An annual review of operational practices to ensure compliance with regulatory and performance measure requirements in accordance with published inspection criteria, currently contained in the Quality Control Review (QCR) checklist published by VHA P&LO.

(b) Analysis and assessment of VA medical facility needs.

(c) Resources required for implementation (e.g., Information Technology (IT) equipment, scanners).

(d) Training needs.

d. Requirements for Performance Measures.

(1) Performance measures for inventory and equipment management are released and changed by VA and VHA on an ongoing basis to monitor SCM core activities and data accuracy. For VHA Supply Chain Management, benchmarks and reports are currently being published and tracked on the Supply Chain Common Operating Picture (SCCOP) intranet site, located at <https://app.powerbigov.us/>. **NOTE: This is an internal VA website that is not available to the public.** Included in these performance measures and benchmarks are Medical/Surgical Prime Vendor (MSPV) utilization, Equipment Inventory Listing (EIL) inventory accuracy, expendable inventory turnover, various data accuracy measures as well as other performance criteria. VISN CLOs and VA medical facility CSCOs must set up local processes and procedures to ensure all necessary reports are monitored on these or other publish sites or software systems on a routine basis and take appropriate steps to ensure all supply chain performance measures are maintained in compliance.

(2) Inactive and long supply items must be properly maintained, stored, accounted for, excessed or disposed of in accordance with VA Handbook 7348, Utilization and Disposal of Personal Property, dated January 8, 2020. Generic Inventory Package (GIP) inactive items are defined as items with no activity over a specified period of time. VHA P&LO has set this period to be 90 days, and GIP calculates the percentage of inactive items as the current dollar value of inactive items for the month divided by the current inventory balance for the month. These inactive items are displayed in the SCCOP “Inactive Items > 90 Days” report. GIP long supply is defined as items with greater than a specific number of days of stock on hand. VHA P&LO has defined GIP long supply items to be items with greater than 90 days of stock on hand, and GIP calculates the percentage of long supply as the current dollar value of long supply items divided by the current inventory balance for the month. The SCCOP displays these items in the “Long Supply” report.

(3) Long supply is also defined in Title 41 Code of Federal Regulations (CFR) 101-27.303 as the increment of inventory of an item that exceeds the stock level criteria established for that item by the inventory manager, but excludes quantities to be declared excess, and set the allowable percentage at 10% or less. In the SCCOP, this long supply is currently measured on the “Items with Quantity on Hand > Normal (PAR) Stock Levels” report. VA medical facility CSCOs must ensure these long supply/overstock levels adhere to the allowable percentage or take appropriate action to correct.

(4) In the event of a natural disaster or emergency, a waiver may be requested by a VISN CLO for a VA medical facility to suspend SCM performance measures for a given period of time. A waiver must be sent to VHA P&LO within 14 business days of the given event. In cooperation with the VISN and the VA medical facility, VHA P&LO will determine the amount of time that performance measures will be suspended.

e. **National Supply Chain Transformation Activities.** VHA has prioritized the modernization and transformation of its supply chain systems, with a goal of having lean operating systems operational and in place by 2024. Undertaking a major transition to new business models and systems presents a challenge to current state performance metrics and measures. As VA medical facilities and VISNs are scheduled to begin national supply chain transformation activities, beginning with the transition to the Department of Defense (DoD) Defense Medical Logistics Standard Support (DMLSS) application, temporary suspension of appropriate supply chain performance metrics, QCRs, and directive requirements may be considered. If this is desired, a waiver request allowing VA medical facilities and VISNs to suspend such requirements must be sent from the VISN CLO to the Chief Executive of Supply Chain & Logistics, VHA P&LO. The request must not exceed 120 days and include a start date for normal operations to be restored. VHA P&LO will review the request with the VISN CLO and set a realistic date to reinstate all measures. A sample waiver request is provided in paragraph 5 of this appendix.

f. **Customer Service Expectations.** The following customer service expectations must be addressed by all SCM staff:

(1) Availability (right product, right place, right time, and right condition) and identification of critical products.

(2) Cost (product and time requirements).

(3) Education.

(4) Industry relationships.

(5) Ongoing communications and customer involvement.

(6) Quality (acceptable or required features for intended purpose).

(7) Responsiveness.

(8) Timeliness.

(9) Trust.

(10) Support of clinical requirements and other programmatic needs.

g. **Standardization of Requirements.** SCM must standardize the types and categories of supplies and equipment VHA purchases to the extent necessary to ensure and enhance patient safety and the quality of care to Veteran patients.

h. **Mandatory Procurement Instruments.**

(1) VHA's headquarters is directing that, to the extent permitted by law, VA medical facilities must utilize the MSPV distribution contracts, in addition to other national

contracts designated as mandatory in VHA policy, to purchase medical supplies. When an item is simultaneously available through an MSPV distribution contract and another mandatory procurement instrument, the MSPV contract must be used.

(2) National Equipment Catalog (NEC) contracts are mandatory when purchasing the specific/exact make and model that is available on established NEC contracts. Established NEC contracts are those contracts identified in the National Equipment Catalog, and they can be found at

<https://vaww.pclo.infoshare.va.gov/PCLO/MMStrategicPlan/PEO/Lists/National%20ContractBPABOA/AllItems.aspx#InplviewHash77848c5d-1425-4351-a045-0ccc5b091048=FilterField1%3DCPO->

[FilterValue1%3DEquipment%2520Life%2520Cycle%2520Management%2520Program](https://vaww.pclo.infoshare.va.gov/PCLO/MMStrategicPlan/PEO/Lists/National%20ContractBPABOA/AllItems.aspx#InplviewHash77848c5d-1425-4351-a045-0ccc5b091048=FilterField1%3DCPO-FilterValue1%3DEquipment%2520Life%2520Cycle%2520Management%2520Program).

NOTE: This is an internal VA website that is not available to the public. Strategic Acquisition Center (SAC) equipment contracts can be found at

<https://www.va.gov/opal/sac/nxEquipment.asp>. A key aim of the NEC is to foster price transparency and offer visibility into equipment usage across VA medical facilities, while retaining local autonomy and ordering capability through use of ordering officer delegations. The NEC also supports efforts to establish more effective national contract vehicles based on strategic enterprise acquisition plans while eliminating unwarranted variances, enabling VHA to take advantage of volume discounts and obtain better service and warranties from manufacturers and suppliers. If the specific/exact make and model of required equipment is not on an established NEC contract, the VA medical facility should proceed through local contracting channels to the extent permitted by law, for solicitation to purchase the needed equipment as no waiver is required.

(3) When there is a compelling clinical need to deviate from the requirement to purchase medical supplies from procurement instruments designated as mandatory under this policy, facilities must submit a National Contract Waiver Request (VA Form 10-0384). National Contract Waiver Requests (VA Form 10-0384) can be found on the VHA P&LO SharePoint at

<https://vaww.pclo.infoshare.va.gov/PCLO/MMStrategicPlan/default.aspx>. **NOTE:** This is an internal VA website that is not available to the public. Each waiver request must provide valid, justifiable and appropriate clinical rationale for deviating from the item available through mandatory procurement instruments.

(4) In addition, for supply and equipment items, VISN CLOs and facility CSCOs must pursue further standardization efforts through the appropriate local committees.

i. Clinical Product Reviews.

(1) Each VA medical facility is required to assign responsibility for clinical product reviews and approvals to a formal VA medical facility committee. The responsible committee may be a stand-alone committee or combined with another local committee, as deemed appropriate by VA medical facility leadership. Regardless of the committee structure, the requirements for clinical product reviews must be met. The requirement for clinical product reviews is applicable to all VHA clinical programs, except Non-Human Research and Pharmacy, who are responsible for tracking and managing the

expendable clinical items of their respective programs. The VA medical facility committee assigned responsibility for clinical product reviews must be a formal committee, reporting to the Medical Executive Committee/Medical Executive Board, or other board as deemed appropriate, and subject to the VA medical facility's standard requirements established for all committees, including the preparation and distribution of schedules, agendas, and minutes. Each VA medical facility must implement the use of the CPRC request tool, available through the Supply Chain Request Portal (<http://oitlitappide02.r02.med.va.gov/cprc/Default>) to request, review and approve for use all new clinical products for the VA medical facility. **NOTE: This is an internal VA website that is not available to the public.** The VA medical facility committee tasked with clinical product reviews and approvals is responsible for:

(a) Reviewing and approving all new expendable clinical products and reusable medical equipment and reusable medical instruments (RME/RMI) prior to their use for direct patient care so that compatibility with current processes and equipment is ensured. In emergent situations, and when medically necessary, a new clinical product or implant may be required immediately and prior to committee approval. In these situations, the clinical service must enter an emergency CPRC request within 2 business days, detailing the emergent need in the justification of the request. In addition, products that are approved by the committee but have not been purchased and placed into use in over a year, must be resubmitted to the committee.

(b) Performing product standardization activities listed below.

1. Identify opportunities for local standardization of expendable clinical items.
2. Assure economical purchasing and distribution of expendable clinical items and RME/RMI.
3. Ensure compliance with the policy requirements to utilize mandatory procurement instruments, set forth in paragraph 1(h) of this appendix.

NOTE: For product changes necessitated by MSPV program support or by local/network/national standardization efforts, a clinical product review at the VA medical facility is still required to ensure staff training, processing, and other local issues are addressed appropriately.

4. Report all issues identified with item use related to product safety and/or efficacy by submitting a Product Quality Deficiency Report, (PQDR, VA Form 10-0384a). Instructions for submitting Product Quality Deficiency Reports (PQDR, VA Form 10-0384a) can be found on the VHA P&LO SharePoint at <https://vaww.pclo.infoshare.va.gov/PCLO/MMStrategicPlan/default.aspx>. **NOTE: This is an internal VA website that is not available to the public.**

5. Develop the facility's requirements for medical supplies within the scope of this directive, develop and document the facility's justifications for selecting items as facility standard, where appropriate, and develop and maintain the facility's medical supply

Standard Product List (SPL). The medical supply SPL will be reviewed annually by the appropriate VA medical facility committee and provided annually to the VISN CLO for review.

(c) Coordinating with the using service as well as clinical staff to ensure the expendable clinical item in-service training is made available to users when deemed necessary.

(2) At a minimum, membership of the committee assigned clinical product reviews shall include membership from the services listed below:

- (a) VA medical facility Supply Chain Officer (or designee).
- (b) Chief of Staff (or designee).
- (c) Chief of Sterile Processing Service.
- (d) Biomedical Engineering.
- (e) Surgery.
- (f) Imaging Service.
- (g) Infection Control.
- (h) Patient Care/Nursing Service.
- (i) Medicine.
- (j) Quality Management.
- (k) Patient Safety.
- (l) Pathology and Laboratory Management Service.
- (m) Environmental Management Service.
- (n) Pharmacy.
- (o) Prosthetics and Sensory Aids Service.

NOTE: The VA medical facility Director may appoint one person to act on behalf of more than one service. This will be accomplished through written delegation by name and held on file by the CPRC Chairperson.

j. **VISN Equipment Committee.**

(1) Each VISN will establish a VISN Equipment Committee. Membership of the VISN Equipment Committee will include subject matter expert clinical representation, the

VISN CLO, the VISN Chief Biomedical Engineer/Healthcare Technology Manager (BME/HTM), the Capital Asset Manager (CAM), and other personnel deemed necessary by the VISN Director.

(2) Specific responsibilities of the VISN Equipment Committee include:

(a) Reviewing all VISN equipment requests utilizing the Strategic Equipment Planning Guide (SEPG) and Enterprise Equipment Request (EER) tools and, where possible, ensuring standardization between VA medical facilities.

(b) Approving, developing, reviewing, and applying capital asset planning criteria to all requests for major equipment purchases generated by VA medical facilities assigned to their VISN. Major equipment is defined as equipment costing over \$250,000.

(c) Reviewing all VA medical facility 5-year plans entered in SEPG. The committee will develop a combined 5-year plan for submission to the VISN Director annually, with specific focus on potential candidates for standardization and consolidated acquisitions.

(d) Ensuring all appropriate equipment requests are forwarded to the National Acquisition Center (NAC) for consolidated procurement actions in accordance with established NAC buying cycles.

(e) Ensuring all equipment requests with a unit cost of \$1,000,000 or above have a locally-approved High-Cost High-Tech (HCHT) application sent to the VHA Healthcare Technology Program Office for approval, including all supporting documents and an acquisition package, and are submitted to the appropriate contracting office within the required time periods.

(f) Ensuring all steps have been taken to maximize utilization of existing equipment before additional equipment requests are approved.

(g) Compiling, consolidating and submitting candidate future equipment requirements to VHA P&LO PMO for consideration of standardization efforts.

(h) Reviewing and validating the medical facility equipment SPL and submitting annually to VHA P&LO.

(i) Supporting the VHA P&LO PMO IPT standardization efforts by offering clinical, technical, and business expertise as requested.

k. VA Medical Facility Equipment Request Reviews.

(1) Each VA medical facility will assign responsibility for review and approval of equipment requests to a formal VA medical facility committee. The responsible committee may be a stand-alone committee or combined with another local committee, as deemed appropriate by facility leadership. Regardless of the committee structure, the requirements for equipment request reviews must be met. The committee responsible for equipment request reviews and approvals must be a formal committee, reporting to

the Resource Committee/Board, and subject to the VA medical facility's standard requirements established for all committees, including the preparation and distribution of schedules, agendas, and minutes. The assigned committee shall implement the use of the SEPG (<http://oitlitappide01.r02.med.va.gov/SEPG/main/assessEquipment>) and EER (<http://oitlitappide02.r02.med.va.gov/cprc/Everyone/EquipmentRequest>) tools at their VA medical facility to request, review and approve all equipment needs for the VA medical facility. **NOTE:** *These are internal VA websites that are not available to the public.* Coupled with the NEC, SEPG is a tool used to facilitate a streamlined lifecycle management planning process. SEPG allows users to review equipment based on multiple categories and allows for report generation for budgeting/planning purposes from all levels of VA down to the service lines based on tangible data, such as replacement year or cost. SEPG is a tool to generate the VA medical facility equipment plan, route for approval to the VISN Equipment Committee and expedite approval of equipment requests in the EER. The net effect speeds purchase order fulfillment and ensures that facilities have the equipment they need at the right time.

(2) In an effort to establish VA-wide equipment standardization, to the greatest extent possible, the VA medical facility committee assigned equipment request review responsibilities is the lead in developing and establishing a clinically and administratively-driven program for the VA medical facility level. The purpose is to establish equipment standardization within equipment modalities to the extent necessary to ensure and enhance patient safety and the quality of care to Veteran patients. The VA medical facility will utilize the National Clinically Driven Sourcing framework and clinical selection tool in documenting their standardization decisions.

(3) Membership in the committee, at a minimum, should include:

- (a) Chief Supply Chain Officer, or designee.
- (b) Medical Service designee.
- (c) Surgical Service designee.
- (d) Radiology Service designee.
- (e) Nursing Service designee.
- (f) Facility Management designee.
- (g) Biomedical Engineering designee.
- (h) Fiscal Service designee.
- (i) Sterile Processing Service designee.

(4) Specific equipment request review responsibilities of the committee include:

(a) Ensuring the VA medical facility implements and utilizes the SEPG tool for the strategic planning of all current year equipment procurements as well as formulation of a VA medical facility 5-year equipment replacement plan, and the ERR portal for final submission of all equipment requests approved from the current fiscal year's equipment plan.

(b) Establishing mechanisms and structures for making key decisions concerning equipment procurements and for communicating and carrying out these decisions.

(c) Reviewing and approving or disapproving all requests submitted and preparing a prioritized list for purchase during the current fiscal year based on clinical need and input.

(d) Reviewing all requests for equipment submitted after the fiscal year plan has been formulated. Supplemental requests should be limited to those of an emergent nature where need could not be foreseen at the time the fiscal year plan was formulated.

(e) Coordinating and supporting information requests from the VISN Equipment Committee for consolidation and consideration of candidates for VISN equipment standardization efforts.

(f) Developing the VA medical facility's requirements for medical equipment within the scope of this directive, developing and documenting the facility's justifications for selecting items as facility standard, where appropriate, and developing and maintaining the facility's equipment SPL. The equipment SPL will be reviewed annually by the appropriate VA medical facility committee and provided annually to the VISN CLO for review with the VISN Equipment Committee.

I. **Total Supply Support.**

(1) The VA medical facility SCM Service shall manage all inpatient medical/surgical supplies and non-production instruments with the exception of Outpatient Pharmacy and Research items. This will include inventory management, requisition/acquisition processes, and funding to ensure information on purchases of expendable clinical supplies is reported and accounted for accurately. Clinical departments are prohibited from utilizing purchase cards to purchase any medical supplies.

(2) Acceptable total supply support (TSS) budget/funding models include:

(a) SCM Service manages all clinical items and funding from a single fund control point (FCP) with sub-control points designated to track and account for items used to support each clinical program area (e.g., Sterile Processing Service, Operating Room).

(b) SCM Service manages all clinical items and funding utilizing a shared FCP between SCM and the supported program, utilizing sub-control points to track the clinical items and services funded by the FCP.

(c) SCM program manages all clinical items and funding, utilizing separate FCPs for each clinical program supported.

(3) When new products or responsibilities are transferred to the SCM program from another program area, the associated funding and Full Time Equivalent Employee (FTEE) will transfer with it, when applicable.

m. **Office of Information & Technology and Finance Involvement.** The assistance of the local Office of Information & Technology (OI&T) Area Manager and the Chief Financial Officer (CFO) at each VA medical facility is necessary to implement and maintain the automated inventory system.

(1) The IT equipment and software requirements must be planned in coordination with the overall VA medical facility IT plan. OI&T must be informed of changing requirements, technology advancements, software releases, and replacement needs.

(2) The VISN CLO works with the VA medical facility CSCO, or designee, and OI&T to ensure the proper assignment of menu options for SCM staff to enable them to efficiently and effectively perform inventory management duties. The inventory manager, supply technician, purchasing agent, and control point clerk may all have access to different menus. The VA medical facility CSCO determines which menus are needed and works with OI&T to ensure menus are assigned to appropriate staff.

(3) The proper management of inventories saves resources; therefore, it is imperative that the CFO be involved during development of inventory management plans. The VA medical facility CSCO works with the accounting staff and OI&T to provide cost reports and budget projections to the local CFO and customers as needed.

NOTE: The CFO is charged with the overall management of financial resources and is interested in the data that becomes available through effective use of the VHA-approved inventory management system. The system can provide valuable support in efforts to improve fund control management. This exchange of information improves the value of the inventory management program and assists the CFO with budget decisions.

n. **Requirements for Safety Data Sheets.**

(1) The VA medical facility CSCO must ensure that Safety Data Sheets (SDS) for all hazardous materials handled or stored are maintained and readily accessible to employees on each shift in their workplace.

(2) A hard copy of any SDS must be maintained in a binder in the area the chemical is stored or used and be updated when new products are received. The binder will be cross-referenced by product/chemical trade name and manufacturer/distributor and SDS' can be printed from the electronic system in paragraph 3.

(3) The VHA Enterprise Support Services (EES) web-based SDS/Chemical Inventory Service at <http://vaww.hefp.va.gov/guidebooks/safety-data-sheetchemical->

[inventory-guidebook](#) may be used to locate and maintain hazardous material inventories and associated SDS. **NOTE:** *This is an internal VA website that is not available to the public.* The service can provide hard copies, labels, reports, and electronic backups. Supply Chain organizations should consult with their VA medical facility Safety Manager for additional national or local requirements for SDS management.

2. REQUIREMENTS FOR TRAINING PROGRAM

a. The VISN CLO has overall responsibility for training of SCM staff in the VISN. The VA medical facility CSCO has responsibility for the training of SCM staff in the VA medical facility.

b. Each Facility Supply Chain Service is required to develop a training plan to support the training requirements of their staff. Each SCM supervisor must develop an Individual Development Plan (IDP) with each SCM staff member. This training plan and supporting IDP should align with the employee's position requirements, as well as other factors including, but not limited to, training courses offered for the standardized position, developmental needs, collective bargaining agreements, and national strategic initiatives. The VHA P&LO, Supply Chain Education & Talent Management (SCETM) Office has developed sample IDPs for supply chain positions, located at https://vaww.pclo.infoshare.va.gov/PCLO/MMStrategicPlan/SCM_PD/Forms/AllItems.aspx, that can be used to develop local IDPs for employees. In addition, training guides and resources are available at https://vaww.pclo.infoshare.va.gov/PCLO/MMStrategicPlan/Log_SCETM/default.aspx. **NOTE:** *These are internal VA websites that are not available to the public.* All training plans or IDPs will include an annual review of this directive.

c. SCM staff will be held accountable for completion of training assigned using yearly performance plans. VA medical facility SCM leadership will update staff performance plans to include language that SCM staff will complete all training assigned. SCM Leadership must monitor and track the completion of the training through a SCM training program and SCM staff IDPs, ensuring all staff receive the required time to complete the training.

d. The VISN CLO will provide a status report to the Deputy Network Director at least quarterly on the supply chain training accomplished in the VISN supply chain organizations. The status report should include all national, VISN, and local supply chain courses accomplished and the number of station attendees.

3. REQUIREMENTS FOR PROSTHETICS AND SENSORY AIDS SERVICE

a. The VA medical facility SCM program oversees inventory management of Prosthetics and Sensory Aids Service (PSAS) clinical inventory items. All PSAS clinical inventory items must be loaded into the Item Master File (IMF) and VHA-approved inventory management system and be maintained in accordance with the storage requirements delineated in this directive. The exception to this concerns prosthetic devices and durable goods/durable medical equipment (DME). Temperature and

humidity requirements, as well as the prohibition of corrugated containers, associated with clean/sterile storage areas do not apply to the storage of prosthetic devices and durable goods/DME stored for outpatient care unless they are stored with sterile supplies. These items, such as wheelchairs, shoes, and walkers, are nonsterile, typically do not come with storage instructions, and are typically issued directly to a Veteran or mailed to the Veteran's home.

b. When it is determined that an initial inventory of implantable devices or procedure sets and components are required, SCM programs purchase these initial stock inventories using VA medical facility general purpose funds, not with Prosthetic specific purpose funds. Each VA medical facility will determine the minimal amount of commonly used trays/instrument sets and implant inventory items (biological or non-biological) for purchase to have available for procedures. At a minimum, a physical inventory count audit of the facility-owned implant inventories will be conducted in accordance with the ABC classification assigned, if managed as a primary with secondaries, or scanned on a monthly basis, if managed as a stand-alone primary, in accordance with Appendix E. Prosthetics special purpose funding will be utilized to purchase patient-specific implants (biological and non-biological) and to replace VA medical facility-owned inventory or consignment inventory after implantation.

c. SCM programs will adhere to processes defined in VHA Directive 1081.01(1), Procurement of Surgical Implants Under 38 U.S.C. 8123, dated October 29, 2018, when processing invoices for medical supplies associated with implantable devices required for patient-specific needs.

4. REQUIREMENTS FOR NUTRITION AND FOOD SERVICE EXCEPTION

Inventory requirements for Nutrition and Food Service (N&FS) subsistence items are determined and fulfilled through the proprietary software provided by the Subsistence Prime Vendor Contractor used by all VA medical facilities. See VHA Directive 1439, Food Service Management, dated October 21, 2019.

5. SAMPLE WAIVER REQUEST

December 30, 2020

VHA DIRECTIVE 1761
APPENDIX A

DEPARTMENT OF VETERANS AFFAIRS MEMORANDUM

DATE:

FROM: VISN XX Chief Logistics Officer

SUBJECT: Temporary Waiver Request During Transformation Activities

TO: Executive Director, Logistics, VHA Procurement & Logistics Office (19PLO)

1. The purpose of this memorandum is to request temporary relief from [Supply Chain inventory and/or asset management performance measures, QCR inspections, and/or policy requirements contained in (VHA policy name and number)].
2. VISN XX/Station XXX is scheduled to begin transition activities to (DMLSS, EHRM, etc.) on (date), with go-live currently scheduled for the period (date – date). As these activities commence, it is anticipated that current supply chain performance measures, processes and policies designed around current systems may be adversely affected.
3. VHA Directive 1761, Supply Chain Inventory Management, requires an assortment of supply chain inventory and asset management performance measures, QCR inspections and policy requirements. VISN XX/Station XXX is requesting a temporary waiver providing relief from these policy requirements, inspections and performance measures during the period of (date – date) (not to exceed 120 days).
4. This request is made with the understanding the facility may be required to complete certain preparatory actions prior to the go-live and cutover dates, such as conducting wall-to-wall inventories or data cleansing activities.
5. Your favorable consideration is requested. I am available to discuss this matter with you at your convenience. I can be reached at (phone number) or through email at (email address).

NAME

VISN XX Chief Logistics Officer

APPROVE / DISAPPROVE

Executive Director, Logistics, VHA Procurement & Logistics Office (19PLO)

DATE

ATTACHMENT

APPENDIX B

REQUIREMENTS FOR INVENTORY MANAGEMENT**1. INTEGRATED FUNDS DISTRIBUTION, CONTROL POINT ACTIVITY, ACCOUNTING AND PROCUREMENT SYSTEM**

The Integrated Funds Distribution, Control, Point Activity, Accounting and Procurement (IFCAP) system is used to manage the receipt, distribution, and stock maintenance of items. IFCAP and Generic Inventory Package (GIP), along with the Above Periodic Automatic Replacement (APAR) overlay, provide information on supplies, vendors, procurement history, and control point activity. It is essential that this information be entered into the IFCAP system completely and correctly.

2. ITEM MASTER FILE

a. The Item Master File (IMF) allows for a consistent inventory system and common source for data to support the Veterans Health Administration (VHA) Standardization Program, the National Procurement History File, and fully automate the management of all unofficial inventories. The Department of Veterans Affairs (VA) medical facility must enter all expendable supplies into the IMF or successor system that are associated with the clinical and non-clinical categories, including all ## primaries. All expendable items acquired by Supply Chain Management (SCM), whether by purchase order, requisition or otherwise, must be entered into the IMF and linked to the acquisition

b. Access to the "Item File Edit" function in IFCAP is controlled to ensure data integrity and accuracy. Each VA medical facility Chief Supply Chain Officer (CSCO) reviews and approves all persons requesting access to the IMF edit option and limits access only to the minimum number of employees necessary to support the needs of the VA medical facility. Each request must include a justification and a start and end date (for temporary access). The VA medical facility CSCO maintains a Facility IMF Edit Access List of all individuals at the VA medical facility who have permissions to enter or modify data within the IMF and review this list each calendar year.

3. VENDOR FILE

a. The vendor file is managed and maintained by the VHA Procurement and Logistics Office (P&LO) and contains a list of vendors that can be used for acquisition or payment. Each VA medical facility ensures the accuracy and completeness of information contained within this file.

b. Permissions to enter or modify data within the vendor file are limited to facility staff in SCM, Prosthetics and Sensory Aids Service (PSAS), and Fiscal. The VA medical facility CSCO will maintain a Facility Vendor File Edit Access List of all individuals at the facility who have permissions to enter or modify data within the vendor file and review it annually for appropriateness.

4. GENERIC INVENTORY PACKAGE

a. Medical facilities must enter all VA-owned expendable supplies into GIP or successor system that are associated with the clinical and non-clinical categories, and ## primaries. The main functions of this system are to track the receipt and distribution of supplies. VA medical facilities may utilize Real Time Locator System (RTLIS) to track inventory of Cardiac Catheterization Lab items.

b. There are two inventory point types commonly used within the GIP system.

(1) **Primary.** Contains all expendable items for an inventory account, which are replenished by placing orders outside of the VA medical facility.

(2) **Secondary.** Points of distribution related to a primary inventory. Expendable items are replenished by determining what is used to order stock from the primary inventory.

c. SCM receives supplies at the warehouse, distributing those supplies from the warehouse to a primary inventory point, and distributing from a primary inventory point to a secondary inventory point. Routine distribution of supplies from a secondary inventory point to an additional space or point of care is not the responsibility of SCM personnel, but can be negotiated locally, if desired and consideration is given to the potential need for additional staffing to support the new requirement.

d. The GIP system supports the use of multiple control points within one primary inventory. Thus, multiple inventory points may be combined into a larger primary inventory.

e. A Veterans Integrated Service Network (VISN) or VA medical facility may submit a memorandum to request a waiver from the requirement to use GIP or the VHA-approved inventory management system. The request for waiver must contain the specific reason(s) why GIP or its successor system cannot meet its needs as well as how the proposed system can. The request for waiver must be sent through the VISN Director to the VHA P&LO for approval. An approved waiver does not exempt the facility from meeting national performance metrics. At a minimum, the waiver request must address:

(1) What is prohibiting the use of GIP to manage the medical supply inventory;

(2) Whether or not the requested system is an overlay to GIP, interfaces with GIP (such as AbovePAR) or completely replace GIP;

(3) Whether or not the requested system interfaces with IFCAP for the generation of replenishment orders;

(4) Whether or not the requested system sets stock levels and reorder points for individual items;

(5) Whether or not the requested system supports bar code technology (labels and scanners) and item locations for inventory management;

(6) Whether or not the requested system monitors inventory activity (receipts/issues/adjustments) and maintains/updates on-hand quantities based on that activity; and

(7) Whether or not the requested system provides management reports to monitor inventory performance indicators, such as turnover, inactivity, days of stock on-hand.

5. PRIMARY INVENTORIES

a. Primary inventory accounts must conform with one of the following models:

(1) **Inventory with Distribution Points.** A primary inventory with distribution points (secondaries) is a method of tracking supply usage from receipt to consumption. This model maximizes all aspects of the VHA-approved inventory management system, including stock levels and reorder points, on-hand quantities and physical product on both primary and secondary storeroom shelves, scanning of secondary inventory points, and auto-generation of orders. At a minimum, this model must be used for supply chain central storeroom inventories.

(2) **Stand-Alone Inventory.** A primary inventory that is also the point of consumption, which does not have distribution points, is typically utilized when specialty expendable items are purchased for one area.

(3) **Prohibited Inventory Models.** Inventory points set up completely as either “pass-through” or “mirrored” primary inventory points or “ghost” or “virtual” secondary inventory points are prohibited from use except when used in conjunction with point-of-use systems or office supplies, as detailed in paragraph 5.a.(4) below. Primary inventory points with secondaries will have no more than 10 percent of the total line items that fall into one of these categories:

(a) Normal stock levels set to “0”.

(b) No product in a physical location in the primary storeroom.

(c) Distributions immediately being processed when product is received from the vendor.

(4) **Point-of-use, Office Supply Primaries and the GIP Case Cart Module.** VA medical facilities utilizing point-of-use technology are authorized to utilize a “pass-through” model, if necessary, to facilitate the receipt and distribution of supplies in GIP. VA medical facilities that utilize the GIP case cart functionality to distribute surgical supplies or manage and distribute office supplies from a central location are authorized to utilize a stand-alone inventory model or distribute to one or more “ghost” or “virtual” secondaries that do not have a physical location, to allow for the capture of usage and costing information for budgeting purposes. If utilizing “ghost” or “virtual” secondaries,

the secondary on-hand quantities must be zeroed out at least once per quarter. All other “ghost” or “virtual” secondary scenarios are not permitted.

b. The following types of inventory items are mandated to be entered and managed in the VHA-approved inventory management system.

- (1) Dental.
- (2) Engineering.
- (3) Environmental.
- (4) Imaging.
- (5) Laboratory.
- (6) Medical Surgical.
- (7) Prosthetics.

NOTE: *At a minimum, one inventory point (if applicable) must be established for each category. Dental, Imaging, Laboratory, and Medical Surgical expendable items may be grouped under a single inventory point within the “Clinical” category.*

c. Naming Standards in the VHA-approved inventory management system.

- (1) All primary names will be in capital letters.
- (2) Primary names cannot exceed 30 characters.

(3) Primary names will incorporate the appropriate inventory category: “C” for Clinical and “NC” for Non-clinical. For example, Podiatry could be C-PODIATRY and Electrical Shop could be NC-ELECTRICAL SHOP. Approved naming conventions can be found in Appendix C.

(4) A ## will be placed in front of the primary name for inventory points that are not part of the two mandatory categories reported in performance measures.

NOTE: *An inventory category designation of “C” or “NC” will not be used when naming primary inventory points with a ##.*

(a) The following primaries must use the ## designation:

1. ##AMMUNITION.
2. ##CONTINGENCY (replaces ##PAN INFLUENZA).
3. ##INSTRUMENTS DENTAL or ##INSTRUMENTS SURGICAL (for non-production instruments).

4. ##OFFICE SUPPLIES.

NOTE: No space should be present between the ## and the primary name (i.e., ##CONTINGENCY).

(b) An inventory category designation of ## must also be used when setting up new primary inventory points that will be part of the “C” or “NC” inventory category. The ## designation must be converted to “C” or “NC” within 45 business days of inventory point creation or upon full implementation, whichever is sooner.

(c) Tracking of Dental and Surgical Stock Instruments.

1. The VA medical facility SCM Service supports the Dental and Sterile Processing Service areas in establishing primary inventory points within a VHA-approved inventory management system for all “stock” dental and surgical instruments. Stock instruments are defined as spare instruments that are not part of sterile peel packs or trays within the current production environment. These instruments must be added into the inventory management system for appropriate tracking. Once an instrument has been pulled from the “stock” location, it is to be “issued/distributed” from the primary. All drawers/cabinets holding stock instruments must be appropriately barcoded and inventoried.

2. Due to the nature of inventory practices of dental and surgical instruments, inventory points for these items will be exempt from performance measures. All primary inventory points established to support stock dental and surgical instruments must follow proper naming standards ##INSTRUMENTS DENTAL and ##INSTRUMENTS SURGICAL.

NOTE: VA medical facilities may utilize RTLS to track inventory of Dental and Surgical stock (non-production) instruments instead of tracking them in primary inventory points ##INSTRUMENTS DENTAL and ##INSTRUMENTS SURGICAL.

d. Items loaded within primary and secondary inventory points must have all mandatory fields populated, as identified in the GIP User’s Training Guide.

6. EMERGENCY AND DISASTER SITUATIONS

a. The VA Pandemic Influenza Plan (March 2006), located at https://vaww.vha.vaco.portal.va.gov/sites/PublicHealth/HCI/Shared%20Documents/HCI%20Planning%20References/VA%20Pandemic%20Flu%20Plan_2006-03-31.pdf, permits VA medical facilities to have medical supplies available/stored for future use in the case of a pandemic influenza outbreak, disaster, or emergency. **NOTE:** This is an internal VA website that is not available to the public.

b. Pandemic medical supplies must be maintained in a GIP primary inventory point designated by the naming standard ##CONTINGENCY or other VHA-approved inventory management system. Medical supplies must be maintained in accordance

with proper inventory procedures (e.g., not contaminated, damaged, expired, or recalled). The GIP primary should only be used to maintain medical supplies for pandemic, disaster, or other emergent situations.

c. The VA medical facility CSCO works with the local Emergency Management Committee, or equivalent, including staff from Infection Control, Safety, Engineering, Nursing, Chief of Staff, and SCM, to review the medical supply items within the ##CONTINGENCY primary inventory point on an annual basis to ensure that all supplies are available and ready for use.

d. A physical inventory audit of this primary must be conducted annually on a fiscal year basis, utilizing the procedures outlined in Appendix F, paragraph b.(2) and (3), with the exception of utilizing ABC classification to determine the frequency of physical counts for products. All items in the contingency inventory point are to be inventoried annually and achieve a minimum accuracy rate of 95%.

7. SECONDARY INVENTORIES

The secondary inventories are the points of distribution. Secondary inventory point storerooms are maintained at the end user area. Within the VHA-approved inventory management system, secondary inventories are maintained with normal stock and reorder point levels. They must be actual inventory locations that hold physical inventory and not “ghost” locations, with the exception of case cart secondaries associated with the operation of the GIP case cart module and office supply secondaries mentioned in 5.a.(4) above. Due to the nature of how secondary inventories function, physical stock on hand rarely matches the inventory management system’s on hand quantity at a given point in time. A secondary inventory is replenished from a primary inventory. At a minimum, items within secondary inventory points are scanned and reconciled at least monthly.

8. CONSIGNMENT INVENTORIES

a. Consignment agreements are a delivery method under an existing contract and can only be established by a warranted Contracting Officer (CO). In no event shall anyone other than a CO attempt to establish or sign a consignment agreement.

b. All pertinent information regarding consignment inventories and purchases will be regularly provided to the CO of the applicable contract. This helps the CO to increase vetting of vendors reports, tracking contract usage, and feed data back to VHA data teams in the Supply Chain Data and Informatics Office (SCDIO) to ensure accurate data.

c. The VA medical facility CSCO will work with the requesting service to determine the cost effectiveness of implementing clinical supply consignment agreements.

d. The VA medical facility will nominate a Contracting Officer’s Representative (COR) from the appropriate service/area for each consignment agreement to the

appropriate CO for approval and designation. If a change in COR becomes necessary, the VA medical facility must notify the CO and seek the CO's approval and designation of the nominated replacement. In addition to all other requirements under applicable law, policy, and the COR's letter of designation and other documents describing the COR's duties and responsibilities, the COR must maintain the following documentation, either hard copy or electronic, for each consignment agreement:

(1) Copy of the original contract and subsequent modifications for the life of the contract.

(2) Log sheet (hard copy or electronic) including all items brought into the VA medical facility and those used and wasted in procedures.

(3) Physical inventory documentation (hard copy or electronic) for 24 calendar months.

e. All consignment agreements will be executed in accordance with the VHA Procurement Manual, located at

https://vaww.pclo.infoshare.va.gov/PCLO/PMWeb/VHAPM_Part_801.102.aspx. **NOTE:**
This is an internal VA website that is not available to the public.

APPENDIX C

FUNCTIONAL AREAS REQUIRING INVENTORY MANAGEMENT

1. CLINICAL "C" CATEGORY

Example: C-DISTRIBUTION or C-DIST

Name	Abbreviation Allowed
AMBULATORY CARE	AMB CARE
ANESTHESIOLOGY	ANES
AUDIOLOGY	AUDIO
BLIND REHABILITATION	BLIND REHAB
BLOOD BANK	BLOOD
CARDIOLOGY	CARDIO
CATHETERIZATION LABORATORY	CATH LAB
CATH LAB RTLS	CATHRTL
CBOC (Community Based Outpatient Clinic)	CBOC + initials of area (WR, ASP, etc.)
CHEMISTRY	CHEM
COMMUNITY LIVING CENTER	CLC
CYTOLOGY	CYT
DAY SURGERY	DAY SURG
DENTAL GENERAL	DEN
DENTAL LABORATORY	DEN LAB
DERMATOLOGY	DERM
DISTRIBUTION	DIST
EAR NOSE THROAT	ENT
ELECTROPHYSIOLOGY LABORATORY	EP LAB

Name	Abbreviation Allowed
EMERGENCY ROOM	EMER RM
ENDOSCOPY	ENDO
GASTROENTEROLOGY	GI
GERIATRICS	GERI
HEMATOLOGY	HEMAT
HEMODIALYSIS/RENAL	HEMO
HISTOLOGY	HIST
HOME HEALTH	HOME HEAL
HOSPICE	HSP
INFECTION CONTROL	INF CON
INTENSIVE CARE UNIT	ICU
INTERVENTIONAL CARDIOLOGY	INTV CARDIO
INTERVENTIONAL RADIOLOGY	INTV RAD
LABORATORY	LAB
MENTAL HEALTH CLINIC	MENTAL
MICROBIOLOGY	MICRO
NEUROLOGY	NEURO
NUCLEAR MEDICINE	NUC MED
OCCUPATIONAL THERAPY	OT
ONCOLOGY	ONCOL
OPEN HEART	OPEN HEART
OPERATING ROOM	OR RM
OPHTHALMOLOGY	OPTHO

Name	Abbreviation Allowed
OPTOMETRY	OPTOM
ORTHOPEDECS	ORTHO
PERFUSION	PERFUS
PHYSICAL MED AND REHAB	PMRS
PHYSICAL THERAPY	PT
PODIATRY	PODIA
PROSTHETICS	PROS
PULMONARY	PULM
RADIATION ONCOLOGY	RAD ONCOL
RADIOLOGY/IMAGING	IMG
RESPIRATORY	RESP
SLEEP LABORATORY	SLEEP LAB
SPEECH THERAPY	SPEECH
SPINAL CORD INJURY	SPIN CORD
SPS PREPARATION	SPS PREP
STERILE PROCESSING SERVICE	SPS
SURGERY	SURG
SUTURE	SUT
TOTAL SUPPLY SUPPORT	TSS
TRANSPLANTS	TRANSPL
UROLOGY	GU
WAREHOUSE	WHSE
WHEELCHAIRS	WHL CHR

2. NON-CLINICAL “NC” CATEGORY**Example:** NC-FACILITIES MANAGEMENT or NC-FM

Name	Abbreviation Allowed
BIOMEDICAL	BIOMED
BOILER PLANT	BOILER
BUILDING MAINTENANCE	BLDG MAINT
CARPENTER SHOP	CARP
ELECTRICAL SHOP	ELEC
ENGINEERING	ENG
ENVIRONMENTAL MANAGEMENT	ENV
FACILITIES MANAGEMENT	FM
GROUNDS	GRNDS
HEATING VENT AND AIR COND	HVAC
JANITORIAL	JANIT
LAUNDRY	LNDRY
LINEN	LIN
LOCK SHOP	LOCK
MAINTENANCE	MAINT
MECHANIC SHOP	MECH
PAINT SHOP	PAINT
PLUMBING	PLUMB
SAFETY	SAFETY
TOOL CRIB	TOOL

3. NON-PERFORMANCE “##” CATEGORY**Example:** ##OFFICE SUPPLIES or ##OFF SUPP

Name	Abbreviation Allowed
AMMUNITION	AMMO
CONTINGENCY	CONTINGENCY
FLEET	FLEET
IMPLANTS BIOLOGICAL	IMPL BIO
IMPLANTS NON- BIOLOGICAL	IMPL NON BIO
INSTRUMENTS DENTAL	INSTR DEN
INSTRUMENTS SURGICAL	INSTR SURG
NUTRITION SERVICE	NUTR SERV
NUTRITION SUBSISTENCE	NUTR SUBSIST
OFFICE SUPPLIES	OFF SUPP
OFFICE SUPPLIES ADP	OFF SUPP ADP
OFFICE SUPPLIES FORMS	OFF SUPP FORMS
OFFICE SUPPLIES PAPER	OFF SUPP PAPER
PHARMACY	PHARM
POLICE AND SECURITY	POLICE
TEETH	TEETH
TEST	TEST
TRAINING	TRAINING

APPENDIX D

REQUIREMENTS FOR STOCK LEVELS

1. ITEM DEFINITION

Stock items are those items kept physically on-hand in a supply room. Stock items have on-hand quantities and reorder points associated with them. Every time a sale, or distribution, is made for that item, its quantity will be deducted from inventory. A non-stock item refers to those items for which physical quantities are not kept on-hand in the store room, but which are ordered as needed. In Generic Inventory Package (GIP), these items are further broken down into two classifications including standard and on-demand.

a. Standard items are recurring expendable items that are frequently utilized and have established turnover rates and Periodic Automatic Replacement (PAR) levels set.

b. On-demand (often referred to as 'just-in-case') items are those expendable items that must be available at all times and cannot be ordered on a just-in-time basis without risking a negative impact on patient care or processes. On-demand items will have usage in no more than 4 months in a 12-month period. Reports found in GIP (Usage Demand Item Report) or Supply Chain Common Operating Picture (SCCOP) (On Demand Inventory Accuracy Report) can be utilized to identify items that must be converted.

c. If an on-demand item has usage during more than 4 months within a 12-month period, it must be converted to a Standard item.

d. If a Standard item has usage during less than 5 months within a 12-month period, it can be converted to an On-demand item.

2. STOCK LEVELS

a. Stock levels are established to maintain constant availability of expendable items. Levels for on-demand (just-in-case) items must be kept at a minimum to avoid overstocking and separate requirements are established for managing and monitoring these items. It is important to avoid overstocking and understocking in both the primary and secondary inventories.

(1) Overstocking increases the risk of damage, outdating, contamination, and obsolescence of inventory items. It also is an inefficient use of financial resources by purchasing and storing more inventory than is required. **NOTE:** *End of year purchases which cause overstocking of items must be avoided.*

(2) Understocking creates the risk of unavailability of supplies, which affects the quality of patient care, creates additional purchase costs (overnight shipping), and adversely affects the trust users have in Supply Chain Management (SCM) staff.

(3) At least quarterly, inventory managers and functional area employees must review inventory points to ensure correct items and levels are maintained.

b. Types of stock levels in GIP.

(1) **Normal Stock Level.** The normal stock level represents the largest quantity of an item to be maintained in the inventory point. Normal stock levels must be established for all primary and secondary items.

(2) **Emergency Stock Level.** The emergency stock level represents the lowest quantity of an item in the inventory point. The Emergency Stock Report is used to alert staff that an emergency purchase may be required. Emergency stock levels must be established for all primary items.

(3) **Temporary Stock Level.** If there is a large variation in demand for an item, such as a seasonal item, a temporary stock level can be entered for a specific period, and it will override set stock levels. This allows the inventory manager to briefly adapt to fluctuations in demand without permanently changing stock levels. Inventory managers are required to enter a delete date when establishing a temporary stock level, so the system automatically deletes that level after the specified date.

(4) **Reorder Point Level.** The reorder point level represents the level at which the item is to be reordered. Reorder point levels must be established for all primary and secondary items.

(5) **Optional Reorder Point Level.** The optional reorder point level is used in the auto-generation process to identify items that have fallen below the normal stock level but have not yet reached the reorder point level. This allows for inclusion of items near their reorder point in upcoming purchases with the same vendor, thereby reducing separate purchases to the same vendor within short periods of time. Setting this level for primary items is recommended, however care must be exercised to ensure use of it does not result in overstocking.

NOTE: Required levels must not be left blank (null).

3. STOCK LEVEL AUTOMATION

The Veterans Health Administration (VHA)-approved inventory management system is the main tool utilized in working towards the goal of tracking supplies to the correct cost accounts and functional areas at the lowest level possible. In order for an inventory point to be considered fully implemented, all stocked expendable items must be loaded in the Item Master File (IMF) and populated in the primary inventory points. All primary inventory points, and when appropriate, secondary inventory points, must be established and populated. Storeroom shelves must be barcoded for all items and neatly arranged. Inventory is replenished through scanning and auto-generation unless point-of-use (POU) equipment is used. However, POU shelves must also be barcoded in the event of system failure and manual scanning is necessary for restocking.

a. **Primary Inventories with Secondaries.** Secondary inventory points must be scanned as required using the barcode program PRCPH (program name and not acronym) or its successor. Stock will be replenished from the associated primary inventory point. Example: when scanning a secondary storeroom using the PRCPH program, if an item's normal stock level on the shelf is 10 and there are 3 remaining, the user will enter 3 into the scanner for what remains on the shelf.

b. **Stand-Alone Primary Inventories.** Primary inventories that serve as both the storage and usage point must be scanned using the barcode scanner program PRCUS (program name and not acronym) or its successor. Before implementing the PRCUS scanning method for stand-alone primaries at a facility, staff should be educated on its use. Stand-alone primaries do not require an annual physical inventory but must be scanned at least once per month for replenishment or through other electronic means. Example: when scanning a stand-alone primary storeroom using the PRCUS program, if an item's normal stock level on the shelf is 10 and there are 3 remaining, the user will enter 7 into the scanner for what has been consumed.

c. **Primary Inventories.** Inventory managers must use the auto-generation option in the VHA-approved inventory management system for creating orders to replenish inventories. This process calculates the required quantities necessary to bring stock up to the established normal stock level by reviewing preset inventory levels against quantities on hand, and identifies those items below the preset levels, so they may be ordered.

4. BARCODE LABELS

a. The use of computerized barcode labels is mandatory to identify all expendable items within a primary and secondary inventory point, including in POU cabinets.

b. Information printed on the barcode label must include the following attributes at a minimum: IMF, short description, normal stock level, reorder point level, unit of issue, and Inventory Point Identifier (IE). If the levels or unit of issue change, the label must be changed.

c. To the fullest extent possible, barcode labels must be affixed at the location where the item is stored. If it is not reasonably possible to attach a label, a locator list of these labels must be available in the storage location.

APPENDIX E

REQUIREMENTS FOR EXPENDABLE SUPPLY INVENTORY ACCURACY AND INVENTORY PERFORMANCE MANAGEMENT

This section focuses on the requirements for ABC inventory classification and conducting a physical inventory count audit of primary inventory points.

1. ABC INVENTORY CLASSIFICATION

To increase inventory accountability by establishing more rigorous requirements for higher-dollar usage value items than lower-dollar usage value items, the Veterans Health Administration (VHA) has adopted ABC classification principles for inventory management. As such, all primary inventory points, except stand-alone primaries, must utilize the ABC inventory classification method described below for all items. The ABC classification method uses the Pareto principle, which states 80% of the total annual usage dollars are attributed to 20% of the total medical supply items in the inventory point (see Table 1, ABC Classification Example). The formula for calculating the Annual Usage Dollars of an item is the Annual Usage Quantity multiplied by the Average Unit Price. Inventory point items with the highest 80% of Annual Usage Dollars will be classified as "A." Items with the next highest 10% of Annual Usage Dollars will be classified as "B." Lastly, items representing the remaining 10% of Annual Usage Dollars will be classified as "C." ABC classification will be specific to each inventory point. For example, an item within inventory point "x" could be classified as an "A" item, while the same item within inventory point "y" could be classified as a "B" item. VHA Procurement and Logistics Office (P&LO), Supply Chain Data & Informatics Office has developed a report tool to assist with identifying the ABC classification of items in each primary, located at <http://oitlitappide02.r02.med.va.gov/SCDIO/GIP/GIPYearlyReports.aspx>.

NOTE: *This is an internal Department of Veterans Affairs (VA) website that is not available to the public.* VA medical facilities using the Generic Inventory Package (GIP) to manage inventory points must utilize this tool to identify expendable supply items as A, B, or C. For VA medical facilities using inventory management software other than GIP to manage inventory points, it must ensure that the method for determining A, B, and C matches the requirements stated in this directive.

a. New items added to a primary inventory point during a fiscal year, must be classified as "C" items until the next fiscal year.

b. Each item must have the A, B, or C designation clearly displayed on or adjacent to the item label. The method of display (e.g., color-coding, sticker, insert) must be documented in a standard operating procedure (SOP) or service policy and all employees engaged in inventory management or distribution duties must be trained annually on the display method employed. However, items do not need to be physically grouped according to their ABC classification. Local Supply Chain Management (SCM) organizations should consult with their customers and those working in the inventory point to determine the best method to organize the inventory point shelves.

c. All inventory points must be reviewed for possible item reclassification at the beginning of a new fiscal year (no later than October 31). It is possible for the classification of an item to change from one year to the next. The ABC inventory classification spreadsheet for each primary must be archived (hardcopy or electronic) for 24 months.

Table 1. ABC Classification Example

Master Item	Annual Usage Qty.	Average Unit Price \$	Annual Usage \$	Annual Usage \$ Percent	Annual Usage \$ Cum. Percent	Class
2154	200	90.00	18,000.00	38.69	38.69	A
3763	400	25.75	10,300.00	22.14	60.83	A
5675	175	52.00	9,100.00	19.56	80.39	B
5943	45	55.00	2,475.00	5.32	85.71	B
3333	89	20.00	1,780.00	3.83	89.54	B
5478	60	28.45	1,707.00	3.67	93.21	C
9735	45	35.25	1,586.25	3.41	96.61	C
2100	35	45.00	1,575.00	3.39	100.00	C
Total			\$46,523.25			

2. CONDUCTING A PHYSICAL INVENTORY COUNT AUDIT OF PRIMARY INVENTORY POINTS WITH SECONDARIES

a. The physical inventory frequency for items within a primary inventory point shall be based upon the assigned ABC classification, with the exception of the ##contingency, which will be counted annually, and the ##ammunition inventory, which will be counted twice a year. At a minimum, all other primary inventory point items must be physically counted each fiscal year as follows:

- (1) "A" classified items: each quarter.
- (2) "B" classified items: first and third quarter.
- (3) "C" classified items: second quarter.

b. Steps to conducting a physical inventory count audit:

(1) Verify that items are placed in their proper location(s) prior to conducting the physical count.

(2) Ensure all issues, receipts, due-ins, and due-outs are processed prior to conducting the audit. Items on the dock and not yet received, should not be counted. A report (e.g., Abbreviated Item, Physical Count Form with On-Hand Quantity) must be run prior to conducting the physical inventory count audit so that the on-hand quantity found within the VHA-approved inventory management system can be captured.

(3) Establish two teams, each consisting of one counter and one recorder (four total employees). These individuals must be trained on performing an accurate physical inventory count audit, as outlined below, and capturing results in the proper format prior to conducting the audit.

(4) Each team will conduct a physical count of all A, B, or C items within the inventory point being audited using a document with current physical count form attributes and values sorted by the master item main storage location to record the physical inventory count. Discrepancies will be identified between team physical count forms and/or the VHA approved inventory system generated on hand quantities. If discrepancies exist, they must be reviewed for cause and possible action.

(5) Use a scanner and the PRCPH menu option (or current menu option to denote a physical count transaction) to make corrections, if necessary, within the inventory system before the close of business the same day the physical inventory was completed.

(6) A successful physical inventory count audit of a primary inventory point shall have an accuracy rate of at least 95% for all "A", "B", and "C" items as well as the pandemic/contingency primary. The formula for inventory accuracy is:

$$\left[1 - \left(\frac{\text{the sum of the absolute variance in physical inventory quantity}}{\text{the sum of the total on hand quantity}} \right) \right] \times 100$$

For example: If 50 line items are inventoried with an expected on-hand count of 10 for each line item (total of 500 each), and 8 were counted for each line item (totaling 400 each), the formula would be $[1 - (100/500)] \times 100$, or 80%. If the accuracy rate is below the acceptable percentage for the assigned ABC classification, an action plan must be created to ensure inventory accuracy is achieved and maintained at the acceptable percentage. The action plan must be approved by the Veterans Integrated Services Network (VISN) Chief Logistics Officer (CLO) within 1 month of the physical inventory completion date. Upon VISN CLO approval, physical inventories of the unacceptable category will occur monthly until an acceptable accuracy rate is achieved, and the regular physical inventory frequency for the assigned ABC classification applies again.

c. Physical inventory count documentation must be maintained by the SCM program at the VA medical facility for each primary with secondaries for a minimum of 24 calendar months as detailed below.

(1) A memorandum signed by the VA medical facility CSCO that lists the accuracy rate, identifies all discrepancies, and details the corrective action plan as well as any steps already taken to resolve the discrepancies. A copy of this document must also be sent from the VA medical facility CSCO to the VISN CLO and Deputy Network Director.

(2) Any data printouts used to determine on hand quantities during the physical inventory count audit.

(3) Physical inventory count audit worksheets (i.e., physical count form) with discrepancy annotations and annotations from discrepancy recounts. These worksheets must include the signature of each physical inventory team member on the last page of each set of worksheets.

(4) A copy of the GIP - Adjustment Voucher Recap Report showing adjustments made.

3. STAND-ALONE PRIMARIES

No physical inventory count audit is required as long as an inventory is taken by scanner or other electronic means at least once per month, with the exception of ammunition and implant primaries, which are required to be inventoried at least twice a year.

4. AMMUNITION

a. At a minimum, a physical inventory count audit of ammunition will be conducted twice a year. These audits will be conducted by the organization authorized to carry firearms and the VA medical facility Accountable Official (AO) or designee. SCM will account for any duty or training rounds expended, keeping all records of rounds expended, and perform a physical count of all ammunition on-station. If the physical count of ammunition does not match the on-hand quantity found in the VHA-approved inventory management system, a quarterly physical inventory count audit will be required by that VA medical facility for the remainder of the fiscal year. In addition, details of the physical count audit discrepancy will be reported to the VA medical facility Director, VISN CLO, and Deputy Network Director, and will include a corrective action plan initiated to address the deficiency.

b. Data resulting from all internal inventories of ammunitions conducted by VA organizations that are authorized to carry such items will be provided to the AO or designee upon request.

c. VA medical facility Directors will certify that ammunition inventories are included in the Annual Certification of Property Inventories or applicable report as a separate line item.

5. REQUIREMENTS FOR REPORT OF SURVEYS

a. Primaries With Secondaries And Stand-Alone Primaries.

(1) When the adjustment voucher is needed due to suspected fraud, theft or damage, a Report of Survey (ROS) must be initiated and completed. If the ROS and associated adjustment voucher totals \$5,000 or more, a Board of Survey is required. Processing of the ROS must follow the procedures outlined in VA Handbook 7002, Logistics Management Procedures, dated January 8, 2020.

(2) When the adjustment voucher is necessary due to clerical/administrative error, a copy of the adjustment voucher and supporting documentation must be reviewed by the VA medical facility CSCO and maintained with the inventory point physical count audit records.

(3) Positive adjustments in primary inventory points will be completed via an expendable adjustment voucher in GIP.

b. Ammunition. A ROS must be initiated when there is a discrepancy between the physical inventory count and the VHA-approved inventory management system generated on hand quantity.

APPENDIX F

CLEAN/STERILE INVENTORY POINT STOREROOMS

All clean/sterile inventory points are designed to promote cleanliness, visibility, safety, and efficiency of distribution. The inventory in these areas needs to be monitored routinely for proper storage conditions as well as accuracy of inventory balances, expired/outdated items, damaged, or obsolete items. The rotation of stock is vital to prevent unnecessary outdates and additional costs.

1. TEMPERATURE AND HUMIDITY

a. All clean/sterile storage rooms managed by Supply Chain Management (SCM), including medical, surgical and Prosthetics inpatient supplies, must have a stable environment without extreme changes in temperature and humidity. Items stored within these locations must comply with temperature and humidity requirements in accordance with manufacturer specifications. Heating, Ventilation, and Air Conditioning (HVAC) units supply ventilation air to expendable supply storage locations are permitted to operate as originally designed, meeting codes and standards at the time of design and construction.

NOTE: *Expendable supply storage locations outside Central Supply area are provided with ventilation air supplied from surrounding areas and are subject to the operating constraints of the system providing ventilation air to the general area.*

b. SCM expendable supply storage locations must comply with the pressure, temperature, humidity, and other HVAC parameters required in the VA HVAC Design Manual, dated November 1, 2017. As of the publishing of this directive, the requirements for clean/sterile supply, breakout rooms, and bulk storage/warehouse are positive air flow, 20-30% humidity, and 66-75 degrees Fahrenheit. Facility CSCOs are required to keep abreast to any changes in these requirements.

c. Temperature and humidity must be monitored and recorded daily according to Department of Veterans Affairs (VA) medical facility protocol (i.e., SCM or Engineering/Facility Management Service (FMS) staff). VA medical facilities may record readings manually or utilize Real Time Locator System (RTLS) temperature and humidity tracking to produce alerts and historical monitoring reports. If a manual log is utilized, a monthly log sheet should be posted in the storage room for recording the date, humidity and temperature reading. All records, whether electronic or hard copy, must be retained for 12 calendar months.

d. Airflow should be validated and recorded at least annually. Unless automated capabilities exist, FMS should be consulted annually to validate the positive airflow in all SCM supply rooms. Documentation validating proper air pressure for all storage rooms must be maintained for 3 years.

e. When ventilation parameter readings for SCM expendable supply storage locations are out of compliance, SCM will do the following:

(1) Notify Sterile Processing Service (SPS) for their guidance and corrective action when reprocessed items are present, if applicable.

(2) Notify Patient Safety and the using service if patient safety is at risk.

(3) Review manufacturer packaged item specifications to ensure continued safe use of items and remove those items determined no longer safe for use.

(4) Contact the manufacturer for specific guidance on their items if further clarification is required.

NOTE: *This guidance does not apply to items in transit.*

(5) Contact responsible HVAC service, typically Engineering/FMS, to correct any ongoing issues and document correspondence.

2. STORAGE

a. Physical access and security measures for clean/sterile storerooms must comply with applicable requirements in the VA Physical Security and Resiliency Manual, dated January 2015, and VA Handbook 0730/4, Security and Law Enforcement, dated March 29, 2013. Access to clean/sterile storerooms is restricted to authorized personnel. Other persons with official business, and when accompanied by an appropriate supervisor or designee, will be authorized entrance to storage areas. **NOTE:** *The VA medical facility's comprehensive risk assessment must be consulted to determine if needles and syringes require additional access control.*

b. The lowest shelves in storage areas must be solid and must have at least eight inches of space between the floor and bottom shelf. This space will allow access for cleaning to avoid contamination. Top shelves and contents must be arranged at least five inches from the ceiling and at least 18 inches from sprinkler heads. Items must be at least two inches from exterior building walls to avoid condensation and contamination. **NOTE:** *For further guidance on fire codes and standards refer to National Fire Protection Association (NFPA) Life Safety Code 101 at <https://www.nfpa.org/>.*

c. Shelves, bins, and items must be checked, with necessary corrective action taken, on a weekly basis for cleanliness, expiration/outdates, and damage. This check will be documented on a weekly sign-off sheet posted in the room including initials of person who performed check and date completed.

(1) One log sheet may be maintained for the entire room or by supply section/row. If a particular room contains multiple inventory points, log sheets shall be maintained for each inventory. A sample log format is provided in paragraph 6 of this appendix.

(2) Log sheet documentation must be maintained at the VA medical facility for 12 calendar months.

d. Storerooms must be kept clean and uncluttered (e.g., no visible dust on products or in bins, no visible soiling).

e. Shelving must be kept dry.

f. Shelving must be nonabsorbent, non-corrodible, easily cleanable, and must meet all applicable National Standards Foundation (NSF)/American National Standards Institute (ANSI) standards. Bare wood shelves are prohibited.

g. Supplies must never be stored directly on the floor.

h. Supplies must not be stored where they could become wet or compromised.

(1) Items stored near sinks and ice machines must be protected utilizing a barrier (i.e., plexi-glass) or a fully enclosed cabinet.

(2) New storerooms for expendable supplies must be constructed without sinks and ice machines.

i. Supplies must not be stored directly on windowsills. If a storeroom has a window, the window must be covered with an ultraviolet barrier.

j. It is recommended that clean linen be stored in a separate clean linen storeroom. However, if it is necessary due to space constraints, clean linen can be stored in the same room as clean/sterile supplies as long as the clean linen is stored on shelving units that are closed or covered.

3. INFECTION CONTROL

All employees must help ensure that all expendable clinical items are handled under the best possible conditions for maximum safety and protection of patients, employees, and visitors. The following guidelines must be observed:

a. Tobacco products, food, drinks, or patient dietary items will not be consumed or stored in any medical supply storage area or where the dispatching of patient care supplies or equipment is performed. Such items may attract pests, encourage microorganism growth and endanger valuable medical supplies.

b. Portable fans shall not be used in clean/sterile storerooms.

c. Outside shipping and corrugated containers must not be used for storage of items in clean/sterile storerooms, however they can be used to transport supplies to a breakdown area outside a clean/sterile storage area. Corrugated containers may be used in the storage of Prosthetics Durable Medical Equipment (DME) as long as those

items are not co-located with clinical supplies stored for inpatient use or other clinical items that require clean/sterile storage requirements be maintained.

d. To maintain and control a clean environment in clean/sterile storerooms, there must be no exposed pipes or ducts to collect lint and dust. Light fixtures should be recessed.

e. In cooperation with Environmental Management Service (EMS), a daily cleaning schedule for clean/sterile storerooms will be developed, implemented, and enforced. Dry sweeping is prohibited in clean/sterile storerooms. Floors should be damp mopped with a suitable germicidal daily, or more often as needed.

f. A schedule must be established with the service that manages pest control to review and ensure storerooms remain free of insects, rodents, and other vermin. Reports of pest infestation will be investigated immediately with appropriate action taken.

4. TRANSPORTATION OF CLEAN/STERILE EXPENDABLE ITEMS TO ANOTHER BUILDING OR FACILITY

Individual items (those already removed from outside shipping containers and stored in a clean room), as well as bulk items, may be transported to another building or VA medical facility as needed. The requirements below for the item and transportation vehicle must be followed when transporting items to another building or VA medical facility:

a. Items.

(1) Manufacturer's instructions must be followed regarding all handling, temperature and humidity recommendations.

(2) Before items are placed in the new clean storage area, the clean items will be inspected for event related sterility. Items with any damage to packaging, crushing or punctures or evidence of moisture will be removed and appropriately discarded.

(3) Clean items will never be transported in the same containers with contaminated items.

(4) Sealed plastic containers or plastic bags will be used for transporting items.

(5) Plastic containers must be cleaned prior to using them to transport individual items.

(6) External shipping cartons (i.e., corrugated boxes) will be considered contaminated and must not come into contact with individual clean/sterile items.

b. Transportation Vehicles.

(1) Prior to transportation of items, the vehicles will be inspected to identify any issues which may affect the sterility of items during transport.

(2) Vehicles used for transportation of clean/sterile items will be fully enclosed to prevent outside contamination.

(3) Vehicles must not be left unlocked or unattended during transportation of clean/sterile items from one facility to another. If the vehicle must be unattended, it must be locked/secure.

(4) The vehicle must contain mechanisms/devices which allow for transport containers to be secured during transport to avoid shifting, preventing damage or contamination.

(5) When transporting clean/sterile items from one building to another and a motor vehicle is not necessary, items will be transported in sealed plastic containers or plastic bags (as indicated in paragraph 4.a.(4) above).

5. REQUIREMENTS FOR WORK ATTIRE

a. SCM staff must adhere to local medical facility guidelines established for dress attire and uniform requirements. Uniforms prescribed for use within medical facilities are determined by the medical facility director (See VHA Directive 1850.04, Employee Uniforms, dated April 6, 2017).

b. The proper use of work attire and Personal Protective Equipment (PPE) is an essential environmental control which promotes both patient and staff health. SCM staff must adhere to the requirement contained in the Occupational Safety and Health Administration Personal Protective Equipment Standard, Title 29 Code of Federal Regulations (C.F.R.) 1910, Subpart I.

6. SAMPLE MEDICAL SUPPLY STORAGE ROOM QUALITY ASSURANCE CHECK

MEDICAL SUPPLY STORAGE ROOM QUALITY ASSURANCE CHECK

Service: _____

Year: _____

Room No.: _____

Month	Week	Clean Shelves	No Product on Floor	Check Expiration Dates	Check for Package Integrity and Damage	Staff Initials
January	1					
	2					
	3					
	4					
	5					
February	1					
	2					
	3					
	4					
	5					
March	1					
	2					
	3					
	4					
	5					
April	1					
	2					
	3					
	4					
	5					
May	1					
	2					
	3					
	4					
	5					
June	1					
	2					
	3					
	4					
	5					

APPENDIX G

REQUIREMENTS FOR ENGINEERING AND ENVIRONMENTAL INVENTORY POINT STOREROOMS

The Engineering and Environmental inventory points products (non-clinical) must be stored in a manner that promotes item integrity and protects them against pilferage.

a. Shelves and their contents must be at least five inches from the ceiling and at least 18 inches from sprinkler heads. **NOTE:** For further guidance on fire codes and standards refer to National Fire Protection Association (NFPA) Life Safety Code 101 at <http://www.nfpa.org>.

b. Items must not be stored directly on the floor, or where they could become wet or compromised.

c. Shelves, bins, and items must be checked monthly for cleanliness, expiration/outdates, and damage. This check must be documented on a monthly sign-off sheet posted in the room including initials of person who performed check and date completed. A sample EMS/Engineering Storage Room Quality Assurance Check is provided in paragraph g. of this appendix.

(1) One log sheet may be maintained for the entire room or by supply section/row. However, if a room contains multiple inventory points, log sheets must be maintained for each inventory.

(2) Log sheet documentation must be maintained at the Department of Veterans Affairs (VA) medical facility for 12 calendar months.

d. Storerooms must be kept free of clutter.

e. A schedule must be established with the service that manages pest control to review and ensure storerooms remain free of insects, rodents, and other vermin. Reports of pest infestation will be investigated with appropriate action taken.

f. **Access to Storerooms.**

(1) Physical access and security measures for storerooms must comply with applicable requirements in the VA Physical Security and Resiliency Manual, dated January 2015, and VA Handbook 0730/4, Security and Law Enforcement, dated March 29, 2013.

(2) Access to storerooms is restricted to Supply Chain Management (SCM), Engineering/Facility Management Service (FMS) and Environmental authorized personnel. Other persons with official business, and when accompanied by an appropriate supervisor or designee, will be authorized entrance to storage areas.

(3) If the storeroom is not staffed 24 hours a day, 7 days a week, a security access card, code, or key will be provided to access the storeroom. A detailed procedure shall be posted with a log sheet or other process to instruct staff how to sign out expendable items when inventory management staff is not present. A sample After-Hours Issue Log format is provided in paragraph h. of this appendix. The process will be monitored weekly and will include the following:

- (a) Item Master File (IMF) number or item identifier.
- (b) Item description.
- (c) Quantity.
- (d) Item destination.
- (e) Personnel obtaining item including phone extension.
- (f) Time and date the item was removed from storeroom.
- (g) Any other pertinent information.

g. **Sample EMS/Engineering Storage Room Quality Assurance Check.**

EMS/ENGINEERING STORAGE ROOM QUALITY ASSURANCE CHECK

Service: _____ Year: _____

Room No.:

Month	Clean Shelves	No Product on Floor	Check Expiration Dates	Check for Product Damage	Staff Initials
January					
February					
March					
April					
May					
June					
July					
August					
September					
October					
November					
December					

h. Sample After-Hours Issue Log.

AFTER HOURS ISSUE LOG

Date	IMF#	Item Description	Qty	Item Destination (Ward/Unit/Service)	Name	Contact Phone	Comments

APPENDIX H

REQUIREMENTS FOR PHARMACY

Pharmacy Service at all Department of Veterans Affairs (VA) medical facilities will conform with the following inventory management practices.

a. **Access.** Physical access and security measures for Pharmacy spaces must comply with applicable requirements in the VA Physical Security and Resiliency Manual, dated January 2015, and VA Handbook 0730/4, Security and Law Enforcement, dated March 29, 2013.

b. **Background.** Pharmaceuticals are primarily purchased through a Pharmaceutical Prime Vendor utilizing a proprietary ordering system. The current Pharmaceutical Prime Vendor's proprietary ordering system contains an inventory management software program for those facilities which do not have other inventory management systems. The program provides information to assist VA medical facilities in minimizing the total replenishment cost of inventory. The goal of effective inventory management is to minimize the total replenishment cost, which includes both carrying cost and order line cost.

c. **Program Implementation.**

(1) The Prime Vendor Inventory module or another inventory management system must be used to manage all VA medical facility Pharmacy inventories. **NOTE:** *Pharmacy procurement staff must balance the utilization pattern of the VA medical facility with the knowledge of certain aspects of medical care to determine the appropriate quantity level to order. This judgment must factor into ordering: knowledge of recent pharmaceutical and supply recalls, manufacturer back orders, Consolidated Mail Outpatient Pharmacy (CMOP) prescription returns to the VA medical facility, seasonal variation in demand, targeted drug conversion initiatives, limited quantity ordering restrictions, changing formulary and contract status, unusual patient cases or clinic demand that require a higher than average product requirement, and the space availability to store the product for a 2-week period. These factors may override the frequency or quantity requirements, to minimize unnecessary purchasing or risk inadequate storage space.*

(2) Facilities should activate the "PO Prepare" preferences for Prime Vendor Purchases. The user needs to select "Contract Item" and "Best Price" to optimize order review opportunities. This over and under validation checks the quantity in orders against the system suggestion during the "PO Prepare" process. Non-Prime Vendor purchases will be evaluated using contracting practices for best product/best price.

(3) End of year purchases make pharmaceutical inventories increasingly difficult to manage and are to be avoided.

d. **Monitoring and Reporting.** Inventory turnover is the primary measure of the effectiveness of inventory management. Increasing inventory turns decreases inventory carrying cost but may increase order line cost. **NOTE:** *The appropriate balance must be struck to keep total replenishment cost low.*

(1) Pharmacy Benefits Management (PBM) on a quarterly basis shall obtain from the Prime Vendor a copy of the 12-Month Turns Forecast Report Summary. This report shall be aggregated by PBM and shared with the Veterans Integrated Services Network (VISN) Pharmacist Executives (VPE) and the Veterans Health Administration (VHA) Procurement and Logistics Office (P&LO) on a quarterly basis.

(2) An annual wall-to-wall inventory of all items must be completed by individual VA medical facilities by February 28 of each calendar year and posted to the National Pharmacy Inventory SharePoint (NPIS) site, or current database by April 1. Each VA medical facility should retain the annual inventory records for 3 years. PBM aggregates the reports nationally, returns a report to the VPEs, and forwards a copy to the VHA P&LO Chief, Policy, Compliance and Standardization for monitoring purposes. **NOTE:** *Minimum standards for conducting the annual inventory are determined by PBM.*

e. **Consolidated Mail Outpatient Pharmacy.**

(1) CMOPs, like Pharmacy, use a Prime Vendor to supply the vast majority of products that are carried in inventory. CMOPs are large automated-dispensing locations that utilize third-party inventory management software to predict product demand and to provide information for electronic Prime Vendor ordering and inventory management information.

(2) Inventory days of stock on hand for CMOP locations must generally be ≤ 10 for those products that can be procured through the Pharmacy prime vendor. CMOP will report inventory turns and the percent of prescriptions cancelled back to the VA medical facility Pharmacies to the PBM quarterly. **NOTE:** *CMOP supply chain management (SCM) staff must balance the utilization patterns of the VA medical facilities with the knowledge of certain aspects of product availability in the supply chain to determine the appropriate quantity level to order. This judgment must factor into ordering: number of prescriptions canceled back to VA medical facility Pharmacies due to CMOP out of stock situations, knowledge of recent pharmaceutical and supply recalls, manufacturer back orders, potential upcoming pharmaceutical shortages, seasonal variation in demand, targeted drug conversion initiatives, changing formulary and contract status and known price changes. These factors may override the frequency or quantity requirements, to minimize unnecessary purchasing or risk inadequate storage space.*

(3) CMOPs must conduct wall-to-wall inventories twice a year and report the inventory results to PBM. CMOPs will post data from the wall-to-wall inventories to the National Pharmacy Inventory SharePoint (NPIS) site, located at [https://vaww.pbmnat.va.gov/sites/PBM/Annual_National_Pharmacy_Inventory/layouts/15/AccessDenied.aspx?Source=https%3A%2F%2Fvaww%2Epbmnat%2Eva%2Egov%2Fsites%2FPBM%2FAnnual%5FNational%5FPharmacy%5FInventory%2FSitePages%](https://vaww.pbmnat.va.gov/sites/PBM/Annual_National_Pharmacy_Inventory/layouts/15/AccessDenied.aspx?Source=https%3A%2F%2Fvaww%2Epbmnat%2Eva%2Egov%2Fsites%2FPBM%2FAnnual%5FNational%5FPharmacy%5FInventory%2FSitePages%2F)

[2FHome%2Easpx&Type=item&name=6e2d35f7%2D056a%2D4562%2D84de%2D5651ac395184&listItemId=1](#) (**NOTE:** This is an internal VA website that is not available to the public), or current database, immediately upon completion but prior to the required dates of February 28 and August 30 within the current calendar year. CMOP data will be included in the PBM national report referred to above and provided to VPEs and the VHA P&LO.

f. **Pharmacy Drug Supply Chain Security Act.**

(1) The VA medical facility Chief of Pharmacy is responsible for compliance with the Drug Quality and Security Act (DQSA) and Title II of this law entitled Drug Supply Chain Security Act (DSCSA), which outlines critical steps to build an electronic interoperable system to identify and trace certain prescription drugs as they are distributed in the United States by November 27, 2023. For dispensers, requirements for tracing of products through the pharmaceutical distribution supply chain went into effect on July 1, 2015.

(a) Dispensers must report illegitimate product to the FDA within 24 hours of making this determination.

(b) Dispensers must also produce 3T (transaction history, transaction information, and transaction statement) information upon request by the Food and Drug Administration (FDA) or other regulatory agency within 2 business days of that request in accordance with section 582 of the Food, Drug, and Cosmetic Act. For more information on the DSCSA, see FDA guidance at <http://www.fda.gov/Drugs/DrugSafety/DrugIntegrityandSupplyChainSecurity/DrugSupplyChainSecurityAct/ucm424963.htm>.

(2) **Guidance.**

(a) Chief, Pharmacy Service or Designee and Director, CMOP or designee.

1. Ensure there is a standard operating procedure (SOP) that complies with the VA medical facility's record management policy to maintain 3T records for prescription drug purchases for a minimum of 6 years.

a. Pharmaceutical Prime Vendor (PPV) purchases. To access the 3T available on the VA's PPV electronic ordering system, please refer to DSCSA Guideline Document, Appendix A, dated November 18, 2015, located at <http://www.fda.gov/Drugs/DrugSafety/DrugIntegrityandSupplyChainSecurity/DrugSupplyChainSecurityAct/ucm424963.htm>.

b. Non-Pharmaceutical Prime Vendor (non-PPV) purchases. Ensures a process is in place (paper or electronic) to capture and maintain the 3T data for all non-PPV purchases. Paper versions of the 3T data may also be scanned into an electronic file.

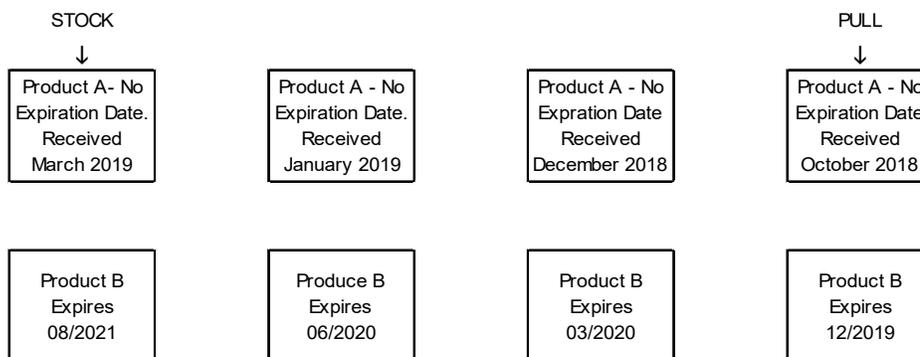
2. Ensure the SOP defines:

- a. When VA Pharmacy personnel downloads the PPV 3T data.
- b. How often the Chief of Pharmacy will receive a report that all 3T data has been filed.
- c. How VA Pharmacy ensures prescription drug purchases are only from authorized trading partners.
- d. How the 3T data will be retrieved from storage in response to a regulatory agency request or drug recall.
- e. Procedures for borrowing prescription drugs. Product borrowed to meet a specific patient's need is exempt from the requirements of the DSCSA. The Pharmacy will only borrow from Authorized Trading Partners as defined under section 581(2)(D) of the DSCSA, located at <http://www.fda.gov/Drugs/DrugSafety/DrugIntegrityandSupplyChainSecurity/DrugSupplyChainSecurityAct/ucm424963.htm>.
- f. Procedures for products shipped to the VA medical facility without appropriate documentation. Prescription drugs shipped to the VA medical facility without documentation that meet 3T requirements, the VA Pharmacy staff member should not receive the shipment. If the shipment was received by non-VA Pharmacy staff, then the prescription drug(s) should be quarantined separate from the prescription drug inventory until the vendor provides the appropriate 3T documentation. If the trading partner does not provide appropriate 3T documentation, the VA Pharmacy should follow procedures to return the prescription drug to the trading partner.
- g. Procedures for investigating suspect prescription drug product. The procedures should include a process to quarantine the suspect product from the VA Pharmacy's inventory, review the 3T documentation, and conduct an investigation with the trading partner. If the investigation determines that the prescription drug is illegitimate, the VA Pharmacy will file FDA form 3911, Drug Notification to FDA, to report the incident within 24 hours of making the determination. FDA Form 3911 can be found at <https://www.fda.gov/downloads/AboutFDA/ReportsManualsForms/Forms/UCM513940.pdf>.
- h. Transfer of product from one VA medical facility to another does not require the transfer of 3T data since it is within the same organization. For a list of exceptions, see DSCSA Guideline Document, Appendix B, dated November 18, 2015, located at <http://www.fda.gov/Drugs/DrugSafety/DrugIntegrityandSupplyChainSecurity/DrugSupplyChainSecurityAct/ucm424963.htm>.

APPENDIX I

REQUIREMENTS FOR DISTRIBUTION FROM A CENTRAL STOREROOM

- a. Items must be handled and stored so that they do not become crushed, bent, compressed, or punctured.
- b. Bundling of clean/sterile packaged items must never be done by using rubber bands, paper clips, tape, or any means which may cause damage to the packaging.
- c. Items that fall on the floor must be inspected for damage to determine if there is a need for reprocessing or disposal. If the item or packaging is wet, soiled, punctured, ripped or torn, the item must be removed from storage because of the risk that the item's sterility has been compromised.
- d. Markings made on manufacturer clean/sterile packages using any type of pen (e.g., ballpoint, felt, rollerball) or pencil must be limited to external manufacturer label areas and must not cover any manufacturer writing.
- e. Distribution carts must be cleaned and disinfected as needed.
- f. Clean and soiled supplies must never be transported together. If a cart is used to transport a soiled item, it must be properly cleaned before being used for any other supplies.
- g. Stock must be rotated using the first-in, first-out (FIFO) method, which is the practice of rotating stock to ensure that older supplies are used before newer items. Supplies on the shelf may be pulled first from the top right, front and new supplies may be stocked beginning on the left, back, and bottom. Other processes designed to support FIFO are also acceptable. For items with expiration dates, stock must be rotated using first-expired, first-out (FEFO). When no expiration date is present on the package, the manufacturer will be contacted to determine an appropriate shelf life and documentation of this determination will be maintained for audit purposes.



- h. Clean/sterile packaged items sent to other areas must be transported in closed carts, exchange carts, covered carts, robots, placed in totes, or hand carried in

impervious containers. Carts must have a solid bottom shelf/barrier to protect supplies from wheel and floor contamination.

i. **Hours of Operation Central Storeroom.**

(1) The Department of Veterans Affairs (VA) medical facility Chief Supply Chain Officer (CSCO) or designee must compile a "locator list" of all items stocked by Supply Chain Management (SCM) in the central storeroom and post it in a visible location. This locator list must include for each item, at a minimum, the Item Master File (IMF) number, item description, and location.

(2) If the central storeroom is not staffed 24 hours a day, 7 days a week, a security access card, code, or key will be provided to access the storeroom. A detailed procedure must be posted with a log sheet or other process to instruct staff how to sign out equipment and supplies when inventory management staff is not present. The process will be monitored daily and will include the following:

- (a) IMF number or item identifier.
- (b) Item description.
- (c) Quantity.
- (d) Item destination.
- (e) Personnel obtaining item including phone extension.
- (f) Time and date the item was removed from central storeroom.
- (g) Any other pertinent information.

(3) Regardless of staffing hours, storerooms and their access control and monitoring must comply with applicable requirements in the VA Physical Security and Resiliency Manual, dated January 2015, and VA Handbook 0730/4, Security and Law Enforcement, dated March 29, 2013.

APPENDIX J

REQUIREMENTS FOR POINT-OF-USE

1. The primary objective of the Point-of-Use (POU) program is to create a demand driven supply chain utilizing an integrated system of multiple devices designed to facilitate the efficient provision of materials and supplies to clinical staff. POU equipment must be linked (interfaced) with the Veterans Health Administration (VHA)-approved inventory management system that allows all required data to be captured. This equipment provides secured storage of supplies close to where the supplies are used. Locally developed or Class III interface programs and changes to the VHA-approved interface program are prohibited.

2. Implementation of POU equipment for supply storage requires the same level of quality control as standard shelves. Types of quality control mechanisms include conducting a weekly cleaning and expiration/outdate check, ensuring stock is rotated using first-in, first-out (FIFO), checking package integrity, cycle counting, and ensuring proper levels are set for items. Department of Veterans Affairs (VA) medical facilities using POU equipment must have a contingency plan in place in the event of a system or power failure.

a. **Elements of the Point-of-Use Program.** The focus of the POU program encompasses the equipment and actions associated with:

(1) Receipt of supplies.

(2) Delivery of supplies to primary inventory locations (referred to as distribution points or DPs within software).

(3) Replenishment at secondary inventory locations (referred to as points of use or POU's within the software).

(4) Generation of replenishment documents, which are linked to Integrated Funds Distribution, Control Point Activity, Accounting and Procurement (IFCAP).

(5) Conduct cycle counts.

(6) Generate reports for the user.

b. **Point-of-Use Equipment.** The POU system may consist of a variety of equipment, depending on the VA medical facility and its location. Equipment included with the POU program may include servers, web-based software, touchscreen computers also known as kiosks, weight-sensing bins, overhead computer monitors, barcode printers, mobile handheld computers/scanners, and automatic dispensing systems. Specific POU equipment installed is based on consumption data and cost, with high consumption items being placed within equipment providing automatic replenishment information, such as weight-sensing bins, and high cost items placed in

equipment with higher security, such as automatic dispensing equipment. The POU system equipment can also be used for remote clinics and in areas where supplies are prone to stock-outs or pilferage. POU equipment will be integrated with Web-based software, which will have a non-intrusive link with IFCAP through a VHA-approved program that allows all required data to be captured.

c. **Point-of-Use Return Bin(s)**. Designated POU return bin(s) provide secure storage for unused clinical supplies that are removed from individual POU inventory storage bin/shelving/locations. In order to maintain accuracy of the inventory, clinical staff will not return items to weighted, or any other type, of inventory storage bins/shelving. Unused items may only be placed in a designated return bin(s) if they have not been opened, stored in a patient room, or exposed to event related contamination. All items placed in the designated return bin(s) should be examined by Supply Chain Management (SCM) staff for evidence of tampering or contamination prior to restocking. The return bin(s) will be emptied by SCM staff during the restocking process.