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VETERANS HEALTH ADMINISTRATION

Contract Closeout
Compliance Needs
Improvement at Regional
Procurement Offices Central
and West

REVIEW

REPORT #21-02599-156

JULY 13, 2022



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Executive Summary

VA has one of the largest acquisition functions in the federal government, with contracting officers obligating approximately \$33.2 billion in taxpayer money during fiscal year (FY) 2021.¹ Contracting officers are responsible for ensuring compliance with all terms and conditions of the contracts they enter into for goods and services.² The contract closeout process is when contracting officers make certain that VA has received and accepted deliverables, paid the contractor, mitigated potential future financial and legal claims against the government, and deobligated excess funds to make them available for other uses that benefit veterans.³ The closeout process is essential because it is the last opportunity for contracting officers to make sure the government's interests are protected.

The Veterans Health Administration (VHA) has three regional procurement offices (RPOs) that acquire supplies and services to support the medical facilities within their regions (Central, East, and West). In FY 2020, the VA Office of Inspector General (OIG) published a report on contract closeout compliance at RPO East.⁴ Because of problems identified there, the OIG conducted this review to determine whether RPOs Central and West contracting officers adequately performed and documented contract closeout requirements. When contracting officers do not follow the necessary steps to close out contracts, they increase future financial and legal risk to the government and may prevent it from obtaining the maximum benefit of any unused funds. Therefore, to protect veterans and taxpayer dollars, contracting officers must maintain the necessary evidence to demonstrate contractor compliance with contract terms and conditions.

What the Review Found

The team reviewed a random sample of 55 RPO Central contracts and 40 RPO West contracts, each valued at over \$500,000, that were closed between June 1 and December 31, 2020. Based on the team's review, the OIG found that RPOs Central and West contracting officers did not perform required contract closeout duties.⁵ Reasons included unclear policies and systems, as well as ineffective oversight of the closeout process. Contracting officers also informed the team

¹ "Federal Contract Actions and Dollars," General Services Administration Federal Government computer system SAM.gov, accessed October 5, 2021. 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.

² Federal Acquisition Regulation (FAR) 1.602-2.

³ VA Financial Policy, vol. 2, chap. 5, "Obligations Policy," October 2020. Deobligation is a cancelation or downward adjustment of previously incurred obligations.

⁴ VA OIG, *Review of Regional Procurement Office East's Contract Closeout Compliance*, Report No. 19-05866-82, February 27, 2020.

⁵ Appendix A provides details on the review's scope and methodology.

that a heavy workload and the prioritization of awarding contracts affected their ability to comply with contract administration requirements.

The OIG found that contracting officers at RPOs Central and West did not close about 67 percent of the contracts reviewed (64 of 95) within the required time standards.⁶ The Federal Acquisition Regulation (FAR) and the VHA procurement manual establish time standards for closing contract files.⁷ Specifically, firm-fixed-price contracts that do not use simplified acquisition procedures are required to be closed within six months of completion. Contracts that use simplified acquisition procedures should be closed within 30 days upon receipt of property and final payment. By not closing contracts timely, VHA risks any excess funds being canceled and unavailable for future use. The OIG also found contracting officers did not fulfill their duty to timely deobligate about \$4.4 million in excess funds that could have been redirected to other projects for veterans.

In addition, the OIG found that only about 15 percent of the contracts reviewed had all the required contract closeout documentation. The OIG also found that contracting officers did not comply with at least half of the closeout requirements in about 18 percent of the contracts reviewed (17 of 95). The RPOs' most frequently occurring noncompliance issues involved failure to maintain (1) a Contractor Performance Assessment Reporting System final report and (2) evidence of receipt of property and acceptance of service. Contracting officers also failed to

- provide evidence that final payment was made,
- document contract completion statements,
- identify and deobligate funds,
- archive the contract folder in the electronic system, and
- document the contractors' closing statement for commodities and services or release of claims for construction or architect-engineer contracts.⁸

Complete contract files ensure necessary information is available for reviews, investigations, litigation, or congressional inquiries.

Table 1 provides a summary of the team's review.

⁶ Appendix B gives more information on these contracts.

⁷ FAR 4.804-1; VHA Procurement Manual, part 804.804-1, rev. 08, "Contract Closeout SOP," July 31, 2020.

⁸ Appendix C lists contracts under which excess funds were deobligated late. Appendix D presents the results of the OIG team's closeout documentation review.

Table 1. Overview of RPOs Central and West Contract Closeout Compliance

RPO	Contract was not closed within time standards		Excess funds were not deobligated within time standards		Closeout requirements were not met	
	Contracts	Percent	Contracts	Value (\$ million)	Contracts	Percent
Central	33	60	13	1.1	46	84
West	31	78	15	3.3	35	88
Total	64	67	28	4.4	81	85

Source: VA OIG analysis of RPOs Central and West contracts.

Note: Values are rounded.

What the OIG Recommended

The OIG recommended the executive directors for RPOs Central and West (1) establish consistent quality assurance reviews, (2) balance contracting officer workload, (3) update guidance on the use of simplified acquisition procedures, (4) consider additional strategies to ensure contract closeout compliance, and (5) verify that the contract files for the 81 sampled contracts have complete closeout documentation. The estimated monetary benefits from implementing the recommendations are shown in appendix E.

VA Comments and OIG Response

The executive director of VHA Procurement concurred in principle with all five recommendations. For recommendation 1, the executive director submitted a responsive action plan to conduct contract closeout assessments. The OIG will monitor implementation and close the recommendation when VHA provides evidence that demonstrates it has addressed the intent of the recommendation and the issue identified.

For recommendation 2, the executive director requested the recommendation be closed as VHA has a tool that is used to evaluate workload. However, the workload tool 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.

For recommendation 3, VHA rescinded the VHA Procurement Manual contract closeout standard operating procedure. However, the FAR and VA Acquisition Manual do not clarify when VHA contracting officers should use simplified acquisition procedures for contract closeout procedures and the required documentation. Until VHA takes the necessary steps to address the intent of the recommendation, it will remain open.

For recommendation 4, the executive director requested the recommendation be closed expressing that existing controls are sufficient. However, the discretionary usage of the controls

was ineffective at the time of the review and did not prevent the issues identified. Until VHA provides evidence that these processes across VHA are sufficient to ensure contract closeout compliance, this recommendation will remain open.

For recommendation 5, VHA uploaded some of the missing documentation for the sampled contracts. The OIG will close the recommendation once VHA provides evidence all required closeout documentation was uploaded. Appendix F includes the full text of comments from the executive director of VHA Procurement.

A handwritten signature in dark ink, reading "Larry M. Reinkemeyer", is positioned above a thin vertical line.

LARRY M. REINKEMEYER
Assistant Inspector General
for Audits and Evaluations

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Abbreviations

eCMS	electronic contract management system
FAR	Federal Acquisition Regulation
FY	fiscal year
GAO	Government Accountability Office
iFAMS	Integrated Financial and Acquisition Management System
OIG	Office of Inspector General
Power BI	Microsoft Power Business Intelligence
RPO	regional procurement office
SAP	simplified acquisition procedures
VHA	Veterans Health Administration



Introduction

VA has one of the largest acquisition functions in the federal government, with contracting officers obligating approximately \$33.2 billion in fiscal year (FY) 2021.⁹ Contracting officers ensure compliance with the contracts they enter into for goods and services, especially during closeout.¹⁰ They make certain that VA received and accepted deliverables, paid the contractor, mitigated potential future financial and legal claims against the government, and deobligated excess funds to make them available for other uses that benefit veterans.¹¹ Closeout compliance is essential because it is the last opportunity for contracting officers to ensure the government's interests are protected. If they do not follow the necessary steps to close out contracts, contracting officers increase financial and legal risk to the government.

In February 2020, the VA Office of Inspector General (OIG) published a report on contract closeout compliance at one of the Veterans Health Administration's (VHA) three regional procurement offices (RPOs), RPO East.¹² In that report, the OIG found contracting officers were not

- closing out contracts within required time standards,
- deobligating millions of dollars in funds timely, and
- adequately documenting contract closeout.

The OIG recommended VHA establish quality assurance reviews for contracts and provide standardized training for contracting officers. As a result, in May 2020, VHA revised the contract closeout procedures in the procurement manual to include more quality assurance reviews and provided closeout training for contracting staff. Based on these actions, the OIG closed the recommendations. The OIG conducted this review to determine whether RPOs Central and West performed and documented closeout requirements in accordance with the Federal Acquisition Regulation (FAR) and VHA's procurement manual.

Government Accountability Office High-Risk List

The Government Accountability Office (GAO) has identified problems with VA's acquisition management. In 2019, GAO's annual high-risk list stated, "VA must demonstrate greater

⁹ "Federal Contract Actions and Dollars," General Services Administration Federal Government system SAM.gov, accessed October 5, 2021. 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.

¹⁰ Federal Acquisition Regulation (FAR) 1.602-2.

¹¹ VA Financial Policy, vol. 2, chap. 5, "Obligations Policy," October 2020. Deobligation is a cancelation or downward adjustment of previously incurred obligations.

¹² VA OIG, *Review of Regional Procurement Office East's Contract Closeout Compliance*, Report No. 19-05866-82, February 27, 2020.

leadership commitment and strategic planning to ensure efficient use of its acquisition funding and staffing resources.”¹³ The GAO identified several acquisition management challenges facing VA, including contracting officer workload, limited contract oversight, and incomplete contract file documentation. Two years later, the GAO determined these challenges were still an issue.¹⁴

Contract Closeout

The FAR establishes the requirements for closing out contract files, and the VHA procurement manual establishes the standard operating procedures for contract closeouts.¹⁵ According to the FAR, contract files must be sufficient to constitute a complete history of the transaction, and the files should include contract completion documents.¹⁶ Furthermore, the VA acquisition manual requires all contract documents that are necessary to support the contracting officer’s decisions throughout the acquisition cycle to be captured in VA’s electronic contract management system (eCMS), VA’s official contract file.¹⁷ The VHA procurement manual also states that once the contract closeout requirements are completed, the contracting officer’s supervisor must archive the contract file in eCMS.¹⁸ Therefore, to protect veterans and taxpayer dollars, contracting officers must maintain the necessary evidence to demonstrate contractor compliance with contract terms and conditions.

Table 2 details VHA contracting officers’ closeout process for contracts that do not use simplified acquisition procedures (SAP). The FAR provides for the use of SAP in all purchases of supplies or services below the simplified acquisition threshold of \$250,000.¹⁹ It also provides special authority for the use of SAP in acquisitions greater than the simplified threshold that do not exceed \$7.5 million (or \$15 million for certain specified acquisitions), including options, if the acquisition is reasonably expected to include only commercial products or commercial services.²⁰ SAP maximizes efficiency and economy and minimizes administrative costs for both the government and industry.²¹ The contract closeout actions outlined in the FAR for non-SAP

¹³ GAO, *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*, GAO-19-157SP, March 2019. The high-risk list provides focused attention on government operations with greater vulnerabilities to fraud, waste, abuse, or mismanagement or that need transformation to address economy, efficiency, or effectiveness challenges.

¹⁴ GAO, *Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas*, GAO-21-119SP, March 2021.

¹⁵ FAR 4.804-5; VHA Procurement Manual, part 804.804-1, rev. 08, “Contract Closeout SOP,” July 31, 2020.

¹⁶ FAR 4.801 and 4.803.

¹⁷ VA Acquisition Manual, part M804.802-70, “Contract files and eCMS,” accessed May 13, 2021, <https://www.va.gov/oal/library/vaam/vaamM804.asp#M804804>.

¹⁸ VHA Procurement Manual, “Contract Closeout SOP.”

¹⁹ FAR 2.101.

²⁰ FAR 13.500.

²¹ FAR 13.002.

contracts may be modified to reflect the extent of administration required on the contract.²² The VHA procurement manual allows certain non-SAP contracts to follow closeout procedures for SAP.²³ These contracts have fewer closeout requirements. Specifically, the VHA procurement manual does not require step 3 shown in the table (a contractor’s closing statement or release of claims) or step 7 (a contract completion statement).

Table 2. VHA Procurement Manual Contract Closeout Process

Step	Documentation or action required	Importance of documentation or action required
1	Evidence of receipt of property for supplies or physical completion and acceptance of services	Confirms contract terms were met and supplies or services were received and accepted
2	Evidence that final payment has been made	Confirms that all procured supplies and services have been paid for by the government
3	Contractor’s closing statement for commodities and services or release of claims for construction and/or architect-engineer contracts	Confirms contract terms were met and releases the government from all liabilities, demands, obligations, and claims
4–5*	Identify excess funds (<i>requirement 4</i>) and deobligate them using a bilateral modification (<i>requirement 5</i>)	Allows unused funds to be used elsewhere to serve veterans
6	Contractor Performance Assessment Reporting System final report	Documents contractor performance on the contract that can be used for future selection purposes
7	Contract completion statement	Confirms the contracting officer has completed all the required steps to close out the contract
8	Archive the contract folder in eCMS as “closed” and insert and adjust the date of the milestone to coincide with the retention period and ultimate destruction date	Ensures compliance with the National Archives and Records Administration requirements for handling, storing, and disposing of contract files

Source: VA OIG analysis of the FAR and VHA Procurement Manual, “Closeout Process for Contracts not using Simplified Acquisition Procedures.”

* The team combined requirements 4 and 5 because requirement 5 depends on requirement 4.

RPO Central and RPO West

The VHA Procurement and Logistics Office supports the purchase of \$15 billion annually in healthcare products and services for VHA. The office’s major components include three RPOs: Central, East, and West. Each RPO is subdivided into network contracting offices.

²² FAR 4.804-1(b).

²³ VHA Procurement Manual, “Contract Closeout SOP.” For the purpose of contract closeout, Orders/Blanket Purchase Agreements under FAR Part 8 and micro-purchases shall follow the closeout procedures for SAP.

In FY 2021, RPOs Central and West obligated more than \$6.9 billion, which is about 21 percent of the total dollars VA obligated. These RPOs also awarded more than 123,000 contract actions. Table 3 summarizes RPOs Central and West contracting actions in FY 2021.

**Table 3. FY 2021 Overview of RPOs Central and West
Contract Actions**

RPO	Amount obligated (\$ billion)	Contract actions
Central	4.2	66,612
West	2.7	57,314
Total	6.9	123,926

Source: "Federal Contract Actions and Dollars," General Services Administration Federal Government system SAM.gov, accessed October 5, 2021.

Note: Values are rounded.

Results and Recommendations

Finding: Contracting Officers at RPOs Central and West Did Not Close Out Contracts Adequately

The OIG found that RPOs Central and West contracting officers did not consistently close out contract files in accordance with the FAR and the VHA procurement manual. Specifically, the team found RPOs Central and West contracting officers did not close about 67 percent of contracts reviewed (64 of 95) within the established time standards and did not deobligate about \$4.4 million in excess funds. In addition, only about 15 percent of the contracts reviewed had all the required contract closeout documentation.

Noncompliance occurred for numerous reasons. Contract closeout was not a priority, and the VHA procurement manual was not clear on documentation requirements. In interviews with the review team, contracting officers stated that a heavy workload affected their ability to fully comply with contract closeout requirements and that additional staff would help with the demand of these duties. The team also found VHA systems required contracting officers to duplicate work. In addition, the RPOs lacked an established oversight process over contract closeout, resulting in incomplete contract closeout. Until contracting officers consistently close out contracts as required, VHA will remain at unnecessary financial and legal risk.

The finding builds on the following determinations:

- Most contracts were not closed on time.
- \$4.4 million in excess funds was not deobligated on time.
- Contract closeout was not fully documented in eCMS.
- Multiple factors contributed to contracting officers' noncompliance with closeout requirements.

What the OIG Did

The team reviewed a selection of 55 RPO Central contracts and 40 RPO West contracts, each valued at \$500,000 or greater, that were closed between June 1 and December 31, 2020.²⁴ All 95 reviewed contracts were firm-fixed-price contracts. A firm-fixed-price contract is a contract with a price that is not adjusted based on the contractor's costs. The review team examined documents maintained in eCMS for each contract file to determine whether RPOs Central and West contracting officers closed out the sampled contracts in accordance with the FAR and the VHA procurement manual. The team also interviewed the contracting officials for clarification

²⁴ VHA Procurement Manual, "Contract Closeout SOP." The 95 contracts were not SAP contracts; however, some contracts followed closeout procedures for SAP based on the VHA procurement manual.

about the contract documentation in eCMS and requested additional documentation when necessary.²⁵

Most Contracts Were Not Closed Timely

The FAR and the VHA procurement manual establish time standards for closing contract files.²⁶ Closing out contract files following these standards helps ensure VHA deobligates unspent funds before they are canceled and returned to the US Department of the Treasury. This allows VHA to use these funds for other appropriate needs.

During the OIG’s review of RPO East, VHA required contracts that used SAP to be closed out immediately upon receipt of property and final payment. The OIG commented that VHA did not clearly define its time standard for “immediately.”²⁷ Subsequently, VHA updated its procurement manual to establish that contracts using SAP would be closed within 30 days.²⁸ For firm-fixed-price contracts that do not use SAP, the time standard is six months (183 days) after the date the contracting officer receives evidence of physical completion.²⁹

As seen in table 4, of the 95 contracts reviewed, contracting officers did not close 64 (about 67 percent) within established time standards.

Table 4. Overview of Contracts Not Closed Timely

RPO	Procedure used	Number of contracts	Number of contracts not closed timely	Highest number of days late	Average number of days late
Central	SAP	24	19	1,852	273
	Non-SAP	31	14	634	201
West	SAP	14	13	2,024	711
	Non-SAP	26	18	3,056	693
Total		95	64		

Source: VA OIG analysis of RPOs Central and West contracts.

Note: The average number of days late are rounded.

RPO Central did not close 33 of 55 contracts reviewed (about 60 percent) within the established time standards. RPO West did not close 31 of 40 contracts reviewed (about 78 percent) within

²⁵ Appendix A provides details on the review’s scope and methodology.

²⁶ FAR 4.804-1; VHA Procurement Manual, “Contract Closeout SOP.”

²⁷ VA OIG, *Review of Regional Procurement Office East’s Contract Closeout Compliance*.

²⁸ VHA Procurement Manual, “Contract Closeout SOP.”

²⁹ FAR 4.804-4. A contract is considered physically complete when the contractor has completed performance and the government has inspected and accepted the supplies and services. The VA OIG calculated six months to be 183 days.

established time standards and consistently took longer to close them. For example, for 24 contracts that were closed more than a year after the established time standards, RPO West was responsible for 19 (about 79 percent). In addition, it was responsible for nine of 11 contracts (about 82 percent) that were closed more than two and a half years late and two of the three contracts that took over five years to close (about 67 percent). Not closing out contracts within the established time standards was an issue identified in the OIG report on contract closeout compliance at RPO East; based on the results of this review, it remains a problem VHA must address.³⁰ See appendix B for details on the contracts that were not closed within the established time standards.

\$4.4 Million in Excess Funds Were Not Deobligated Timely

The FAR and the VHA procurement manual require that excess funds be deobligated before contract files are closed.³¹ Deobligation allows excess funds to be used for future projects in support of veterans. Excess funds that are deobligated during the appropriation's period of availability may be used to incur new obligations.³² For example, annually appropriated funds may be obligated to another program in the fiscal year of the appropriation, whereas multiyear or no-year funds may be obligated in either the same or subsequent fiscal years.³³ Funds deobligated after the appropriations expire are no longer available to incur new obligations but may be retained as available for up to five years to cover appropriate adjustments.³⁴ If VHA does not spend its funding within five years of expiration, the funds cancel and are returned to the US Treasury.³⁵ When VHA does not timely deobligate excess funds, it risks losing money that could be used for another project to support veterans.

The review team considered the deobligation of excess funds to be timely if completed within the time standards for contract closeout established by federal regulation and the VHA procurement manual and before the contract was closed out in eCMS.³⁶

Of the 95 contracts reviewed, 44 required that excess funds be deobligated before closeout. Contracting officers did not meet the requirement for 28 of these 44 contracts (about 64 percent), representing about \$4.4 million in funds.³⁷ Further, contracting officers closed seven of the contracts in eCMS before deobligating about \$1.3 million in excess funds, in direct violation of

³⁰ VA OIG, *Review of Regional Procurement Office East's Contract Closeout Compliance*.

³¹ FAR 4.804-5; VHA Procurement Manual, "Contract Closeout SOP"; VA Financial Policy, "Obligations Policy."

³² VA Financial Policy, "Obligations Policy."

³³ VA Financial Policy, "Obligations Policy."

³⁴ GAO, *Principles of Federal Appropriations Law*, 3rd ed., vol. 1, chap. 5, GAO-04-261SP, January 2004.

³⁵ GAO, *Principles of Federal Appropriations Law*; 31 U.S.C. § 1552.

³⁶ Although a contracting officer may close a contract in eCMS by changing the status, this does not mean all FAR closeout requirements, such as deobligating funds, were completed.

³⁷ Appendix C provides details about the 28 contracts.

the FAR and VHA's procurement manual. The following examples detail two contracts where funds were not deobligated within the time standards.

Example 1

For an RPO Central contract for chemistry testing instruments, the contracting officer should have deobligated over \$141,500 by December 10, 2020. Instead, the contracting officer did not act until March 1, 2021, a delay of 81 days.

Example 2

For an RPO West contract for community-based outpatient clinic services, the contracting officer should have deobligated over \$157,300 by November 30, 2016. Instead, the contracting officer did not deobligate the funds until May 4, 2021, a delay of over four and a half years.

Table 5 provides an overview of the funds with delayed availability to be used for veterans' needs.

Table 5. Excess Funds Not Deobligated Timely

RPO	Category	Number of contracts	Excess funds (\$ million)
Central	Excess funds not deobligated within time standards	11	0.8
	Contract closed in eCMS before deobligation	2	0.3
West	Excess funds not deobligated within time standards	10	2.3
	Contract closed in eCMS before deobligation	5	1.0
Total		28	4.4

Source: VA OIG analysis of excess funds not deobligated timely for 95 contracts reviewed.

Note: Values are rounded. Appendix D provides additional details, including contract numbers.

In the OIG's 2020 report on RPO East closeouts, the OIG found that contracting officers did not deobligate about \$6.6 million in excess funds on 74 contracts within the required time standards.³⁸ Since then, VHA leaders have taken steps aimed at eliminating open obligations across all three RPOs. In FY 2020, VHA implemented Microsoft Power Business Intelligence (Power BI), a new tool to create reports for monitoring and prioritizing contract closeout and deobligating excess funds.

³⁸ VA OIG, *Review of Regional Procurement Office East's Contract Closeout Compliance*.

In March 2020, RPOs Central and West reported they had about \$242 million in open obligations. As seen in table 6, both RPOs significantly decreased open obligations by September 2021.

Table 6. Total Open Obligations for RPOs Central and West

RPO	Excess funds as of March 2020 (\$ millions)	Excess funds as of September 2021 (\$ millions)	Amount decrease (\$ millions)	Percent decrease
Central	82.9	66.5	16.4	20
West	159.1	89.4	69.7	44
Total	242.0	155.8	86.1	36

Source: Microsoft Power BI report, “Outstanding Integrated Funds Distribution Control Point Activity Accounting and Procurement Amount by RPO and Network Contracting Office,” as of September 8, 2021.

Note: Numbers do not total precisely due to rounding.

Although the OIG recognizes the improved oversight and the RPOs’ significant reduction in open obligations since the OIG’s previous review, leaders must continue to focus on this issue and deobligate all excess funds timely to ensure the funds are available to support veterans’ needs with other projects.

Contract Closeout Was Not Fully Documented in eCMS

The FAR requires that contract files provide a complete history of the transaction, including contract completion.³⁹ This requirement helps protect the government’s interests. Complete contract files ensure necessary information is available for reviews, investigations, litigation, or congressional inquiries. VA policy requires that all contract documents be maintained in eCMS, VA’s official contract file.⁴⁰ The VHA procurement manual states that once the contract closeout requirements are completed, the contracting officer will request his or her supervisor to archive the contract folder in eCMS.⁴¹

The OIG found contracting officers did not always include the required documents in eCMS at the time of contract closeout. As previously discussed (table 2), contracts using SAP closeout procedures have six requirements, and contracts not using SAP closeout procedures have eight requirements.⁴² The review team found only 14 of the 95 contract files (about 15 percent) had all the required contract closeout documentation. Further, 17 of the contract files (about 18 percent)

³⁹ FAR 4.801 and 4.803.

⁴⁰ VA Acquisition Manual, “Contract files and eCMS.”

⁴¹ VHA Procurement Manual, “Contract Closeout SOP.”

⁴² Contracts that use SAP do not require a contractor closing statement or release of claims or a contract completion statement.

did not have at least half of the required documentation in eCMS. Figure 1 shows the breakdown of contracts by compliance with contract closeout requirements for documentation.

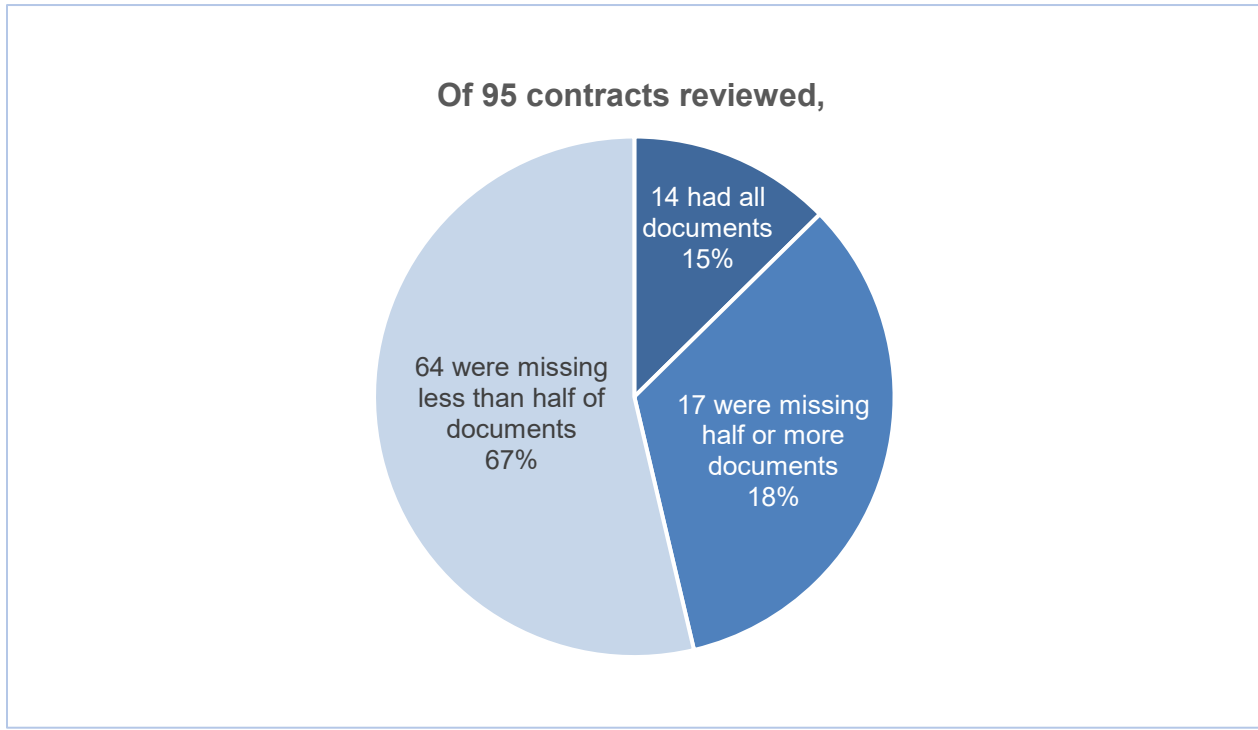


Figure 1. Breakdown of contracts by compliance with closeout requirements for documentation.

Source: VA OIG analysis of RPOs Central and West contract files.

Note: Percentages are rounded.

The review team did not identify a significant difference between the two RPOs' compliance with contract closeouts. RPO Central contracting officers fully complied with closeout requirements for nine of 55 contract files reviewed (about 16 percent), whereas RPO West correctly closed out only five of 40 contract files reviewed (about 13 percent). Of the noncompliant contract files, eight RPO Central files (about 15 percent) and nine RPO West files (about 23 percent) were missing half or more of the required documents. Contracting officers at both RPOs struggled to comply with the same contract closeout documentation requirements.

The team found that both RPOs' most frequently occurring noncompliance issues involved failure to maintain the following documents in eCMS: a Contractor Performance Assessment Reporting System final report and evidence of receipt of property and acceptance of service. The third most prevalent point of noncompliance for RPO Central was a lack of evidence of final payment, while RPO West's was not having a contract completion statement in the file. Figure 2 shows the number of contracts that did not comply with each contract closeout requirement.

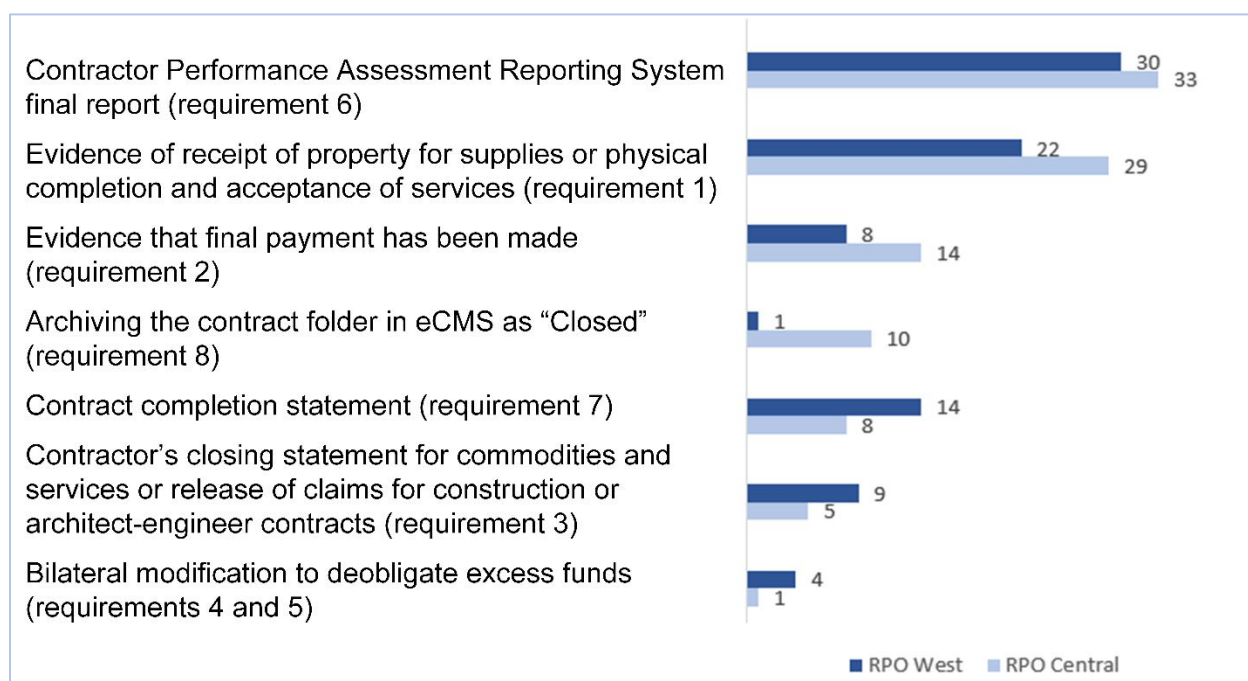


Figure 2. Summary of contract closeout documentation review.

Source: VA OIG analysis of RPOs Central and West contracts.

Note: Contracts could have missing documentation in multiple categories. Appendix E lists the documentation for each contract reviewed.

In response to the OIG review, RPOs Central and West personnel began uploading some missing documents into the contract files. Until contracting officers comply with all contract closeout procedures, both RPOs are exposing VHA to unnecessary financial and legal risks.

Multiple Factors Contributed to Contracting Officers' Noncompliance with Closeout Requirements

RPOs Central and West contracting officers did not close out contracts in accordance with the FAR and the VHA procurement manual for five main reasons:

- Heavy workload and staff turnover
- Duplication in systems
- Unclear policies
- Prioritization of contract awards
- Lack of effective oversight

In the February 2020 report on RPO East contract closeout compliance, the OIG identified similar challenges that contributed to contracting officers' noncompliance. In this report, the OIG

also found staff turnover, duplication in systems, and unclear policies further hindered officials' ability to perform their required duties.

Heavy Workload Persists and Increased by Staff Turnover

As previously mentioned, GAO's high-risk list identified VA contracting officers' workload as an area of concern in 2019.⁴³ Two years later, the GAO determined workload challenges were still an issue.⁴⁴ According to RPO contracting officials at all levels, heavy workload contributes significantly to noncompliance with contract closeout requirements. Moreover, the urgency of awarding contracts in response to the COVID-19 pandemic has contributed to the increased workload.

According to RPO West's head of contract activity, significant challenges include adequate staffing and time to conduct contract administration. He also cited challenges regarding the high turnover and lack of experience. Other officials, including directors of contracting and division and branch chiefs, reiterated these issues during interviews with the review team. In addition, one division chief explained that the "lack of experienced personnel hampered our operations significantly," resulting in an "incredible amount" of compensation time and overtime.⁴⁵ According to a branch chief, her entire team lacked experience. Consequently, she stated she was constantly teaching and coaching staff, which added to her already significant workload and reduced her ability to ensure compliance. She also anticipated that all closeout files being submitted for review and archiving would be incorrect and would require additional work on her part.

The heavy workload and lack of experienced staff contributed to contracting staff turnover. According to RPO officials, more experienced contracting officers are leaving the RPOs to go to other federal agencies or other offices within VA with less workload. A division chief said bringing on new staff is challenging because it is hard to hire people with the necessary skills and knowledge to perform the job, and it takes several years to fully train contracting staff. A contracting officer reported spending a significant amount of time training new staff, who ultimately leave due to the heavy workload.

VHA senior leaders have taken steps to address the known workload and turnover issues. In an effort to reduce the workload of contracting officers, RPOs Central and West have used contractors to assist with closing out contracts. Although using contractors has improved closeout, further strides are still necessary. In FY 2021, to address its staff turnover issue, VHA authorized a nationwide retention incentive program and began offering employee engagement

⁴³ GAO, *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*.

⁴⁴ GAO, *Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas*.

⁴⁵ For the first 10 months of FY 2021, the five teams in his division had worked more than 2,300 hours of compensation and overtime.

and personal growth seminars. Because VHA has a plan to improve the staff turnover issue, the OIG is not making a recommendation at this time.

VHA Systems Require Contracting Officers to Duplicate Work

RPO contracting officers use two systems to complete contracting actions and obligate funds. To prepare and award a contract, contracting officers use eCMS. Then, they must enter the same contract information into VA's financial system (Integrated Funds Distribution Control Point Activity, Accounting and Procurement) to obligate the contract's funds. As eCMS is not integrated with the financial system, contracting officers must enter duplicate information, such as purchase obligation numbers and dollar amounts. Although the time burden for each contract may not seem significant, because VHA contracting officers award more than 100,000 contract actions annually, this inefficiency contributes to the reported workload issues. To address this issue, VA is implementing the Integrated Financial and Acquisition Management System (iFAMS), which will replace both systems and eliminate the requirement for duplicate work.⁴⁶ However, VHA is not scheduled to implement iFAMS until FY 2027. Because VHA has a plan to resolve this issue, the OIG is not making a recommendation at this time.

Unclear Policies Contributed to Noncompliance

In addition to heavy workload, unclear policies hinder contracting officers' ability to be more efficient with their time. Specifically, the VHA procurement manual is not clear about when SAP closeout procedures should be used. Some contracting officers informed the review team that they disregarded SAP closeout procedures to ensure compliance. The team found that in multiple instances contracting officers used the incorrect closeout procedures and uploaded unnecessary additional documentation. Although this approach ensures all the required documentation is in the contract file, it defeats the purpose of SAP closeout procedures: to maximize efficiency and economy and minimize administrative costs for both the government and industry.

In addition, the review team found VHA's procurement manual is unclear as to when certain documents must be uploaded to the contract file. The VHA procurement manual requires the contracting officer to complete a Contractor Performance Assessment Reporting System final report before closing out the contract file. However, the manual does not state the contracting officer must upload the report into the file before closing it out. Some contracting officers informed the review team this was a source of confusion. Although some noted they always included the report in the file, others stated they did not include the report because the procurement manual does not explicitly state it must be uploaded and the report is not given a specific catalog identifier. VHA leaders should work to clarify and streamline the procurement

⁴⁶ iFAMS is a cloud-hosted system that will support payment processing.

manual to ensure RPO contracting officers understand (1) when the use of certain closeout procedures is appropriate and (2) which documentation requirements must be performed.

Contract Closeout Was Not a Priority

Senior leaders at both RPOs told the review team that contract closeout will never be as important as awarding contracts because they are focused on providing critical supplies and services to veterans. Contracting officials from all levels consistently told the team that contract awards were the priority. For example, directors of contracting, who report directly to the RPO heads of contract activity, agreed that awarding contracts was prioritized over closeout. One deputy director of contracting explained that not closing a contract presented a lower risk than not awarding a contract for patient care; contract closeout has a low risk, unless there are excess funds. Accordingly, one branch chief explained that contracting personnel are not penalized as heavily for failing to close out contracts as they are for not awarding contracts. Although the OIG recognizes the importance of awarding contracts, this priority does not relieve the RPOs of their obligation to comply with the FAR and VHA procurement manual.

Some contracting officials have taken steps to improve contract administration, including contract closeout. As noted in the workload discussion, RPO West officials are using contractors to assist with contract closeout. Also, as previously discussed, VHA senior leaders implemented Microsoft Power BI to monitor and prioritize closing out contracts and deobligating open obligations. In addition, RPO West officials designated one day each week for staff to focus on these duties. Although there is not a formal process at RPO Central, some contracting officials stated they attempt to set aside time each week to complete these tasks.

Oversight of Closeout Process Was Ineffective

In the OIG's previous review, the OIG found that RPO East contracting officials did not effectively oversee the contract closeout process.⁴⁷ As previously discussed, after the OIG's 2020 review, VHA senior leaders implemented Microsoft Power BI to track certain aspects of contract closeout compliance: contracts requiring closeout and funds that require deobligation. However, the tool has no mechanism to ensure closeout is completed in accordance with the FAR and the VHA procurement manual.

For contracts using SAP closeout procedures, the contracting officer's supervisory staff must ensure contract files are complete before archiving them. Although this is not a requirement for contracts using non-SAP closeout procedures, branch and division chiefs informed the team it is the chiefs' responsibility to ensure compliance with contract closeout procedures before archiving the files. However, the directors of contracting acknowledged that a 100 percent

⁴⁷ VA OIG, *Review of Regional Procurement Office East's Contract Closeout Compliance*.

review to ensure compliance was “not realistic” due to competing priorities, especially issuing contracts for the care of veterans during the COVID-19 pandemic.

The team confirmed some RPO Central and West chiefs did not adequately review each contract for completeness before archiving: only about 15 percent of the files reviewed were closed out properly. Based on interviews with the chiefs, varying levels of review occurred. For example, one chief reported that she reviewed 100 percent of contracts before archiving them. However, another indicated that 100 percent review was not feasible due to the heavy workload. Other chiefs said that they performed a review on a sample of contracts or only reviewed contracts for certain key documents and actions, such as deobligating excess funds. When supervisors fail to ensure closeout compliance, they expose VA to potential financial and legal risks.

Conclusion

The review team found RPO Central and West contracting officers did not consistently close out contract files in accordance with the FAR and the VHA procurement manual. This occurred for several reasons. Officials at all levels reported heavy workload and staff turnover hindered contracting officers’ ability to comply with the closeout standards. These workload issues were also increased because contracting officers had to spend time uploading duplicate information into multiple systems. Further, the lack of clear policy led to confusion and unnecessary work by contracting officers. Due to the prioritization of awarding contracts, closeouts were not emphasized. Finally, supervisors did not check for compliance before closing out the files as required. Until contracting officers consistently close out contracts as required, VHA will remain at unnecessary financial and legal risk.

Recommendations 1–5

The OIG made the following recommendations to the executive directors of RPO Central and RPO West:

1. Establish procedures for consistent quality assurance reviews to ensure all contract closeout requirements, such as identifying and deobligating excess funds, closing out contracts timely, and properly completing and uploading closeout documentation, are performed in accordance with the Federal Acquisition Regulation and the Veterans Health Administration procurement manual. Further, update Veterans Health Administration policies and procedures to provide guidance on conducting and documenting the reviews.
2. Assess and determine how to effectively distribute contracting officer workload and address imbalances among staff to help ensure contract closeouts are completed in accordance with the Federal Acquisition Regulation and the Veterans Health Administration procurement manual.

3. Clarify the Veterans Health Administration procurement manual to indicate when simplified acquisition procedures closeout processes are to be used and the documentation requirements for each contract closeout step.
4. Determine whether setting aside specific time weekly to focus on contract administration tasks, such as contract closeout, and using contractors to perform closeout procedures could improve contract closeout compliance.
5. Ensure the contract files for the 81 sampled contracts have complete closeout documentation in accordance with the Federal Acquisition Regulation and the Veterans Health Administration procurement manual.

VA Management Comments

The executive director of VHA Procurement concurred in principle with all five recommendations. For recommendation 1, the executive director provided an action plan with a target completion date of October 2022.

For recommendation 2, the executive director stated that VHA has a workload tool that demonstrates the imbalances and need for additional staff; further, VHA Procurement leaders demonstrated to the review team how the workload is evaluated.

In response to recommendation 3, the executive director stated that VHA follows the FAR and VA acquisition manual and has rescinded its procurement manual contract closeout standard operating procedure.

Recommendation 4 requested that the executive director determine whether setting aside specific time weekly to focus on contract administration tasks, such as contract closeout, and using contractors to perform closeout procedures could improve contract closeout compliance. The executive director concurred in principle with the recommendation and requested its closure, stating that the existing controls and practices are sufficient and are being utilized at the discretion of the head of contracting activity.

For recommendation 5, the executive director noted the actions were completed during the OIG's review. Appendix F includes the full text of comments from the executive director of VHA Procurement.

OIG Response

VHA submitted a responsive action plan for recommendation 1. The OIG will monitor implementation and close the recommendation when VHA provides evidence that demonstrates it has addressed the intent of the recommendation and the issue identified.

Although VHA requested closure of recommendation 2, the workload tool 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 it has addressed the intent of the recommendation and the issue identified.

For recommendation 3, the executive director stated the VHA Procurement Manual contract closeout standard operating procedure was rescinded. However, the FAR and VA Acquisition Manual do not clarify when VHA contracting officers should use simplified acquisition procedures for contract closeout procedures and the documentation required to be maintained. Until VHA takes the necessary steps to address the intent of the recommendation, it will remain open.

For recommendation 4, the executive director stated that heads of contracting activity have the discretion to set aside specific time to focus on contract administration and use contractors to perform contract closeouts. However, this discretionary usage was ineffective at the time of the review and did not prevent the issues identified. Until VHA provides evidence that these processes across VHA would ensure contract closeout compliance, this recommendation will remain open.

For recommendation 5, VHA demonstrated it uploaded some of the missing documentation for the sampled contracts. The OIG will close the recommendation once VHA provides evidence all required closeout documentation was uploaded for the sampled contracts.

Appendix A: Scope and Methodology

Scope

The review team conducted its work from July 2021 through March 2022. The review evaluated whether RPO Central and RPO West contracting officers met FAR and the VHA procurement manual requirements when closing out 95 selected firm-fixed-price contracts valued at \$500,000 or greater and closed between June 1 and December 31, 2020.

Methodology

The team identified and reviewed the FAR and VHA policies related to the contract closeout process. The team then reviewed a selection of 55 RPO Central contracts and 40 RPO West contracts that were closed out in eCMS. The team used eCMS to review the relevant documentation for each contract to determine whether RPO Central and RPO West contracting officers complied with contract closeout requirements established in the FAR and the VHA procurement manual.

The review team also interviewed RPO Central and RPO West network contracting office directors of contracting, branch and division chiefs, and contracting officers and contract specialists. The team requested clarification about the contract documentation or requested additional documentation to ensure compliance with the FAR and VHA procurement manual, as necessary.

Internal Controls

The review team assessed VHA's internal controls significant to the objective. This included an assessment of the five internal control components: control environment, risk assessment, control activities, information and communication, and monitoring. In addition, the team assessed the principles of those internal control components. The team identified internal control deficiencies with three components and four principles:

- Component: Control Environment
 - Principle 5: Management should evaluate performance and hold individuals accountable for their internal control responsibilities.
- Component: Control Activities
 - Principle 12: Management periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks.

- Component: Information and Communication
 - Principle 14: Management communicates quality information down and across reporting lines to enable personnel to perform key roles in achieving objectives, addressing risks, and supporting the internal control system.
- Component: Monitoring
 - Principle 16: Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

Fraud Assessment

The review team assessed the risk that fraud and noncompliance with provisions of laws, regulations, and contracts, 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 reviewing the Department of Defense OIG fraud red flags and indicators to identify fraud indicators that were applicable to this project.

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

Data Reliability

The review team used MicroStrategy to query data from eCMS to obtain a report of RPO Central and RPO West closed contracts universe to generate a random sample for the review. Testing was not performed on the data because eCMS is VA's official contract file. However, the team verified the contract number and contract end date by comparing the information in the report to uploaded documentation in eCMS. The team determined the data were reliable to support its findings, conclusions, and recommendations.

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: Contracts Not Closed Timely

Table B.1 is a breakdown of the 64 RPOs Central and West contracts reviewed that were not closed within the established time standards, listed in descending order of days late.

Table B.1. RPOs Central and West Contracts Not Closed Timely

Count	RPO	Non-SAP or SAP closeout procedures	Contract	Number of days late
1	West	Non-SAP	VA261-RA-0813	3,056
2	West	SAP	VA612-C14118	2,024
3	Central	SAP	VA249-15-F-0008	1,852
4	West	SAP	VA257-16-C-0014	1,623
5	West	Non-SAP	VA261-C-0528	1,620
6	West	Non-SAP	VA261-P-0671	1,578
7	Central	SAP	VA249-16-J-1387	1,529
8	West	SAP	VA261-16-J-1283	1,097
9	West	SAP	VA261-14-J-1605	1,073
10	West	Non-SAP	VA258-12-J-0170	1,053
11	West	SAP	VA261-16-P-2751	1,016
12	West	Non-SAP	VA262-16-J-7184	858
13	West	Non-SAP	VA258-16-J-0001	745
14	West	SAP	VA261-17-F-3281	658
15	Central	Non-SAP	VA701-RA-0063	634
16	West	Non-SAP	VA258-15-J-2241	612
17	West	Non-SAP	VA261-12-C-0187	555
18	West	SAP	36C25719N0048	549
19	West	Non-SAP	VA258-17-J-0146	464
20	Central	SAP	36C25019F0652	456
21	West	Non-SAP	36C25818C0065	446
22	West	Non-SAP	VA261-16-J-1197	425
23	West	SAP	36C25719C0102	400
24	Central	Non-SAP	VA249-17-J-4757	385

Count	RPO	Non-SAP or SAP closeout procedures	Contract	Number of days late
25	Central	Non-SAP	36C25518N3072	313
26	Central	Non-SAP	VA263-17-J-0223	313
27	West	Non-SAP	36C26019N0271	283
28	Central	SAP	36C25019F0344	261
29	West	Non-SAP	36C26018N0564	250
30	West	SAP	36C25719F0303	234
31	Central	Non-SAP	36C77618N0035	230
32	West	SAP	36C26118F1784	223
33	West	Non-SAP	36C25818N0620	205
34	West	Non-SAP	36C26120N0071	197
35	Central	Non-SAP	36C25619N0014	177
36	Central	SAP	36C24919N0089	172
37	Central	Non-SAP	VA256-17-J-0428	149
38	Central	SAP	VA256-15-F-0685	140
39	Central	SAP	36C25020F0255	139
40	West	SAP	36C26119F0610	139
41	West	SAP	36C25720F0018	125
42	Central	SAP	36C25620N0159	118
43	Central	Non-SAP	VA263-16-J-0086	113
44	Central	Non-SAP	VA263-17-J-0426	111
45	West	Non-SAP	36C26119N0761	111
46	Central	Non-SAP	36E77619C0040	99
47	Central	Non-SAP	36C25619C0014	91
48	Central	Non-SAP	36C25619C0039	91
49	Central	SAP	36C25620N0138	84
50	West	SAP	36C25719C0225	82
51	Central	SAP	36C25620F0019	76
52	Central	SAP	36C25620N0156	75
53	Central	Non-SAP	36C24919N0616	64

Count	RPO	Non-SAP or SAP closeout procedures	Contract	Number of days late
54	Central	SAP	36C25019P2315	61
55	Central	SAP	36C24920F0030	56
56	Central	Non-SAP	36C24918C0160	49
57	Central	SAP	VA69D-14-F-3563	40
58	Central	SAP	36C25020P0962	32
59	Central	SAP	36C25020P1045	29
60	Central	SAP	36C25620N0241 A	29
61	Central	SAP	36C24919N0290	26
62	West	Non-SAP	36C26119N0751	21
63	Central	SAP	36C25020F0011	14
64	West	Non-SAP	36C25719C0185	3

Source: VA OIG analysis based on data obtained from eCMS.

Appendix C: Late Deobligation of Excess Funds

Table C.1 is a breakdown of the 28 RPOs Central and West contracts reviewed that were not deobligated by their respective deadlines, listed in descending order of excess funds.

Table C.1. Excess Funds Not Deobligated on Time

Count	RPO	Contract	Number of days late	Excess funds (\$)
1	West	VA258-12-J-0170	missing deobligation	812,737.83
2	West	36C26120N0071	35	531,908.92
3	West	36C25720F0018	41	441,999.58
4	West	36C26119N0761	86	403,674.29
5	West	VA261-16-J-1283	1,012	321,636.40
6	Central	VA263-16-J-0086	missing deobligation	259,277.76
7	West	VA261-16-J-1197	425	234,497.65
8	Central	36C25620N0156	72	193,393.21
9	West	VA257-16-C-0014	1,616	157,344.92
10	Central	36C25620N0138	81	141,589.98
11	West	36C25719C0102	missing deobligation	115,782.52
12	West	VA262-16-J-7184	855	109,202.50
13	Central	36C24920F0030	55	93,962.38
14	Central	36C25019F0344	59	87,331.60
15	Central	36C26320N0008	11	80,939.85
16	Central	VA256-15-F-0685	92	70,624.95
17	West	36C25719F0303	235	62,454.85
18	Central	VA256-17-J-0428	150	46,715.20
19	Central	36C25620N0159	118	44,629.30
20	West	36C26019N0271	279	42,578.48
21	Central	36C25020F0011	13	34,643.13
22	West	36C25719N0048	missing deobligation	22,123.21
23	West	VA261-17-F-3281	missing deobligation	15,969.90
24	Central	36C25620F0019	73	11,805.62

Count	RPO	Contract	Number of days late	Excess funds (\$)
25	Central	36C25020F0255	139	10,768.27
26	West	VA261-16-P-2751	978	6,375.00
27	West	36C26118F1784	185	1,950.44
28	Central	VA69D-14-F-3563	30	504.00

Source: VA OIG analysis of RPOs Central and West contracts.

Appendix D: Summary of Contract Closeout Documentation Review

Table D.1 provides a key to interpret tables D.2 and D.3, which detail if RPOs Central and West contract closeout documentation obtained from eCMS complied with FAR and VHA procurement manual requirements.

Table D.1. Key to Tables D.2 and D.3

Step	Definition
1	Evidence of receipt of property for supplies or physical completion and acceptance of services
2	Evidence that final payment has been made
3	Contractors' closing statement for commodities and services or release of claims for construction and/or architect-engineer contracts
4–5	Identify if there are excess funds, and if so, deobligate them using a bilateral modification
6	Contractor Performance Assessment Reporting System final report
7	Contract completion statement
8	Archiving the contract folder in eCMS as “closed”
Answer	Definition
Y	Yes (documentation was in the eCMS folder)
N	No (documentation was not in the eCMS folder)
N/A	The step was not required
SAP	Requirement not applicable because it was SAP

Source: VA OIG analysis.

Table D.2. RPO Central Compliance Details

Sample number	Contract number	1	2	3	4–5	6	7	8
1	36C25620N0219	N	N	N	N/A	N	N	Y
2	VA69D-P-1890	Y	N	Y	Y	Y	Y	Y
3	36C25620N0159	N	N	SAP	Y	N	SAP	Y
4	36C24919N0678	Y	Y	Y	N/A	Y	Y	N
5	36C24919N0089	N	Y	SAP	N/A	N	SAP	Y
6	36C25019F0344	N	Y	SAP	Y	N	SAP	Y
7	36E77619C0080	Y	Y	Y	N/A	N	Y	N
8	36C25019C0207	Y	Y	Y	N/A	Y	Y	Y

Sample number	Contract number	1	2	3	4-5	6	7	8
9	36C25620N0138	N	Y	SAP	Y	N	SAP	Y
10	VA69D-16-J-0755	N/A	Y	N/A	N/A	Y	Y	Y
11	VA256-15-F-0685	Y	N	SAP	Y	Y	SAP	Y
12	36C26319N0655	Y	Y	Y	N/A	N	Y	N
13	VA263-17-J-0426	N	N	Y	Y	N	Y	Y
14	36C25619C0039	N	Y	Y	N/A	Y	N	Y
15	36C25020F0011	N	Y	SAP	N/A	Y	SAP	Y
16	36C25619N0014	N	Y	N	N/A	N	Y	Y
17	VA256-15-C-0169	N	Y	N	N/A	N	N	Y
18	VA249-17-J-4757	N	Y	Y	N/A	N	Y	N
19	36C25620C0004	N	N	Y	N/A	N	N	Y
20	VA701-RA-0063	Y	Y	Y	N/A	Y	Y	Y
21	VA249-15-F-0008	N	Y	SAP	N/A	N	SAP	Y
22	36C24919N0290	N	Y	SAP	N/A	Y	SAP	Y
23	VA250-15-C-0082	Y	Y	Y	N/A	Y	N	Y
24	VA249-16-J-1387	N	Y	SAP	N/A	N	SAP	Y
25	36C24920P0508	N	Y	SAP	N/A	N	SAP	Y
26	36C25020F0255	N	Y	SAP	Y	N	SAP	Y
27	36C25518N3072	Y	Y	Y	N/A	Y	Y	Y
28	36C25219N0004	Y	N	N	Y	Y	Y	Y
29	36C77618N0035	N	N	Y	N/A	N	N	Y
30	36C25020P1045	Y	Y	SAP	N/A	N	SAP	Y
31	36C26320N0253	Y	Y	Y	N/A	Y	Y	Y
32	36C24918C0160	N	Y	Y	N/A	Y	Y	Y
33	VA263-16-J-0086	Y	N	Y	N	N	Y	Y
34	36C24920F0030	N	Y	SAP	Y	N	SAP	Y
35	36C26320N0008	Y	Y	SAP	Y	N	SAP	Y
36	36C25020P0962	Y	Y	SAP	N/A	Y	SAP	Y
37	VA256-17-J-0428	N	Y	N	Y	Y	N	Y
38	VA69D-14-F-3563	N	N	SAP	Y	N	SAP	Y
39	36C24918F4073	N	Y	SAP	Y	N	SAP	Y
40	36C25619C0014	N	Y	Y	N/A	Y	Y	N
41	36C25620N0156	N	N	SAP	Y	Y	SAP	Y

Sample number	Contract number	1	2	3	4-5	6	7	8
42	36E77619C0040	Y	N	Y	N/A	N	Y	N
43	36C26319C0174	Y	Y	Y	N/A	Y	Y	Y
44	VA263-17-J-0223	Y	N	Y	N/A	N	Y	Y
45	36C25019F0652	Y	Y	SAP	N/A	N	SAP	Y
46	36C25019P2315	Y	Y	SAP	N/A	N	SAP	Y
47	VA256-17-J-0252	N	Y	Y	N/A	Y	Y	N
48	36C25620F0019	N	Y	SAP	Y	N	SAP	Y
49	36C25620N0241 A	N	N	SAP	N/A	N	SAP	Y
50	36C24919N0616	Y	Y	Y	N/A	N	Y	N
51	36E77620P0008	Y	Y	SAP	N/A	N	SAP	Y
52	36C24918N0253	Y	Y	Y	N/A	Y	Y	Y
53	36C25620N0217	N	Y	Y	N/A	N	N	N
54	VA256-16-J-1829	N/A	Y	N/A	N/A	N	N/A	N
55	36A77620F0006	Y	Y	SAP	N/A	Y	SAP	Y

Source: VA OIG analysis of 55 RPO Central contracts.

Table D.3. RPO West Compliance Details

Sample number	Contract number	1	2	3	4-5	6	7	8
1	36C26119N0751	N	Y	N	N/A	N	N	Y
2	36C26119N0761	N	Y	Y	Y	N	N	Y
3	VA261-P-0671	N	Y	N	Y	N	N	Y
4	36C25719C0185	Y	Y	Y	Y	N	Y	Y
5	36C25719F0303	N	Y	SAP	Y	N	SAP	Y
6	VA261-16-J-3216	Y	N	N	N/A	N	N	Y
7	VA262-15-J-5268	Y	Y	Y	N/A	Y	Y	Y
8	36C26019N0271	N	Y	Y	Y	N	N	Y
9	36C25719C0225	Y	Y	SAP	N/A	Y	SAP	Y
10	VA261-17-F-3281	N	Y	SAP	N	N	SAP	Y
11	36C25820P0308	N	Y	SAP	N/A	N	SAP	Y
12	36C26018N0564	N	Y	Y	N/A	Y	Y	N
13	VA258-17-J-0146	Y	Y	Y	N/A	Y	Y	Y
14	VA261-12-C-0187	N	Y	N	N/A	N	N	Y
15	36C26119C0031	Y	Y	Y	N/A	Y	Y	Y
16	VA258-12-J-0170	Y	Y	Y	N	N	N	Y
17	VA261-RA-0813	Y	N	N	N/A	N	Y	Y
18	VA261-14-J-1605	N	Y	SAP	N/A	Y	SAP	Y
19	VA261-C-0528	N/A	N	N/A	N/A	Y	N	Y
20	VA612-C14118	N	Y	SAP	N/A	Y	SAP	Y
21	36C26120N0071	N	Y	N	Y	N	N	Y
22	36C26020N0631	N	Y	N	Y	N	N	Y
23	VA258-16-J-0001	N	N	Y	N/A	Y	Y	Y
24	VA262-16-J-7184	N	Y	N	Y	N	N	Y
25	VA261-15-C-0090	N	Y	Y	Y	N	Y	Y
26	36C25818N0620	N	Y	Y	N/A	N	Y	Y
27	36C25719C0102	Y	Y	SAP	N	N	SAP	Y
28	VA261-14-C-0234	N/A	N	Y	N/A	N	N	Y
29	VA261-16-J-1283	N	Y	SAP	Y	N	SAP	Y
30	VA262-14-C-0174	Y	Y	Y	N/A	N	Y	Y
31	VA258-15-J-2241	N	Y	Y	N/A	N	Y	Y
32	36C26118F1784	Y	Y	SAP	Y	N	SAP	Y

Sample number	Contract number	1	2	3	4-5	6	7	8
33	VA261-16-J-1197	N/A	N	N/A	Y	N	N	Y
34	36C25720F0018	Y	N	SAP	Y	N	SAP	Y
35	36C25818C0065	N	Y	Y	N/A	N	Y	Y
36	VA257-16-C-0014	N	Y	SAP	Y	N	SAP	Y
37	36C26119F0610	N	Y	SAP	N/A	N	SAP	Y
38	VA261-16-P-2751	Y	Y	SAP	Y	Y	SAP	Y
39	36C25720C0014	Y	N	N	Y	N	N	Y
40	36C25719N0048	Y	Y	SAP	N	N	SAP	N/A

Source: VA OIG analysis of 40 RPO West contracts.

Appendix E: Monetary Benefits in Accordance with Inspector General Act Amendments

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs
1	By establishing consistent reviews that ensure compliance with the closeout procedures, contracting officers or their supervisors will identify and deobligate excess funds within time standards. This step is essential so funds can be redirected to other projects that support veterans.	\$4.4 million	
	Total	\$4.4 million	

Appendix F: Management Comments

Department of Veterans Affairs Memorandum

Date: June 10, 2022

From: Executive Director, VHA Procurement

Subj: OIG Draft Report, Contract Closeout Compliance Needs Improvement at Regional Procurement Offices Central and West 2021-02599-AE-0115

To: Assistant Inspector General for Audits and Evaluations

1. I have reviewed the draft report and concur in principle with 5 of 5 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

Attachment

VETERANS HEALTH ADMINISTRATION (VHA)

OIG Draft Report Action Plan

**Contract Closeout Compliance Needs Improvement at
Regional Procurement Offices Central and West**

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

Recommendation 1: Establish procedures for consistent quality assurance reviews to ensure all contract closeout requirements, such as identifying and de-obligating excess funds, closing out contracts timely, and properly completing and uploading closeout documentation, are performed in accordance with the Federal Acquisitions Regulation and the Veterans Administration Acquisition Regulations and Manual.

VHA Comments: Concur in Principle

The Regional Procurement Office (RPO) Procurement Analysts (PAs) will be conducting contract closeout post award assessments June 2022. If deemed necessary by the RPOs, the RPO PAs will conduct successive reviews. The RPO Executive Directors will review the contract close post award assessment findings to determine if contract closeout requirements are being met and if successive reviews are required.

Status: Target Completion Date:

In Progress October 2022

Recommendation 2: Assess and determine how to effectively distribute contracting officer workload and address imbalances among staff to help ensure contract closeouts are completed in accordance with the Federal Acquisition Regulation and the Veterans Health Administration procurement manual.

VHA Comments: Concur in Principle

VHA has a workload tool that demonstrates the imbalances and need for additional staff. During meetings with the OIG, VHA Procurement Leadership demonstrated how that workload is evaluated throughout the entire chain of command from the RPO down to the Team Manager. VHA completed its work for this recommendation and asks OIG to consider closure.

Status: Completion Date:

Complete Sep 2021

Recommendation 3: Clarify the Veterans Health Administration procurement manual to indicate when simplified acquisition procedures closeout processes are to be used and the documentation requirements for each contract closeout step.

VHA Comments: Concur in Principle

The FAR 4.804-1, 4.804-4, 4.804-5, 42.708 and VAAM M804.404 contain contract closeout procedures which are followed by VHA. Additionally, the VHA Procurement Manual Contract Closeout SOP (VHAPM Part 804.804-1) document rescinded, rescind date noted under completion date.

Status: Completion Date:

Complete Feb 2022

Recommendation 4: Determine whether setting aside specific time weekly to focus on contract administration tasks, such as contract closeout, and using contractors to perform closeout procedures could improve contract closeout compliance.

VHA Comments: Concur in Principle

VHA Support believes existing controls are sufficient as demonstrated through various submissions and meetings to OIG and requests to close this recommendation. VHA Support has previously determined that contract administration days and hiring contractors to complete close out procedures and all methodologies are being utilized at the Head of Contracting Activity discretion.

Status: Completion Date:

Complete Sep 2021

Recommendation 5: Ensure the contract files for the 81 sampled contracts have complete closeout documentation in accordance with the Federal Acquisition Regulation and the Veterans Health Administration procurement manual.

VHA Comments: Concur in Principle

VHA requests that OIG consider closure of this recommendation as the task was completed during the OIG review. The RPOs and VISN staff provided all available documentation.

Status: Completion Date:

Complete Oct 2021

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	Judith Sterne, Director Christopher Bowers Angela Espinosa David Kolberg Heather Robinson Steven Walton Corey Weiss Alicia Yepez
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Other Contributors	Kathryn Berrada Victoria Eatherton
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