



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

*Office of Audits and Evaluations*

VETERANS AFFAIRS

VA's Administration of the  
Transformation Twenty-One  
Total Technology Next  
Generation Contract

AUDIT

REPORT #17-04178-46

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## Executive Summary

The audit team's objective was to determine:

- Whether VA's Technology Acquisition Center (TAC) and program offices administered Transformation Twenty-One Total Technology Next Generation (T4NG) contract task orders according to federal and VA acquisition regulations, VA national policy, and local VA procedures and requirements; and
- Whether the TAC performed T4NG contract task order award and modification procedures according to federal and VA acquisition regulations, VA national policy, and local VA procedures, and took actions that reasonably ensured contractors could successfully complete contract requirements.

Between March and August 2016, VA's TAC awarded the T4NG multiple-award indefinite-delivery, indefinite-quantity (IDIQ) contract to 28 contractors for information technology (IT) services.<sup>1,2</sup> Under the T4NG contract, VA can purchase a variety of IT services including program management, planning support, systems/software engineering, and cybersecurity, among other IT and health-related IT requirements.

The T4NG contract has a maximum value of \$22.3 billion with a five-year period and an option for an additional five years. The 28 T4NG awardees included 14 service-disabled veteran-owned small businesses, two small businesses, and 12 other than small businesses. As of December 2018, VA's electronic contract management system indicated the TAC awarded 334 task orders under the T4NG contract, with a total contract value of approximately \$9.8 billion and an average task order size of approximately \$29.4 million. Given the value of the contract and task orders, it is important to ensure they provide the IT services needed to carry out the VA mission and to prevent waste of taxpayer funds.

### What the Audit Found

In March 2019, the Government Accountability Office (GAO) added VA acquisition management as a high-risk area in light of numerous contracting challenges and given the significant investment in resources to fulfill its critical mission of serving veterans. Additionally, previous Office of Inspector General (OIG) audits and reviews identified systemic deficiencies in many phases of VA contracting processes used to procure IT products and services. The OIG

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<sup>1</sup> The TAC is organizationally aligned under VA's Office of Acquisition, Logistics, and Construction.

<sup>2</sup> An IDIQ contract allows contractors to supply an indefinite quantity of supplies or services, within stated limits, during a fixed period.

found that VA continues to experience weaknesses with IT contracting procedures performed by program office and TAC personnel, as well as challenges with contract management.

While no violations of federal and VA acquisition regulations were identified by the OIG, the audit team identified contract oversight weaknesses that, if not corrected, increase the likelihood of the VA conducting business with contractors who are unable to provide services in accordance with contract requirements. These weaknesses ultimately place IT systems and hundreds of millions of taxpayer dollars at unnecessary risk and potentially negatively impact VA's ability to meet its mission to care for veterans.

Specifically, the audit team identified deficiencies relating to administration and award procedures performed by program office and TAC personnel for T4NG contract task orders worth as much as \$82.5 million. These deficiencies were caused by weaknesses in the administration of existing task orders by program offices and TAC contracting staff not following procedures, as well as lack of due diligence in performing procedures prior to awarding T4NG contract task orders. In addition to these deficiencies, the audit team identified instances where TAC personnel appropriately performed some required award steps—such as conducting market research, soliciting proposals, and using independent government cost estimates. Nevertheless, the audit team found that TAC personnel did not consistently perform actions to provide reasonable assurance of contractors' ability to successfully deliver contract requirements.

This audit identified issues with program offices' staff's performance of required procedures. For example, program office staff did not consistently follow procedures designed to ensure VA only pays for services performed according to contract requirements nor did they consistently ensure essential contractor performance assessment information was available for review. Additionally, the audit team identified instances where contracting staff and management did not follow TAC requirements and procedures designed to help ensure contractors were able to provide services. The audit team identified other instances where contracting staff did not consistently perform their job functions.

### **Program Office Contracting Officers' Representatives Did Not Consistently Perform Task Order Administration Duties**

The audit team identified deficiencies with program offices' contracting officer's representatives' (COR) performance of required task order administration duties.<sup>3</sup> TAC acquisition guidance required CORs to promptly determine whether services provided by

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<sup>3</sup> Contracting officer's representatives are nominated by the requesting office and are predominately responsible for performing administration procedures, such as authorizing invoice payments and routinely assessing contractor performance.

contractors were acceptable and to maintain corresponding documentation.<sup>4</sup> However, CORs did not consistently follow TAC requirements by authorizing payment for 60 of the 109 invoices reviewed without adequately documenting whether contractor deliverables were determined to be acceptable, despite explicit requirements to do so. The CORs believed authorizing invoices for payment was sufficient documentation that deliverables were reviewed and deemed acceptable. However, invoice payment equals acceptance, not *acceptability*. Some CORs believed they only needed to maintain documentation that showed a deliverable was reviewed in cases where the deliverable was deemed not acceptable. Other CORs were unaware of the requirement to maintain this specific documentation.

Actions CORs take to ensure deliverables are acceptable are necessary because they help ensure the contractor performs the requirements of the task order in accordance with contract terms, conditions, and requirements. In the absence of any documentation from the contracting officer or COR indicating the deliverables provided had been reviewed and deemed to be in accordance with contract requirements (and therefore acceptable), there was no basis on which to pay for (and therefore accept) the deliverables. Per the Office of Management and Budget's (OMB) definition of improper payments, and based on the invoices reviewed, the audit team projected approximately \$37.5 million in improper payments were made for 104 task orders awarded from March 7, 2016, through June 30, 2017, because actions were not taken to adequately document whether the deliverables were reviewed and determined to be acceptable. Maintaining adequate documentation to indicate contractor deliverables were acceptable is necessary to prevent improper payments. Because OMB defines improper payments, in part, as payments made without sufficient documentation to evidence whether they were proper, payments that lack documentation showing the payments were for eligible goods or services, such as goods or services that conform with task order requirements, would constitute improper payments.<sup>5</sup> The fact that a payment was authorized and made does not mean that deliverables were reviewed to

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<sup>4</sup> The COR designation memorandums require CORs to maintain adequate documentation pertaining to their acceptance of supplies being delivered or services being performed, as well as other reports and other data being delivered, in addition to and distinct from the requirement to maintain detailed copies of invoices showing they were paid. In addition, the TAC's local procedures, outlined in the Technology Acquisition Deskbook (TAD), reiterate requirements for CORs to maintain performance documentation, including acceptance of deliverables, also distinct from payment documentation including certification of invoices and proof of payment.

<sup>5</sup> Both Office of Management and Budget (OMB) Circular No. A-123 Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*, October 20, 2014, and revised OMB Circular No. A-123, Appendix C, *Requirements for Payment Integrity Improvement*, June 26, 2018 defines improper payments as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. Also, when an agency's review is unable to discern whether a payment was proper due to insufficient or lack of documentation, this payment must also be considered improper. In this audit, the OIG did not identify any improper payments that resulted in monetary loss. In August 2017, VA issued a memo, *Improper Payments: Monetary Loss to the Government versus Technically Improper Guidance* requiring that improper payments reported in the VA's Agency Financial Report be broken down to differentiate improper payments that result in a monetary loss from those deemed technically improper due to, for example, inadequate documentation to support the payment.

ensure compliance with task order requirements nor does it show that CORs complied with requirements to maintain performance documentation in addition to invoices.

All CORs stated they reviewed deliverables before authorizing invoices, but the audit team was unable to verify assertions that deliverables were reviewed in these cases because the review was not documented. In addition, the audit team was unable to verify assertions that deliverables were acceptable for the 60 invoices where the COR did not document acceptability. While some CORs provided some evidence of work performed and deliverables, other CORs did not provide documentation of the deliverables related to these invoices. Some of the documentation did not provide sufficient detail to evidence work performed or references to the deliverables that the audit team would need to review to determine if the work was acceptable. The audit team was also unable to verify assertions that deliverables were acceptable because the nature of some of the work performed was time sensitive. In these cases, the audit team would have had to review the work performed and status at the time of invoice approval. Thus, the audit team could not retroactively determine that technical and schedule milestones were acceptably met at the time invoices were approved.

Further, some CORs stated their review primarily consisted of ensuring amounts billed by contractors were accurate. However, this process does not provide reasonable assurance that deliverables were reviewed and determined to be acceptable and services were performed in accordance with task order requirements.

The audit team also found that CORs did not submit or significantly delayed submitting assessments of contractor services for 28 of the 91 contractor performance assessments required for the 30 task orders in the sample. Although there are no federal or VA acquisition regulations for CORs to submit assessments within a certain timeframe, the TAC required CORs to monitor contractor performance in accordance with the Quality Assurance Surveillance Plan (QASP), as outlined in COR designation memos. Also, VA policy does not prevent TAC management from applying additional controls and appropriate timeliness standards to this important procedure to ensure that sound internal controls, as required by OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, are in place to address the risks associated with high value, IT-related task orders under the T4NG contract.

Accordingly, the TAC's division director and its chief of compliance service each stated it was their expectation for CORs to submit performance assessments within 15 working days. Based on these discussions, the audit team applied a 15-day standard to the sample. Given the sample results, the audit team projected CORs either did not submit or significantly delayed submitting 88 required performance assessments associated with task orders valued at approximately \$387.1 million, awarded by the TAC from March 7, 2016, through June 30, 2017.

As of the time of the OIG's review in October 2017, of the 28 contractor performance assessments not submitted or significantly delayed, eight had not been submitted. Subsequently, six of the eight were submitted following audit team discussions with contracting officers and

CORs. CORs had significantly delayed submitting the other 20 performance assessments. These assessments were submitted between 22 and 132 working days after the end of the evaluation period, which significantly exceeded the expectation of submission within 15 working days after the end of the evaluation period as provided by the division director, chief of compliance service, and four of seven contracting officers the audit team interviewed.

This occurred in part because the TAC did not develop and issue written timeliness requirements. Nearly all CORs interviewed were unable to identify any required submission date, although TAC management and contracting officers had expectations of submission within 15 working days. This also occurred because the TAC management did not ensure effective controls were in place by implementing standardized procedures for contracting officers to follow up with CORs when performance assessments are delayed. The TAC needs to strengthen controls and develop timeliness requirements for CORs to submit performance assessments and develop written procedures that standardize follow-up actions for contracting officers to take to obtain delayed assessments.

### **TAC Contracting Officers Did Not Consistently Perform Some Task Order Award and Modification Procedures, Placing IT Contracts and Taxpayer Funds at Risk**

TAC contracting officers appropriately performed some task order award procedures such as conducting market research, soliciting proposals, and reviewing independent government cost estimates. However, for six of the 30 task orders reviewed and four subsequent modifications, contracting officers did not consistently review government-wide contractor past performance information available in the Past Performance Information Retrieval System (PPIRS) or T4NG-specific contractor past performance assessments available in the Acquisition Task Order Management System to help ensure contractors could perform satisfactorily. The audit team also identified an additional 14 task orders where contracting officers did not review government-wide past performance assessments from PPIRS, as required by TAC procedure. During the majority of the audit scope, TAC procedures required contracting officers to review documentation related to contractor past performance available in PPIRS to ensure contractors would be able to perform satisfactorily. Based upon the sample results, the audit team projected 107 task orders, valued at approximately \$567.2 million, were unnecessarily placed at risk of potential waste of funds associated with awarding task orders and issuing modifications to contractors who may be unable to provide or complete contracted services.

Contracting officers did not consistently follow the TAC's requirement, which was in place during nearly all of the audit, to review specific past performance information because they believed this information was unnecessary, as it was not required by federal regulation or VA national policy. They also believed it was reviewed at the time of initial contract award, and, that other sources of contractor performance information were more relevant. TAC management

agreed with these reasons and supported contracting officers' decisions not to review this readily available information in the task order award and modification processes. Management stated that the review was an excessively time-consuming requirement for staff to complete, and wrongly required by TAC procedure. In fact, TAC management immediately requested the removal of this requirement from the procedural deskbook within hours after the OIG team discussed audit results with a contracting officer. This requirement was removed in November 2017 and TAC management did not replace it with a mitigating control, effectively making T4NG task order award and modification controls weaker.

The audit team concluded that the requirement to review this information was neither time-consuming nor burdensome, and questions whether removing this control requirement was a prudent management action as management's decision potentially introduces unnecessary risk into the process by increasing the possibility the TAC will award orders and issue modifications to potentially non-performing contractors. However, the audit team notes that even when the requirement existed, TAC management and its compliance group did not ensure contracting officers complied with procedures.

Of the 30 task orders reviewed, the audit team also determined contracting officers awarded seven orders, valued at approximately \$55.2 million, to three contractors with medium-high financial stability risk scores. Because there was no requirement for contracting officers to take additional actions when higher-risk scores were identified, the audit team found contracting officers did not take actions to ensure these three contractors had adequate financial resources to perform and complete requirements despite potentially disqualifying information. From the population of task orders awarded by the TAC from March 7, 2016, through June 30, 2017, the audit team identified an additional eight task orders, valued at approximately \$63.8 million, that contracting officers awarded to these contractors.

This occurred because no procedures were put into place by the TAC on what standards should be applied when contracting officers identified higher-risk financial stability risk scores. In addition, TAC procedures did not require contracting officers to document the additional actions taken to justify awarding orders to contractors with higher-risk financial stability risk scores. Without standards or requirements to do otherwise, contracting officers generally stated they placed more significance on their knowledge and familiarity of working with the contractor than financial risk scores, and were not concerned with these results. Furthermore, VA policy does not prevent TAC management from applying additional controls to this important procedure to ensure that sound internal controls, as required by OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, are in place to address the risks associated with high value, IT-related task orders under the T4NG contract.

## What the OIG Recommended

The OIG made seven recommendations to address identified deficiencies with improved procedures that program office contracting officer's representatives and TAC contracting officers should perform. In summary, the OIG recommended the TAC associate executive director provide written requirements that identify the method and level of detail required for CORs to document their review of the acceptability of deliverables and procedures that will provide contracting officers the assurance this review was adequately completed. The OIG also recommended the TAC associate executive director develop timeliness requirements for submitting performance assessments and written procedures defining actions contracting officers should take when these requirements are not met. Finally, the OIG recommended the TAC associate executive director implement procedures to monitor contracting officer actions through compliance reviews; assess the risk related to removing the requirement to review PPIRS from procedures and implement a compensating control; and define higher-risk financial stability risk scores in procedures as well as subsequent actions to be taken upon identification of these scores.

## Management Comments<sup>6</sup>

The principal executive director of the Office of Acquisition, Logistics, and Construction concurred with the findings and recommendations. The principal executive director stated VA's senior procurement executive will draft policy and/or procedures to address each recommendation at an enterprise-wide level by October 1, 2019. The OIG will continue to monitor the enterprise-wide solutions proposed by the principal executive director to ensure that they sufficiently address the concerns identified and discussed in this report.



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<sup>6</sup> The OIG submitted a draft report for the Department's review and comment on November 21, 2018. On December 19, 2018, the principal executive director of the Office of Acquisition, Logistics, and Construction responded to the draft report. Representatives of the OIG and the principal executive director and her staff subsequently met to discuss the principal executive director's response. On May 6, 2019, the principal executive director withdrew her initial response and provided the response published in Appendix E.

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## Abbreviations

ATOMS	Acquisition Task Order Management System
COR	Contracting Officer's Representative
eCMS	Electronic Contract Management System
FAPIIS	Federal Awardee Performance and Integrity Information System
FAR	Federal Acquisition Regulation
GAO	Government Accountability Office
IDIQ	indefinite-delivery, indefinite-quantity
IGCE	Independent Government Cost Estimate
IT	information technology
OALC	Office of Acquisition, Logistics, and Construction
OIG	Office of Inspector General
OIT	Office of Information and Technology
OMB	Office of Management and Budget
PPIRS	Past Performance Information Retrieval System
QASP	Quality Assurance Surveillance Plan
RMCS	Risk Management and Compliance Service
T4NG	Transformation Twenty-One Total Technology Next Generation
TAC	Technology Acquisition Center
TAD	Technology Acquisition Deskbook
VA	Department of Veterans Affairs
VAAR	VA Acquisition Regulation



## Introduction

The audit team's objectives were to determine:

- Whether VA's Technology Acquisition Center (TAC) and program offices administered Transformation Twenty-One Total Technology Next Generation (T4NG) contract task orders according to federal and VA acquisition regulations, VA national policy, and local VA procedures and requirements; and
- Whether the TAC performed T4NG contract task order award and modification procedures according to federal and VA acquisition regulations, VA national policy, and local VA procedures, and took actions that reasonably ensured contractors could successfully complete contract requirements.

### IT Procurement Historical Weaknesses

Several oversight reports noted that both the Office of Information and Technology (OIT) and TAC have experienced significant issues with awarding and administering contracts for IT products and services.<sup>7</sup> The reports detailed multiple instances where contracting policies and/or procedures were not followed by staff, resulting in waste to the VA:

- A January 2017 Office of Inspector General (OIG) report concluded OIT spent over \$2 million on an IT project with limited functionality that prevented it from being used as needed. This was funded in part through the predecessor contract, Transformation Twenty-One Total Technology. Project managers did not ensure formal testing and acceptance were conducted on project deliverables, as required by the contract, and did not manage the project in accordance with established program management procedures. As a result, OIT could not ensure the value of contract deliverables or demonstrate return on investment for the project.<sup>8</sup>
- In September 2013, the OIG reported the TAC's failure to manage a software development project under a mandatory project management system. This violation of policy resulted in redundant functions and the VA potentially incurred unnecessary costs of approximately \$13 million.<sup>9</sup>

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<sup>7</sup> For more information, see *Prior Reports on Procurement Weaknesses* in Appendix A.

<sup>8</sup> VA-OIG 15-02189-336, *Review of Alleged Waste of Funds on a Cloud Brokerage Service Contract*, January 31, 2017.

<sup>9</sup> VA-OIG 12-02708-301, *Review of Alleged System Duplication in the Virtual Office of Acquisition Software Development Project*, September 18, 2013

- In September 2013, the OIG reported the TAC awarded task orders under indefinite-delivery, indefinite-quantity (IDIQ) contracts that did not adequately justify using an exception to the Federal Acquisition Regulation (FAR) competition requirements.<sup>10</sup> By using non-competitive rather than competitive award procedures, the TAC missed the opportunity to save millions of dollars in acquisition costs.<sup>11</sup>

In addition, the Government Accountability Office (GAO) included “Improving the Management of IT Acquisitions and Operations” on its high-risk lists for 2015 and 2017, which show the VA spent hundreds of millions of dollars on failed acquisitions and continues to operate with outdated IT systems that contain personnel, accounting, and benefit delivery information.<sup>12</sup> Also, in March 2019, the GAO identified overall “VA Acquisition Management” as a high-risk area in light of numerous contracting challenges and given the significant investment in resources to fulfill its critical mission of serving veterans.

## **T4NG Contract Background**

In March 2016, the TAC began awarding the T4NG multiple-award IDIQ contract to 28 contractors.<sup>13</sup> These 28 contractors included 14 service-disabled veteran-owned small businesses, two small businesses, and 12 other than small businesses. The T4NG contract has a total maximum value of \$22.3 billion with a five-year period and an option for an additional five years. During the audit period of March 7, 2016, through June 30, 2017, the TAC obligated approximately \$699 million for 154 T4NG contract task orders and their modifications.<sup>14</sup> The T4NG contract was preceded by the Transformation Twenty-One Total Technology contract, a similar IDIQ contract that was awarded to 16 contractors and had a maximum value of \$12 billion over five years. Nine of these 16 contractors subsequently received the T4NG contract.

The T4NG contract provides IT service solutions for major functional IT areas, including program management, planning, systems and software engineering, cybersecurity, operations and maintenance, and other solutions encompassing a range of IT and health-related IT requirements and solutions. T4NG contract task orders can be awarded to purchase IT services

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<sup>10</sup> An IDIQ contract allows contractors to supply an indefinite quantity of supplies or services, within stated limits, during a fixed period. An agency administers the IDIQ contract by awarding task orders under for specific goods or services as requirements arise. Each task order is accompanied by a performance work statement that details the specific requirements for the contractor to complete the order.

<sup>11</sup> VA-OIG 12-02387-343, *Audit of VA's Technology Acquisition Center Contract Operations*, September 27, 2013.

<sup>12</sup> GAO issues a biennial update that calls attention to agencies and program areas that are high risk due to their vulnerabilities to fraud, waste, abuse, and mismanagement, or are most in need of transformation.

<sup>13</sup> There were 21 contractors initially awarded the T4NG contract in March 2016. The TAC awarded the T4NG contract to three additional contractors in June 2016 and four more contractors in August 2016.

<sup>14</sup> VA may issue modifications to the initial task order for various reasons, including modifying the terms of the task order, exercising optional work tasks, extending periods of performance, or terminating the task order.

and related products necessary to deliver those solutions. As of June 2018, the TAC has awarded task orders under the T4NG contract to meet a variety of IT-related needs, ranging from systems enhancement to helpdesk support.

## **Shared Award and Administration Procedures**

The FAR assigns responsibility to contracting officers for ensuring performance of all necessary actions for effective contracting and ensuring contractors comply with the terms of contracts.<sup>15</sup> The TAC and the respective program office requesting the service both perform award and administration procedures for the T4NG contract task orders. The TAC's contracting officers have authority to award task orders and are responsible for ensuring program office contracting officer's representatives (CORs) perform required procedures.<sup>16</sup> Prior to awarding contracts, the FAR requires contracting officers to determine prospective contractor responsibility. This determination of responsibility includes, in part, a review of contractor past performance and financial information to ensure each contractor has a satisfactory performance record and has or is able to obtain adequate financial resources. TAC procedures during most of the audit period required contracting officers to perform some of these same responsibility determination procedures prior to awarding task orders under the T4NG. CORs, who are nominated by the requesting program office, are predominately responsible for performing administration procedures, such as authorizing invoice payments and routinely assessing contractor performance.

## **Management's Responsibility for Establishing Internal Controls**

Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, provides specific requirements for assessing and reporting on controls in the federal government. The GAO's *Standards for Internal Control in the Federal Government* (the "Green Book"), provides the overall framework for establishing and maintaining an effective internal control system for federal agencies and provides managers criteria for designing, implementing, and operating an effective internal control system.<sup>17</sup> Under the Department of Veterans Affairs *Management Accountability and Responsibility for Internal Controls*, managers have the responsibility to develop and maintain effective internal controls that provide assurance that significant weaknesses in the design or operation of internal control,

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<sup>15</sup> FAR 1.602-1, *Contracting Officers-Authority* and FAR 1.602-2, *Contracting Officers-Responsibilities*.

<sup>16</sup> For more information on contracting officer and COR required procedures, see Appendix A.

<sup>17</sup> Revision issued September 2014

that could adversely affect VA's ability to meet its objectives, would be prevented or detected in a timely manner.<sup>18</sup>

## **TAC and Program Offices**

The T4NG contract is managed by the TAC at its Eatontown, New Jersey location. Established in March 2009, the TAC is organizationally aligned under the Office of Acquisition, Logistics, and Construction. The TAC provides acquisition and management expertise to support VA's information technology (IT) initiatives and programs. According to data from the electronic contract management system (eCMS), as of December 2018, the TAC had awarded 334 task orders under the T4NG contract, with a total contract value of approximately \$9.8 billion and an average task order size of approximately \$29.4 million. Although OIT is VA's primary program office requesting IT services under the T4NG contract, other offices organizationally aligned under the Veterans Health Administration and the Veterans Benefits Administration also request services.

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<sup>18</sup> Department of Veterans Affairs, Management Accountability and Responsibility for Internal Controls, VA Financial Policies and Procedures, Volume 1, Chapter 5, *Management Accountability and Responsibility for Internal Controls*, November 2010

## Results and Recommendations

### Finding 1: Program Office CORs Did Not Consistently Perform Task Order Administration Duties

Contracting officers did not routinely ensure CORs complied with documentation requirements. Both contracting officers and CORs believed authorizing invoices was evidence that deliverables were reviewed and accepted, and that maintaining additional documentation was unnecessary. In addition, CORs either did not submit or significantly delayed submitting performance assessments—in part because the TAC did not develop and issue written timeliness requirements. Nearly all CORs interviewed were unable to identify any required submission date, although the TAC's division director and its chief of compliance service and four of seven contracting officers interviewed had expectations of submission within 15 working days. TAC management also did not ensure that effective controls were in place by implementing standardized procedures for contracting officers to follow up with CORs when performance assessments are delayed that contributed to errors:

- CORs did not consistently follow TAC requirements by authorizing payment for 60 of 109 invoices reviewed without adequately documenting whether contractor deliverables were reviewed for compliance with task order requirements and determined to be acceptable. Consequently, CORs authorized approximately \$10.8 million in improper payments, as defined by OMB, for these 60 invoices, as payments made without sufficient documentation to evidence whether they were proper are considered improper.<sup>19</sup> Based on these sample results, the audit team projects approximately \$37.5 million in improper payments were made for 104 task orders. The lack of adequate documentation is a known, recurring issue identified by the Risk Management and Compliance Service (RMCS) during its routine reviews of VA procurement actions.

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<sup>19</sup> Both OMB Circular No. A-123 Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*, October 20, 2014, and revised OMB Circular No. A-123 Appendix C, *Requirements for Payment Integrity Improvement*, June 26, 2018, defines improper payments as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. In addition, when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an improper payment. In August 2017, VA issued a memo, *Improper Payments: Monetary Loss to the Government versus Technically Improper Guidance*. In this memo, VA requires that improper payments reported in the VA's Agency Financial Report be broken down to differentiate improper payments that result in a monetary loss from those deemed technically improper due to, for example, inadequate documentation to support the payment.

- CORs either did not submit or significantly delayed submitting 28 of 91 contractor performance assessments. As a result, contracting officers did not have the opportunity to consider rating information when evaluating contractor performance prior to awarding future task orders. Based on these sample results, the audit team projects CORs either did not submit or significantly delayed submitting 88 required performance assessments associated with task orders valued at approximately \$387.1 million.

## What the OIG Did

The audit team selected a statistical sample of 30 task orders from the universe of 154 T4NG contract task orders awarded by the TAC for VA IT service during the audit period. The audit team reviewed 109 invoices and 91 contractor performance assessments associated with the task orders. The invoices were statistically selected from a universe of 332 invoices authorized for payment within the audit time frame. The audit team reviewed all contractor performance assessments with a required submission date from March 7, 2016, to October 27, 2017.

The audit team reviewed applicable regulations, policies, procedures, and guidelines to assess controls over CORs' administration of task orders and noted there were no significantly different requirements in the FAR and VA Acquisition Regulation (VAAR). The audit team gathered evidence from eCMS, Invoice Payment Processing System, Acquisition Task Order Management System (ATOMS), and CORs' personal contract files. The audit team also performed interviews with TAC management and staff, including contracting officers, program office CORs and staff, and management of VA Office of Acquisition Logistics and RMCS.

This report finding discusses:

- Program office COR requirements for acceptance of deliverables,
- Program office COR authorized invoice payments without adequate documentation,
- Program office COR requirements for routine performance assessments, and
- Program office CORs did not consistently submit contractor performance assessments.

## Program Office COR Requirements for Acceptance of Deliverables

Although the FAR does not mandate a method for accepting deliverables, acceptance is ordinarily evidenced by an acceptance certificate, a receiving report form, or a commercial shipping document or packing list. Acceptance acknowledges that supplies or services met the contract's quality and quantity requirements, with some exceptions, and that supplies or services

were generally not accepted before contract quality assurance actions are complete.<sup>20</sup> The FAR also states that acceptance of supplies or services is the contracting officer's responsibility.<sup>21</sup> It provides contracting officers the authority to designate COR duties and specify the extent of the COR's ability to act on behalf of the contracting officer.<sup>22</sup>

TAC contracting officers authorize program office CORs to take administrative actions on their behalf. These actions are outlined in COR designation memos and include:

- Verifying that the contractor performed the technical requirements of the task order while following the contract terms and performance work statement requirements;
- Performing acceptance of services performed under task orders in a timely manner; and
- Ensuring contractor invoices accurately reflect work completed, following task order requirements.

The designation memos require CORs to maintain adequate documentation pertaining to their acceptance of supplies being delivered or services being performed, as well as other reports and other data being delivered, in addition to and distinct from the requirement to maintain detailed copies of invoices showing that they were paid. When interviewed, contracting officers stated they expected CORs to complete these tasks, and CORs acknowledged to the audit team that they understood their responsibility for these administrative actions. The TAC's local procedures, outlined in the Technology Acquisition Deskbook (TAD), reiterate requirements for CORs to maintain performance documentation including acceptance of deliverables, also distinct from payment documentation including certification of invoices and proof of payment.<sup>23</sup> The purpose of the TAD is to provide procedures that implement federal regulations and VA policies and ensure certain practices are consistent throughout the TAC. VA national policy states contracting officers are ultimately responsible for ensuring the contract file contains all documents necessary to support the contracting officer's decisions at every stage of the acquisition cycle, including administering the contract.<sup>24</sup> In addition, the VA's eCMS is structured to facilitate CORs' maintenance of administration documentation, with folders specifically dedicated to maintaining deliverables and acceptance documents.

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<sup>20</sup> Federal Acquisition Regulation (FAR) 46.501, *Acceptance General*, issued March 2005 under the joint authorities of the Administrator of General Services, the Secretary of Defense, and the Administrator for the National Aeronautics and Space Administration.

<sup>21</sup> FAR 46.502, *Responsibility for Acceptance*; and FAR 1.602-2, *Contracting Officers Responsibilities*.

<sup>22</sup> See FAR 1.602-2(d), which states designation should be in writing.

<sup>23</sup> TAC Technology Acquisition Deskbook Appendix J, Contracting Officer's Representative (COR) Contract File.

<sup>24</sup> VA Procurement Policy Memorandum, Mandatory Usage of VA's Electronic Contract Management System (eCMS), June 15, 2012.

Maintaining adequate documentation showing acceptable contractor deliverables is necessary to prevent improper payments. The OMB, which provides agencies with guidance for implementing legal requirements to identify and reduce improper payments, states that when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, the payment must be considered an improper payment.<sup>25</sup> Therefore, payments that lack documentation showing they were for eligible goods or services, such as goods or services that conform with task order requirements, would constitute improper payments.

## **Program Office CORs Authorized Invoice Payments Without Adequate Documentation**

CORs authorized payment for 60 of the 109 invoices reviewed without adequately documenting whether contractor deliverables were reviewed for compliance with task order requirements and determined to be acceptable. These 60 invoices totaled approximately \$10.8 million and ranged in value from about \$12,700 to just under \$1.1 million. Based on the results of its review, the audit team projected CORs authorized approximately \$37.5 million in improper payments for contractor services under the T4NG contract. These payments were considered improper based on OMB's definition because there was no documented review of whether the related contractor deliverables were acceptable; thus, a lack of sufficient documentation existed to evidence they were proper. Actions CORs take to ensure deliverables are acceptable are necessary because they help to ensure the contractor performed the services in accordance with contract terms, conditions, and requirements. Not reviewing deliverables for acceptability could put VA at risk of paying for services that are not performed according to the contract.

For the majority of task orders reviewed, the contractor was required to submit status reports at specified intervals that summarized work accomplished, completed deliverables, and any identified or unresolved issues during the reporting period. Contractors who were not required to submit task order status reports were still required to provide other types of completion deliverables, including inventory management reports at specified intervals and phased software development documentation. While contractors issued invoices to bill the VA for work performed for the task orders reviewed, most CORs did not document they verified that the contractor performed the work indicated. They also did not document whether the work was performed per task order requirements.

While CORs stated they or the project manager routinely reviewed contractor deliverables prior to authorizing payment and that deliverables were acceptable, the audit team was unable to

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<sup>25</sup> This statement is made in both the OMB Circular No. A-123 Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*, October 20, 2014 and the revised version of OMB Circular No. A-123 Appendix C, *Requirements for Payment Integrity Improvement*, June 26, 2018.

verify these assertions without documentation. For example, a task order in the sample required the contractor to provide help desk support within specific timeframe constraints based on the severity of the issue. The contractor status reports identified help desk tickets that were resolved during the reporting period and referred to other supporting information. However, the COR was not able to demonstrate that he reviewed the status reports and supporting documentation to ensure the contractor met the timeframe requirements.

In addition, the audit team could not verify assertions that deliverables were acceptable for the 60 invoices where the COR did not document acceptability. While some CORs provided evidence of work performed and deliverables, other CORs did not provide the necessary documentation. Some of the reports and documentation did not include sufficient detail of work performed or references to the deliverables that the audit team should review to determine if the work was acceptable. For example, some status reports identified that deliverables were provided on an as-needed basis. However, the status reports lacked detail about which as-needed deliverables were actually needed during the period of the report. Therefore, the audit team could not verify that the deliverables provided was all that was needed.

The audit team could not verify that deliverables were acceptable because the nature of some of the work performed was time sensitive. In these cases, verifying the contractor's work entailed reviewing the work performed and the status at the time of invoice approval. Some deliverables, in the form of status reports, only referenced work performed during the period. This work was often performed in real-time and continuously changing. Thus, the audit team could not retroactively determine that the work performed at the time invoices were approved was acceptable. CORs needed to be actively involved with verifying the acceptability of contractor-provided deliverables and documenting these assessments to create and maintain sufficient evidence to support their conclusions. Of the 27 CORs responsible for authorizing invoices in the sample, the audit team observed that only 11 CORs routinely maintained acceptance documentation. This documentation was in the form of emails or statements on invoices documenting they reviewed and accepted deliverables, electronic forms that documented acceptance, and/or project tracking sheets that indicated the dates they accepted contractor deliverables.

## **Inadequate Documentation of Acceptance of Deliverables is a Recurring Issue**

RMCS noted inadequate documentation of acceptance multiple times during its reviews of the Office of Acquisition Operations' contract files.<sup>26</sup> In each of the OMB Circular A-123

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<sup>26</sup> The Office of Acquisition Operations, now the Office of Procurement, Acquisition and Logistics, is organizationally aligned under the Office of Acquisition, Logistics, and Construction. The review included the TAC and two other VA contracting offices.

acquisition assessments<sup>27</sup> performed on the TAC in 2011, 2014, and 2016,<sup>28</sup> RMCS identified at least 75 percent of contract files reviewed did not contain evidence of acceptance of supplies or services in accordance with the FAR. The 2011 and 2014 assessments recommended, among other things, that assurance of inspection and acceptance must be included in the contract file.

The TAC responded to the 2011 report that they concurred with the recommendation to include assurance of inspection and acceptance in the contract file and would conduct additional compliance reviews and plan training for TAC personnel. However, the audit team was unable to verify the TAC completed these actions in 2011 because of changes in responsible management personnel. RMCS did not require the TAC to provide a corrective action plan to address the issues they identified in 2011 and 2014. In 2016, RMCS made no recommendation specific to evaluating contractor deliverables.

The RMCS acting director responsible for reporting the results of the RMCS reviews stated this issue had been recurring for years, and RMCS did not typically follow up specific to recurring issues; however, on its next review cycle RMCS intended to determine if actions were implemented. The acting director also stated it is RMCS' position that CORs should comply with the FAR and designation memo requirements by specifically documenting acceptance of deliverables—if they do not document acceptance, CORs are authorizing improper payments.

According to the RMCS acting director and senior procurement analyst, RMCS has no authority to require the offices and entities it assesses to implement recommendations and make corrective actions—it operates strictly in an advisory role. She also stated the RMCS procedure was to provide its reports to the VA head of contracting activity and the Office of Acquisition and Logistics management, as well as publishing the reports on the VA intranet for access by all VA employees. According to VAAR, the head of contracting activity has the overall responsibility for managing the procurement program.<sup>29</sup>

## **TAC Contracting Officers Did Not Ensure Documentation Requirements Were Met**

CORs and contracting officers believed authorizing invoices for payments was sufficient evidence that deliverables were reviewed and accepted. However, the OIG notes that invoice payment equals *acceptance* but not *acceptability*. Furthermore, some CORs believed they only needed to maintain review documentation in cases where the deliverable was deemed not

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<sup>27</sup> Office of Management and Budget Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, updated July 15, 2016, defines management's responsibility for internal control in Federal agencies.

<sup>28</sup> RMCS reported on the TAC alone in the 2011 report and reported on the TAC and other VA contracting offices combined in the 2014 and 2016 reports. RMCS only issued these three Office of Management and Budget Circular A-123 acquisition assessment reports that included the TAC from 2011 through the end of the audit scope.

<sup>29</sup> VA Acquisition Regulation 801.695-3, *Authority of the HCA*.

acceptable. Other CORs were unaware of the requirement to maintain specific documentation relating to review and acceptability of deliverables. Further, the CORs responsible for the 60 invoices identified in the finding stated that, despite explicit requirements to maintain deliverable acceptance documentation, they reviewed deliverables for acceptability but did not maintain supporting documentation other than authorized invoices.

Some of the CORs stated their review of invoices primarily consisted of comparing contractor-billed amounts to task order prices. The audit team noted, however, that the process of verifying accuracy of amounts billed by contractors does not provide reasonable assurance that deliverables were acceptable and services were performed in accordance with task order requirements.

Contracting officers stated they were aware CORs were not documenting acceptance of contractor deliverables beyond authorization of invoices and did not consider such documentation necessary. The contracting officers assumed CORs would not authorize invoices for payment unless they had thoroughly reviewed the deliverables and found them acceptable. The fact that payments were authorized and made was not sufficient documentation to support that deliverables were reviewed for compliance with task order requirements. It was also not adequate evidence that CORs complied with requirements to maintain performance documentation regarding deliverable acceptance. In the absence of any documentation from the contracting officer or COR indicating that the deliverables provided had been reviewed and deemed to be in accordance with task order requirements (and therefore acceptable), there is no basis on which to pay for (and therefore accept) the deliverables.

Since contracting officers are ultimately responsible for ensuring necessary contract administration documents are maintained in the contract file, they should routinely ensure CORs are performing these duties. Performance of these duties is vital to ensure VA is receiving the deliverables and services for which it paid and to avoid improper payments. Therefore, the OIG recommends the TAC provide written requirements for CORs that identify the method and level of detail required for program office CORs to adequately document their review of contractor deliverables and determination of acceptability and ensure adequate documentation is included in the contract files.

## **Program Office COR Requirements for Routine Performance Assessments**

The FAR requirement for performance-based contracts includes a method for assessing contractor performance and identifies the use of a Quality Assurance Surveillance Plan (QASP)

to monitor work completed by the contractor.<sup>30</sup> Monitoring contractor performance in accordance with the QASP is a responsibility designated by contracting officers to CORs as outlined in the COR designation memo. Accordingly, CORs are required to evaluate contractor performance and submit assessment results in ATOMS. Evaluation periods are defined in the task order QASP and generally end on a quarterly basis. The results of the performance assessments are averaged to offer an overall past performance score. The TAC's division director stated contracting officers should use T4NG performance assessments prior to awarding task orders and issuing some modifications which is discussed in Finding 2.<sup>31</sup>

Following the end of an evaluation period, CORs receive ATOMS notifications prompting them to submit performance assessments. For example, ATOMS prompts CORs to submit assessments at one, seven, and 14 calendar days after the evaluation period ends and additionally notifies the contracting officer after 14 calendar days when an assessment has not been submitted. When asked about timeliness requirements for CORs to submit performance assessments in ATOMS following system notification, contracting officers reported no requirement existed and referenced a QASP requirement regarding contractor notification. The QASP requirement states contracting officers or CORs will notify contractors of satisfactory or below satisfactory performance assessment results no later than 15 working days after the end of each evaluation period. However, this QASP requirement does not identify a timeliness standard to submit performance assessments in ATOMS.

When asked for clarification of this referenced requirement, the TAC's division director and its chief of compliance service each stated it was their expectation for CORs to submit all performance assessments in ATOMS no later than 15 working days after the end of each evaluation period. Since a timeliness standard for performance assessments to be submitted in ATOMS was not established within policies and procedures, for testing purposes, the audit team used the benchmark for submitting performance assessments of within 15 working days from the end of the evaluation period based on TAC management's reported expectation.

Although there are no FAR or VAAR requirements for CORs to submit assessments within a certain timeframe, VA policy does not prevent TAC management from applying additional controls and appropriate timeliness standards to this important procedure to ensure that sound internal controls, as required by OMB Circular No. A-123, *Management's Responsibility for*

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<sup>30</sup> FAR Subpart 37.601(b)(2), requires performance-based contracts for services to include measurable performance standards and the method of assessing contractor performance against performance standards. FAR 46.401(a), states quality assurance surveillance plans should be prepared in conjunction with the preparation of the statement of work and specify all work requiring surveillance and the method of surveillance.

<sup>31</sup> *T4NG User Guide*, Department of Veterans Affairs, Technology Acquisition Center, dated April 24, 2017, Version 2.0, indicates quarterly performance data is averaged to an overall past performance score to be used as a part of the past performance evaluation factor.

*Enterprise Risk Management and Internal Control*, are in place to address the risks associated with high value, IT-related task orders under the T4NG contract.

## **Program Office CORs Did Not Consistently Submit Contractor Performance Assessments**

Consistent submission of performance assessments provides contracting officers with necessary, current information about past performance that can influence new task order awards. CORs were required to submit 91 contractor performance assessments for the 30 task orders in the sample. Of the 91 assessments, 28 were not submitted or not submitted in a timely manner. CORs submitted the remaining 63 performance assessments within the expected 15 working days.<sup>32</sup>

Eight of the 28 performance assessments were not submitted in ATOMS as of October 27, 2017, an average of about 92 working days after the end of the evaluation period. After the audit team discussed the assessments with contracting officers and CORs, six were submitted by CORs in November and December 2017. As of January 16, 2018, the two remaining performance assessments had been pending 184 and 215 working days.

The CORs significantly delayed submitting the other 20 performance assessments in ATOMS. These performance assessments were submitted between 22 and 132 working days after the end of the evaluation period, which significantly exceeded the division director's, chief of compliance service's, and contracting officers' expectations of submission within 15 working days.

The following example illustrates the risk of performance assessment information not being entered in VA's system timely. During testing, the audit team identified a task order where the COR significantly delayed performance assessment submission. In this case, the COR indicated the contractor's performance warranted a below satisfactory rating during the evaluation period. As of September 13, 2017, the audit team found 121 working days had elapsed without the below satisfactory rating information being submitted in ATOMS by the COR. Due to this delay, contracting officers did not have the opportunity to consider the below satisfactory rating prior to awarding the contractor six additional task orders, valued at approximately \$59.0 million.

Based on the sample results, the audit team projected that CORs either did not submit or significantly delayed submitting 88 required performance assessments associated with task orders awarded by the TAC from March 7, 2016, through June 30, 2017, valued at approximately \$387.1 million.

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<sup>32</sup> Performance assessments submitted more than 15 working days from the end of the evaluation period were considered untimely. This standard came from TAC management and contracting officers' expectations.

## **Lack of Timeliness Requirements and Standardized Follow-Up Procedures**

The COR designation memo directs CORs to monitor contractor performance in accordance with the QASP, which states performance assessments are to be completed, in general, quarterly. However, neither document establishes ATOMS submission timeliness requirements. Furthermore, 29 of 31 CORs stated they could not identify a required submission date for performance assessments from the time they received notifications from ATOMS. The remaining two CORs cited inconsistent required submission dates and could not provide supporting documentation. In addition, CORs provided varying reasons for why performance assessments were delayed or not submitted, which indicated the TAC should enhance communication with CORs when assessments are delayed.

There are no standardized procedures for contracting officers to follow up with CORs when required performance assessments are delayed. The majority of contracting officers stated that there are actions they can take, which include contacting the COR, elevating the issue to the COR's supervisor, not executing a task order option, and ultimately revoking the COR's delegation for noncompliance. For the 28 performance assessments not submitted in a timely manner, nearly all contracting officers stated they took one of the follow-up actions; however, only three out of the seven contracting officers contacted were able to provide follow-up documentation for only five of the 28 assessments that were not submitted or delayed.

Standardized procedures are a necessary management control, and the audit team observed that follow-up actions can be effective in preventing further delay of assessment submission. For example, four significantly delayed performance assessments were submitted within an average of three working days once the contracting officer followed up. Prior to this follow-up contact, these performance assessments had been delayed an average of 75 working days. Based upon the results of this finding, it is clear that timeliness requirements and standardized procedures are needed to ensure performance assessments are submitted consistently.

## **Conclusion**

CORs did not consistently perform duties designed to help protect VA from paying for IT services that were not delivered or performed per task order requirements. Despite requirements to do so, the audit team found CORs did not consistently and adequately document that contractor deliverables were reviewed and determined to be acceptable, nor did they submit performance assessments in a timely manner. Although these duties are designated to CORs by contracting officers, the FAR holds contracting officers responsible for ensuring performance of all actions for effective contracting. Ultimately, both CORs and contracting officers did not follow VA contract administration requirements to ensure acceptability of contractor deliverables was adequately documented. They also did not ensure essential contractor performance assessment information was available for review. The T4NG contract has a total value of up to

\$22.3 billion with a potential of about seven years remaining, as of January 2019. If controls are not strengthened, there is potential for significant loss to VA and ongoing improper payments.

## Recommendations 1–4

The OIG made the following recommendations:

1. The Technology Acquisition Center associate executive director provide written requirements, in designation memoranda or other written medium, that identify the method and level of detail required for program office contracting officers' representatives to adequately document their review of contractor deliverables and determination of acceptability.
2. The Technology Acquisition Center associate executive director develop procedures for Technology Acquisition Center contracting officers to ensure review and acceptability of contractor deliverables is adequately documented in contract files to help prevent improper payments.
3. The Technology Acquisition Center associate executive director develop timeliness requirements for program office contracting officers' representatives to submit contractor performance assessments.
4. The Technology Acquisition Center associate executive director develop written follow-up procedures that standardize the actions Technology Acquisition Center contracting officers should take when program office contracting officers' representatives do not comply with the developed timeliness requirements.

## Management Comments

The principal executive director of the Office of Acquisition, Logistics, and Construction (OALC) concurred with the findings and recommendations. The principal executive director indicated that the recommendations are better addressed at the enterprise level, whereby full consideration and standards for internal controls could be established and stated the recommendations will be reviewed at a 2019 Senior Procurement Council meeting for discussion. VA's senior procurement executive will draft policy and/or procedures to address each recommendation at an enterprise-wide level by October 1, 2019.

## OIG Response

The principal executive director's corrective action plans are responsive to the recommendations. The OIG will continue to monitor the progress of the enterprise-wide solution proposed by the principal executive director to ensure that it sufficiently addresses the concerns identified in this report and will follow up on the implementation of these recommendations until the proposed actions are completed.

## **Finding 2: The TAC's Contracting Officers Did Not Consistently Perform Some Task Order Award and Modification Procedures**

TAC contracting officers did not consistently take necessary steps to ensure contractors could perform satisfactorily before awarding task orders and issuing some modifications. Contracting officers also did not ensure contractors had adequate financial resources to provide required IT services. The audit team reviewed 30 task orders awarded by the TAC from March 7, 2016, through June 30, 2017.

The audit team identified 14 task orders where contracting officers did not consistently review government-wide contract past performance assessments from Past Performance Information Retrieval System (PPIRS), as required by TAC procedures, that detail a comprehensive picture of contractor past performance on all government contracts. The audit also found contracting officers did not review contractor performance assessments from either PPIRS or the quarterly assessments in ATOMS for six task orders and four subsequent modifications to ensure contractors could perform satisfactorily. As a result, the audit team projected 107 task orders, valued at approximately \$567.2 million, were potentially placed at unnecessary risk. During the majority of the audit scope, TAC procedures required the review of past performance information available in PPIRS before awarding task orders and issuing modifications to exercise options and issue new work requirements. Shortly after the audit team met with a contracting officer on November 13, 2017, to discuss errors from noncompliance with the TAC procedures, the TAC's division director requested removal of the past performance information review requirement from TAC's procedural deskbook.

The audit also found contracting officers awarded seven task orders, valued at approximately \$55.2 million, to three contractors with higher-risk financial stability risk scores without taking additional actions to ensure the contractors had adequate financial resources to complete task order requirements. From the population of task orders, the audit team identified an additional eight task orders, valued at approximately \$63.8 million, that contracting officers awarded to these contractors.

The contracting officers and the TAC's division director believed the requirement to review past performance assessments from PPIRS was unnecessary. Also, without standards or requirements to do otherwise, contracting officers stated they generally placed more significance on their knowledge and familiarity of working with these contractors than financial risk scores. However, placing more significance on personal familiarity with contractors is a subjective process that can create inconsistent task order awards and introduce risks into the process. Without reviewing information and taking appropriate actions, VA increases the risk that it will award task orders and issue modifications to contractors who may not be able to provide the IT services necessary to carry out VA's mission.

## What the OIG Did

The audit team reviewed a statistical sample of 30 task orders from the universe of T4NG contract task orders awarded by the TAC from March 7, 2016, through June 30, 2017, for IT service needs. It also reviewed all modifications associated with each selected task order awarded during this period. The audit team reviewed applicable regulations, policies, procedures, and guidelines to assess controls over award procedures and noted there were no significantly different requirements in the FAR and VAAR. In addition, the audit team gathered evidence from VA's eCMS and performed interviews with TAC management and staff, including all contracting officers responsible for the task orders in the sample, and VA Office of Acquisition Logistics management and staff.

This finding discusses:

- TAC contracting officers appropriately performed some award procedures,
- TAC contracting officer requirements to evaluate contractors prior to award,
- TAC contracting officers did not consistently review contractor past performance information, and
- TAC contracting officers did not take actions despite financial risk.

## TAC Contracting Officers Appropriately Performed Some Award Procedures

Contracting officers are required to make task order award decisions in accordance with laws, federal and VA acquisition regulation, VA national policies, and local procedures. Competitive award procedures typically include conducting appropriate market research,<sup>33</sup> soliciting proposals, and reviewing independent government cost estimates (IGCE)<sup>34</sup> when assessing fair and reasonable pricing. The audit team concluded TAC contracting officers performed some T4NG contract task order award procedures in accordance with the FAR and VA policies.

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<sup>33</sup> FAR 10.001(a)(2)(v) and 10.001(a)(3), requires market research to be conducted prior to awarding a task order under an IDIQ contract to determine if sources capable of satisfying the agency's requirements exist. See *Market Research Process and Solicitation* in Appendix A.

<sup>34</sup> According to the TAD, an IGCE is an independent estimate of costs for goods and/or services to be acquired by the government from contractors. It is an unbiased, objective estimate, prepared by the government and used to justify the budget request and support the contracting officers' price reasonableness determination.

Specifically, the audit team determined contracting officers appropriately performed required award steps for task orders reviewed, such as conducting market research, soliciting proposals, and evaluating proposals for fair and reasonable pricing in part by using IGCEs:

- Contracting officers appropriately performed market research or provided appropriate justification for all 30 task orders in the sample.<sup>35</sup>
- Contracting officers properly notified T4NG contractors of the request for proposal for all 30 task orders in the sample.<sup>36</sup>
- Contracting officers performed appropriate procedures to assess fair and reasonable pricing on the task orders, which included reviewing IGCEs for all 30 task orders in the sample.

## **TAC Contracting Officer Requirements to Evaluate Contractors Prior to Award**

Contracting officers are responsible for ensuring IDIQ contract awards are made only to responsible contractors.<sup>37</sup> To make a favorable determination of responsibility, the FAR requires contracting officers to ensure, in part, that the contractor

- Is qualified and eligible to receive the award,
- Has a satisfactory record of integrity and business ethics,
- Has a satisfactory performance record, and
- Has or is able to obtain adequate financial resources.<sup>38</sup>

Prior to contracting officers awarding task orders and issuing modifications that exercise contract options and new work requirements under the IDIQ contract, the TAC's local procedures outlined in the TAD required contracting officers to review documentation relating to contractor past performance and financial stability, to ensure contractors will be able to perform satisfactorily and have adequate financial resources.<sup>39</sup> The reviews safeguard VA interests by

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<sup>35</sup> FAR 16.505(b)(1)(i) requires contracting officers provide each awardee a fair opportunity to be considered for each order exceeding \$3,500 issued under multiple delivery-order contracts or multiple task-order contracts except as provided in certain circumstances.

<sup>36</sup> In the case of competition that was set-aside for SDVOSBs, only those designated as SDVOSBs were notified of the request for proposals.

<sup>37</sup> FAR 9.103(b), *Contractor Qualifications-Responsible Prospective Contractors-Policy*.

<sup>38</sup> FAR 9.104-1, *Contractor Qualifications-Response Prospective Contractors-General Standards*.

<sup>39</sup> *TAC Technology Acquisition Deskbook, Appendix R-Contractor Qualifications and Administrative and Responsibility Requirements*, version dated June 27, 2017. According to the chief of the TAC's Planning, Training, and Analysis Division, the requirements included in this version were in effect from approximately August 18, 2016, through November 20, 2017.

ensuring awards are made to contractors who can perform task order requirements and use taxpayer dollars effectively. During most of the audit's scope, the TAD specified the sources of information outlined in Table 1 that contracting officers were required to review when performing evaluations. Although not required by the TAD, contracting officers and the division director said T4NG performance assessments were an additional source of contractor past performance information, so they were included in Table 1. Contracting officers are required by VA's Procurement Policy Memorandum 2012-02 to ensure contract files contain all documents necessary to support decisions at every stage of the acquisition cycle.

**Table 1. Sources of Information Used to Evaluate T4NG Contractors**

Source name	Source administrator	Description
System for Award Management Record	U.S. General Services Administration	Identifies contractors excluded from receiving government contracts.
Federal Awardee Performance and Integrity Information System (FAPIIS) Record	U.S. Naval Sea Logistics Center	Identifies contractor-related legal proceedings and contract terminations.
Past Performance Information Retrieval System (PPIRS) Assessments <sup>40</sup>	U.S. Naval Sea Logistics Center	Single repository of a contractor's government-wide past performance history. Agencies enter performance information at least annually.
T4NG Performance Assessment Results in Acquisition Task Order Management System (ATOMS) <sup>41</sup>	VA	Collects and maintains task order performance assessments. CORs are primarily responsible for populating this data.
Experian premier Profile Report (Experian)	VA-contracted service from Experian	Used to evaluate financial stability of contractors. Includes two scores: financial stability risk score and Intelliscore Plus.

*Source: VA OIG developed list of information sources required and/or available to contracting officers when evaluating contractors.*

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<sup>40</sup> PPIRS consists of two components, report card and FAPIIS. References to PPIRS within this report are to the specific report card component, which functions as the warehouse for completed past performance assessments.

<sup>41</sup> This record is not required by the TAD, but was included based on interviews with TAC contracting officers and the division director who stated that T4NG performance assessments were an available source to use in evaluating contractor past performance.

## **TAC Contracting Officers Did Not Consistently Review Contractor Past Performance Information**

Contracting officers did not follow TAC procedures to review contractor past performance assessments in PPIRS prior to awarding task orders. The audit team found contracting officers did not review past performance information from either PPIRS or ATOMS for six of 30 task orders reviewed and four subsequent modifications to help ensure contractors could perform satisfactorily prior to award. The audit team also identified an additional 14 task orders where contracting officers did not review government-wide contract past performance assessments from PPIRS, as required. For all 20 task orders, contracting officers did not comply with TAD requirements to review past performance assessments in PPIRS prior to award. Presented below are some examples where contracting officers did not review contractor past performance assessments from PPIRS prior to awarding task orders to contractors.

- Contracting officers did not review contractor past performance assessments for three task orders awarded to a single contractor, valued at approximately \$45.2 million. Including modifications, those three task orders were valued at an approximate total of \$92.9 million, with one of the three task orders making up approximately \$82.5 million of that total.
- Contracting officers did not review contractor past performance assessments for three task orders awarded to a small business contractor, valued at approximately \$11.6 million. Including modifications, those three task orders were valued at approximately \$11.8 million.

Based on these results, the audit team projects that 107 task orders, valued at approximately \$567.2 million, were placed at unnecessary risk of potential waste of funds associated with awarding task orders and issuing modifications to contractors who could be unable to provide or complete contracted services.

### **Contracting Officers Chose Not to Obtain Past Performance Assessments from PPIRS and Management Supported This Practice**

The TAC division director stated that reviews of task order past performance assessments in ATOMS occurred in some instances, but the audit team found no evidence of contracting officer review in the contract file. When the audit team discussed this issue with the division director, she stated that considering T4NG past performance assessments was not a requirement for staff to perform.

Seven of eight contracting officers interviewed during the audit stated they did not review PPIRS assessments prior to awarding task orders and issuing modifications, despite it being required by

TAC procedures, because they believed the requirement was unnecessary. The contracting officers offered multiple reasons for ignoring this requirement:

- Contracting officers indicated they believed reviewing PPIRS information prior to task order award and subsequent modification is not required by the FAR or VA national policy, and this information was reviewed for contractors at the time the initial IDIQ contract was awarded.
- Contracting officers believed T4NG contractor performance assessments submitted in ATOMS were a more relevant source.

The division director supported contracting officers' practice of not obtaining PPIRS assessments before awarding the 20 task orders the audit team cites as errors in this finding. She provided many reasons why she believed the practice did not constitute an inappropriate action by contracting officers. The division director echoed contracting officers' reasons for not reviewing PPIRS assessments and added that she believed the requirement for staff to routinely review PPIRS assessments was excessively time-consuming and wrongly included in procedure. Furthermore, she noted that staff obtained FAPIIS records for the majority of these task order awards and modifications, which she believed was an indicator of contractor past performance. However, TAC procedures required both FAPIIS and PPIRS information to be reviewed prior to awarding task orders and issuing modifications, and the audit team noted FAPIIS information does not contain the same level of information on contractor past performance that PPIRS does.

Within three hours of the audit team discussing results with a contracting officer, the division director coordinated with the chief of compliance service and requested removal of this requirement from the TAD. Instead of routinely reviewing PPIRS assessments, the division director stated contracting officers should use T4NG contract-specific performance assessments in ATOMS before awarding task orders and issuing some modifications. However, she indicated the TAC does not intend to make this a requirement, leaving the review to the discretion of the contracting officers. The requirement to obtain PPIRS assessments before awarding task orders and issuing option modifications was removed from the TAD version dated November 28, 2017, and the audit team confirmed it was not replaced with a different requirement.

## **TAC Compliance Service Group**

The TAC established an internal compliance service group responsible, in part, for performing reviews on randomly selected task orders awarded by TAC contracting officers. The internal review of the T4NG contract, conducted by the compliance service group from March 2016 through October 2017, included a review of 27 task orders. The chief of compliance service stated that, although the compliance service group reviews selected contract files to look for evidence that past performance information was obtained prior to award, the group does not specifically look for whether PPIRS information was reviewed; rather, it looks for T4NG performance assessments from ATOMS. The audit team also reviewed the errors identified by

the compliance group during the scope of this audit and noted there were no review results that indicated whether staff obtained and reviewed PPIRS assessments.

TAC management and the compliance group did not ensure contracting officers complied with procedures. Management supported staff choices not to adhere to required procedures and the TAC's compliance service group, responsible for monitoring compliance with procedures, did not evaluate staff actions for adherence to requirements.

### **Weakened Controls Introduce Unnecessary Risk**

Although there are no FAR, VAAR, or VA national policy requirements to obtain PPIRS assessments before awarding a task order or issuing subsequent modifications, the TAC's local procedures did include the requirement to review PPIRS assessments prior to awarding task orders and some modifications during nearly the entire scope of this audit. The audit team notes that neither federal nor VA regulations prohibited the TAC from implementing additional controls. The audit team believes that the requirement to review PPIRS assessments is a prudent management control, considering the length and dollar value of task orders awarded under the T4NG contract. Further the audit team determined it is not time-consuming or burdensome to conduct reviews and questions the prudence of removing this requirement from TAC procedures without a compensating control put into place.

Management's removal of the requirement to review PPIRS assessments introduced potential risk into the acquisition process by increasing the possibility the TAC will award orders and issue modifications to non-performing contractors. This risk extends to many high-dollar task orders, which during the audit scope, averaged approximately \$15.7 million and ranged from \$104,000 to \$245.1 million. In addition, many of these T4NG task orders are for necessary IT services, such as software development for VA's healthcare system. It could harm VA's mission to care for veterans if a contractor was unable to perform the requirements of a T4NG task order. Controls need to exist to help ensure the completion of IT services needed to carry out the VA's mission and to prevent waste of taxpayer funds.

Although the FAR and VA's Procurement Policy Memorandum *Determining Contractor Responsibility* do not require PPIRS assessments to be reviewed before contracting officers award task orders and issue some modifications under the T4NG, the review was required by the TAD for the task order awards and modifications cited as errors in this finding.<sup>42</sup> In addition, although TAC management stated reviewing PPIRS assessments was unnecessary in part because staff conducted an extensive analysis of contractor past performance at initial IDIQ award, the T4NG contract has a five-year base ordering period with an option for an additional five years. Without the requirement to specifically review PPIRS assessments after the IDIQ

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<sup>42</sup> VA Procurement Policy Memorandum 2013-05, *Determining Contractor Responsibility* (Revised), dated November 13, 2014

award, contracting officers could obligate significant funds without determining whether the contractor had a satisfactory government-wide contract performance history for nearly 10 years.

Management and contracting officers stated T4NG performance assessments in ATOMS were a more relevant source of past performance information than PPIRS for contracting officers to evaluate contractors. Contracting officers said they used these assessments to evaluate contractor past performance in lieu of PPIRS information, and the division director agreed that staff can use T4NG performance assessments instead. Although the audit team allows that these assessments are relevant, it found no evidence in the contract files that T4NG performance assessment information was obtained for six of the 20 task orders, valued at approximately \$109.8 million. Also, as described in Finding 1, a significant number of T4NG performance assessments related to the 30 task orders in the sample were either not submitted by CORs and available in ATOMS, or their submissions were significantly delayed. As a result, T4NG performance assessments could not provide contracting officers with the necessary performance information to make the most informed decisions before task order award and modification.

The division director stated the process of obtaining and reviewing PPIRS assessments was excessively time-consuming. In contrast, the audit team's search of PPIRS assessments related to three contractors in the sample, with one contractor having over 1,900 assessment results, found less than five minutes elapsed between the time the search was initiated and results were obtained. The results were provided in an electronic format that allowed staff to quickly sort and identify unsatisfactory contractor ratings. In January 2018, the audit team provided the division director the opportunity to identify task order awards and modifications that were delayed or otherwise negatively impacted because of the time required for staff to review PPIRS assessments, and she was unable to provide any such analysis.

The audit team confirmed the division director's assertion that FAPIIS records were in the file for most of these task order awards and modifications; however, the TAD required both FAPIIS and PPIRS information to be reviewed prior to awarding these task orders and issuing modifications. In addition, FAPIIS information does not contain the same level of information on contractor past performance that PPIRS does. For example, PPIRS assessments include specific government-assigned ratings for multiple categories of contractor performance on task orders and contracts. The categories include quality of products or services provided, cost, and management. In contrast, FAPIIS records generally only set forth legal proceedings and contract terminations. The audit team further noted this information does not allow contracting officers to identify contractors with lower than satisfactory performance ratings.

### **Enforcement of Procedures and Evaluation of Risks are Lacking**

Although the TAC initially found the PPIRS review procedure requirement to have value, TAC management did not evaluate risks associated with removing this procedure from the TAD. In particular, there was no document evaluating the risks of eliminating the requirement or setting

forth the rationale for the elimination. Without evaluation and justification, removal of this requirement introduced unnecessary risks to the process. In August 2016, TAC management and staff received an electronic notification explaining the addition of the PPIRS requirement to the TAD. The notification added the requirement “to more accurately reflect contractor responsibility determination requirements relative to delivery/task orders, along with the overall requirement to utilize performance and integrity information available in the PPIRS.” Additionally, the OMB best practices for the collection and use of contractor past performance information states that meaningful consideration of contractor performance prior to placement of an order under the IDIQ contract is just as important as consideration of performance in the award of the contract.<sup>43</sup>

TAC management’s justification for removing PPIRS requirement from the TAD did not include any potential impacts of removing a requirement previously found to add value, even though research conducted by the audit team identified review of contractor past performance as a good management control and best practice. These facts indicate TAC management precipitously removed this control requirement from procedures without significant consideration of the impact on the VA or TAC operations.

Even though the FAR and VA national policy do not require a review of PPIRS prior to awarding task orders and issuing some modifications, the FAR does not prohibit more restrictive controls to reduce program risks. The review of PPIRS provides details on contractor past performance not available through other sources, is not unusually time-consuming to perform, was a requirement previously identified by the TAC as a step to improve procedures, and helps meet contracting best practices. To ensure the TAC is operating in the best interest of the government and taxpayers, the TAC should assess the risk introduced by removing the requirement to review PPIRS information. It should also implement a control that mitigates the risk of awarding task orders and issuing modifications to potentially non-performing contractors.

## **TAC Contracting Officers Did Not Take Actions Despite Financial Risk**

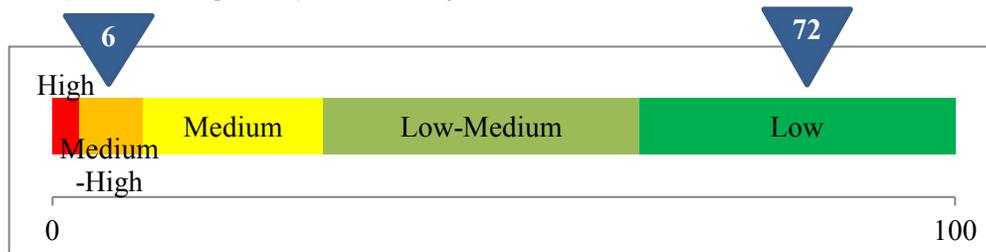
As part of TAC procedural requirements to evaluate contractors before awarding task orders under the T4NG contract, during the scope of audit, contracting officers were also required to review Experian reports to ensure contractors had adequate financial resources to perform task order requirements and the audit team found evidence in the contract file that Experian reports were obtained for the majority of task orders reviewed. However, of the 30 task orders reviewed, the audit team identified seven orders, valued at approximately \$55.2 million, where three

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<sup>43</sup> Office of Federal Procurement Policy, Office of Management and Budget, *Best Practices for Collecting and Using Current and Past Performance Information*, May 2000.

contractors' Experian reports showed medium-high financial stability risk scores.<sup>44</sup> Because there was no requirement for contracting officers to take additional actions when higher-risk scores are identified, the audit team found contracting officers did not take additional actions to ensure these three contractors had adequate financial resources to perform and complete task order requirements despite potentially disqualifying information for task orders reviewed. The audit team identified an additional eight task orders from the audit period population, valued at approximately \$63.8 million, that contracting officers awarded to these contractors. Although the FAR, VA national policy, and TAC procedures do not require contracting officers to take specific actions for contractors with a certain level of financial risk, TAC procedures do require contracting officers to use the Experian reports to assess the financial stability of contractors.

The audit team determined contracting officers awarded six of these seven task orders to two contractors after their financial stability risk scores increased from low to medium-high risk in less than a year, which indicated a significant increase in risk. For three of these task orders, the Experian reports also indicated the contractor had a high Intelliscore Plus score.<sup>45</sup> While the Experian financial stability risk score indicates the likelihood of impending bankruptcy, the two scores combined give an overall picture of a business' risk for both delinquency and financial stress. For this review, the audit team considered any financial stability risk score of medium-high and above to be higher risk, because these categories indicated the greatest risk of financial instability.<sup>46</sup> Figure 1 shows the changes in Experian financial stability risk scores for one contractor over the period from January to June 2016. This contractor's risk of bankruptcy significantly increased when its financial stability risk score went from a score of 72 (low risk) to a score of six (medium-high risk) within only five months.



**Figure 1.** *Experian financial stability risk score range*  
(Source: VA OIG developed risk range of Experian stability scores as reported on Experian website in November 2017.)

<sup>44</sup> Experian's financial stability risk score provides critical insight on the potential of a business going bankrupt or defaulting on its obligations. It provides a quick assessment of risk with a 1 to 100 percentile score, with the highest risk in the bottom 10 percent of accounts (score range 1 – 10). A classification of medium-high risk is given to scores of 4 through 10.

<sup>45</sup> Experian's Intelliscore Plus score predicts the likelihood of serious credit delinquencies for a business within the next 12 months. Similar to the financial stability risk score, it assesses risk with a 1 to 100 percentile score. A classification of high risk is given to scores of 1 through 10.

<sup>46</sup> These categories place contractors in the bottom 10 percent of the risk scale.

Without standards or requirements to do otherwise, contracting officers generally stated they placed more significance on their knowledge of and familiarity with the contractor than information from Experian. As a result, contracting officers were generally not concerned with contractors' higher-risk financial stability scores. Significant reliance on personal knowledge and familiarity of particular contractors, however, is a very subjective process that can lead to a lack of uniformity among contracting officers evaluating task order awards and introduce unnecessary risks into the process. Furthermore, VA policy does not prevent TAC management from applying additional controls to this important procedure to ensure that sound internal controls, as required by OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, are in place to address the risks associated with high value, IT-related task orders under the T4NG contract.

### **Current Procedures Lack Standards and Requirements**

Contracting officers were required by the TAD to evaluate contractors' financial stability before awarding a task order, but there were no procedures on what standards should be applied when contracting officers identified higher-risk financial stability scores. In addition, TAC procedures do not require contracting officers to document the additional actions taken to justify awarding orders to these contractors with higher-risk financial stability scores. Contracting officers interviewed as part of the audit stated that, without requirements defining what constitutes a higher-risk score, they made their own determination of contractors' financial responsibility.

The audit team spoke with the TAC division director about why the TAD does not provide staff more guidance for performing reviews of financial risk scores. She stated it was inappropriate for the TAC to create any local policies or procedures that are not based upon national policy. Providing standards for evaluating significant risk results and guiding subsequent actions represents an effective management control, regardless of whether national policy imposes any such standards or requirements. Furthermore, neither FAR nor VA national policy prohibits management from implementing controls in the form of local procedures. The audit team contends that it would be both simple and prudent for the TAC to establish standards for evaluating significant risk results and guiding subsequent actions. Standards and requirements would also ensure continuity of staff operations and establish a baseline for what should generally be considered acceptable contractor risk scores.

### **Conclusion**

Although the audit team determined contracting officers followed some award procedures appropriately, the audit team identified two deficiencies:

- Contracting officers did not consistently follow the TAD and perform due diligence procedures prior to awarding T4NG contract task orders. This could put VA at risk of

awarding task orders and issuing modifications worth millions of dollars to contractors who are ultimately unable to meet VA's requirements.

- TAC management supported contracting officers' choices not to follow procedural requirements because they believed obtaining and reviewing PPIRS information was unnecessary, even though this information is a valuable resource available to contracting officers.

Considering the average T4NG task order is worth about \$15.7 million—and some task orders awarded under the T4NG contract exceed \$100 million—the monetary risk of not identifying a non-performing contractor before awarding a task order could be significant. Ultimately, without requiring staff to review current, available past performance information and ensuring contractors with higher-risk financial stability risks scores are qualified to receive awards, VA runs the risk of awarding task orders to contractors who may be unable to complete or complete effectively the task order requirements.

Furthermore, contracting officers did not perform follow-up actions to reasonably ensure contractors with medium-high financial stability risk scores would have the financial resources to perform and complete contracted tasks. This was in part because TAC management did not develop any requirements defining higher-risk financial stability scores and actions that should be taken by staff when these scores are identified. Without specific requirements or guidance, contracting officers formed conclusions based upon their personal familiarity with contractors as to whether higher-risk financial scores were concerning. This practice does not ensure consistency in evaluating contractors. It is imperative contracting officers exercise due diligence when evaluating contractors' financial stability, as many of the T4NG contractors are small businesses with a financial position that could be more volatile than that of a larger contractor.

## **Recommendations 5–7**

The OIG recommended the following:

5. The Technology Acquisition Center associate executive director implement procedures to monitor Technology Acquisition Center contracting officers' actions through compliance reviews to ensure they adhere to written procedures.
6. The Technology Acquisition Center associate executive director assess the risk introduced by removing the requirement to review Past Performance Information Retrieval System records and implements a control that mitigates this risk.
7. The Technology Acquisition Center associate executive director enhance written procedures by providing Technology Acquisition Center contracting officers with standards that define higher-risk financial stability risk scores and subsequent actions that should be taken when these scores are identified.

## **Management Comments**

The principal executive director of OALC concurred with the findings and recommendations. The principal executive director stated the recommendations will be reviewed at a 2019 Senior Procurement Council meeting for discussion. VA's senior procurement executive will draft policy and/or procedures to address each recommendation at an enterprise-wide level by October 1, 2019.

## **OIG Response**

The principal executive director's corrective action plans are responsive to the recommendations. The OIG will continue to monitor the progress of the enterprise-wide solution proposed by the principal executive director to ensure it sufficiently addresses the concerns identified in this report and will follow up on the implementation of these recommendations until the proposed actions are completed.

## Appendix A: Background

### Contract Solicitation and Award

The TAC released Solicitation No. VA118-15-R-0558 for the T4NG multiple-award IDIQ contract on November 19, 2014. On March 7, 2016, the TAC awarded a T4NG contract to 21 contractors. Three additional contractors were awarded T4NG contracts on June 10, 2016. Four additional contractors were awarded T4NG contracts on August 2, 2016, for a total of 28 awardees. According to data from eCMS, the TAC had awarded 334 task orders under the T4NG contract as of December 2018, with a total contract value of approximately \$9.8 billion and an average task order size of approximately \$29.4 million.

The T4NG contract was preceded by the Transformation Twenty-One Total Technology contract, a similar IDIQ contract that was awarded to 16 contractors. VA placed task orders under this contract from June 2011 through June 2016 and awarded approximately \$8.7 billion, according to electronic contract data as of February 2018.

### Contracting Background

The T4NG contract is managed by the TAC at its Eatontown, New Jersey, location. Established in March 2009, the TAC provides acquisition and management expertise to support VA's IT initiatives and programs. OIT is the primary program office that requests services that are supplied through T4NG contract task orders. As of June 2017, OIT accounted for about 80 percent of the orders under the T4NG contract, but other offices organizationally aligned under the Veterans Health Administration and the Veterans Benefits Administration were also customers of T4NG contract task orders.

### Solicitation Development

When a program office identifies IT service needs, that office submits a request detailing specific requirements to the TAC. Once the request is received, the TAC assigns personnel to further develop the solicitation, including a contracting officer, contract specialist, and engineer who work with the program office to review and refine the performance work statement, IGCE, and other necessary information.<sup>47</sup> These personnel hold initial meetings with the program office and as many subsequent meetings as are necessary until the solicitation has been developed.

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<sup>47</sup> According to the *T4NG User Guide*, the T4NG Performance Work Statement has been structured to reflect the breadth and depth of IT services spanning the life cycle of a system or project and provides general requirements. Specific requirements are defined in individual task orders.

## Market Research Process and Solicitation

TAC contracting officers perform or review market research to determine if a service-disabled veteran-owned small business or veteran-owned small business qualified to perform the requirements would be interested in bidding on the task order. If there are two or more T4NG contractors who are either service-disabled veteran-owned small businesses or veteran-owned small businesses and qualified to perform the requirements, proposals are solicited from these businesses. If there are not two or more such contractors, the TAC releases a Request for Information on the Federal Business Opportunities website to determine if there are any non-T4NG service-disabled veteran-owned small business or veteran-owned small business contractors interested and qualified to perform the order. All other than small T4NG contractors are then notified of the opportunity. This procedure is aligned with the June 16, 2016, U.S. Supreme Court decision, *Kingdomware Technologies, Inc. v. United States*, 136 S. Ct. 1969.<sup>48</sup>

## Contracting Officer and COR Responsibilities After Solicitation

Once contractor proposals are received, contracting officers must determine whether the proposals detail fair and reasonable prices. When competition and comparisons of proposed prices to historical prices are not feasible for contracting officers to perform this function, they may compare contractor-proposed prices to IGCE. Contracting officers are also responsible for determining the contractors' responsibility, which includes a review of performance, eligibility, and financial stability factors.

A COR is an individual representing the program office who is designated and authorized in writing by a contracting officer to perform technical administrative duties related to a specific task order. Some of these duties include:

- Verifying the contractor performs the technical requirements of the task order in accordance with the contract terms, conditions, and performance work statement requirements;
- Monitoring the contractor's performance in accordance with the QASP, notifying the contractor of deficiencies observed, and identifying appropriate action to correct deficiencies; and
- Reviewing contractor invoices to ensure they accurately reflect the work completed in accordance with the requirements of the task order and document whether contractor deliverables are acceptable. (That is, in conformance with contract requirements.)

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<sup>48</sup> In *Kingdomware*, the Court ruled that under 38 U.S.C. § 8127 VA must set aside procurements for competition among veteran-owned small businesses if a contracting officer has a reasonable expectation that two or more small businesses owned and controlled by veterans will submit offers and that the award can be made at a fair and reasonable price that offers the best value to the United States. This is known as the "Rule of Two."

## Prior Reports on Procurement Weaknesses

Previous OIG audits and VA internal reviews have identified systemic deficiencies in many phases of VA contracting processes used to procure IT products and services. OIG audits also identified challenges in the management of large contracts. For example, the following reports have identified significant control weakness.

In the *Review of Alleged Waste of Funds on a Cloud Brokerage Service Contract* (Report 15-02189-336, January 31, 2017), the OIG concluded OIT did not adequately oversee and monitor a project and its deliverables resulting in significant additional costs and limited system functionality. Furthermore, VA OIG reported in *Review of Allegations Regarding the Technical Acquisition Center's Award of Sole-Source Contracts to Tridec for the Virtual Office of Acquisition* (Report 12-02387-59, December 8, 2014), that the former Office of Acquisition Operations senior management exerted undue influence in the award and structuring of TAC contracts valued at more than \$15 million at the time of the report publishing.

In the *Audit of VA's Technology Acquisition Center Contract Operations*, (Report 12-02387-343, September 27, 2013) the VA OIG concluded that the TAC awarded task orders under IDIQ contracts that did not meet the FAR's competition requirements and did not adequately justify using an exception to the FAR competition requirements. The OIG also reported the TAC did not follow procedures to ensure that a software development project was properly evaluated by OIT to ensure it would support the best selection of projects to minimize duplication and maximize VA's IT investments, in the *Review of Alleged System Duplication in the Virtual Office of Acquisition Software Development Project*.<sup>49</sup>

In addition, VA's RMCS, in conjunction with Jefferson Solutions, LLC, reviewed contracting operations under the Office of Acquisition Operations and reported weaknesses in 2011, 2014, and 2016 regarding the TAC's performance of contracting procedures. RMCS reported in May 2016 that substantial improvement was needed in documenting market research, acquisition plans, determination of fair and reasonable pricing, and contract administration. In its June 2014 report, RMCS found that TAC contract files did not contain evidence that invoices were reviewed and approved or of acceptance of supplies or services. In March 2011, RMCS reported the majority of TAC's files did not show documentation of contract administration, including copies of invoices and evidence of deliverable inspection and acceptance.

RMCS develops and implements procurement and risk management, quality assurance, and compliance activities. RMCS reports to the Office of Procurement Policy, Systems and Oversight, which is organizationally aligned under VA's Office of Acquisition and Logistics. RMCS managed the OMB Circular A-123 acquisition assessment program to assess, monitor, and improve the effectiveness of internal controls associated with VA acquisition activities,

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<sup>49</sup> VA OIG Report 12-02708-301, September 18, 2013.

which included conducting contract file reviews to assure compliance with federal regulations and departmental policy. In June 2017, the OMB paused acquisition assessment requirements under their Circular A-123 through fiscal year 2020 to allow agencies to focus their attention on other review procedures.<sup>50</sup>

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<sup>50</sup> Office of Management and Budget Memorandum M-17-26, *Reducing Burden for Federal Agencies by Rescinding and Modifying OMB Memoranda*, June 15, 2017. In place of these Office of Management and Budget acquisition assessments, RMCS has been performing reviews using an approach called the Contract Management Maturity Model. This approach evaluates six key contract process areas including procurement planning, solicitation planning, solicitation, source selection, contract administration and contract closeout.

## Appendix B: Scope and Methodology

### Scope

The audit team conducted audit work from August 22, 2017 through November 5, 2018. The audit team reviewed 30 task orders statistically selected from the universe of 154 task orders that were awarded by the TAC for VA IT service needs under the T4NG contract from March 7, 2016, through June 30, 2017. These 154 task orders totaled approximately \$699.0 million. The audit team reviewed all modifications associated with selected task orders and issued within the audit time frame, as well as each required performance assessment associated with these task orders. The audit team also reviewed 109 invoices statistically selected from a universe of 332 invoices that were authorized for payment within the audit time frame and associated with each selected task order.

### Methodology

The audit team reviewed applicable laws, regulations, policies, and procedures related to controls over the T4NG contract's processes and to determine the adequacy of internal controls as they related to the audit objective. The audit team identified deficiencies in contracting officers' compliance with TAC procedures, an absence of standards for contracting officers to use when evaluating contractors, lack of actions to ensure CORs document review and acceptance of deliverables, and a lack of timeliness requirements and effective follow-up procedures to ensure performance assessment submission.

In addition, the audit team coordinated with the Office of the Counselor to the Inspector General on laws, regulations, and VA policies, and with OIG data and statistics personnel to select a statistical sample of task orders awarded by the TAC. The audit team conducted a site visit at the TAC in August 2017 to interview TAC management and contracting officers. The audit team conducted interviews with program office CORs and staff, the Office of General Counsel Procurement Law Group, the Office of Acquisition and Logistics' Procurement Policy deputy director, and the RMCS acting director. It was necessary for the audit team to review data in eCMS and ATOMS and review invoices in VA's electronic Invoice Payment and Processing System to complete its testing. In addition, the audit team obtained necessary documentation from CORs' personal contract files.

## Fraud Assessment

The OIG assessed the risk that fraud, violations of legal and regulatory requirements, and abuse could occur during this audit. The OIG exercised due diligence in staying alert to any fraud indicators by taking actions such as:

- Interviewing OIG's Office of Investigations personnel for potential fraud indicators;
- Interviewing TAC personnel and management to determine whether they knew of fraudulent activity or weaknesses that could potentially lead to fraud that would impact the T4NG contract or assigned task orders; and
- Completing fraud-related testing procedures, such as reviewing proposals with pricing in close proximity to the IGCE for collusion and reviewing modifications for patterns in task order price increases.

The OIG did not identify any instances of fraud during this audit.

## Data Reliability

To determine the reliability of data obtained from eCMS, the audit team interviewed the VA system owner, performed data analysis including testing for duplicate records, and performed detailed testing by comparing 10 eCMS data fields to information on contract documents for 33 judgmentally selected task orders. The audit team did not identify any significant differences between the data fields and the data in contract documents, and therefore considers this data sufficiently reliable to support the findings and conclusions.

To determine the reliability of data obtained from ATOMS, the audit team interviewed the VA system owner and staff responsible for completing performance assessments. To mitigate the risks of inaccurate or unreliable data, the audit team looked for obvious errors by ensuring each sampled task order required performance assessments to be completed. The team also compared the contract document period of performance with the system-generated performance review period end dates. Because the assigned COR is not the only individual who can input the performance rating, the audit team verified the results of a judgmental sample of performance assessments with each COR and verified that these results reflected what they intended. The team noted no material discrepancies. The audit team considers this data sufficiently reliable to support the findings and conclusions.

To determine the reliability of data obtained from the Financial Management System, the audit team interviewed the VA system owner and reviewed annual financial statement audit reports for FYs 2015 through 2017, performed and prepared by an independent public accounting firm that identified system weaknesses. The financial statement audits identified delays between one and 18 months in the recording of data in the Financial Management System. However, the audit team ensured this did not adversely impact the completeness of the audit universe by comparing

the universe of invoices pulled from the Financial Management System in August 2017, for the period under audit, to another universe of invoices that was pulled from the Financial Management System in February 2018 for this same period. There were no material discrepancies between the two data sets. The audit team also compared a sample of invoice information from the Financial Management System, including payment amounts, to the invoices submitted by contractors. The OIG considers this data sufficiently reliable to support the findings and conclusions.

## **Government Standards**

Our assessment of internal controls focused on those controls relating to our audit objectives. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## Appendix C: Statistical Sampling Methodology

To determine whether the TAC and VA program offices administered task orders for IT services issued under the T4NG contract according to the FAR, VAAR, VA national policy, and local VA procedures and requirements, the audit team evaluated a statistical sample of task orders and a statistical sample of related invoices. These task orders were selected from the universe of task orders awarded any time from the date of T4NG contract inception on March 7, 2016, through June 30, 2017. The audit team also reviewed a statistically selected sample of invoices associated with selected task orders that were also approved for payment within this scope.

### Population

The universe consisted of 154 T4NG contract task orders awarded by the TAC for IT service needs from contract inception on March 7, 2016, through June 30, 2017, as recorded in eCMS. The audit team also selected a sample from a universe of 332 invoices that were related to the selected task orders and authorized for payment within this audit scope, as recorded in the Financial Management System. All 154 T4NG contract task orders and 332 invoices were included in the population and had a chance of selection.

### Sampling Design

The audit team selected 30 task orders using stratified random statistical sampling of the universe of task orders awarded from March 7, 2016, through June 30, 2017. The population was divided into four strata. Three of these strata were based on risk factors that were determined using OIG criteria and Benford's Law analysis. The fourth stratum contained the remaining population. The audit team reviewed all task orders in two of the strata that had five task orders each and selected a statistical sample of 10 task orders from the remaining two strata.

Upon selecting these task orders for review, the team developed a second-stage universe of 332 invoices associated with the 30 task orders sampled and authorized for payment. The second-stage universe was retrieved from the Financial Management System. Using simple random statistical sampling, the audit team selected a sample of 109 invoices for review. As four of the task orders did not have associated invoices during the scope, the 109 invoices selected for review were related to 26 of the 30 task orders.

### Weights

The OIG calculated estimates in this report using weighted sample data. Samples were weighted to represent the population from which they were drawn. The OIG team uses the weights to compute estimates. For example, the OIG team calculated the error rate point estimates by summing the sampling weights for all sample records that contained the error, then dividing that value by the sum of the weights for all sample records.

## Projections and Margins of Error

The point estimate (e.g., estimated error) obtained by sampling is an estimate of the population parameter, or the true value in the population. For example, there is a true error rate in the population, if one were to review every record in the population and calculate it. The margin of error and confidence interval associated with each point estimate is a measure of the precision of the point estimate that accounts for the sampling methodology used. If the OIG repeated this audit with multiple samples, the confidence intervals would differ for each sample but would include the true population value 90 percent of the time.

The OIG statistician employed statistical analysis software to calculate the weighted population estimates and associated sampling errors. This software uses replication or Taylor-Series Approximation methodology to calculate margins of error and confidence intervals that correctly account for the complexity of the sample design.

Based on the audit results, the audit team projected program office CORs did not adequately document that deliverables were reviewed and determined to be acceptable for invoices associated with 104 task orders, which resulted in improper payments. The audit team estimated the amount of improper payments made for the 104 task orders was approximately \$37.5 million. Table C.1 details the statistical projections for invoices lacking evidence of review and acceptability during the review scope.

**Table C.1. Statistical Projection for Improper Payments Made for Task Orders with Invoices Lacking Adequate Evidence Deliverables Were Reviewed and Acceptable**

**Awarded from March 7, 2016, Through June 30, 2017**  
(Dollar values in thousands)

Category	Point estimate (projection)	Margin of error based on 90% confidence interval	90% confidence interval		Total sample size	Count from sample
			Lower limit	Upper limit		
Number of task orders	104	38	66	142	26	15
Amount authorized for payment	\$37,500	\$21,300	\$16,200	\$58,700		

Source: VA OIG Statistical Analysis of Sample Results Projected Over the Audit Universe.

Note: Amounts in the table were rounded.

In addition, based on the audit results, the audit team estimated CORs either did not submit or significantly delayed submitting 88 required performance assessments for task orders valued at approximately \$387.1 million awarded from March 7, 2016, through June 30, 2017. Table C.2 details the statistical projections for assessments that were not submitted or were significantly delayed.

**Table C.2. Statistical Projection for Performance Assessments Not Submitted or Significantly Delayed for Task Orders Awarded**  
**From March 7, 2016, Through June 30, 2017**  
(Dollar values in thousands)

Category	Point estimate (projection)	Margin of error based on 90% confidence interval	90% confidence interval		Total number of assessments associated with the sample	Count from sample
			Lower limit	Upper limit		
Number of assessments not submitted or delayed	88	37	50	125	91	28
Task order funds obligated	\$387,100	\$277,200	\$109,900	\$664,200		

Source: VA OIG statistical analysis of sample results projected over the audit universe.

Note: Amounts in the table were rounded.

In addition, based on the audit results, the audit team estimated TAC contracting officers did not obtain required past performance information for 107 task orders awarded from March 7, 2016, through June 30, 2017. The audit team estimated the 107 task orders were valued at approximately \$567.2 million. Table C.3 details the statistical projections for task orders without evidence of performance information reviewed during the review scope.

**Table C.3. Statistical Projection for Task Orders Without Evidence of PPIRS  
Review for Task Orders Awarded  
From March 7, 2016, Through June 30, 2017**  
(Dollar values in thousands)

Category	Point estimate (projection)	Margin of error based on 90% confidence interval	90% confidence interval		Total sample size	Count from sample
			Lower limit	Upper limit		
Number of task orders	107	31	75	138	30	20
Task order funds obligated	\$567,200	\$299,600	\$267,600	\$866,900		

*Source: VA OIG Statistical Analysis of Sample Results Projected Over the Audit Universe.*

*Note: Amounts in the table were rounded.*

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

Recommendation	Explanation of Benefits	Better Use of Funds (in millions)	Questioned Costs (in millions)
1 and 2	Questioned costs consist of payments made to contractors where CORs did not adequately document review and acceptability of deliverables for which they authorized payment. See <i>note below</i> .	\$0	\$37.5
	<b>Total</b>	<b>\$0</b>	<b>\$37.5</b>

*Note: The audit team considered the approximate \$37.5 million in questioned costs to be improper payments. OMB's Circular A-123 Appendix C defines improper payments as any payment made by a government agency that is not supported by sufficient documentation to verify the payment was proper.*

## Appendix E: Management Comments<sup>51</sup>

### Department of Veterans Affairs Memorandum

Date: May 6, 2019

From: Principal Executive Director, Office of Acquisition, Logistics, and Construction (003)

Subj: Draft Report, VA's Administration of the Transformation Twenty-One Total Technology Next Generation (T4NG) Contract, Project Number 2017-04178-R9-0151 (VIEWS 00137047)

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

1. The Office of Acquisition, Logistics, and Construction (OALC) completed its review of the subject Office of the Inspector General (OIG) draft report and appreciates the opportunity to respond to the findings and Recommendations in this report. Additionally, OALC is encouraged that, after the exhaustive audit OIG found no violations of the Federal Acquisition Regulation (FAR), VA Acquisition Regulations (VAAR), or VA national policy, which speaks directly to the professionalism of the Technology Acquisition Center (TAC) staff. Specifically, during this 17-month audit period, OIG reviewed/analyzed 30 T4NG task orders and their associated modifications. Additionally, OIG conducted numerous interviews with those both within and outside of OALC.

2. Although the report recommendations are directed to the TAC Associate Executive Director, I will ensure the VA's Senior Procurement Executive (SPE) reviews these recommendations, whereby full consideration, impacts, and implied benefits could be assessed, and standards for internal controls within VA could be established at an enterprise level. This enterprise approach is further supported by the most recent Government Accountability Office (GAO) report that concludes VA's regulations and policies are both outdated and disjointed, calling them difficult for contracting officers to use. OIG's recommendations that indicate TAC alone should put policies in place would serve to further exacerbate the very problem identified by the GAO as it relates to disjointed Departmental policy. Accordingly, as Chief Acquisition Officer, I will include these recommendations at a 2019 Senior Procurement Council (SPC) meeting as an agenda item for VA Heads of Contracting Activities (HCAs) discussion. Further, I will have the SPE draft policy to address these Recommendations at an enterprise level. OALC appreciates the opportunity to review the report and respond to its analysis.

3. OALC concurs with each recommendation in the report. While no FAR, VAAR, or VA National policy currently requiring these procedures, I will have the SPE draft policy and/or procedures to address each recommendation at an enterprise level before October 1, 2019.

4. If you have any questions regarding this submission, please contact Melanie Griffin, Management Analysis Officer, at [Melanie.Griffin@va.gov](mailto:Melanie.Griffin@va.gov).

Karen L. Brazell

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<sup>51</sup> The OIG submitted a draft report for the Department's review and comment on November 21, 2018. On December 19, 2018, the Principal Executive Director of the Office of Acquisition, Logistics, and Construction responded to the draft report. Representatives of the OIG and the Principal Executive Director and her staff subsequently met to discuss the Principal Executive Director's response. On May 6, 2019, the Principal Executive Director withdrew her initial response and provided the response published here.

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

## OIG Contact and Staff Acknowledgments

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<b>Contact</b>	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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