



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

Office of Audits and Evaluations

VETERANS HEALTH ADMINISTRATION

Summary of Fiscal Year 2023 Preaward Audits for Healthcare Resource Proposals from Affiliates

Review

24-01199-194

September 11, 2024

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Executive Summary

This report summarizes the preaward audits of sole-source healthcare proposals that the VA Office of Inspector General (OIG) conducted in fiscal year (FY) 2023.

VA policy requires that Veterans Health Administration (VHA) contracting officers request an OIG review or audit for any sole-source healthcare proposal that has an anticipated annual value of at least \$400,000.¹ One type of acquisition for which the OIG provides preaward services is sole-source proposals that often come from VA-affiliated institutions such as colleges and schools of medicine. VA is authorized by statute to procure healthcare resources from affiliates on a sole-source basis without regard to laws or regulations that require competition.² The OIG examines such proposals and provides information that contracting officers have the discretion to use as they negotiate fair and reasonable prices.

Proposals not associated with an affiliated institution may also lead to a sole-source procurement but only if the contracting officer includes a written justification demonstrating that the sole-source award would represent the best value to the government, which satisfies the statutory criteria detailed in VA Directive 1663.³ In FY 2023, the OIG did not examine any proposals for procurements not associated with an affiliated institution.

What the Audits Found

In FY 2023, the OIG completed 15 audits of sole-source healthcare proposals. The 15 proposals included 13 with full-time-equivalent pricing and two with both full-time-equivalent and per-procedure pricing.⁴ The audits were not published because they contain sensitive personal data of physicians and other clinical personnel. This report provides an overview of the findings and recommendations from these 15 audits in the following two general areas:

- **Unsupported costs underlying proposed hourly rates.** For 13 of 15 proposals, the OIG examined hourly rate pricing and determined that the prices offered to the government were higher than the supported amounts. Unsupported amounts are costs not supported by data in the underlying accounting records. The most common

¹ VA Directive 1663, *Health Care Resources (HCR) Contracting–Buying*, May 10, 2018; VHA Procurement Manual, Part 873, *Health-Care Resource Specialized Procurements and Sharing Agreements under Title 38 U.S.C. 8153 SOP [Standard Operating Procedure]*, February 1, 2024. Paragraph 2.6 within this manual reflects the \$750,000 threshold for OIG review.

² 38 U.S.C. § 8153(a)(3)(A).

³ 38 U.S.C. § 8153(a)(3)(D); VA Directive 1663.

⁴ Full-time-equivalent pricing means staff perform day-to-day clinical operations of a department that cannot be performed with existing VA staff. Per-procedure pricing means VA pays for the procedure itself, instead of the physician's time, so VA pays affiliates to perform medical treatments and transplants, costs for which cover fees for inpatient hospitals, physicians, and anesthesiologists; per diem rates; and organ acquisition.

issue was unsupported provider salaries. Other frequently occurring issues were unsupported administrative expenses, fringe benefit amounts, incentives, or malpractice insurance premiums.⁵ In each of the 13 proposals, the OIG recommended contracting officers obtain lower prices than those offered to the government.

- **Potential conflicts of interest.** For 10 of the 15 contract proposals examined, the OIG found potential conflicts of interest for VA personnel who may be involved in the acquisition process and who also hold a position with the affiliate. These VA personnel held faculty appointments at the affiliated institutions and would also have responsibilities such as monitoring performance of the affiliate's services. In each instance, the OIG recommended the contracting officer request an opinion from VA's Office of General Counsel as to whether these individuals would have a financial interest in the proposal.

The combined estimated contract value of these 15 preaward audits was about \$125.8 million; the OIG team identified a total of about \$37.3 million in potential cost savings. Contracting officers use OIG price recommendations on submitted proposals to help negotiate better prices than those offered in affiliates' proposals; however, there is no guarantee that the government will achieve the price recommended by the OIG.

As of May 2024, VA contracting officers had awarded contracts for the 15 proposals and had sustained approximately \$9.2 million in cost savings based, in part, on the OIG's evaluation of cost data submitted by the contractors.⁶ This report provides a summary of the preaward audits of these proposals and an overview of what the OIG found.⁷

⁵ Fringe benefit amounts are expenses to the employer for items such as retirement contributions, social security tax, and health insurance.

⁶ The OIG-evaluated sustainment rates are based on the proposals submitted to the team at the time of the audit request. If VA requirements subsequently changed or an offeror submitted a revised proposal after the OIG audit but prior to award, the team did not use those amounts.

⁷ Appendix A details OIG-identified cost savings for FY 2023 preaward audits. Appendix B outlines this report's scope and methodology.

VA Management Comments and OIG Response

The VA under secretary for health acknowledged that the draft report contains no recommendations. In addition, VHA provided six technical comments. Appendix C provides the full text of these comments.

The OIG incorporated VHA's suggested edit in technical comment 5 and included additional language or footnotes to address technical comments 1, 2, 3, and 6. The OIG did not make any changes based on VHA's technical comment 4 because the report language is not specifically referring to on-call costs but rather all the various costs proposed or incurred by the affiliate.



LARRY M. REINKEMEYER
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for Audits and Evaluations

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Abbreviations

FAR	Federal Acquisition Regulation
FY	fiscal year
OIG	Office of Inspector General
VHA	Veterans Health Administration



Introduction

At the request of contracting officers, the VA Office of Inspector General (OIG) conducts preaward audits of proposals that contractors submit to VA. The primary purposes of this work are to determine if the prices in the proposals are supported by actual costs, provide information VA can use for negotiations, and determine whether the proposed prices are fair and reasonable.⁸ Preaward audits facilitate informed decision-making and help prevent fraud, waste, and abuse. The audits were not published because they contain sensitive personal data of the physicians and other clinical personnel. Contracting officers use OIG price recommendations to help negotiate better prices than those offered in affiliates' proposals; however, there is no guarantee that the government will achieve the price recommended by the OIG.

The OIG provides preaward audits of sole-source proposals from VA-affiliated institutions such as colleges and schools of medicine. VA is authorized by statute to procure healthcare resources from affiliates on a sole-source basis without regard to laws or regulations that require competition.⁹ Contracting officers are required to request field pricing verification assistance from the OIG when the estimated value of the contract is at least \$400,000 per year.¹⁰

This report summarizes the findings and effects of the OIG's 15 audits of sole-source healthcare resource proposals in fiscal year (FY) 2023. Appendix A contains a listing of the 15 preaward audits that shows the OIG-recommended cost savings and the savings achieved by VA contracting officers as of May 22, 2024.

VA's Participation in Medical Education and Training Programs

One of VA's missions established in statute is to assist and participate in education and training programs for students and residents in the healthcare professions.¹¹ VA participates in the programs of 151 of the 157 schools of medicine accredited by the Liaison Committee on Medical Education and 35 of the 37 Commission on Osteopathic College Accreditation medical schools affiliated with VA. In addition, more than 60 other clinical health education programs are represented by VA's affiliations with over 1,500 academic institutions.

⁸ VA Directive 1663, *Health Care Resources Contracting—Buying*, May 10, 2018.

⁹ 38 U.S.C. § 8153(a)(3)(A).

¹⁰ VA Directive 1663; Veterans Health Administration (VHA) Procurement Manual, Part 873, *Health-Care Resource Specialized Procurements and Sharing Agreements under Title 38 U.S.C. 8153 SOP [Standard Operating Procedure]*, February 1, 2024. Paragraph 2.6 within this manual reflects the \$750,000 threshold for OIG review.

¹¹ 38 U.S.C. § 7406 as implemented by VA Directive 1400.09(1), *Education of Physicians and Dentists*, September 9, 2016, amended December 26, 2018.

Policy for Awarding Sole-Source Contracts

VA has statutory authority to acquire healthcare resources, healthcare professionals, and medical procedures through other-than-full-and-open competition, such as sole-source procurement.¹² For those procurements with an affiliated institution or with a teaching hospital, individual physician, or practice group associated with the affiliated institution, there is no statutory requirement to provide written justification for the use of sole-source procedures. Procurements not associated with an affiliated institution may also be acquired as a sole-source procurement but only after following the statutory criteria detailed in VA Directive 1663.¹³ The directive requires a written justification demonstrating that the sole-source award would represent the best value to the government.

VA Directive 1663 sets forth VA policy for implementing the statute on sharing healthcare resources and allows sole-source contracts to be awarded to affiliated institutions or other related healthcare entities. The directive states that these sole-source contracts shall be the preferred method for procuring healthcare services when the services include duties relating to a professional healthcare residency program. The directive also states that sole-source affiliate contracts for services not associated with a residency program must demonstrate that the award would represent the best value to the government. The directive allows sole-source contracts for the use of medical equipment, space, home oxygen services, transcription services, grounds maintenance, laundry services, and other nonclinical services that can be defined as a healthcare resource; however, the OIG did not examine any proposals for these services in FY 2023.

The directive states the VA contracting officer must submit sole-source proposals valued annually at \$400,000 or more to the OIG for preaward audits and that the contracting officer may ask the OIG to assist in determining and validating the actual costs to the affiliated educational institution for other procurements. The directive further states that the OIG shall examine supporting documents, accounting records, and any other data necessary to verify costs.

¹² 38 U.S.C. § 8153.

¹³ 38 U.S.C. § 8153(a)(3)(D); VA Directive 1663; 38 U.S.C. § 7302.

According to the Federal Acquisition Regulation (FAR), contracting officers are to establish the reasonableness of offered prices through either cost or pricing data.¹⁴ As there is no competition in these sole-source procurements, the contracting officer must rely on data related to prices, such as market data, or to the costs incurred by the contractor.¹⁵ For these procurements, market prices are not available because the affiliate does not generally offer physician services in the commercial market as it does to VA. Therefore, the OIG uses the affiliate's cost information to determine the recommended rates as per the FAR and the Veterans Health Administration (VHA) pricing policy.¹⁶

¹⁴ FAR 15.404-1 (2021).

¹⁵ FAR 15.402 (2021).

¹⁶ VHA Procurement Manual, Part 873, attachment 3, "MSO [Medical Sharing Office] – HCR [Health-Care Resources] Pricing SOP [Standard Operating Procedure]," March 2, 2020.

Summary of Preaward Audits

The cumulative amount for the 15 sole-source healthcare proposals examined by the OIG, typically five-year contracts, was about \$125.8 million. The OIG team identified approximately \$37.3 million in potential savings from all 15 proposals.¹⁷ Contracting officers use OIG price recommendations to help negotiate better prices than those offered in affiliates' proposals; however, there is no guarantee that the government will achieve the price recommended by the OIG. As of May 2024, VA contracting officers had awarded contracts for the 15 proposals and had sustained about \$9.2 million in cost savings based, in part, on the OIG's evaluation of cost data submitted by the contractors.¹⁸

What the OIG Did

In FY 2023, the OIG completed 15 preaward audits of sole-source healthcare contracts. The 15 proposals included 13 with full-time-equivalent or hourly pricing and two with both full-time-equivalent and per-procedure pricing.¹⁹ The OIG teams had three primary objectives when reviewing the 15 sole-source healthcare proposals:

1. Determine if the affiliate's documentation adequately supported hourly rates and provide pricing recommendations if the rates were not supported.
2. Evaluate per-procedure prices and provide pricing recommendations using Medicare rates if an affiliate offered higher-than-Medicare rates without sufficient justification.
3. Determine if VA providers have any potential conflicts of interest with responsibilities regarding the acquisition or resulting contract.

During the review of each proposal for hourly rates, the team asked affiliates to provide documentation that supported the various cost elements. Common cost elements included the providers' salaries, fringe benefits, malpractice insurance premiums, continuing medical education, bonuses, and expenses associated with administering the contract.²⁰ To assess these elements, the team reviewed each affiliate's supporting documentation, which often included

¹⁷ Appendix A provides information on OIG-identified cost savings.

¹⁸ The OIG-evaluated sustainment rates are based on the proposals submitted to the team at the time of the audit request. If VA requirements subsequently changed or an offeror submitted a revised proposal after the OIG audit but prior to award, the team did not use those amounts.

¹⁹ Full-time-equivalent pricing means staff perform day-to-day clinical operations of a department that cannot be performed with existing VA staff. Per-procedure pricing means VA pays for the procedure itself, instead of the physician's time, so VA pays affiliates to perform medical treatments and transplants, costs for which cover fees for inpatient hospitals, physicians, anesthesiologists; per diem rates; and organ acquisition.

²⁰ Fringe benefit amounts are expenses to the employer for items such as retirement contributions, social security tax, and health insurance.

salary agreements, fringe benefit data from the accounting system or forward pricing rate agreements from the cognizant audit agency, insurance billing statements, training policies, bonus policy, and historical expenses.²¹ Appendix B outlines this report's scope and methodology.

The team discussed the documentation with affiliate representatives and VA contracting officers and evaluated the information in accordance with applicable statutory criteria and other guidance:

- 38 U.S.C. § 8153, "Sharing of Healthcare Resources"
- FAR, subparts 31.2, 12.207, 16.203, and 7.105
- VA Acquisition Regulation, subparts 806.302-5
- VHA Procurement Manual, Part 815.404, "Medical Sharing Office Healthcare Pricing Standard Operating Procedures"
- VA Directive 1663, *Health Care Resources Contracting–Buying*
- VHA Directive 1660.03, *Conflict of Interest for Sharing of Health Care Resources*
- Centers for Medicare and Medicaid Services, Physician Fee Schedule²²

The OIG's findings in the 15 issued healthcare preaward audits are summarized below and include evaluations of the following:

- Proposed hourly rates
- Proposals with both hourly rates and per-procedure pricing²³
- Potential conflicts of interest of VA providers

²¹ A forward pricing rate agreement involves the cognizant audit agency establishing indirect rates, typically for fringe benefits and overhead, for a set time. The cognizant audit agency is the federal agency (in this case, the Department of Health and Human Services) with designated audit responsibilities that provides predominant direct funding.

²² "Medicare" (web page), Centers for Medicare and Medicaid Services, accessed September 29, 2022, <https://www.cms.gov/medicare/medicare>.

²³ This was not listed as a separate objective on page 3 of this report but was given consideration by the summary review team.

Evaluation of Proposed Hourly Rates

In 11 of the 13 audits that had only full-time-equivalent or hourly pricing, the OIG recommended contracting officers obtain lower prices than those offered to the government. The OIG recommended lower rates for common issues, such as unsupported expenses or annual hours and administrative expenses included in the hourly rates.²⁴ A proposal with unsupported rates is one in which the amounts listed are inconsistent with available data—for example, a proposal is for \$400 per hour, but the documentation shows the actual hourly rate is \$250. The OIG identified about \$37.3 million in total potential cost savings attributed to hourly rates. Unsupported on-call expenses, fringe benefits, and provider salaries were the most significant and prevalent issues identified.

The OIG team identified proposed on-call expenses not supported by documentation of actual expenses in five of the 15 hourly rate proposals examined.²⁵ VHA policy excludes on-call amounts unless the provider is paid by the affiliated institution for the on-call duty.²⁶ On-call duties were typically compensated as part of providers' base salaries. However, the examined proposals frequently included a price for on-call hours above and beyond the amount for which the affiliate compensated its providers. Therefore, the proposed on-call amounts represented profit to the affiliate.

The most common issue the OIG identified during FY 2023 was unsupported provider salaries, which were found in five of the 15 hourly rate proposals examined. Frequent causes of these findings were bonus or incentive amounts contingent on a provider's performance during a specified period that were included in the base salary. According to VHA policy, compensation contingent on performance should be removed from the salary amount and placed in a separate line item, to be paid proportionate to a provider's time spent at VA after the bonus is paid by the affiliate.²⁷

Evaluation of Hourly Rate Calculations

The number of annual hours used in the hourly rate calculation has a significant effect on its accuracy. In four of the 15 hourly rate proposals examined in FY 2023, the affiliates' hourly rate calculations included a reduced number of hours from the annual standard of 2,080 hours.²⁸ In each case, affiliates stated they did not track the total number of hours providers worked. The OIG-recommended rates do not include paid time off unless an affiliate can also provide a

²⁴ VHA Procurement Manual, Part 873, attachment 3.

²⁵ All 15 proposals had hourly rate cost components, and two of the 15 had both full-time-equivalent and procedure pricing.

²⁶ VHA Procurement Manual, Part 873, attachment 3, para. 1.8.2.

²⁷ VHA Procurement Manual, Part 873, attachment 3, para. 1.8.1.

²⁸ The annual standard of 2,080 hours is the result of 40 hours per week multiplied by 52 weeks in a standard year.

reliable estimate of actual work hours. If no data or reliable estimates are available, the OIG uses the standard of 2,080 annual work hours. Annual work hours are needed to properly calculate the hourly rate of pay; using different annual work hours for this basis can cause the rate to vary significantly, as shown in table 1.

Table 1. Examples of Hourly Rates Based on Providers' Varying Work Hours (by Lowest Annual Hours)

Provider	Total salary, benefits, and other costs (a)	Average weekly work hours (b)	Annual hours (c = b x 52)	Hourly rate (a/c)
A	\$300,000	35	1,820	\$165
B	\$300,000	40	2,080	\$144
C	\$300,000	50	2,600	\$115
D	\$300,000	60	3,120	\$96

Source: VA OIG analysis.

Note: Numbers in table are rounded.

If an affiliate tracked physician work hours, the OIG team used the actual hours worked by the physicians and subtracted paid time off as well as training hours. In the absence of a definitive number of hours worked, the team used the standard 40-hour workweek as the basis for the rate with no allowance for paid time off.

Evaluation of Proposals with Both Hourly Rate and Per-Procedure Pricing

Two of the 15 sole-source healthcare preaward audits were hybrid contract proposals that contained both hourly rate pricing and per-procedure pricing. For the full-time-equivalent portion of the proposal, the team questioned incentive pay, other direct costs, hourly rate calculations, on-call/callback physician services, and the annual hours used to calculate the hourly rates. Regarding the per-procedure portion of the two proposals, the affiliate offered rates higher than current Medicare rates. In these two audits, the OIG recommended reimbursement rates that were 100 percent of the current Medicare rates for the per-procedure portion of the affiliate's proposal.

Evaluation of Potential Conflicts of Interest

VHA Directive 1660.03 defines a criminal conflict of interest as occurring

when an employee participates personally and substantially in a particular matter (e.g., a contract) that would have a direct and predictable effect on the employee's own financial interest or the financial interest of the employee's spouse, minor child, general partner, any person or entity [for] whom the employee serves as an officer, director, trustee or employee, or any person with whom the employee is negotiating or has an arrangement for prospective employment.²⁹

Furthermore, the directive points out that federal law prohibits any employee from participating personally and substantially in a particular matter in which the employee has a conflict of interest.³⁰ For every potential conflict of interest identified, the OIG recommended the contracting officer request an opinion from the Office of General Counsel deputy ethics official on whether these individuals would have a financial interest in any proposal the OIG examined.

Ten of the 15 proposals examined contained potential conflicts of interest for which the VHA contracting officer had not yet sought Office of General Counsel opinions. Specifically, the OIG found and notified the contracting officer of potential conflicts of interest in awarding a proposed sole-source contract to an affiliate or other entity for which VA personnel may receive monetary benefits or have oversight responsibility. Table 2 summarizes the potential conflict of interest findings during FY 2023.

Table 2. Extent of Potential Conflict of Interest Findings by Occurrences

Employee affected	Occurrences in 10 proposals
Chief of staff	8
Chief of services	4
Chief of surgery	1
Administrative staff	1

Source: Analysis of VA OIG audits.

Note: Some proposals had more than one employee affected, so the number of occurrences exceeded the number of proposals.

The potential conflicts of interest were for VA personnel holding faculty appointments at the affiliate, which are often necessary to supervise the affiliate's residents (student doctors). The chief of staff and chief of services personnel typically approve requests for sole-source

²⁹ VHA Directive 1660.03, *Conflict of Interest for Sharing of Health Care Resources*, September 13, 2021.

³⁰ VHA Directive 1660.03.

procurements from the affiliate and are also typically identified in the resulting contract as responsible for monitoring performance of the services procured. However, when potential conflicts of interest are identified, a written opinion from an Office of General Counsel ethics official is required to determine whether an employee has a financial interest that would disqualify the employee from participating in the procurement process and the resulting contract.³¹ The OIG did not identify potential conflicts of interest in the remaining five proposals.

Conclusion

The OIG identified potential cost savings of about \$37.3 million in the 15 sole-source healthcare resource proposals audited in FY 2023. The total value of these 15 proposals was approximately \$125.8 million.

Following the OIG audits, VHA awarded contracts for the 15 proposals by May 2024 and was able to leverage the OIG team's work to sustain about \$9.2 million in cost savings.

VA Management Comments

The VA under secretary for health acknowledged that the draft report contains no recommendations. Additionally, VHA provided six technical comments. The full text of these comments is provided in appendix C.

OIG Response

The OIG incorporated VHA's suggested edit in technical comment 5 and included additional language or footnotes to address technical comments 1, 2, 3, and 6. The OIG did not make any changes based on VHA's technical comment 4.

For technical comment 4, VHA requested removal of a sentence where the OIG stated affiliates do not *generally* offer physician services in the commercial market. VHA stated it has received commercial contracts for on-call coverage from affiliates in the past. However, the report language is not specifically referring to on-call costs but rather all the various costs proposed or incurred by the affiliate.

³¹ VHA Directive 1660.03.

Appendix A: OIG-Identified Cost Savings for Fiscal Year 2023 Preaward Audits

The VA Office of Inspector General (OIG) identified approximately \$37.3 million in cost savings for fiscal year (FY) 2023. Table A.1 shows the OIG-identified cost savings for awarded contracts.

**Table A.1. OIG-Identified Cost Savings for FY 2023
Preaward Audits for Awarded Contracts**

Report count	Date review issued	OIG's estimated cost savings	VA's sustained cost savings	Estimated cost savings realized	Date contract awarded
1	10/24/2022	\$395,387	\$245,815	62.2%	12/30/2022
2	11/3/2022	\$7,788,999	\$3,022,656	38.8%	3/20/2023
3	12/2/2022	\$0	\$0	0.0%	1/13/2023
4	12/22/2022	\$36	\$0	0.0%	3/1/2023
5	1/9/2023	\$4,397,203	\$547,055	12.4%	6/30/2023
6*	2/1/2023	\$803,500	\$0	0.0%	3/20/2023
7	2/8/2023	\$6,561,936	\$3,359,855	51.2%	3/9/2023
8	2/23/2023	\$3,272,387	\$408,619	12.5%	8/15/2023
9*	3/8/2023	\$530,650	\$0	0.0%	7/26/2023
10*	3/24/2023	\$222,157	\$0	0.0%	5/11/2023
11*	4/25/2023	\$7,525,195	\$0	0.0%	11/22/2023
12	6/12/2023	\$1,627,144	\$1,088,472	66.9%	9/2/2023
13*	6/23/2023	\$566,819	\$0	0.0%	12/29/2023
14†	9/27/2023	\$0	\$0	0.0%	1/19/2024
15	9/28/2023	\$3,590,341	\$503,144	14.0%	1/12/2024
Totals		\$37,281,754	\$9,175,616	24.6%	

Source: OIG audits and Veterans Health Administration (VHA) contract files as of May 22, 2024.

Note: The estimated cost savings is the difference between offered prices and OIG-recommended prices. VA's sustained cost savings are the cost savings based on the final prices awarded by the contracting officer.

Numbers within the table are rounded, and totals do not sum due to rounding.

*The contracting officer and affiliate made changes to the requirements or made upward adjustments during negotiations for these proposals.

†The OIG-recommended upward adjustment; the contracting officer and affiliate made changes to requirements during negotiations.

Appendix B: Scope and Methodology

Scope

The review team conducted its work from February 2024 through July 2024. The scope was focused on summarizing the information in prior VA Office of Inspector General (OIG) preaward audits and presenting subsequent contract award data. The team assessed relevant sources of information, including contracts obtained from VA's electronic contract management system and applicable fiscal year (FY) 2023 healthcare resource preaward reports.

Methodology

The review team searched the VA electronic contract management system for the solicitations with OIG-prepared preaward audit reports and obtained the resulting contracts, if available. The team then summarized the data from the review reports and resulting contracts for presentation in this publication.

Data Reliability

The review team did not obtain or rely on computer-processed data. The team also did not perform detailed fieldwork to verify the accuracy of information listed in the reports or the contracts because verification was not the focus of the review.

Government Standards

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

Appendix C: VA Management Comments

Department of Veterans Affairs Memorandum

Date: July 30, 2024

From: Under Secretary for Health (10)

Subj: Office of Inspector General (OIG) Draft Report, Summary of Fiscal Year 2023 Preawards for Healthcare Resource Proposals from Affiliates (VIEWS 11984850)

To: Assistant Inspector General for Audits and Evaluations (52)

1. Thank you for the opportunity to review and comment on the OIG draft report related to preaward audits of sole-source health care proposals in fiscal year 2023. The Veterans Health Administration acknowledges that the report contains no conclusions or recommendations.

<i>The OIG removed point of contact information prior to publication.</i>

(original signed by)

Shereef Elnahal, M.D., MBA

Attachment

Attachment

VHA Technical Comments

**Summary of Fiscal Year 2023 Preawards for Healthcare Resource Proposals from Affiliates,
Project number 2024-01199-AE-0048**

Comment 1

Draft location: Page ii

Current language: The OIG recommended contracting officers obtain lower prices than those offered to the government for all 13 proposals.

Suggested edits: Change to read, “The OIG recommended contracting officers obtain lower prices than those offered to the government on 11 of 13 proposals.”

Why: How it is currently written appears to be in conflict with what is stated on page 6 of the report, “Evaluation of Proposed Hourly Rates, In 11 of the 13 audits that had only full-time-equivalent or hourly pricing, the OIG recommended contracting officers obtain lower prices than those offered to the government.”

Comment 2

Draft location: Page ii

Current language: As of May 2024, VA contracting officers had awarded contracts for the 15 proposals and had sustained over \$9.2 million in cost savings based, in part, on the OIG’s evaluation of cost data submitted by the contractors.

Suggested edits: Change to read, “VA contracting officers had awarded contracts for the 15 proposals and had sustained over \$28.4 million in cost savings based, in part, on the OIG’s evaluation of cost data submitted by the contractors.”

Why: Based on our review of the awarded contracts and Price Negotiation Memorandums it appears the OIG data and ours varies significantly and therefore we are requesting that the OIG review the attached spreadsheet and consider adjusting the cost saving amount.

Comment 3

Draft location: Throughout the report.

Current language: Throughout the report it cites VA Directive 1663 (2018) for the required threshold for OIG review - \$400K / annually.

Suggested edits: Add and/or change the amount to \$750k/annually.

Why: VHA PM was updated, and a News Bulletin was issued March 23, 2023, increasing threshold to \$750K / annually. It appears that the OIG cites the VHAPM in other areas of the report therefore we believe it would be appropriate to cite to reflect the appropriate threshold for OIG reviews.

Comment 4

Draft location: Page 2

Current language: For these procurements, market prices are not available because the affiliate does not generally offer physician services in the commercial market as it does to VA.

Suggested edits: We request that this sentence be removed.

Why: We have received commercial contracts to support pricing for on-call coverage from many affiliates in the past – which supports us in those cases that there is additional compensation for providing call coverage for services outside of their practice.

Comment 5

Draft location: Page 8

Current language: For every potential conflict of interest identified, the OIG recommended the contracting officer request an opinion from the Office of General Counsel on whether these individuals would have a financial interest in any proposal the OIG examined.

Suggested edits: Change to read, “For every potential conflict of interest identified, the OIG recommended the contracting officer request an opinion from the Office of General Counsel ethics official on whether these individuals would have a financial interest in any proposal the OIG examined.”

Why: This provides an accurate depiction of who the Contracting Officer would contact in this situation.

Comment 6

Draft location: Page 10

Current language: Appendix A: Table A.1

Suggested edits: Recommend reviewing the attached spreadsheet showing our calculated cost saving and revising Table A.1 to show the incased saving we believe we have achieved.

Why: Based on our review of the awarded contracts and Price Negotiation Memorandums it appears the OIG data and ours varies significantly and therefore we are requesting that the OIG review the attached spreadsheet and consider adjusting the cost saving amount. This document is not to be distributed beyond official use/approval. This Excel sheet contains procurement sensitive information.

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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