



DEPARTMENT OF VETERANS AFFAIRS  
**OFFICE OF INSPECTOR GENERAL**

*Office of Audits and Evaluations*

VETERANS HEALTH ADMINISTRATION

Inadequate Acceptance of  
Supplies and Services at  
Regional Procurement  
Office West Led to  
\$12.8 Million in  
Questioned Costs

REVIEW

REPORT #21-01081-155

JULY 20, 2022



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## Executive Summary

VA has one of the largest acquisition functions in the federal government, with contracting officers obligating about \$33.2 billion in taxpayer dollars in fiscal year (FY) 2021.<sup>1</sup> Prior to accepting supplies or services, Veterans Health Administration (VHA) officials must determine acceptability, which means that the supplies and services received conform with the quality and quantity requirements in the contract.<sup>2</sup> Contracting officers are responsible for ensuring that contractors and the government have complied with all terms and conditions of the contract.<sup>3</sup> This responsibility includes conducting contract administration, where the contracting officer tracks receipt of the supply or performance of the service, documents acceptance, and authorizes payment under the contract's terms and conditions. Contracting officers can delegate, in writing, their authority to perform certain contract administration duties to designated contracting officer's representatives (CORs).<sup>4</sup> This authority and the required duties must be detailed in a COR delegation memorandum.

VHA has three regional procurement offices (RPO) that procure supplies and services to support the medical facilities within their regions (Central, East, and West). In FY 2021, RPO West obligated about \$2.7 billion. The VA Office of Inspector General (OIG) conducted this review to determine whether RPO West contracting officials administered contracts and accepted supplies and services in accordance with federal and VA regulations. To protect veterans and taxpayer dollars, it is essential that contracting officials maintain the necessary evidence to demonstrate compliance with contract terms and conditions.

### What the Review Found

The review team examined contract files for a random sample of 49 contracts, valued at over \$100,000 each, awarded from January 1, 2020, through June 30, 2020.<sup>5</sup> The team also reviewed 93 invoices associated with these contracts. Based on the team's review, the OIG found RPO

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<sup>1</sup> SAM.gov, accessed October 5, 2021, <https://sam.gov>. In FY 2021, VA ranked fourth for obligating the most taxpayer dollars and ranked second in awarding the most contract actions in the federal government. VA's fiscal year runs from October 1 to September 30.

<sup>2</sup> VHA Procurement Manual 801.603-70, rev. 8, sub. 3.6, "Contracting Officer Representative SOP [Standard Operating Procedure]," *Customer Reference Guide*, chap. 14, sub. 5.1, May 7, 2021. Acceptability refers to whether the supplies or services provided meet the terms and conditions of the contract. Federal Acquisition Regulation (FAR) 46.501. Inspection means examining and testing supplies or services to determine whether they conform to contract terms and conditions. FAR 2.101. The standard inspection clause provides the government some protection if defects are discovered after supplies or services are accepted. FAR 52.246. VHA Procurement Manual 801.603-70 was revised during the scope of the review. However, the references cited were still applicable.

<sup>3</sup> FAR 1.602-2.

<sup>4</sup> FAR 1.602-2(d).

<sup>5</sup> Appendix A provides information on the review's scope and methodology. Appendix B provides the statistical sampling methodology.

West contracting officers and CORs did not always maintain documentation to demonstrate proper acceptance of supplies and services. The team found RPO West CORs consistently accepted supplies and services without maintaining adequate documentation to demonstrate that the terms and conditions of the contracts were satisfied. The team's initial review revealed CORs authorized payment for all 93 invoices reviewed without adequate supporting documentation in the electronic file, as required.<sup>6</sup> The team followed up with RPO West contracting officials and gave them the opportunity to search their local files for any of the missing documentation; however, officials were still unable to provide adequate supporting documentation for 72 percent of the invoices (67 of 93). The team determined several factors contributed to noncompliance, including officials not understanding their responsibilities, heavy workload, ineffective oversight, and prioritization of awarding contracts.

For 65 percent of the contracts reviewed (32 of 49), the contracting officer did not establish the electronic file as required. Therefore, the CORs associated with those contracts were unable to comply with the requirement to upload documentation to the electronic file. In addition, 69 percent of the contracts reviewed (34 of 49) did not contain complete COR delegation memorandums. These memorandums document the CORs' responsibilities and ensure they understand their duties. Without the completed memorandums, CORs may not be fully informed of their responsibilities, their duties, or the limitations on their authority that could lead to technically improper payments. In their correspondence with the review team, the contracting officers and CORs demonstrated a lack of understanding of the required acceptance documentation and their associated responsibilities.

In 2019, the Government Accountability Office (GAO) noted significant challenges for VA's acquisition management and added it to the high-risk list.<sup>7</sup> One of those challenges was VA contracting officers' workload. This challenge continues to be an issue for VA.<sup>8</sup> According to several RPO West officials, heavy workload contributed to noncompliance with acceptance documentation requirements, as leaders prioritized the awarding of contracts over other contract administration duties. Heavy workload also prevented branch chiefs and contracting officers from effectively performing COR oversight responsibilities and ensuring compliance.

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<sup>6</sup> FAR 32.905; FAR 46.5; VA Acquisition Manual, part M804, sub. 802-70(g), "Contract Files and eCMS," 2018 edition.

<sup>7</sup> GAO, *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*, GAO-19-157SP, March 2019.

<sup>8</sup> GAO, *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*; GAO, *Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas*, GAO-21-119SP, March 2021.

RPO West contracting officials' noncompliance with developing and maintaining required documentation resulted in \$12.8 million in questioned costs.<sup>9</sup> Specifically, contracting officials' noncompliance with acceptance documentation requirements resulted in over \$8.2 million in "unknown" payments. Unknown payments are those that cannot be deemed proper or improper due to insufficient or missing documentation. Also, RPO West officials did not always comply with the requirement to have completed COR delegation memorandums, which resulted in about \$4.6 million in technically improper payments. Technically improper payments are made to the right recipient in the correct amount, but the payment process did not follow the pertinent regulation or statute.<sup>10</sup> In addition to the monetary consequences, veterans are potentially at risk if VHA does not receive the quality of goods it paid for. Until VHA improves oversight of contracting officials and ensures their compliance with federal regulations, it lacks assurance that veterans are receiving critical supplies and services.

## What the OIG Recommended

The OIG made eight recommendations to the executive director of VHA Procurement, including establishing controls to ensure electronic files are created for all contracts requiring a COR, COR delegation memorandums are completed when required, and CORs upload required acceptance documentation. The executive director should also assess existing contracts for compliance with both electronic file and COR delegation memorandum requirements and take corrective actions as needed. In addition, the OIG recommended establishing a process for branch chiefs to consistently monitor contract administration documentation, as well as a quality assurance process that ensures meeting requirements for electronic files, COR delegation memorandums, and acceptance documentation. The OIG's final recommendation is to assess whether additional training is needed to clarify officials' roles and responsibilities for documenting acceptance of supplies and services.

## VA Management Comments and OIG Response

The executive director of VHA Procurement concurred with recommendations 2 and 3 and concurred in principle with recommendations 1 and 4–8.

For recommendation 1, the executive director concurred in principle with establishing controls to ensure CORs upload required acceptance documentation to the electronic file prior to payment, and is taking responsive action. The executive director concurred with recommendation 3 to

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<sup>9</sup> OMB Circular A-123, app. C, "Requirements for Payment Integrity Improvement," March 5, 2021. A cost that is questioned by the auditor because of an audit finding: (a) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds; (b) Where the costs, at the time of the audit, are not supported by adequate documentation; or (c) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances. Appendix C to this report presents the OIG's estimated questioned costs.

<sup>10</sup> OMB Circular A-123, app. C.

assess existing contracts that require an electronic file and take corrective actions to ensure compliance. The executive director also provided a suitable responsive action plan with a target completion date.

The responses of the executive director to recommendations 2, 4, 6, and 7 all sought closure on the grounds that sufficient controls were in place. The executive director concurred with recommendation 2, to establish a requirement and a process for branch chiefs to consistently monitor contract administration documentation, and requested the recommendation be closed, but further stated that existing controls are sufficient. VHA concurred in principle with recommendations 4 and 6 to establish controls to ensure contracting officers create an electronic file for all contracts requiring a COR and to ensure that contracting officers and CORs have a completed COR delegation memorandum in the electronic file, if required. However, the executive director also requested closure of those two recommendations, indicating a belief that existing controls were sufficient. VHA also concurred in principle and requested closure of recommendation 7, stating that existing controls are sufficient to ensure compliance with requirements for establishing an electronic file, completing COR delegation memorandums, and maintaining acceptance documentation. For recommendations 2, 4, 6, and 7, the controls cited by the executive director were already in place at the time of the review and did not prevent the deficiencies and noncompliance addressed in the report. Accordingly, these recommendations will remain open until VHA provides sufficient evidence demonstrating progress in addressing the identified issues.

For recommendation 5, the executive director concurred in principle and requested closure. VHA stated corrective actions were taken to assess existing contracts to ensure COR delegation memorandums were completed if required. However, based on the evidence provided by VHA, the team found that compliance with the Federal Acquisition Regulation requirements to complete COR delegation memorandums has decreased. In addition, VHA did not provide any indication or evidence that corrective actions were taken to remediate the deficiencies. Therefore, this recommendation will remain open until VHA demonstrates progress in ensuring COR delegation memorandums are properly executed, when required.

For recommendation 8, the executive director stated that training and existing controls are sufficient and requested closure of this recommendation, but did not provide documentation to support the basis of VHA's determination. Consequently, the OIG will keep the recommendation open until VHA provides evidence of an assessment of the training and controls.



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## Abbreviations

COR	contracting officer's representative
CPAP	continuous positive airway pressure
eCMS	electronic Contract Management System
eCOR	electronic contracting officer's representative
FAR	Federal Acquisition Regulation
FY	fiscal year
GAO	Government Accountability Office
OIG	Office of Inspector General
RPO	regional procurement office
SOP	standard operating procedure
VHA	Veterans Health Administration



## Introduction

In fiscal year (FY) 2021, VA contracting officers obligated about \$33.2 billion in taxpayer dollars, making it one of the largest acquisition functions in the federal government.<sup>11</sup> The Veterans Health Administration (VHA) has three regional procurement offices (RPO) that procure supplies and services to support the medical facilities within their regions, RPOs Central, East, and West. RPO contracting officials must ensure supplies and services comply with the terms and conditions of contracts before accepting them. According to the Federal Acquisition Regulation (FAR), acceptance

- constitutes acknowledgment that the supplies or services conform with applicable contract quality and quantity requirements,
- occurs as described in the provisions of the terms and conditions of the contract, and
- shall ordinarily be evidenced by execution of an acceptance certificate on an inspection or receiving report form or commercial shipping document.<sup>12</sup>

In FY 2021, RPO West obligated about \$2.7 billion. To help ensure veterans receive quality supplies and services and to protect taxpayer dollars, it is essential that RPO West contracting officials maintain the necessary documentation to demonstrate contractor compliance with contract terms and conditions. When the government has accepted fraudulent supplies or services without properly determining acceptability, it is more difficult for the government to prosecute cases.

The VA Office of Inspector General (OIG) conducted this review to determine whether RPO West contracting officials accepted supplies and services in accordance with requirements established by federal and VA regulations, policies, and procedures.<sup>13</sup>

### GAO High-Risk List

In 2019, the Government Accountability Office (GAO) noted significant challenges for VA's acquisition management and added it to the high-risk list.<sup>14</sup> GAO's "high-risk list provides focused attention on government operations with greater vulnerabilities to fraud, waste, abuse, mismanagement, or that need transformation to address economy, efficiency, or effectiveness

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<sup>11</sup> SAM.gov, accessed October 5, 2021, <https://sam.gov>. In FY 2021, VA ranked fourth for obligating the most taxpayer dollars and ranked second in awarding the most contract actions in the federal government. VA's fiscal year runs from October 1 to September 30.

<sup>12</sup> FAR 46.501.

<sup>13</sup> These include the Office of Management and Budget, FAR, VA Acquisition Regulation, VA Acquisition Manual, VA financial policies, and VHA procedures.

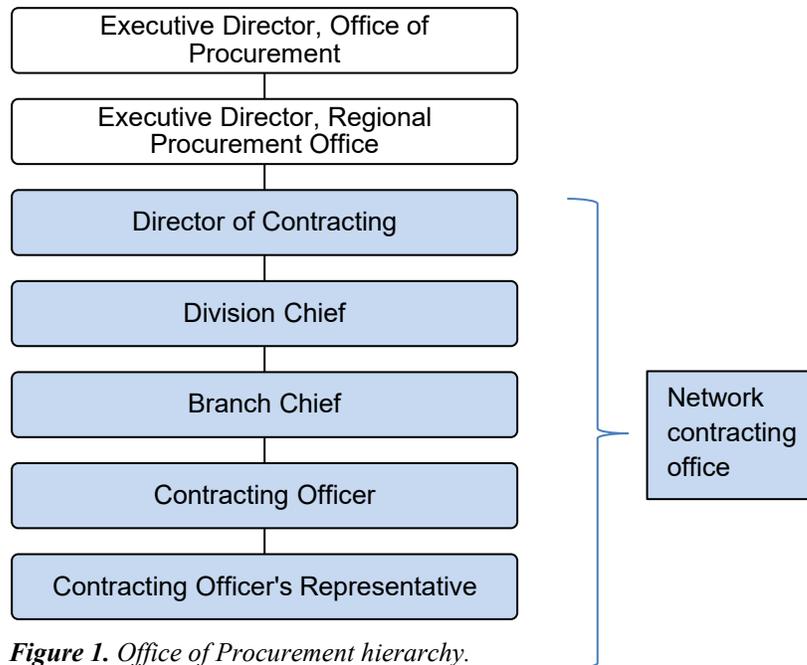
<sup>14</sup> GAO, *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*, GAO-19-157SP, March 2019.

challenges.”<sup>15</sup> VA’s challenges included limited contract oversight, heavy workload, and incomplete contract file documentation. In 2021, GAO reviewed VA’s progress in addressing acquisition management challenges and indicated VA still needs to address these concerns.<sup>16</sup>

## VHA Procurement and Logistics Office

VHA is America’s largest integrated healthcare system, serving more than nine million enrolled veterans who receive care through 1,293 healthcare facilities, including 171 medical centers and 1,112 outpatient sites.<sup>17</sup> VHA’s Procurement and Logistics Office, through its Office of Procurement, supports the purchase of about \$15 billion annually in healthcare supplies and services for VHA. This is accomplished through a contracting staff of about 2,800, making it one of the largest acquisition activities in the federal government.<sup>18</sup>

The Office of Procurement provides local, regional, and national acquisition support services through its RPOs. The RPOs are divided into three regions: Central, East, and West. Each region is further subdivided into network contracting offices, which use a standardized organizational structure as seen in figure 1.



**Figure 1.** Office of Procurement hierarchy.

Source: VA OIG analysis of VHA Office of Procurement documents.

<sup>15</sup> GAO, *High-Risk Series*, March 2019.

<sup>16</sup> GAO, *High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas*, GAO-21-119SP, March 2021.

<sup>17</sup> “About VHA,” VHA, accessed October 29, 2021, <https://www.va.gov/health/aboutVHA.asp>.

<sup>18</sup> “Who We Are,” VHA Procurement and Logistics Office, accessed October 29, 2021, <https://www.va.gov/plo/>.

## RPO West

RPO West is composed of five network contracting offices that provide procurement support for VHA facilities throughout the western states and US territories. RPO West procures all supplies and services for these network contracting offices with annual expenditures of about \$2.7 billion. Table 1 shows RPO West’s network contracting offices and the states and territories covered.

**Table 1. RPO West’s Network Contracting Offices**

Network contracting office number	Name	States and territories covered
17	VA Heart of Texas Health Care Network	Texas
19	VA Rocky Mountain Network	Colorado, Utah, Wyoming, Montana, Eastern Idaho, Eastern Nevada, Oklahoma, Western Kansas, Western Nebraska, and Western North Dakota
20	VA Northwest Network	Alaska, Oregon, Western Idaho, Washington, and one county each in California and Montana
21	VA Sierra Pacific Network	Northern California, Western Nevada, Hawaii, the Philippines, Guam, and American Samoa
22	VA Desert Pacific Healthcare Network	Southern California, Arizona, and New Mexico

Source: VHA Procurement and Logistics Office website.

## Acceptance and Payment Process

RPO West officials must appropriately accept supplies and services to ensure the government receives what it paid for. Prior to accepting supplies or services, officials must determine acceptability by review, test, evaluation, or inspection.<sup>19</sup> In addition, payment will be based on a proper invoice and satisfactory contractor performance.<sup>20</sup> Further, officials must document this determination and maintain the supporting documentation in the contract file.<sup>21</sup> When there is no

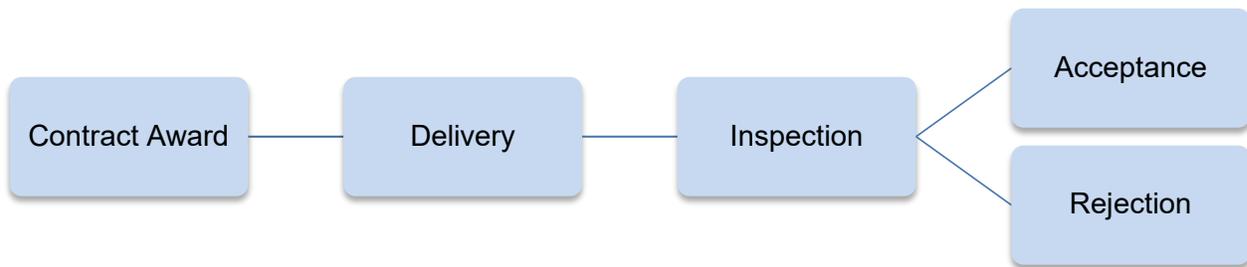
<sup>19</sup> VHA Procurement Manual 801.603-70, rev. 8, sub. 3.6, “Contracting Officer Representative SOP [Standard Operating Procedure],” *Customer Reference Guide*, chap. 14, sub. 5.1, May 7, 2021. FAR 46.501. Acceptability refers to whether the supplies or services provided meet the terms and conditions of the contract. FAR 2.101. Inspection means examining and testing supplies or services to determine whether they conform to contract terms and conditions. FAR 52.246. The standard inspection clause provides the government some protection if defects are discovered after supplies or services are accepted. VHA Procurement Manual 801.603-70 was revised during the scope of the review. However, the references cited were still applicable.

<sup>20</sup> FAR 32.905.

<sup>21</sup> FAR 4.801.

documentation to show that the supplies and services were deemed to be acceptable and in accordance with contract requirements, any associated payments are considered unknown payments. Unknown payments are those that cannot be deemed proper or improper due to insufficient or lack of documentation.<sup>22</sup>

After receiving a proper invoice and prior to issuing payment for supplies and services, government officials are required to verify and document satisfactory contract performance.<sup>23</sup> According to VA federal procurement regulations and financial policy, the act of payment of an invoice alone does not demonstrate that there was satisfactory contract performance; rather, there must be documentation to show that the supplies or services were compliant with the terms and conditions of the contract.<sup>24</sup> See figure 2 for an illustration of the inspection and acceptance process.



**Figure 2.** Inspection and acceptance process.

Source: VA OIG analysis of “A COR’s Guide to Inspection and Acceptance.”

## Electronic Contract Management System

Federal and VA acquisition regulations require documentation in contract files to be sufficient to constitute a complete history of transactions.<sup>25</sup> The documentation is to provide a complete background of the basis for decisions at each step in the acquisition process, support actions taken, provide information for reviews and investigations, and furnish essential facts in the event of litigation or congressional inquiries.<sup>26</sup> VA policy requires that all certified invoices, whether in hard copy or electronic form, be supported with sufficient documentation to enable an audit of the transactions.<sup>27</sup>

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<sup>22</sup> OMB Circular A-123, app. C, “Requirements for Payment Integrity Improvement,” March 5, 2021.

<sup>23</sup> FAR 32.905.

<sup>24</sup> VA Financial Policy, vol. 8, chap. 1A, “Invoice Review and Certification,” June 15, 2020; FAR 4.801; FAR 32.905.

<sup>25</sup> FAR 4.801; VA Acquisition Manual, part M804, sub. 802-70(b), “Contract Files and eCMS,” 2018 edition.

<sup>26</sup> FAR 4.801.

<sup>27</sup> VA Financial Policy, vol. 8, chap. 1A.

VA policy requires all contract documents to be captured in VA's electronic contract management system (eCMS), VA's official contract file.<sup>28</sup> If a contracting officer delegates a COR, the COR must ensure the electronic contracting officer representative (eCOR) file also contains all necessary documentation.<sup>29</sup> On November 29, 2019, the deputy under secretary for health for operations and management informed VHA network directors that the use of the eCOR file is mandatory for all CORs. The eCOR file is part of eCMS; it is a centralized repository for all contract documentation that enables contracting officers and CORs to perform contract administration functions efficiently.<sup>30</sup>

## Contracting Officer and COR Responsibilities

Contracting officers are responsible for ensuring contractors and the government comply with all terms and conditions of a contract.<sup>31</sup> This responsibility includes conducting post-award contract administration. During post-award contract administration, contracting officials perform tasks such as tracking receipt of the deliverable or performance of the service, documenting acceptance, and authorizing payment under the contract's terms and conditions.

Contracting officers can delegate their authority to perform certain contract administration duties to designated CORs; this delegation must be in writing.<sup>32</sup> In alignment with this requirement, VHA contracting officers use a COR delegation memorandum template to officially delegate their authority.<sup>33</sup> Any authority the contracting officer delegates must be detailed in the COR delegation memorandum. A completed memorandum must be signed by the contracting officer, program office, COR, and contractor.<sup>34</sup> Table 2 details the purpose of each official's signature.

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<sup>28</sup> VA Acquisition Manual, part M804, sub. 802-70(a)(c).

<sup>29</sup> VA Acquisition Manual, part M804, sub. 802-70(g); VHA deputy under secretary for health for operations and management memo, "Mandatory Use of Electronic Contracting Officer Representative (eCOR) File," November 29, 2019; VHA Procurement Manual 801.603-70, rev. 8, sub. 3.4.5, "Contracting Officer Representative SOP," May 7, 2021.

<sup>30</sup> VHA deputy under secretary for health for operations and management memo.

<sup>31</sup> FAR 1.602-2.

<sup>32</sup> FAR 1.602-2(d). FAR 1.602-2; FAR 1.604. The FAR requires CORs to maintain a file for each assigned contract, which must contain, at a minimum, their COR delegation memorandum and documentation of actions taken in accordance with the delegation of authority.

<sup>33</sup> VHA Procurement Manual 801.603-70, rev. 8, sub. 8.4, "Contracting Officer Representative SOP," May 7, 2021.

<sup>34</sup> In lieu of signing the COR delegation memorandum, contractors may send an email stating that they have read and understood the roles of the contracting officer and the COR and the limits of the COR's authority. The team did not distinguish between the method of acknowledgment when determining completeness of the memorandum.

**Table 2. Purpose of Signatures on COR Delegation Memorandum**

Signatory	Purpose of signature on COR delegation memorandum
Contracting officer	Appoints the listed COR to perform the responsibilities outlined in the delegation.
Program office	Certifies the nominee is approved for appointment as COR for the referenced contract. The office certifies that the COR has completed the required training or will be provided the time and necessary resources to complete all mandatory training and agrees to support the COR in fulfilling delegated duties.
COR	Certifies that the COR has read and understood the responsibilities and limits of authority outlined in the delegation. The COR further certifies receipt of a copy of the contract and any other information required to execute the assigned duties.
Contractor	Certifies that the contractor has read and understood the roles of the contracting officer and the COR and the limits of the COR's authority.

*Source: VA OIG analysis of the VHA Procurement Manual.<sup>35</sup>*

VHA established a standard operating procedure that outlines all the duties CORs are expected to perform.<sup>36</sup> This includes thoroughly reviewing, inspecting, and accepting deliverables to ensure that they meet quality and quantity requirements established in the contract (ensure acceptability). In addition, CORs are delegated the responsibility to authorize payments, which includes verifying that invoices match the contract requirements. CORs must not authorize payment until they have ensured that the procured supplies or services were received, acceptable, and in accordance with the terms and conditions of the contract.

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<sup>35</sup> VHA Procurement Manual 801.603-70, rev. 8, sub. 8.4.

<sup>36</sup> VHA Procurement Manual 801.603-70, rev. 8, sub. 8.2.

The lack of a COR delegation memorandum may result in the improper approval of invoices, leading to technically improper payments.<sup>37</sup> Technically improper payments are payments made to the right recipient for the right amount, but the payment process failed to follow applicable statute and regulations.<sup>38</sup> The FAR requires payment to be made based on a proper invoice and satisfactory contractor performance.<sup>39</sup> When an individual other than the contracting officer, who has not been delegated in writing as a COR, monitors contractor performance and approves invoices, the payment process does not meet federal regulations.

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<sup>37</sup> In cases where the contracting officer retains or performs some of the responsibilities that the COR was supposed to perform and ensures that the contract terms have been met, the lack of a COR delegation memo may *not* result in a technically improper payment.

<sup>38</sup> OMB Circular A-123, app. C, “Requirements for Payment Integrity Improvement,” March 5, 2021.

<sup>39</sup> FAR 32.905.

## Results and Recommendations

### **Finding: VA Officials Accepted Supplies and Services and Authorized Invoice Payments without Adequate Documentation**

Veterans rely on VHA to provide the care they need. However, the OIG found that some RPO West CORs accepted supplies and services without maintaining adequate documentation to demonstrate that the terms and conditions of the contracts were satisfied and the supplies and services met veterans' needs. CORs are required to maintain a file of all contract administration actions they take in performance of their duties while monitoring a contract.<sup>40</sup> This generally includes the responsibility to determine and document the acceptance of supplies and services and whether they met the terms and conditions of the contract before authorizing payment. Some contracts had additional requirements for the completion of contractor performance evaluation reports or invoice report summaries.

The team's review showed CORs authorized payments without adequate supporting documentation in eCOR for all 93 invoices associated with the 49 contracts reviewed. The team followed up with RPO West contracting officials and gave them the opportunity to provide documentation outside the contract files; however, officials were still unable to provide adequate supporting documentation for 67 of the 93 invoices (72 percent).<sup>41</sup> Contracting officials stated they did not maintain the required documentation for several reasons, including a lack of understanding of their responsibilities; heavy workload; and prioritization of other duties, such as awarding contracts.

RPO West contracting officials' noncompliance with developing and maintaining required documentation resulted in about \$12.8 million in questioned costs.<sup>42</sup> Specifically, contracting officials' noncompliance with acceptance documentation requirements resulted in over \$8.2 million in unknown payments, while their noncompliance with COR delegation memorandum requirements resulted in about \$4.6 million in technically improper payments. In addition to the monetary consequences, veterans are potentially at risk if VHA does not receive the quality of goods it paid for. Contractors provide medical supplies essential for veterans' health, such as ventilators, heart-monitoring bracelets, continuous positive airway pressure (CPAP) equipment, drugs for the treatment of cancer, and COVID-19 testing supplies. Contractors also provide

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<sup>40</sup> FAR 1.604.

<sup>41</sup> FAR 4.801.

<sup>42</sup> OMB Circular A-123, app. C. A cost that is questioned by the auditor because of an audit finding: (a) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds; (b) Where the costs, at the time of the audit, are not supported by adequate documentation; or (c) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

services that contribute directly to the healthcare experience and are vital to veterans' well-being, such as on-site clinical staff that assist with treatment, operational support and repairs, transportation, and sanitation services. Until VHA improves oversight of contracting officials and ensures their compliance with federal regulations, it lacks assurance that veterans are receiving these critical supplies and services.

## **What the OIG Did**

The team reviewed a random sample of 49 RPO West contracts valued at more than \$100,000 each that were awarded between January 1, 2020, and June 30, 2020, where eCMS indicated that a COR was designated and VHA had accepted supplies or services and issued payment.<sup>43</sup> The team reviewed the contract files to determine whether RPO West contracting officers established eCOR files and maintained COR delegation memorandums in accordance with federal regulations and the VHA procurement policy. From the sample of 49 contracts, the team reviewed a random sample of 93 paid invoices.<sup>44</sup> The team reviewed documentation in eCMS and eCOR to determine whether the CORs reviewed, inspected, and accepted supplies and services that met the terms and conditions of the contracts before VA authorized payment. When necessary, the team corresponded with RPO West contracting officials to obtain clarification or additional documentation. In addition, for one of the supply invoices in the sample, the team conducted a site visit to physically verify the items were delivered, met the quantity and quality requirements of the invoice, and complied with the terms and conditions of the contract.

## **RPO West CORs Did Not Consistently Document Acceptability of Supplies and Services**

Contracting officers delegate specific duties to CORs for monitoring contracts and contractor performance. One of these duties is to determine and document in eCOR whether the terms and conditions of the contract were met before VA authorized payment. To assess RPO West CORs' compliance, the team reviewed 93 invoices associated with 49 contracts. For 59 of the invoices, because the contracting officers failed to establish the required eCOR files, the CORs were unable to maintain the required supporting documentation. Although the remaining 34 invoices had associated eCOR files, the team found CORs failed to maintain supporting documentation.<sup>45</sup>

Subsequently, RPO West officials reviewed their local files and were able to provide adequate supporting documentation for 26 of the invoices reviewed. However, they were unable to provide adequate documentation for 67 of the 93 invoices (72 percent). Due to RPO West contracting officials not maintaining sufficient acceptance documentation for 67 invoices, VA

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<sup>43</sup> See appendix A.

<sup>44</sup> Of the 93 invoices, 81 were from 42 service contracts and 12 were from seven supply contracts.

<sup>45</sup> The 59 invoices were associated with 32 contracts, and the 34 invoices were associated with 17 contracts.

lacks assurance that supplies and services met the contracts’ terms and conditions, resulting in VA making over \$8.2 million in unknown payments.

Supplies and services have different requirements for supporting documentation to demonstrate that terms and conditions were met. Table 3 provides an overview of how many invoices reviewed did not have the required documentation.

**Table 3. Required Documentation for Invoices**

Category	Total invoices reviewed	Invoices without required documentation in eCOR upon initial review	Invoices without required documentation upon follow-up review
Supply	12	12	7
Service	81	81	60
<b>Total</b>	<b>93</b>	<b>93</b>	<b>67</b>

*Source: VA OIG analysis of sampled invoices and eCOR files.*

## Supplies

The review team’s sample included 12 invoices for critical medical supplies, such as ventilators, heart-monitoring bracelets, CPAP equipment, and COVID-19 testing supplies.<sup>46</sup> The team determined that none of the invoices had the required documentation in eCOR to (1) demonstrate the supplies met the terms and conditions of the contract and (2) verify the quantities specified on the invoice. Even after the team followed up, the contracting officers and CORs were still unable to provide the required documentation for seven of the 12 supply invoices (about 58 percent), resulting in approximately \$52,000 in unknown payments. Further, VHA cannot ensure the contractors provided the correct quantity of supplies that adhered to the quality standards established in the contract.

In accordance with federal regulations and VHA policy, a receiving report can be used as evidence the government accepted contracted supplies.<sup>47</sup> In order to determine whether the CORs for the sampled contracts maintained the required documentation to demonstrate acceptability of the invoiced supplies, the review team examined receiving reports and validated the information with the corresponding invoices. The team also examined the contracts for each invoice to identify specific acceptability requirements and determine CORs’ compliance. In the seven cases where a receiving report was not provided, the team examined other supporting documentation to determine whether it adequately demonstrated acceptance of supplies. Despite

<sup>46</sup> The 12 invoices were for supplies procured on seven contracts.

<sup>47</sup> FAR 46.501; VHA Procurement Manual Part 804.804-1, rev. 6, sub. 3.1.1, sub. 4.1.1, “Contract Closeout SOP,” May 18, 2020.

the opportunity afforded by the team's requests, officials still did not provide adequate alternate supporting documents. As seen in examples 1 and 2, some CORs did not fulfill their duties to document acceptance.

### **Example 1**

*In November 2020, VA officials paid an invoice for \$17,526.01 for eight cases of COVID-19 testing supplies that were contracted to be shipped to the North Texas Health Care System Pathology and Laboratory Medicine Service in Dallas, Texas. The required receiving report was not in the eCOR file. The review team contacted the contracting officer and the COR to obtain the report. However, they did not provide it in their response to the team's follow-up request for information.*

### **Example 2**

*In June 2020, VA officials paid an invoice for \$9,408 for a drug used in the treatment of cancer that was shipped to the North Texas Health Care System Nuclear Medicine Department in Dallas, Texas.<sup>48</sup> In addition to the receiving report, this contract had a specific requirement to demonstrate acceptance. It required the contractor to sign in and sign out with Nuclear Medicine Service personnel upon each delivery. Neither of the required documents was in the eCOR file. The review team contacted the contracting officer and the COR to obtain the report and the documents, but they did not provide the information in their response to the team's follow-up request.*

In one instance, when the necessary documentation was available, the team was able to track the procured supplies to their locations, as seen in example 3.

### **Example 3**

*In October 2020, VA officials paid an invoice totaling \$416,835.77 for 13 ventilators. An RPO West official was able to provide the documentation necessary to demonstrate that the ventilators were received at the Audie L. Murphy Memorial Veterans' Hospital in San Antonio, Texas. The review team requested information regarding the physical locations of the ventilators. Initially, the identified COR was unable to provide this information for all the ventilators. As a result, the team performed a site visit to the hospital and, with the assistance of the facility staff, was able to account for the ventilators. The*

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<sup>48</sup> Radium 223 dichloride (Xofigo).

*team was also able to confirm the ventilators went through the process to verify they met the contract terms and conditions.*

## Services

The review team’s sample included 81 invoices for services provided to veterans, such as patient health care, patient transportation, housekeeping, and janitorial services. Each service contract has unique performance documentation requirements. Table 4 provides examples of contract acceptability requirements.

**Table 4. Examples of Acceptability Requirements in Service Contracts**

Service description and location	Contract acceptability requirements	Total value of reviewed invoices (dollars)
Off-site ambulatory surgical center at the South Texas Veterans Health Care System, San Antonio, Texas	<ul style="list-style-type: none"> <li>• Certify that board certifications of physicians are current and provided to VA annually</li> <li>• Submit Occupational Safety and Health Administration–compliant infection control test upon request and update annually upon contract renewal</li> <li>• Report incomplete, missed, or declined services by patients immediately and follow up in writing within two business days</li> </ul>	894,143
Primary healthcare services at the South Texas Veterans Health Care System for a community-based outpatient clinic in San Antonio, Texas	<ul style="list-style-type: none"> <li>• Perform quality reviews of patient clinical interventions monthly</li> <li>• Ensure all nursing credentials are current and provided to VA at least quarterly, or whenever changes occur</li> <li>• Submit cleanliness and pest control inspections upon request and update annually upon contract renewal</li> </ul>	815,240
Primary healthcare services at the VA New Mexico Health Care System for a community-based outpatient clinic in Durango, Colorado	<ul style="list-style-type: none"> <li>• Maintain a quality management plan</li> <li>• Send a monthly summary of any contact reports or patient complaints to VA before the 10th working day of each month</li> <li>• Successfully pass safety and infection control inspections annually</li> </ul>	303,328
Housekeeping services at the South Texas Veterans Health Care System, San Antonio, Texas	<ul style="list-style-type: none"> <li>• Conduct and document monthly meetings regarding contractor performance between the contracting officer, contractor, and COR</li> <li>• Provide the COR with an electronic inspection report in standard business format after each scheduled inspection</li> </ul>	245,308

Service description and location	Contract acceptability requirements	Total value of reviewed invoices (dollars)
Janitorial services for the Amarillo Veterans Health Care System, Amarillo, Texas	<ul style="list-style-type: none"> <li>Establish and maintain a complete quality control program to ensure the contract requirements are met</li> <li>Include a system in the quality control program to record all contractor inspections and corrective actions</li> </ul>	34,506

Source: VA OIG analysis of contract files.

Note: Values have been rounded.

The team’s initial review of eCOR files identified that none of the 81 service invoices had the required documentation to demonstrate the procured services met the terms and conditions of the contracts. Although the team followed up with RPO West officials, contracting officers and CORs responsible for these contracts were still unable to provide the required documentation for 60 of the 81 service invoices (about 74 percent), resulting in about \$8.2 million in unknown payments.

In several instances, officials provided additional documentation that did not meet the contracts’ requirements. For example, one contract for primary healthcare services at a community-based outpatient clinic in San Antonio, Texas, required the completion of monthly quality performance measures, such as the verification of nursing credentials. Failure to meet the required measures could result in VHA reducing or withholding payment or closing the clinic. After the team followed up on the missing documentation, officials provided an annual performance evaluation report and other documents that did not fulfill the requirement. When officials do not verify compliance with contract terms and conditions, they put veterans at risk of receiving subpar services that could be detrimental to their health.

## RPO West CORs Did Not Document Contractor Performance

In addition to outlining responsibilities, COR delegation memorandums establish whether the COR must submit additional documents to the contracting officer, such as a contractor performance evaluation report or an invoice report summary. Performance evaluation reports provide documented evaluations of the contractor’s performance for services over the performance period. An invoice report summary is used to certify that the invoiced services were verified against appropriate sign-in logs or other documentation demonstrating performance. These documents help CORs demonstrate that services were performed in accordance with contracts.

The review team sampled 81 invoices associated with 42 service contracts. Table 5 provides a breakdown of the contract requirements for the invoices reviewed.

**Table 5. Documents Required by  
COR Delegation Memorandums for Services**

Requirement in the COR delegation memorandum	Number of service invoices
<i>Both</i> the contractor performance evaluation report and the invoice report summary	48
<i>Neither</i> the contractor performance evaluation report nor the invoice report summary	19
<i>Only</i> the contractor performance evaluation report	6
<i>Only</i> the invoice report summary	8
<b>Total</b>	<b>81</b>

*Source: VA OIG analysis of sampled invoices and associated contracts.*

Of these 81 invoices, 62 required additional documentation to demonstrate the services were performed in accordance with the contract; however, this documentation was missing from the eCOR files of all 62 invoices. Upon follow-up, the responsible RPO West contracting officers and CORs were able to provide the required documents for only two of the 62 service invoices. Example 4 demonstrates this lack of documentation.

#### **Example 4**

*VA officials paid two invoices totaling \$303,328.56 for primary healthcare services at the New Mexico VA Health Care System for a community-based outpatient clinic in Durango, Colorado. According to the COR delegation memorandum, the COR was required to monitor the contractor’s performance to ensure compliance with technical requirements of the contract and submit a contractor performance evaluation report and invoice report summary. However, the required documents were not in the eCOR file. The review team contacted the responsible contracting officer and COR to request the documents. The contracting officer responded and stated the documents were not available, as they were never completed.*

As seen in example 5, some contracting officers provided additional documentation that still did not fulfill the contract requirements.

#### **Example 5**

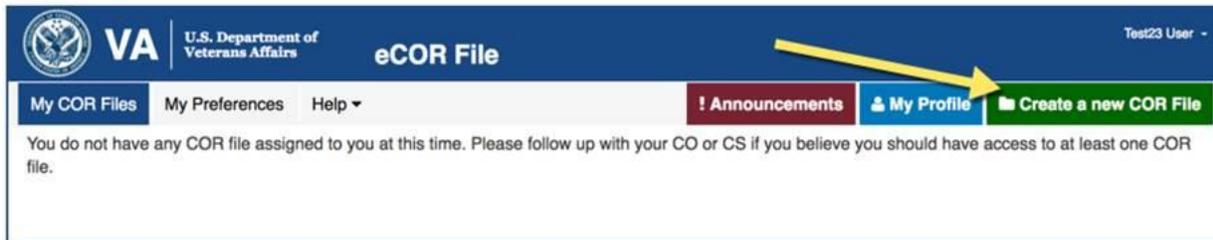
*VA officials paid two invoices totaling \$328,691.71 for design services for the New Mexico VA Health Care System. The COR delegation memorandum required the COR to submit a contractor performance evaluation report, which was not in*

*eCOR. After the review team followed up for this documentation, the contracting officer provided an annual report, which did not fulfill the contract requirements.*

In addition to the unknown payments that result from CORs not maintaining required documents, VA lacks assurance that contractors met quality standards for critical medical services.

## RPO West Contracting Officers Did Not Always Establish eCOR Files

According to federal regulation, CORs must maintain a file for each contract they are responsible for monitoring and administering.<sup>49</sup> In alignment with this requirement, VA mandated the use of eCOR.<sup>50</sup> Once the contracting officer creates an eCOR file, the COR is required to upload contract administration documentation, such as acceptance and acceptability documentation. Figure 3 shows how contracting officers create a new eCOR file.



**Figure 3.** Screenshot of how to create an eCOR file.

Source: VA eCOR File End User Guide, Release 2.8, June 2017.

The OIG found RPO West contracting officers did not establish eCOR files for 65 percent of contracts reviewed (32 of 49). Without eCOR files, CORs are unable to maintain the required documentation in the official contract file and centralized repository to ensure future auditability, as required by VA policy.<sup>51</sup> For example, the CORs for the 59 invoices associated with these 32 contracts were unable to comply with the requirement to upload the documentation to the required eCOR file.

VHA's ineffective implementation of the mandatory use of eCOR contributed to RPO West contracting officers not establishing the files. The review team requested the implementation instructions for the mandatory usage of eCOR from officials at the Procurement Audit Office. According to these officials, the office did not develop any procedures or instructions to supplement the information provided in the memorandum from the deputy under secretary for health for operations and management.<sup>52</sup> However, the memorandum was only provided to senior officials within the network contracting offices, and provided only limited instructions: where to access eCOR, a link to the eCOR file user guide, and guidance for users to contact an

<sup>49</sup> FAR 1.604.

<sup>50</sup> VA Acquisition Manual Part M804, sub. M804.802-70(g).

<sup>51</sup> VA Acquisition Manual Part M804.802-70.

<sup>52</sup> VHA deputy under secretary for health for operations and management memo.

assigned contracting officer or the network contracting office with any questions. Figure 4 provides an excerpt from the memorandum.

3. The eCOR file system is available at <https://vawww.oas.aac.dva.va.gov/sites/eCERT/COR/cor-home.aspx#/> along with instructions for using the system. See [eCOR File-Complete User Guide](#).
4. Should there be any questions regarding this matter, please contact your assigned CO or the Network Contracting Office that oversees your contract requirements.

*Figure 4. Items 3 and 4 from the deputy under secretary for health for operations and management memorandum.*

*Source: Deputy under secretary for health for operations and management memorandum.*

According to RPO West contracting officials, training was provided in FY 2016 and FY 2017. However, the VHA Procurement Policy Office did not develop procedures to ensure contracting staff were made aware of the eCOR requirement. Senior officials at RPO West's network contracting offices also failed to ensure contracting staff were using eCOR, for example through routine monitoring. Although some branch chiefs indicated they were aware of the requirement to use eCOR, in one instance a COR stated they were unaware of the requirement. As contracting officers are responsible for establishing the eCOR file and CORs must maintain documentation, it is essential that they be aware of and comply with the requirement.

In February 2020, VHA revised its procurement manual to communicate the requirement that contracting officers are responsible for creating an eCOR file when CORs are assigned and that CORs are required to maintain the eCOR file.<sup>53</sup> Therefore, the OIG did not make a recommendation on this issue.

## **VHA Officials Did Not Fully Understand Their Responsibilities to Document Acceptance**

The OIG found RPO West contracting officials did not properly maintain acceptance documentation in the contract files to justify payment for the majority of invoices. Some files lacked COR delegation memorandums; others contained COR delegation memorandums that were not signed by contracting officers. A COR is not authorized to certify invoices for payment without a signed delegation of authority memorandum from the contracting officer. The signatures on COR delegation memorandums are a control mechanism to ensure the signatories acknowledge and understand the COR's responsibilities and authority. When a COR delegation memorandum is not signed by the contracting officer, the duties are not officially delegated to

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<sup>53</sup> VHA Procurement Manual 801.603-70, rev. 7, sub. 3.4.5.

the COR. In addition, if the program office does not sign the memorandum, VHA does not have assurance that the COR is qualified. VHA risks allowing individuals to perform contracting actions without assuring they are properly trained, certified, or qualified. CORs are also required to certify that they accept and understand their duties. Without the memorandum or a properly signed memorandum, there is no evidence that the COR is fully informed about their responsibilities, the contract terms, or the extent of any limitations on their authority. As a result, they could unnecessarily expose the government to the risk of fraud, illegally obligate government funds to a contractor, or make unauthorized contract changes.

For 69 percent of the contracts reviewed (34 of 49), the OIG identified that RPO West contracting officers did not complete COR delegation memorandums as required. Of the 34 noncompliant contracts, 19 contained incomplete memorandums that lacked all required signatures. The remaining 15 noncompliant contracts either did not include a memorandum at all, provided the wrong type of memorandum, or contained the wrong contract numbers.<sup>54</sup> Without the completed memorandums, VA lacks assurance that the CORs understood their duties and all parties were fully informed about their responsibilities.

The lack of completed COR delegation memorandums, including those that are not signed by the contracting officers, may result in improper approval of invoices leading to technically improper payments.<sup>55</sup> During this review, the team identified three such instances on two contracts, as seen below.

### **Example 6**

*In June 2020, VHA awarded a contract for architectural and engineering services. In October 2020, the COR certified all services on the invoice were received in accordance with the contract and approved payment for the invoice for almost \$200,000. However, the contracting officer did not delegate oversight responsibility for the contract to the COR until April 2021, after the payment was made. Therefore, the payment was technically improper.*

### **Example 7**

*In April 2020, VHA awarded a contract for healthcare services. The contracting officer partially completed a COR delegation memo; however, she did not sign the memo. Therefore, the official identified as the COR in the memo was never delegated the COR responsibilities. In June and August 2020, the identified COR,*

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<sup>54</sup> VHA Procurement Manual 801.603-70, rev. 8, sub. 5.1.5, “Contracting Officer Representative SOP,” May 7, 2021. A nomination memorandum is an official notification from the program office that the nominee has the required competencies to fulfill the duties of the COR.

<sup>55</sup> VA OIG, *Contracted Residence Programs Need Stronger Monitoring to Ensure Veterans Experiencing Homelessness Receive Services*, Report No. 19-08267-147, July 22, 2021.

*without proper delegation, approved two payments that totaled about \$4.4 million, which are technically improper.*

In the remaining instances, even though the COR was not delegated properly, the payments were not determined to be technically improper.<sup>56</sup>

The review team found that even with a properly executed COR delegation memorandum, officials did not always fully understand their responsibilities for maintaining acceptance documentation. Of the 15 contracts with completed COR delegation memorandums, seven did not contain the required documentation. The team developed a questionnaire and interviewed contracting officials to identify reasons for noncompliance and determine whether acceptance documentation was available outside of the contract file. Contracting officials' responses clearly demonstrated that they lacked understanding of the acceptance documentation requirements. For example, one contracting officer incorrectly thought acceptance documentation was not required if the contract action was below the simplified acquisition threshold.<sup>57</sup> However, being under the simplified acquisition threshold does not change the requirement to maintain this documentation. In another example, despite signing the COR delegation memorandum, a COR stated that she did not know she was supposed to maintain documentation that demonstrated acceptance.

## **Contracting Officials' Workload Affected Prioritization and Oversight**

Two years after it identified VA contracting officers' workload as an area of concern, GAO determined workload challenges were still an issue.<sup>58</sup> According to several RPO West contracting officials, heavy workload contributed to noncompliance with establishing and monitoring eCOR files, completing and uploading COR delegation memorandums, and maintaining acceptance documentation. Additionally, RPO West leaders often prioritized contract awards over contract administration to ensure veteran needs were met.

Although contracting officers are responsible for overseeing CORs, they reported that their heavy workload hinders their ability to effectively oversee and ensure compliance. Similarly, branch chiefs reported that their assigned contract workload affected their ability to perform their oversight responsibilities. Figure 5 shows the primary duties of branch chiefs.

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<sup>56</sup> VA Acquisition Regulation 801.603-71. The contracting officer may designate other competent personnel to receive and inspect supplies, equipment, and services at a VA facility. As the team had already evaluated 67 invoices and determined the payments were unknown payments due to the lack of required documentation, it did not conduct further analysis on these payments to determine whether they were improper based on the COR delegation memorandum requirement.

<sup>57</sup> The simplified acquisition threshold is set by the FAR at 48 Code of Federal Regulations sub 2.1 in accordance with 41 U.S.C. 1908. Simplified acquisition threshold means the dollar amount under which an entity may purchase goods and services using expedited small purchase methods.

<sup>58</sup> GAO, *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*; GAO, *Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas*.



*Figure 5. Branch chief responsibilities.*

*Source: VA OIG analysis of the VHA Procurement Manual.*

Branch chiefs are senior contracting officers responsible for providing oversight to teams of contracting officers. As part of those oversight responsibilities, branch chiefs must ensure their assigned contracting officers comply with federal regulations and VA policy when awarding and administering contracts. One branch chief explained that, in addition to managing his own workload, he supervises contracting officers who are responsible for up to 30 contracts each. Another branch chief stated that due to workload he has limited time to make sure contracting officers are doing their jobs, but does his best to perform these oversight duties while keeping up with the awarding and administering of contracts from his own workload.

RPO West officials stated they have taken steps to focus on contract administration since December 2019 by scheduling a designated workday for these tasks. Once a week, staff focus on contract administration duties. While the OIG recognizes RPO West leaders' attempt to address these issues, they should evaluate whether 20 percent of the work week is sufficient time to ensure compliance with requirements.

## **VA Acquisition Academy's COR Training Did Not Address the Use of eCOR**

The VA Acquisition Academy is responsible for providing acquisition training to all VA acquisition staff. The academy has specific training for CORs to obtain the necessary skills and knowledge to provide oversight and administration of contracts in accordance with federal and VA regulations. One of the desired outcomes from the training is to ensure CORs understand their duties and responsibilities to document their files in accordance with agency-specific requirements. However, the academy did not update its COR training to reflect when the use of eCOR became mandatory in 2018. By not addressing this requirement, the academy's training may have contributed to the lack of understanding regarding the required use of eCOR.

As a direct result of the review team identifying this oversight in the training, VA Acquisition Academy leaders took the necessary steps to update the COR training to include the mandatory use of eCOR. Therefore, the OIG did not make a recommendation on this issue.

## Conclusion

RPO West contracting officials did not consistently document the acceptability of supplies and services and maintain contract documentation as required. Contracting officers did not always establish eCOR files, while CORs routinely neglected to maintain adequate documentation of contractor performance. Several issues contributed to noncompliance with contract administration, including heavy workload, the prioritization of contract awards, and the lack of understanding of responsibilities by officials at all levels. Until contracting officers consistently accept and maintain contract documentation as required, VHA will remain at unnecessary financial and legal risk. Finally, VHA lacks assurance that veterans are receiving the supplies and services required by the contracts to meet their needs.

## Recommendations 1–8

The OIG made the following recommendations to the executive director of VHA Procurement:

1. Establish controls to ensure contracting officers' representatives upload required documentation of acceptability of supplies and services to the electronic contracting officer representative file prior to payment.
2. Establish a requirement and a process for branch chiefs to consistently monitor contract administration documentation.
3. Assess existing contracts that require an electronic contracting officer representative file and take corrective actions to ensure compliance.
4. Establish controls to ensure contracting officers create an electronic contracting officer representative file for all contracts requiring a contracting officer's representative.
5. Assess existing contracts to ensure contracting officers have completed contracting officer's representative delegation memorandums, if required.
6. Establish controls to ensure contracting officers and contracting officer's representatives have a completed contracting officer's representative delegation memorandum in the electronic contracting officer representative file, if required.
7. Establish a quality assurance process to ensure compliance with contract administration requirements for establishing an electronic contracting officer representative file, completing contracting officer's representative delegation memorandums, and maintaining acceptance documentation.
8. Assess whether additional training is needed to clarify officials' roles and responsibilities for documenting acceptance of supplies and services.

## VA Management Comments

The executive director of VHA Procurement concurred with two recommendations and concurred in principle with six recommendations. For recommendation 1, the executive director concurred in principle with the recommendation to establish controls to ensure CORs upload required documentation of acceptability of supplies and services to the eCOR file prior to payment. VHA provided an action plan with a target completion date of December 2022.

The executive director concurred with recommendation 2 to establish a requirement and a process for branch chiefs to consistently monitor contract administration documentation. He stated the RPOs have also created methods to monitor contract administration through the RPO procurement analyst contract reviews and the VHA Procurement Audit team internal audits. VHA requested closure of this recommendation, stating that the FAR, VA Acquisition Regulation, and VA Acquisition Manual address contract administration and what is required.

In response to recommendation 3, RPO West will assess existing contracts that require an eCOR file and take corrective actions to ensure compliance. VHA's target completion date for this assessment is October 2022.

The executive director concurred in principle with recommendation 4 to establish controls to ensure contracting officers create an eCOR file for all contracts requiring a COR. The executive director requested closure of the recommendation, stating that existing controls are sufficient.

The executive director concurred in principle with recommendation 5 to assess existing contracts to ensure contracting officers have completed COR delegation memorandums, if required. The executive director stated the VHA Procurement Audit team completed assessments of COR delegation memorandums on existing contracts throughout 2021, most recently in December 2021; therefore, he requested the recommendation be closed.

For recommendation 6, the executive director concurred in principle and requested closure. He stated the existing controls were sufficient to ensure contracting officers and CORs have a completed COR delegation memorandum in the eCOR file. The executive director also concurred in principle with recommendation 7 and requested closure, indicating the existing quality assurance process is sufficient to ensure compliance with contract administration requirements for establishing an eCOR file, ensuring COR delegation memorandums are completed, and maintaining acceptance documentation.

For recommendation 8, the executive director of VHA Procurement concurred in principle with assessing whether additional training is needed to clarify officials' roles and responsibilities for documenting acceptance of supplies and services. VHA indicated that training and existing controls are sufficient and requested closure of this recommendation.

## OIG Response

For recommendation 1, the OIG determined the action plan was responsive. The OIG will monitor implementation and close the recommendation when VHA provides sufficient evidence demonstrating progress in addressing the intent of the recommendation and the issue identified.

Although VHA requested closure of recommendation 2, the FAR, VA Acquisition Regulation, and VA Acquisition Manual existed at the time of the review and did not prevent the issues identified. Therefore, this recommendation will remain open until VHA provides evidence demonstrating progress in addressing the intent of the recommendation and the issue identified.

For recommendation 3, the OIG will close the recommendation once VHA provides evidence of completion.

For recommendation 4, the cited controls for creating an eCOR file for all contracts requiring a COR were in place during the review period and did not prevent the issues identified. The OIG will therefore keep the recommendation open until VHA demonstrates progress in addressing the intent of the recommendation and the issue identified.

The executive director requested closure of recommendation 5; however, the team reviewed the evidence provided by VHA and found that compliance with the FAR requirements to complete COR delegation memorandums decreased from May to December 2021. In addition, VHA did not provide any indication or evidence that corrective actions were taken to remediate the deficiencies discussed in the report. Therefore, this recommendation will remain open until VHA demonstrates progress in ensuring COR delegation memorandums are properly executed, when required. Further, in its response to recommendation 5, the executive director stated, “Per the FAR, CORs are delegated at the discretion of the contracting officer.” The OIG clarified that it did not assert that CORs must be delegated for every contract. However, when contracting officers do delegate a COR, they are required to take certain steps in accordance with the FAR. VHA is responsible for ensuring compliance.

For recommendations 6 and 7, as with previous recommendations, VHA indicated existing controls were sufficient and requested closure of these recommendations. Again, the OIG notes the controls were in effect at the time of this review and did not prevent the issues identified in this report. Therefore, until VHA takes steps to ensure compliance, the recommendations will remain open.

For recommendation 8, the executive director indicated that training and existing controls are sufficient to clarify officials’ roles and responsibilities for documenting acceptance of supplies and services. However, he did not provide documentation to support the basis of VHA’s determination. Therefore, the OIG will keep the recommendation open until VHA provides evidence of an assessment.

## Appendix A: Scope and Methodology

### Scope

The review team conducted its work from January 2021 through March 2022. The review evaluated whether RPO West contracting officials appropriately accepted supplies and services. The team reviewed a sample of 93 randomly selected invoices from 49 RPO West contracts valued at over \$100,000 awarded from January 1, 2020, through June 30, 2020, where supplies or services had already been accepted, payment had been issued, and a COR had been designated.

### Methodology

To accomplish the objective, the team identified and reviewed federal regulations and VHA policies related to the processes by which contract deliverables are inspected, accepted, and paid for. The team then selected and reviewed a statistical sample of 49 RPO West contracts. It obtained a list of invoices authorized for payment for each of the sampled contracts and selected and reviewed a statistical sample of 93 invoices.

The review team examined eCOR files to determine whether the contracting officer and COR established and properly maintained the eCOR files for each sampled contract. The team also examined eCMS and eCOR to determine whether contracting officers properly designated a COR using VHA's COR delegation memorandum.

The review team also used eCMS and eCOR to review the relevant contract documentation for each contract and requested documentation from VHA officials that demonstrated the COR reviewed, inspected, and accepted supplies and services and that met the terms and conditions of the contract prior to authorizing payment for each sampled invoice. The team also reviewed the 93 invoices for compliance with the documentation requirements associated with the contracts and COR delegation memorandums.

The review team interviewed RPO West officials. The team sent questionnaires to contracting officers and CORs who were responsible for documentation for the 49 contracts and 93 invoices in the sample. As necessary, the team followed up with RPO West contracting officials to obtain clarification regarding contract documentation and request additional documentation to ensure compliance with federal regulations, the VHA procurement manual, and individual contract requirements. In addition, for one of the supply invoices in the sample, the team physically verified the items were delivered, met the quantity and quality requirements of the invoice, and complied with the terms and conditions of the contract.

## Fraud Assessment

The review team assessed the risk that fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, significant within the context of the review objectives, could occur during this review. The team exercised due diligence in staying alert to any fraud indicators by

- identifying indicators of fraud, and
- soliciting the OIG's Office of Investigations for indicators for investigations related to the team's review.

The OIG did not identify any instances of fraud or potential fraud during this review.

## Data Reliability

To generate a sample of contracts, the review team obtained a report from eCMS that contained a population of RPO West contracts valued at over \$100,000 with award dates from January 1, 2020, through June 30, 2020, where supplies or services had already been accepted, payment had been issued, and a COR had been designated. Testing was performed on the data for validity by comparing the information in the report to information in eCMS. The team determined that the data were reliable to support its findings, conclusions, and recommendations.

To generate a sample of invoices, the review team obtained a list of invoices from the Financial Management System for each contract in the sample of contracts. Testing was performed on the data for validity by verifying that the invoices selected were associated with the contracts.

## 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 B: Statistical Sampling Methodology**

### **Approach**

To assess RPO West officials' compliance with acceptance requirements, the review team evaluated a two-stage sample of contracts and related invoices. The first-stage sample consisted of 49 RPO West contracts valued at over \$100,000 each, awarded from January 1, 2020, through June 30, 2020, where supplies or services were accepted by VHA, payment issued, and a COR designated. The second-stage sample consisted of 93 invoices from the 49 sampled contracts that were authorized for payment by February 9, 2021.

### **Population**

The universe consisted of 583 contract actions awarded by RPO West between January 1, 2020, and June 30, 2020, as recorded in eCMS, that met the following additional parameters:

- Had a value greater than \$100,000
- Were not for a lease, utility, revenue, ratification, or healthcare resource
- Had a designated COR

The review team also selected a sample from a universe of 438 invoices related to the selected contracts and authorized for payment by February 9, 2021, as recorded in the Financial Management System. All 583 contracts and 438 invoices were included in the population and had a chance of selection with the following exceptions:

- Construction contracts
- Invoices not authorized for payment by February 9, 2021

### **Sampling Design**

The review team selected 49 contracts using stratified random statistical sampling of the universe of contracts awarded from January 1, 2020, through June 30, 2020. The population was stratified based on the dollar amount of each contract based on obligated amounts. The team divided the amounts obligated on each contract into strata: low payment amounts, medium payment amounts, high payment amounts, and very high payment amounts. The contracts were then grouped so that each stratum had approximately the same total value when the values of the contracts in the strata were added together. A fifth stratum of only one record was included because the contract had a much higher value than any other contract. The team elected to add the contract from the fifth stratum to the review. The sample was randomly selected within groups, which allowed for the selection of contracts in random order. All contracts had a chance

of being selected. To facilitate the selection of contracts, the team used stratified random procedures in sample selection software. Table B.1. provides an overview of the strata.

**Table B.1. Strata**

Stratum	Definition	Number of contracts	Value of award(s)	Sample size
1	Greater than \$12,424,513	1	\$12,424,513	1
2	From \$2,497,393 to \$12,424,513	18	\$70,263,518	5
3	From \$1,188,538 to \$2,483,805	50	\$86,136,223	13
4	From \$425,118 to \$1,183,984	122	\$84,693,677	15
5	Less than \$424,917	392	\$84,673,422	15

Source: VA OIG statistician’s stratified population. Data were obtained from eCMS.

After selecting the 49 contracts for review, the team developed a second universe of 438 associated invoices that were authorized for payment. The second universe was retrieved from the Financial Management System. Using simple random sampling, the team selected a sample of two invoices from each contract selected for review. As five of the contracts did not have multiple associated invoices that were paid and within scope, the 93 invoices selected for review included 88 invoices related to 44 contracts and five invoices related to five contracts.

Table B.2 identifies the OIG’s 49 sampled RPO West contracts and 93 sampled invoices associated with those contracts.

**Table B.2. RPO West Contracts and Associated Invoices**

Contract sample number	Contract	Order	Invoice sample number	Invoice
1	36C26220D0023	36C26220N0413	1	UHC349122
			2	UHC349249
2	36C25720D0069	36C25720N0357	3	GHVA00020
			4	GHVA00022R
3		36C25720P0585	5	17091
			6	16963

Contract sample number	Contract	Order	Invoice sample number	Invoice
4		36C26020N0153	7 8	000000031680AA 000000032011AA
5		36C26020P0675	9 10	1236A 1246
6	36C25720C0035	—	11 12	SANE0079 SANE0078
7	36C25720C0047	—	13 14	SANW0071 SANW0073
8	36C25720C0066	—	15 16	CBRE12292020 CBRE09012020
9	36C25720C0072	—	17 18	2425 2491
10	36C25720D0010	36C25720N0342	19 20	VASEP2020 VANOV2020
11	36C25720D0013	36C25720N0396	21 22	SHERMAN04 SHERMAN1
12	36C25720D0019	36C25720N0204	23 24	DSB0015678 DSB0015909
13	36C25720D0046	36C25720N0347	25 26	TX70253 TX70255
14	36C25820D0025	36C25820N0208	27 28	7DURANGOVAPCCLINIC79 INV162DURANGO
15		36C25720N0206	29 30	909 157
16		36C25720P0200	31 32	CSI110522 CSI118539
17		36C25720P0597	33 34	ATI9265 ATI9279
18		36C25720P0728	35 36	793 788
19		36C25820P0112	37 38	21008 20100

Contract sample number	Contract	Order	Invoice sample number	Invoice
20		36C26020P0665	39 40	31799 31801
21		36C26120P0857	41	39398A
22	36C25720D0003	36C25720N0252	42 43	18866 19194
23	36C25720D0049	36C25720N0327	44 45	DSB0015425 DSB0015974
24	36C25720D0080	36C25720N0390	46 47	5646356706 5646321119
25		36C25720N0356	48 49	9187531025 945452020080
26		36C25720P0678	50 51	13672080120 260161540291745JUN20
27		36C25820P0097	52 53	303 305
28		36C26120P0499	54 55	0620HOPTTELKAUAI 02022920HOPGUAM
29		36C26120P0860	56 57	23576 23523
30		36C26120P0871	58 59	21513 21649
31		36C26220P0859	60	PSI53218
32	36C25718D0050	36C25720N0143	61 62	119112IN 0121682IN
33	36C25718D0120	36C25720F0224	63	8002253887
34	36C25720C0041	—	64 65	DSB0015053B DSB0015179B
35	36C25720D0081	36C25720N0391	66 67	DSB0015892 DSB0015755
36	36C25819D0034	36C26220N0615	68 69	20200242 20200225
37	36C25819D0053	36C25820N0269	70	19930601

Contract sample number	Contract	Order	Invoice sample number	Invoice
38	36C25819D0054	36C26220N0555	71 72	50120101INVOICENO2 INVOICENO3REV2
39	36C25720C0062	—	73 74	200815 200615
40	36C26020D0011	36C26020N0307	75 76	NGCOUNTYVACLINICS152 NGCOUNTYVACLINICS150
41	36F79718D0374	36C26120N0713	77 78	341589977513 340267631
42	GS-21F-0134W	36C25720F0234	79 80	5253580624 5254293918
43	36C25720C0080	—	81 82	MEINVNO2020137 MEINVOICENO2020255A
44	36C25820D0017	36C25820N0156	83 84	MAY2020B SEPTEMBER2020B
45	VA258-17-D-0001	36C25820N0233	85 86	S5163952 S5127904C
46	36C25720C0082	—	87 88	20200904 20200903
47	36C26018D0049	36C26020N0437	89 90	200131 200133
48	36C25720D0040	36C25720N0349	91	5159926
49	36C25720D0087	36C25720N0429	92 93	9000679615 9000704156

Source: VA OIG. Data were obtained from eCMS.

## Appendix C: Monetary Benefits in Accordance with Inspector General Act Amendments

<b>Recommendations</b>	<b>Explanation of Benefits</b>	<b>Better Use of Funds</b>	<b>Questioned Costs</b>
1, 2, 5, 6, and 7	VHA officials accepted supplies and services and VA officials authorized invoice payments without adequate documentation or authority.		\$12.8 million
	<b>Total</b>		<b>\$12.8 million</b>

## Appendix D: Management Comments

### Department of Veterans Affairs Memorandum

Date: June 10, 2022

From: Executive Director, VHA Procurement

Subj: OIG Draft Report, Inadequate Acceptance of Supplies and Services at Regional Procurement Office West Resulted in \$12.8 Million in Questioned Costs, 2021-01081-AE-0045

To: Assistant Inspector General for Audits and Evaluations

1. I have reviewed the draft report and concur or concur in principle with 8 of 8 recommendations.
2. Attached is the VHA Procurement corrective action plan for the report's recommendations.

(Original signed by)

Ricky L. Lemmon

Executive Director, VHA Procurement

Veterans Health Administration

**VETERANS HEALTH ADMINISTRATION (VHA)**

**OIG Draft Report Action Plan**

**OIG Draft Report: Inadequate Acceptance of Supplies and Services at Regional Procurement Office West Resulted in \$12.8 Million in Questioned Costs**

**The OIG Recommends that the Executive Director for the Regional Procurement Offices:**

**Recommendation 1: Establish controls to ensure contracting officers' representatives upload required documentation of acceptability of supplies and services to the electronic contracting officer representative file prior to payment.**

**VHA Comments:** Concur in Principle

VHA Support and Operations offices will collaborate to address this recommendation and requests a target completion date of December 2022.

Status: Target Completion Date:

In Progress December 2022

**Recommendation 2: Establish a requirement and a process for branch chiefs to consistently monitor contract administration documentation.**

**VHA Comments:** Concur

VHA Support believes existing controls are sufficient as demonstrated through various submissions and meetings to OIG and requests to close this recommendation. The FAR, VAAR and VAAM address contract administration and what is required. RPOs have also created methods to monitor contract administration through the RPO Procurement Analyst contract reviews as well the VHA Procurement Audit team internal audits.

**Recommendation 3:**

**Assess existing contracts that require an electronic contracting officer representative (eCOR) file and take corrective actions to ensure compliance.**

**VHA Comments:** Concur

RPO West will review any open contracts with an eCMS COR data value and determine (1) if a COR is properly delegated (2) has an eCOR file been established and (3) take corrective action if necessary.

Status: Target Completion Date:

In Progress October 2022

**Recommendation 4: Establish controls to ensure contracting officers create an electronic contracting officer representative file for all contracts requiring a contracting officer's representative.**

**VHA Comments:** Concur in Principle

VHA Support believes existing controls are sufficient and requests to close this recommendation. The FAR, VAAR and VAAM address contract administration and what is required. RPOs have also created methods to monitor contract administration through the RPO Procurement Analyst contract reviews as well the VHA Procurement Audit team internal audits.

**Recommendation 5: Assess existing contracts to ensure contracting officers have completed contracting officer's representative delegation memorandums, if required.**

**VHA Comments:** Concur in Principle

The VHA procurement audit team completed assessments of COR delegation memorandums on existing contracts throughout 2021, most recently in December 2021 and therefore requests to close this recommendation. The assessments reviewed whether or not existing contracts contained a COR delegation memorandum if a COR was identified in eCMS. Per the FAR, CORs are delegated at the discretion of the contracting officer.

**Recommendation #6: Establish controls to ensure contracting officers and contracting officer's representatives have a completed contracting officer's representative delegation memorandum in the electronic contracting officer representative file, if required.**

**VHA Comments:** Concur in Principle

VHA Support believes existing controls are sufficient and requests to close this recommendation. The FAR, VAAR and VAAM address contract administration and what is required. RPOs have also created methods to monitor contract administration through the RPO Procurement Analyst contract reviews as well the VHA Procurement Audit team internal audits.

**Recommendation #7: Establish a quality assurance process to ensure compliance with contract administration requirements for establishing an electronic contracting officer representative file, completing contracting officer's representative delegation memorandums, and maintaining acceptance documentation.**

**VHA Comments:** Concur in Principle

VHA Support believes existing controls are sufficient and requests to close this recommendation. The FAR, VAAR and VAAM address contract administration and what is required. RPOs have also created methods to monitor contract administration through the RPO Procurement Analyst contract reviews as well the VHA Procurement Audit team internal audits.

**Recommendation #8: Assess whether additional training is needed to clarify officials' roles and responsibilities for documenting acceptance of supplies and services.**

**VHA Comments:** Concur in Principle

VHA Support believes training and existing controls are sufficient and requests to close this recommendation. VAAM M801.604-70 and VA Handbook 7403 both address training requirements for CORs. VAAA offers COR training which is required for the COR to become certified and VHA Support provides additional training to the COR. The Acquisition Knowledge Portal (AKP) contains, under eCMS Resources and Tools page, a link under eCMS Training Systems for ECOR File Training Materials and Complete Use Guides available to both the CO and COR.

*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

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