



US DEPARTMENT OF VETERANS AFFAIRS OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

OFFICE OF ACQUISITION, LOGISTICS, AND CONSTRUCTION

A Summary of OIG Preaward Contract Reports Issued in Fiscal Year 2024 on VA Federal Supply Schedule Pharmaceutical Proposals

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Executive Summary

The VA Office of Inspector General (OIG) examines pharmaceutical proposals submitted to the VA National Acquisition Center for Federal Supply Schedule (FSS) contracts.¹ Specifically, the OIG examines individual pharmaceutical proposals submitted by commercial contractors for FSS contracts that have an anticipated annual value of \$5 million or more or that the OIG was asked to review. The OIG's oversight work helps VA contracting officers negotiate fair and reasonable prices for the government and taxpayers.² Contracting officers can use OIG price recommendations to help negotiate better prices than those offered in proposals submitted by contractors; however, there is no guarantee the government will receive the price recommended by the OIG. The OIG's reports on individual proposals are not published because they contain sensitive commercial information protected from release under federal law.³

To promote transparency, this report summarizes the 14 preaward reports provided to VA contracting officers in fiscal year (FY) 2024 for pharmaceutical FSS proposals. The 14 pharmaceutical proposals had a cumulative estimated contract value of approximately \$34.4 billion and included 1,361 offered items.⁴ Contract negotiations for 10 of the 14 proposals had been completed as of May 6, 2025, and the OIG's recommendations collectively assisted contracting officers in obtaining approximately \$36.8 million in contract savings for VA over the life of the contracts.

This report presents an overview of the OIG team's actions related to these preaward reports:

- **Provided an opinion as to whether the proposal and commercial disclosures were accurate, complete, and current.** The OIG found that commercial sales practice disclosures were accurate, complete, and current for six of 14 proposals reviewed. This means six proposals were reliable for determining negotiation objectives and ultimately for fair and reasonable pricing. The remaining eight proposals could not be reliably used by VA for negotiations until noted deficiencies were corrected. The deficiencies the OIG

¹ The National Acquisition Center, part of the Office of Procurement, Acquisition and Logistics, is in VA's Office of Acquisition and Logistics. Under the [FSS](#) and [National Contract Programs](#), the National Acquisition Center makes high-volume multiple awards from the established schedule, national contracts, and blanket purchase agreements for the acquisition and direct delivery of pharmaceuticals; medical, surgical, dental, and patient mobility equipment/supplies; high-technology medical equipment; temporary allied healthcare staffing services; and just-in-time distribution programs. The FSS supports the healthcare requirements of VA and other government agencies.

² This report is a review that meets the Council of the Inspectors General for Integrity and Efficiency quality standards for inspections and evaluations. Each underlying project conducted in fiscal year (FY) 2024 resulted in a report to the appropriate VA contracting officer; the underlying reports were performed to other standards.

³ 18 U.S.C. § 1905; 41 U.S.C. § 423(a); 38 C.F.R. § 1.558(c).

⁴ Dollar amounts are rounded.

identified were largely related to errors in the disclosed most-favored-customer prices or the expiration of most-favored-customer prices.⁵

- **Recommended pricing based on the vendor’s commercial selling practices.** The OIG recommended lower prices than offered for five of the 14 proposals, resulting in the VA National Acquisition Center awarding contracts or modifications with sustained cost savings of approximately \$36.8 million (about 67 percent of the estimated cost savings of \$54.9 million).⁶
- **Evaluated appropriate tracking customers to use for compliance with the price reduction clause.** Tracking customers, either individually or as a category, serve as a benchmark for potential price reductions during the life of the contract. If tracking customers receive a price reduction, the government’s price should also be reduced.⁷ In the 14 proposals reviewed, the OIG determined that proposed tracking customers for all 97 sampled items were suitable for the purpose of the General Services Administration price reduction clause.

This report details the proposals the OIG assessed to determine if they were accurate, complete, and current. It also provides summary information about pricing and the recommendations made to VA. This report makes no additional recommendations that necessitate any action or response by VA. The acting associate executive director of the National Acquisition Center concurred with the draft report and provided no comments. Appendix C provides the full text of the director’s response.



LARRY M. REINKEMEYER
Assistant Inspector General
for Audits and Evaluations

⁵ VA FSS Solicitation No. M5-Q50A-03-R8, attachment 02, “Vendor Response Document,” “COMMERCIAL SALES PRACTICE FORMAT.” The solicitation defines the most-favored customer as the commercial customer who receives the best up-front (guaranteed) discount. This is not inclusive of “conditional” discounts, such as prompt payment discounts or annual rebates based on reaching a threshold, which must be listed in the vendor’s commercial sales practices disclosures.

⁶ Contracting personnel are not always able to obtain the OIG-recommended price during negotiations. Appendix B presents the scope and methodology for this review.

⁷ General Services Administration Acquisition Manual 552.238-81, “Price Reductions,” May 2019. The manual requires the government and the vendor to agree on a customer or category of customers as the basis of the award. FSS pricing is tracked against this customer’s (or customer category’s) pricing throughout the contract.

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Abbreviations

FAR	Federal Acquisition Regulation
FSS	Federal Supply Schedule
FY	fiscal year
GSA	General Services Administration
OIG	Office of Inspector General



Introduction

The VA Office of Inspector General (OIG) examines proposals submitted by commercial contractors to VA's National Acquisition Center for pharmaceutical Federal Supply Schedule (FSS) contracts that have an anticipated annual value of \$5 million or more or that the OIG was asked to review.⁸ These proposals are assessed by the OIG before the National Acquisition Center awards contracts.⁹ VA's National Acquisition Center guidelines require preaward reviews to help inform decision-making and prevent the waste of VA funds.¹⁰ Contracting officers use OIG price recommendations to help negotiate better prices than those offered in proposals; however, there is no guarantee that the government will receive the price recommended by the OIG.

The individual reports resulting from the OIG's assessment of each proposal for an FSS contract are not published because they contain sensitive commercial pricing information and data protected from release under federal law.¹¹ To promote transparency, this report provides a summary of the 14 unpublished preaward reports on pharmaceutical proposals the OIG issued during fiscal year (FY) 2024.

Purpose of Preaward Reports

The findings and recommendations resulting from the OIG's preaward reports are intended to assist VA contracting officers in negotiating fair and reasonable pricing with vendors.¹² The OIG conducts this work to validate the commercial sales practice disclosures required in the vendor's FSS proposal, identify any prices lower than those offered to the government for products or services, and propose alternative tracking customers when appropriate as the basis for future

⁸ The National Acquisition Center, part of the Office of Procurement, Acquisition and Logistics, is in VA's Office of Acquisition and Logistics. Under the FSS and National Contract Programs, the National Acquisition Center makes high-volume multiple awards from the established schedule, national contracts, and blanket purchase agreements for the acquisition and direct delivery of pharmaceuticals; medical, surgical, dental, and patient mobility equipment/supplies; high-technology medical equipment; temporary allied healthcare staffing services; and just-in-time distribution programs. The FSS supports the healthcare requirements of VA and other government agencies.

⁹ All preaward reviews are conducted at the inspector general's discretion and noted in the VA OIG's Semiannual Reports to Congress. Inspector General Act of 1978, 5 U.S.C. §§ 405(a)(5)(E), 406(a)(2).

¹⁰ VA National Acquisition Center Procedural Guideline 22, "OIG Contract Audit Procedures," February 9, 2023. There is no indication in the guideline that it is attempting to categorize the OIG contract work under the Council of the Inspectors General for Integrity and Efficiency or any other standard but is rather using the term "review" in a colloquial sense of looking at a document with a particular purpose in mind.

¹¹ 18 U.S.C. § 1905; 41 U.S.C. § 423(a); and 38 C.F.R. § 1.558(c).

¹² VA National Acquisition Center Procedural Guideline 22; Federal Acquisition Regulation (FAR) 2.101 (2025). The FAR defines a contracting officer as "a person with the authority to enter into, administer, and/or terminate contracts and make related determinations and findings." "A single contracting officer may be responsible for duties in any or all of these areas."

pricing.¹³ The contracting officer is responsible for negotiating the actual prices with the vendor and ultimately determining whether offered prices are fair and reasonable.

One of the primary acquisition programs for which the OIG provides recommendations in preaward reports is VA's FSS program. The FSS program provides the government with a simplified process for acquiring commercial supplies and services in varying quantities while obtaining volume discounts.¹⁴ The purpose of this report is to provide a summary of the findings and recommendations made to VA contracting officers from the OIG's examination of 14 proposals for FSS pharmaceutical contracts issued in FY 2024.

VA Federal Supply Schedule Program

The General Services Administration (GSA) has delegated authority to VA's National Acquisition Center to award and administer nine schedules to support the healthcare acquisition needs of VA and other government agencies.¹⁵ FSS indefinite-delivery, indefinite-quantity contracts are awarded to vendors using full and open competition.¹⁶ Additionally, the FSS program negotiates firm, fixed pricing based on a commercial most-favored-customer pricing concept and includes an option for economic price adjustments.¹⁷

The goal of the FSS program is to leverage the entire federal government's purchasing power to drive volume-based discounts that provide healthcare requirements at fair and reasonable prices to all authorized FSS users.¹⁸ Federal agencies purchased about \$21.4 billion in products and services through these nine schedules during FY 2024.¹⁹ Through the VA FSS program, GSA

¹³ VA National Acquisition Center, Procedural Guideline 22; "Commercial Sales Practices" (web page), Office of Procurement, Acquisition and Logistics, accessed May 3, 2024, <https://www.fss.va.gov/fss/faqs/csp.asp>. The Office of Procurement, Acquisition and Logistics defines the tracking customer as "the customer, or category of customer, against which awarded FSS pricing is tracked. This relationship is utilized throughout the life of the contract to determine the potential for price changes. The tracking customer must be someone that represents the Government's discount. The tracking customer is negotiated at time of contract award and the addition of products. In the price reductions clause, the tracking customer is referred to as the basis of award."

¹⁴ FAR 8.402(a) (2025); VA Federal Supply Schedule Service (web page), accessed March 25, 2025, <https://www.fss.va.gov/>.

¹⁵ FAR 8.402(a) (2025); VA Federal Supply Schedule Service (web page).

¹⁶ FAR 16.5 (2025); FAR 6-102(3) (2025); FAR 2.101 (2025). According to federal regulation, "Full and open competition, when used with respect to a contract action, means that all responsible sources are permitted to compete."

¹⁷ VA FSS Solicitation No. M5-Q50A-03-R8, attachment 02, "Vendor Response Document," "COMMERCIAL SALES PRACTICE FORMAT." The solicitation defines the most-favored customer as the commercial customer who receives the best up-front (guaranteed) discount. This is not inclusive of "conditional" discounts, such as prompt payment discounts or annual rebates based on reaching a threshold, which the vendor must list in its commercial sales practice disclosures. FAR 552.238-120 (2025).

¹⁸ FAR 38.101(a) (2025); FAR 8.402(a) (2025); FAR 8.404(d) (2025).

¹⁹ FY 2024 sales data from the National Acquisition Center Contract Management Database, as of December 18, 2024. VA Federal Supply Schedule Service (web page), National Acquisition Center.

and VA have established regulations, policies, and procedures to help ensure the government receives the best prices for products and that FSS vendors are following all the terms and conditions of their contracts.

VA established guidelines for asking the OIG to review proposals and contracts submitted under or related to contracts or solicitations issued by VA's National Acquisition Center.²⁰ As previously stated, these guidelines require contracting officers to submit vendors' pharmaceutical FSS proposals to the OIG to assess before VA awards a contract if the proposals meet the dollar thresholds for the type of vendor and the items are not significantly sold to the public. VA contracting officers may also request that the OIG review particular proposals.

²⁰ VA National Acquisition Center Procedural Guideline 22.

A Summary of FY 2024 Pharmaceutical Preaward Reports to Contracting Officers

The 14 proposals the OIG reviewed during FY 2024 had an estimated contract value of approximately \$34.4 billion and included 1,361 offered items.²¹ For each of the 14 proposals the OIG reviewed, the primary objectives were to

1. provide an opinion as to whether the commercial sales practice disclosures in the proposals were accurate, complete, and current;
2. evaluate offered prices and concessions and provide pricing recommendations; and
3. determine if the proposed tracking customers were appropriate for price reduction clause purposes and suggest alternatives as warranted.

What the OIG Did

The OIG team summarized the results and impact of the 14 reports by objective. Collectively, among the 14 reports, the OIG team sampled 97 of the 1,361 items (7 percent) offered under the proposals; those items generally represented at least 75 percent of the historical government sales under each proposal. To evaluate offered prices and concessions, the team reviewed vendors' commercial sales and agreements and evaluated lower-than-offered prices. The OIG team also analyzed proposed tracking customers for the sampled items to determine if customers were suitable for purposes of the GSA price reduction clause.²²

The OIG's work on each of the 14 pharmaceutical proposals is summarized on the following pages and in appendix A. Information on the scope and methodology for this report appears in appendix B.

Opinion on Commercial Sales Practice Disclosures

The OIG found commercial sales practice disclosures accurate, complete, and current for six of the 14 proposals (about 43 percent). Because the remaining eight proposals (about 57 percent) did not meet these criteria, they could not reliably be used by VA for negotiations until the noted deficiencies were corrected.

Government contracts generally require competition among vendors to ensure awarded prices are fair and reasonable. Under the FSS program, vendors disclose their commercial prices and terms

²¹ Table A.1 in appendix A provides the results for the 14 proposals reviewed. Dollar amounts are rounded.

²² The price reduction clause is intended to maintain fair and reasonable pricing after the contract has been awarded through the use of tracking customers. If tracking customers receive a price reduction, the government's price should also be reduced.

and conditions on the commercial sales practice form in their FSS proposals. Commercial sales practice disclosures should be accurate, complete, and current so the contracting officers can use this information to evaluate proposed prices, set negotiation objectives, and determine whether offered prices are fair and reasonable.

The commercial sales practice section of the FSS pharmaceutical solicitation includes instructions on what vendors must disclose to the government.²³ The instructions state that the customer “should list the MFC [most-favored-customer] as well as each customer or category of customers (e.g. wholesalers, group purchasing organization [GPO] hospitals, etc.) who are receiving equal to or better pricing than that offered to the Government for any proposed item.”²⁴

Vendors are also required to provide detailed information about how customers may qualify for prices or discounts lower than those offered to the government.²⁵ Any deviations from commercial sales practice disclosures or exceptions to disclosed standard practices must be explained.²⁶ For vendors who are dealers or resellers without significant commercial sales, manufacturers of the offered items must provide commercial sales practices disclosures in accordance with the solicitation instructions. Table 1 lists the findings for the eight proposals with commercial sales practices that were not accurate, complete, or current, and the number of occurrences.

Table 1. Commercial Sales Practices Findings

Commercial sales practice findings	Occurrences among the eight proposals
Expired disclosed most-favored-customer prices	4
Change in discounts/rebates	2
Deviation from standard commercial practices not disclosed	1
Not all most-favored customers disclosed	1

Source: VA OIG analysis of commercial sales practices disclosures.

For these eight proposals in FY 2024, vendors generally did not follow solicitation or modification instructions regarding most-favored-customer disclosures or pricing; therefore, the contracting officer could not rely on the commercial sales practices to make fair and reasonable price determinations to award FSS contracts or add products to existing contracts.

²³ VA FSS Solicitation No. M5-Q50A-03-R8. The same instructions apply to proposed contract modifications.

²⁴ VA FSS Solicitation No. M5-Q50A-03-R8, “Instructions for Commercial Sales Practices Format.”

²⁵ VA FSS Solicitation No. M5-Q50A-03-R8, question (3).

²⁶ VA FSS Solicitation No. M5-Q50A-03-R8, question (4)(b).

Evaluation of Offered Prices and Related Recommendations

The government is not always offered the best commercial pricing (in other words, the lowest commercial price). In those instances, the OIG considers commercial prices lower than the offered FSS price in its recommendation. This determination may result in cost savings, which are the potential dollar effect from implementing a price recommendation that would reduce the cost of pharmaceutical drugs and products and make these funds available for other uses.

The OIG calculates estimated cost savings as the difference between the vendor's offered prices and the OIG's recommended prices, multiplied by historical order volume, and extrapolated over the applicable contract period. For example, a new contract could be 10 years, but a product addition or contract extension could range from one to 10 years, depending on the remaining contract performance period.

The OIG recommended seeking lower-than-offered prices for five of the 14 proposals. Overall, VA sustained approximately \$36.8 million (about 67 percent) of the OIG's adjusted estimated cost savings of \$54.9 million.²⁷

Evaluation of Proposed Tracking Customers

FSS contracts are generally awarded for an initial five-year base period and can be extended up to five years, not to exceed 10 years. To maintain fair and reasonable pricing after the contract has been awarded, the GSA price reduction clause mandates lowering the FSS contract price based on price reductions given to negotiated tracking customers.²⁸

In the 14 proposals reviewed, the OIG determined that proposed tracking customers for all 97 sampled items were suitable for the purpose of the GSA price reduction clause. The OIG verified that the vendor's contracts with the proposed tracking customers provided current item coverage, were among the vendor's largest customers, and were comparable to the FSS in sales dollars or purchasing behavior.

Conclusion

The federal government spends billions of dollars a year on pharmaceutical items through VA's FSS program. The OIG's findings and recommendations in preaward reports help VA contracting officers reduce the cost of pharmaceutical items, saving taxpayers approximately \$36.8 million in FY 2024. This report provides summary information about prior

²⁷ Due to the unique terms and conditions of commercial contracts, contracting personnel are not always able to obtain the OIG-recommended price during negotiations.

²⁸ GSA Acquisition Manual, "Price Reductions," 552.238-81, May 2019. The manual requires the government and the vendor to agree on a customer or category of customers as the basis of the award. FSS pricing is tracked against this customer's (or customer category's) pricing throughout the contract.

recommendations made to VA on the 14 proposals; it does not propose additional recommendations that require VA's response or action.

VA Management Comments

The acting associate executive director of the National Acquisition Center concurred with the draft report and provided no comments. Appendix C provides the full text of the director's response.

Appendix A: Estimated and Sustained Cost Savings from Reports Provided to Contracting Officers in FY 2024

During fiscal year (FY) 2024, the VA Office of Inspector General (OIG) reviewed 14 proposals under Schedule 65 I B—*Drugs, Pharmaceuticals, & Hematology Related Products* representing about \$34.4 billion in estimated contract value—1,361 offered items, of which 97 items generally represented at least 75 percent of total government sales volume. The VA Federal Supply Schedule Program, the General Services Administration, and VA have established regulations, policies, and procedures to help ensure the government receives the best prices for medical supplies and that vendors are following all the terms and conditions of their contracts.

The OIG estimated cost savings of approximately \$54.9 million as the difference between vendor-offered prices and OIG-recommended prices, multiplied by historical order volume and extrapolated over a 10-year contract period for new contracts. VA’s sustained cost savings is the estimated cost savings based on the final prices awarded by the VA contracting officer. Overall, VA was able to sustain about \$36.8 million of total estimated cost savings flowing from preaward reports issued in FY 2024 with lower-than-offered-price recommendations for contracts awarded as of the date of this report. Table A.1 shows the proportion of OIG-recommended cost savings that contracting officers were able to sustain for all reviewed proposals.

Table A.1. Cost Savings Data for Reports Issued to VA

Report number	Date issued	OIG's estimated cost savings (\$)	VA's sustained cost savings (\$)	VA's sustained cost savings (%)	Date awarded
1	10/16/2023	0	0	0	3/6/2024
2	1/17/2024	0	0	0	4/9/2024
3	1/31/2024	0	0	0	4/12/2024
4	3/18/2024	0	0	0	7/15/2024
5	4/24/2024	0	0	0	Unknown*
6	4/24/2024	\$245,424	0	0	9/1/2024
7	7/2/2024	\$58,373	\$58,373	100%	9/23/2024
8	7/9/2024	\$41,854,153	\$24,028,016	57%	4/28/2025
9	8/2/2024	\$11,982,682	\$11,982,682	100%	12/20/2024
10	8/20/2024	0	0	0	3/27/2025
11	8/20/2024	0	0	0	Unknown*
12	8/21/2024	0	0	0	Unknown*
13	8/28/2024	0	0	0	Unknown*
14	9/12/2024	\$719,800	\$719,800	100%	1/13/2025
Total		\$54,860,432	\$36,788,871		

Source: VA OIG reports and VA National Acquisition Center contract files.

Note: Numbers in table may not sum due to rounding.

* In negotiations. Without a final award, the total contract savings resulting from OIG recommendations could not be reported.

Appendix B: Scope and Methodology

Scope

The VA Office of Inspector General (OIG) conducted its work from January through July 2025. This report summarizes information previously available only in nonpublic OIG preaward reports to VA (due to federal law prohibitions) and presents subsequent contract award data. The OIG team assessed relevant sources of information, including contracts obtained from VA's electronic contract management system and applicable fiscal year 2024 Federal Supply Schedule pharmaceutical preaward reports.

Methodology

The team searched VA's electronic contract management system for the solicitations or modifications that were the subject of an OIG-prepared preaward report and obtained the resulting contract or modification. The team then summarized the data from the review reports and resulting contracts or modifications for presentation in this publication.

Data Reliability

The OIG did not obtain or rely on computer-processed data. The team also did not perform detailed fieldwork to verify the information in the reports issued to contracting officers and resulting contracts because verification was not the purpose of this OIG report.

Government Standards

The OIG conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

Appendix C: VA Management Comments

Department of Veterans Affairs Memorandum

Date: May 23, 2025

From: Acting Associate Executive Director, National Acquisition Center, Federal Supply Schedule Service (003B1)

Subj: A Summary of OIG Preaward Contract Reports Issued in Fiscal Year 2024 on VA Federal Supply Schedule Pharmaceutical Proposals

To: Audits Operations Division(52D02)

1. The Office of Procurement, Acquisition and Logistics (OPAL) completed its review of the subject Draft Report and concur without comments.

The OIG removed point of contact information prior to publication.

(Original signed by)

Christopher D. Parker

For accessibility, the original format of this appendix has been modified to comply with Section 508 of the Rehabilitation Act of 1973, as amended.

OIG Contact and Staff Acknowledgments

Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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Review Team	Joseph Houston, Director Scott Chung Bertha Kuffour Yetunde Orimoloye Sony Soegiarto
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Other Contributors	Roy Fredrikson Jill Russell
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