



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

*Office of Audits and Evaluations*

VETERANS HEALTH ADMINISTRATION

Sole-Source Service  
Contracting  
at Regional Procurement  
Office West Needs  
Improvement

REVIEW

REPORT #18-01836-185

SEPTEMBER 17, 2019



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## Executive Summary

This review is one in a series conducted at each of the three Veterans Health Administration (VHA) Regional Procurement Offices. During these reviews, the VA Office of Inspector General (OIG) assessed each office's use of sole-source procedures when awarding service contracts valued at more than \$700,000 in fiscal year (FY) 2017. This review was conducted at Regional Procurement Office (RPO) West.

A sole-source contract is awarded without full and open competition. There are only a limited set of circumstances under which a contracting officer may curtail competition for a contract because it is believed competition helps government officials "reassure citizens that their tax dollars are not spent wastefully."<sup>1</sup> The basic premise for this reassurance is when multiple offerors compete for the government's business, the government can acquire higher-quality goods and services at lower prices than it would acquire if it awarded contracts without competition. Also, competition helps to curb fraud because it allows for periodic changes in the vendors from which the government acquires goods and services.

### What the Review Found

Federal regulation states, with a few exceptions, that a contracting officer will not negotiate sole-source contracts without a written justification and appropriate approvals. The VHA Procurement Manual provides that a justification and approval (J&A) document be completed and approved by the proper approval authority. The approval authority is determined by the proposed contract amount. For example, approval by head of contract activity (HCA) is required for a sole-source justification for contracts valued at more than \$700,000. According to the director of the VHA Procurement Audit office, the HCA also serves as the procuring activity advocate for competition, and in that role is responsible for promoting full and open competition by challenging barriers to full and open competition, such as unnecessarily restrictive statements of work, unnecessarily detailed specifications, and unnecessarily burdensome contract clauses. HCA approval helps ensure that sole-source contracts are used only when necessary. The lack of HCA approval is a violation of federal regulation. Further, without competition the government could pay more for goods and services and could be more susceptible to the risk of fraud.

The OIG reviewed 15 sole-source contracts awarded by RPO West with a total value of about \$19 million to determine whether the J&A documents were completed and approved by the proper authority. Of the 15 contracts reviewed, two contracts did not require HCA approval due to statutory exemptions. RPO West contracting officers obtained proper approvals on eight of the remaining 13 sole-source contracts, worth about \$10 million. Contracting officers are required to

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<sup>1</sup> Congressional Research Service, *Competition in Federal Contracting: An Overview of the Legal Requirements*, June 30, 2011.

ensure all requirements of law, regulations, and all other applicable procedures, including approvals, have been met before awarding a contract. RPO West contracting officers did not obtain the required HCA approval before awarding five sole-source service contracts worth about \$6 million. This occurred because RPO West contracting officers did not follow the required approval process and said they misunderstood the proper approval authority.

When contracting officers violate federal regulation by failing to obtain the required approval, they exceed their contracting authority. This could result in the termination of their warrant, which is their authority to enter into, administer, or terminate contracts. Accordingly, RPO West contracting officers exceeded their authority on five contracts resulting in approximately \$6 million in questioned costs. To avoid future questioned costs, RPO West contracting officers must ensure sole-source contracts receive the required approvals by the appropriate authority.

### **What the OIG Recommended**

The OIG recommended the executive director, VHA Procurement

1. Ensure awareness of approval procedures and the requirement to prepare a written justification and approval for sole-source contracts,
2. Establish procedures to help ensure all justification and approval documents are prepared and approved by the appropriate authority, and
3. Review the actions of contracting personnel involved in the cited contracts and determine whether administrative actions are warranted.

## Management Comments

The executive director, VHA Procurement concurred with all the recommendations and provided acceptable corrective action plans. The OIG considers Recommendations 1 and 3 closed based on the actions reported and documentation provided by the executive director. The OIG will monitor implementation of the planned action for Recommendation 2 and will close the recommendation when the proposed action is completed.



LARRY M. REINKEMEYER  
Assistant Inspector General  
for Audits and Evaluations

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## Abbreviations

eCMS	Electronic Contract Management System
FAR	Federal Acquisition Regulation
FY	fiscal year
HCA	head of contract activity
J&A	justification and approval
NCO	network contracting office
OIG	Office of Inspector General
PACS	Picture Archiving and Communication System
RPO	Regional Procurement Office
VHA	Veterans Health Administration



## Introduction

The VA Office of Inspector General (OIG) conducted this review to determine whether Regional Procurement Office (RPO) West complied with federal regulation when awarding service contracts on an “other than full and open competition” (sole-source) basis.<sup>2,3</sup>

This review is one in a series conducted at each of the three Veterans Health Administration (VHA) RPOs. During these reviews, the OIG assessed the RPOs’ use of sole-source procedures when awarding service contracts valued at more than \$700,000 in fiscal year (FY) 2017.

Proponents of competition contend that competition helps government officials “reassure citizens that their tax dollars are not spent wastefully.” When multiple offerors compete for the government’s business, the government can acquire higher-quality goods and services at lower prices than it would if it awarded contracts without competition. Also, competition helps curb fraud because it allows for periodic changes in the vendors from which the government acquires goods and services.<sup>4</sup>

### Competition in Contracting Act of 1984

The Competition in Contracting Act of 1984<sup>5</sup> requires that contracts be entered into after “full and open competition through the use of competitive procedures” unless certain circumstances exist that would permit agencies to use noncompetitive procedures.<sup>6</sup> The Federal Acquisition Regulation (FAR) outlines seven situations when government agencies can contract without full and open competition:<sup>7</sup>

1. Only one responsible source and no other supplies or services will satisfy agency requirements (FAR § 6.302-1)
2. Unusual and compelling urgency (FAR § 6.302-2)
3. Industrial mobilization; engineering, developmental, or research capability; or expert services (FAR § 6.302-3)

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<sup>2</sup> Contract means a mutually binding legal relationship obligating the seller to furnish supplies or services and the buyer to pay for them. It includes all commitments that obligate the government such as task orders, delivery orders, etc. FAR § 2.101.

<sup>3</sup> A sole-source acquisition is a contract that is solicited and negotiated with only one source.

<sup>4</sup> Congressional Research Service, *Competition in Federal Contracting: An Overview of the Legal Requirements*, June 30, 2011.

<sup>5</sup> Pub. L. 98-369, §§ 2701-2753 (1984), codified at 41 U.S.C. § 3301 et seq.

<sup>6</sup> Congressional Research Service, *Competition in Federal Contracting: An Overview of the Legal Requirements*, June 30, 2011.

<sup>7</sup> FAR § 6.3.

4. International agreement (FAR § 6.302-4)
5. Authorized or required by statute (FAR § 6.302-5)
6. National security (FAR § 6.302-6)
7. Public interest (FAR § 6.302-7)

## **Justification and Approval of Sole-Source Contracts**

Prior to issuing a sole-source contract, federal regulation requires that a contracting officer (1) justify, if required, the use of the sole-source contract in writing, (2) certify the accuracy and completeness of the justification, and (3) obtain necessary approvals.<sup>8</sup> The justification must include a description of the services being procured, the statutory authority permitting the exception to competition, and other facts supporting the sole-source award.<sup>9</sup> The VHA Procurement Manual provides a justification and approval (J&A) template to record these justifications.<sup>10</sup>

The approval authority for sole-source contracts is determined by the proposed contract amount.<sup>11</sup> Within VHA, the head of contract activity (HCA) is designated as the approval authority for sole-source contracts valued at more than \$700,000, but not exceeding \$13.5 million. According to the director of the VHA Procurement Audit Office, the HCA for each RPO serves as the competition advocate for its respective contracting activity. Procuring activity advocates for competition are responsible for promoting full and open competition by challenging barriers to full and open competition, such as unnecessarily restrictive statements of work, unnecessarily detailed specifications, and unnecessarily burdensome contract clauses.<sup>12</sup> HCA approval helps ensure that sole-source contracts are used only when necessary. The lack of HCA approval is a violation of federal regulation. Further, without competition the government could pay more for goods and services and could be more susceptible to the risk of fraud.

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<sup>8</sup> FAR § 6.303-1.

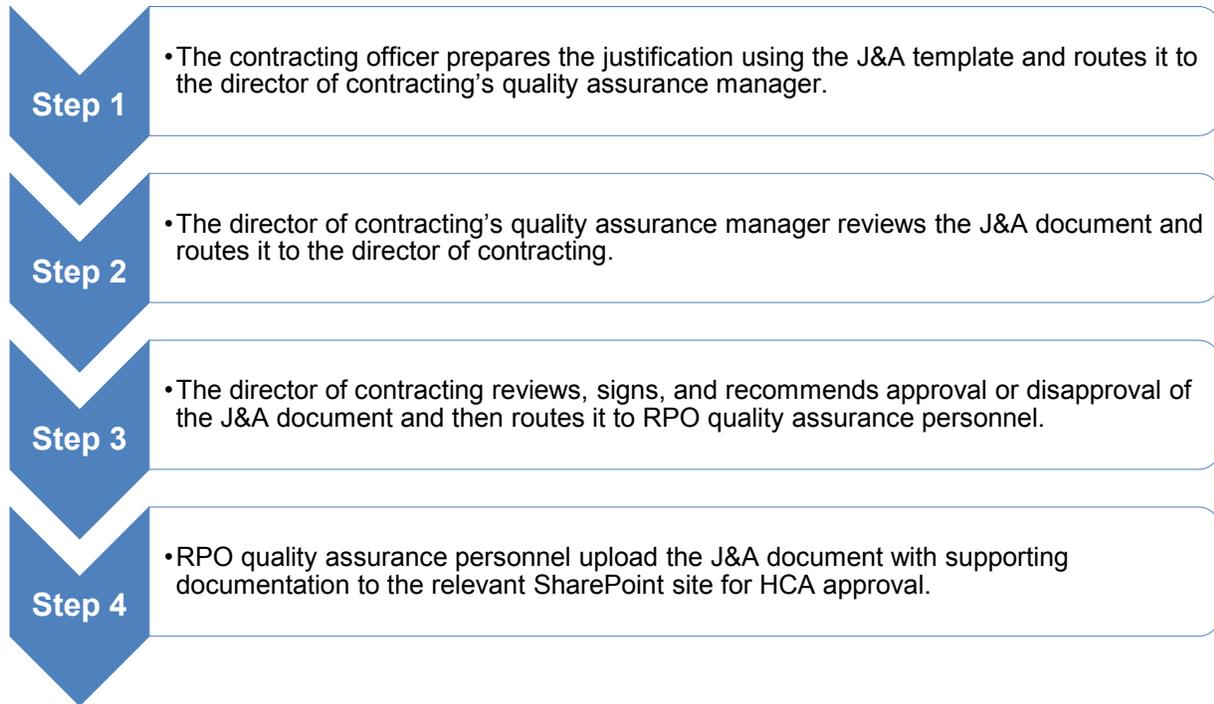
<sup>9</sup> FAR § 6.303-2.

<sup>10</sup> VHA Procurement Manual Part 806.3, *Other Than Full and Open Competition (OFOC) SOP*, Revision: 5, Effective Date: May 2, 2016.

<sup>11</sup> FAR § 6.304.

<sup>12</sup> FAR § 6.502.

Figure 1 shows the process contracting personnel must follow to obtain HCA approval for a sole-source contract.



**Figure 1.** Approval procedure for HCA signature

Source: VHA Procurement Manual Part 806.3, Other Than Full and Open Competition (OFOC) SOP, Revision 5, Effective Date: May 2, 2016, and Attachment 7: VHA Procurement HCA Approval Process

## Regional Procurement Office West

VHA's Procurement and Logistics Office is responsible for the purchase of \$15 billion in healthcare products and services for VHA and is composed of three RPOs: Central, East, and West. Each RPO has a designated HCA and is subdivided into network contracting offices (NCO). RPO West is composed of five NCOs that provide procurement support for VHA facilities located throughout the western states and U.S. territories. The RPO West HCA is responsible for managing policy for and providing oversight of the award of 44,000 contracts annually valued at about \$3 billion and oversees more than 700 contracting employees at the five NCOs. Figure 2 shows each RPO's territory and associated NCOs.



**Figure 2.** RPO West, Central, and East NCO territories<sup>13</sup>  
 Source: Office of VHA’s deputy chief procurement officer SharePoint

In FY 2017, RPO West awarded 15 sole-source service contracts each valued at more than \$700,000, totaling approximately \$19 million, as shown in Table 1. Of the 15 sole-source contracts, one (grounds maintenance) was awarded to an AbilityOne contractor, a mandatory source of supply that does not require a J&A document or HCA approval. Another one of the 15 contracts (human resources staffing services) was awarded to a Small Business Administration-certified small disadvantaged business 8(a) contractor, which also does not require a J&A document or HCA approval unless the contract exceeds \$22 million.

**Table 1. RPO West Sole-Source Contracts**

Contract	Service	Value
VA262-17-P-1008	Valet parking services	\$2,889,204
VA261-17-J-2479	Grounds maintenance	\$2,011,720
VA260-17-J-2916	Blood products and services	\$1,980,000
VA260-17-P-1197	Housekeeping services	\$1,905,000
VA259-17-F-1584	Revenue transaction processing	\$1,230,000
VA262-17-P-0437	Laundry services	\$1,161,583
VA259-17-J-6952	Human resources staffing services	\$999,960

<sup>13</sup> Service Area Office (SAO) was renamed RPO during the OIG review.

<b>Contract</b>	<b>Service</b>	<b>Value</b>
VA257-17-P-2175	Lab test kits and supplies	\$963,741
VA261-17-P-0132	Emergency department physicians	\$956,580
VA262-17-J-4518	Picture Archiving and Communication System (PACS) maintenance and repair	\$929,900
VA262-17-J-4558	PACS maintenance and repair	\$865,583
VA262-17-J-4515	PACS maintenance and repair	\$823,786
VA262-17-P-6861	Contractor contracting support staff	\$773,703
VA262-17-J-4442	PACS maintenance and repair	\$763,055
VA262-17-J-4438	PACS maintenance and repair	\$705,777
	<b>Total</b>	<b>\$18,959,592</b>

*Source: VA's Electronic Contract Management System (eCMS)*

*Note: Values are rounded.*

## Results and Recommendations

### Finding: RPO West Contracting Officers Did Not Comply with Federal Regulation

Of the 15 contracts reviewed, two contracts did not require HCA approval, due to statutory exemptions.<sup>14</sup> RPO West contracting officers obtained proper approvals on eight of the remaining 13 sole-source contracts, worth about \$10 million. Contracting officers are required to ensure all requirements of law, regulations, and all other applicable procedures, including approvals, have been met prior to contract award.<sup>15</sup> RPO West contracting officers did not obtain the required HCA approval before awarding five sole-source service contracts, worth about \$6 million. For four of the five contracts, contracting officers prepared the required J&A document but failed to complete the document by getting the appropriate HCA approval. For the remaining contract, the contracting officer did not prepare the J&A document before awarding the sole-source service contract.

This occurred because RPO West contracting officers did not follow the required J&A document approval process and misunderstood the proper approval authority. As a result, the contracting officers exceeded their authority on five contracts and the approximately \$6 million value of the contracts are questioned costs.<sup>16</sup>

### What the OIG Did

The OIG reviewed all RPO West sole-source service contracts valued at more than \$700,000 awarded in FY 2017, as reflected in VA's eCMS. This included 15 contracts with a total value of about \$19 million. The OIG reviewed documentation for each contract to determine whether RPO West contracting officials complied with the sole-source contract requirement to obtain HCA approval. The OIG also contacted RPO West contracting officials to obtain clarification regarding the contract documentation and requested additional documentation to ensure compliance with federal regulation as necessary.

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<sup>14</sup> Of the 15 sole-source contracts, one contract was awarded to an AbilityOne contractor, a mandatory source of supply under FAR § 8.7 that does not require a J&A document or HCA approval. FAR § 6.302-5. Another one of the 15 contracts was awarded to a Small Business Administration-certified small disadvantaged business 8(a) contractor under FAR § 19.8, which also does not require a J&A document or HCA approval unless the contract exceeds \$22 million. FAR § 6.302-5.

<sup>15</sup> FAR § 1.602-1.

<sup>16</sup> The Inspector General Act of 1978 states that the term "questioned costs" includes a cost that is questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds. 5 U.S.C. app. 3, § 5(f)(1).

## Justification and Approval Process Not Followed

Federal regulation states that, with limited exceptions, a contracting officer will not negotiate sole-source contracts without a written justification and appropriate approvals.<sup>17</sup> Contracting officers are required to ensure all requirements of law, regulations, and all other applicable procedures, including approvals, have been met prior to contract award.<sup>18</sup> The VHA Procurement Manual provides that a J&A document be completed and approved by the proper authority.<sup>19</sup> The approval authority is determined by the proposed contract amount.<sup>20</sup> For example, HCA approval is required for a sole-source justification for contracts valued at more than \$700,000.<sup>21</sup>

The OIG found that RPO West contracting officers did not obtain the required HCA approval when they awarded five sole-source service contracts worth about \$6 million. See Table 2 for a list of contracts awarded without HCA approval.

**Table 2. Contracts without HCA Approval**

Contract	NCO	Service	Value
VA260-17-P-1197	NCO 20	Housekeeping service at VA Alaska Health Care System	\$1,905,000
VA262-17-P-0437	NCO 22	Laundry service at VA Greater Los Angeles Health Care System and VA Long Beach Healthcare System	\$1,161,583
VA259-17-F-1584	NCO 19	Revenue transaction processing service	\$1,230,000
VA257-17-P-2175	NCO 17	Laboratory test kits and supplies at the San Antonio Laboratory of Pathology and VA South Texas Health Care System	\$963,741
VA262-17-P-6861	NCO 22	Contracting specialist support at network contracting office 22	\$773,703
		<b>Total</b>	<b>\$6,034,027</b>

Source: VA's eCMS

Note: Values are rounded.

<sup>17</sup> FAR § 6.303-1.

<sup>18</sup> FAR § 1.602-1.

<sup>19</sup> VHA Procurement Manual Part 806.3, *Other Than Full and Open Competition (OFOC) SOP*, Revision: 5, Effective Date: May 2, 2016.

<sup>20</sup> FAR § 6.304.

<sup>21</sup> VHA Procurement Manual Part 806.3, *Other Than Full and Open Competition (OFOC) SOP*, Revision: 5, Effective Date: May 2, 2016.

## Justification and Approval Document Prepared but HCA Approval Not Obtained

The OIG found that RPO West contracting officials did not obtain HCA approval on four J&A documents. For three of the four contracts, contracting officials prepared the J&A document but failed to obtain HCA approval. Specifically:

- On the \$1.9 million housekeeping service contract at the VA Alaska Health Care System, the J&A document was not approved by the HCA.<sup>22</sup> According to RPO West officials, the J&A document was sent to the HCA for the required approval. However, the OIG reviewed the document and found no evidence of HCA approval. RPO West officials stated that in the contracting officer's haste to provide immediate support to the customer, HCA approval was not obtained. As a result of the OIG identifying that the contracting officer awarded the contract without an approved J&A document, a VA official stated all contracting personnel involved with the contract received verbal counseling.
- On the \$1.2 million laundry service contract at the VA Greater Los Angeles Health Care System and VA Long Beach Healthcare System, an RPO West division chief could not explain why HCA approval was not obtained on the J&A document.<sup>23</sup>
- On the \$774,000 contracting specialist support contract for NCO 22, an RPO West division chief explained that they accidentally failed to send the J&A document for HCA approval.<sup>24</sup>

For the fourth contract, a \$1.2 million revenue transaction processing service contract,<sup>25</sup> an RPO West contracting officer did not obtain the required HCA approval on the J&A document because he did not consider the value of all contract options when developing it. Had the value of the options been included, the contract's estimated value would have exceeded \$700,000 and required HCA approval. Federal regulation requires the estimated dollar value of all contract options be included when determining the appropriate level of approval.<sup>26</sup> Instead, the document was signed by the director of contracting, which is the appropriate authority for contracts valued at less than \$700,000.

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<sup>22</sup> VA260-17-P-1197.

<sup>23</sup> VA262-17-P-0437.

<sup>24</sup> VA262-17-P-6861.

<sup>25</sup> VA259-17-F-1584

<sup>26</sup> FAR § 6.304.

## **Justification and Approval Document Not Prepared and HCA Approval Not Obtained**

On the \$964,000 contract for laboratory test kits and supplies at the San Antonio Laboratory of Pathology and VA South Texas Health Care System, the OIG found that a J&A document was not prepared for HCA approval.<sup>27</sup> The director of contracting and the director's deputy stated that "it was a failure of leadership that caused the action not to be processed." After the OIG notified officials about the missing J&A document, the contracting officer wrote a memo for the contract file that stated the document was not prepared at the time of the award. Subsequently, RPO West officials developed the required J&A document and routed it for HCA approval.

## **Contracting Officers Exceeded Their Authority**

When contracting officers fail to obtain required HCA approval for sole-source contracts, they exceed their contracting authority, which could result in the termination of their warrants.<sup>28</sup> Accordingly, the approximately \$6 million value of the contracts are considered questioned costs. To avoid future questioned costs, contracting officers must ensure sole-source service contracts are approved by the appropriate authority.

## **Management Actions**

Two of the five RPO West contracts that did not have J&As with HCA approval were issued by NCO 22. As a result of the OIG's review, officials from NCO 22 stated they would implement corrective actions to resolve the identified issues and ensure future compliance. Specifically, the officials stated they would submit J&A documents for the two identified contracts to the HCA for approval. In addition, officials from NCO 22 stated they would initiate a review of all sole-source contracts with a value greater than \$700,000 to ensure compliance with federal regulation. Lastly, the officials stated they provided mandatory training to NCO 22 contracting personnel in July 2018 regarding sole-source contracts. The OIG has not verified if the stated corrective actions were implemented.

## **Conclusion**

RPO West contracting officers did not obtain the required HCA approval for five sole-source service contracts worth about \$6 million. As a result, the contracting officers exceeded their authority and the approximately \$6 million is considered questioned costs.

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<sup>27</sup> VA257-17-P-2175.

<sup>28</sup> VA Acquisition Regulation, Part 801.690-7, *Termination*, states a contracting officer's warrant (i.e., his or her authority to enter into, administer, or terminate contracts) may be revoked or rescinded for taking an action that exceeds his or her authority.

## Recommendations 1–3

The OIG recommended that the executive director, VHA Procurement

1. Ensure awareness of approval procedures and the requirement to prepare a written justification and approval document for sole-source contracts,
2. Establish procedures to help ensure all justification and approval documents are prepared and approved by the appropriate authority, and
3. Review the actions of contracting personnel involved in the cited contracts and determine whether administrative actions are warranted.

## Management Comments

The executive director, VHA Procurement, concurred with all recommendations and provided acceptable corrective action plans. In response to Recommendation 1, the executive director stated national training was provided to staff in June 2018 regarding sole-source contracting. For Recommendation 2, the executive director stated that procedures or a system check would be established to ensure all justifications and approval documents are prepared and approved by the appropriate authority. Action on this recommendation is expected to be completed by January 2020. For Recommendation 3, the executive director stated the RPO West HCA and NCO reviewed the actions of the contracting personnel involved with the identified action and determined no administrative or personnel action was warranted. Instead, the personnel were provided training regarding proper procedures for using other than full and open competition. Further, RPO West initiated a number of training sessions across the RPO to improve J&A approval awareness and knowledge.

## OIG Response

The executive director's corrective actions plans are responsive to the intent of the recommendations. The OIG considers Recommendations 1 and 3 closed based on the actions reported and documentation provided by the executive director. The OIG will monitor implementation of the planned action for Recommendation 2 and will close the recommendation when the proposed action is completed.

## Appendix A: Contracts Reviewed

The OIG reviewed 15 sole-source service contracts. Table A.1 details the results of the OIG team's review.

**Table A.1. RPO West FY17 Sole-Source Contracts**

Contract	Service	Value	Was a J&A document prepared?	Did the HCA approve the J&A document?
VA262-17-P-1008	Valet parking services	\$2,889,204.00	Yes	Yes
VA261-17-J-2479	Grounds maintenance	\$2,011,719.84	Not required	Not required*
VA260-17-J-2916	Blood products and services	\$1,980,000.00	Yes	Yes
VA260-17-P-1197	Housekeeping services	\$1,905,000.00	Yes	No
VA259-17-F-1584	Revenue transaction processing	\$1,230,000.00	Yes	No
VA262-17-P-0437	Laundry services	\$1,161,582.50	Yes	No
VA259-17-J-6952	Human resources staffing services	\$999,960.00	Not required	Not required**
VA257-17-P-2175	Lab test kits and supplies	\$963,740.85	No	No
VA261-17-P-0132	Emergency department physicians	\$956,580.00	Yes	Yes
VA262-17-J-4518	PACS maintenance and repair	\$929,899.56	Yes	Yes
VA262-17-J-4558	PACS maintenance and repair	\$865,583.04	Yes	Yes
VA262-17-J-4515	PACS maintenance and repair	\$823,785.60	Yes	Yes
VA262-17-P-6861	Contractor contracting support staff	\$773,702.80	Yes	No
VA262-17-J-4442	PACS maintenance and repair	\$763,054.80	Yes	Yes
VA262-17-J-4438	PACS maintenance and repair	\$705,777.48	Yes	Yes
	<b>Total</b>	<b>\$18,959,590.47</b>		

Source: VA's eCMS

\* This contract was awarded to an AbilityOne contractor, which does not require a J&A document or HCA approval per FAR § 6.302-5.

\*\* This contract was an 8(a) award, which does not require a J&A document or HCA approval, unless the award exceeds \$22 million, per FAR § 6.302-5.

## Appendix B: Scope and Methodology

### Scope

The review team conducted review work from March 2018 through July 2019. The review included all RPO West sole-source service contracts valued at more than \$700,000 awarded in FY 2017. This included 15 contracts with a total value of about \$19 million.

### Methodology

To accomplish the review objective, the review team identified and reviewed applicable laws, federal regulations, VA policies, operating procedures, and guidelines related to other than full and open competition contracts. The review team used VA's eCMS to review the contract file for relevant contract documentation on each service contract to determine whether RPO West contracting officials complied with sole-source requirements. The review team also contacted RPO West contracting officials to obtain clarification regarding the contract documentation or requested additional documentation to ensure compliance with federal regulation as necessary.

### Fraud Assessment

The review team assessed the risk that fraud, violations of legal and regulatory requirements, and abuse could occur during this review. The review team exercised due diligence in staying alert to any fraud indicators by:

- Reviewing the Department of Defense OIG fraud red flags and indicators to identify fraud indicators that are applicable to this project. The review team identified four red flags applicable to contracts including:
  - Contract documentation,
  - Excluding qualified bidders,
  - Source selection, and
  - Unjustified sole source.
- Soliciting the OIG's Office of Investigations to determine if there were any ongoing cases.
- Completing the Fraud Indicators and Assessment checklist.

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

## **Data Reliability**

The OIG used VA's eCMS to obtain the universe of sole-source service contracts. Testing was performed on the data for validity by comparing it with supporting contract documentation in eCMS. The OIG found minor inconsistencies in the data; however, it was determined reliable and would not affect the OIG's findings, conclusions, and recommendations.

## **Government Standards**

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

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

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs
1,2	By establishing procedures for justification and approval document preparation and approval for sole-source contracts, it will ensure HCA approval is obtained as required and will not result in questioned costs.	\$0	\$6,034,026
	<b>Total</b>	<b>\$0</b>	<b>\$6,034,026</b>

Source: *OIG finding*

Note: *Values are rounded.*

## Appendix D: Management Comments

### Department of Veterans Affairs Memorandum

Date: August 7, 2019

From: Executive Director, VHA Procurement

Subj: OIG Draft Report, Sole-Source Service Contracts at Regional Procurement  
Office West Need Improvement

To: Counselor to the Inspector General

1. I have reviewed the draft report and concur with 3 of 3 recommendations.
2. Attached is the VHA Procurement corrective action plan for the report's recommendations.

(Original signed by)

Ricky L. Lemmon

Executive Director, VHA Procurement

Veterans Health Administration

VETERANS HEALTH ADMINISTRATION (VHA)  
Action Plan

OIG Draft Report, Sole-Source Service Contracts at Regional Procurement Office West Need Improvement

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Recommendations	Status	Target Completion
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The OIG recommended the Executive Director VHA Procurement:

Recommendation 1. Ensure awareness of approval procedures and the requirement to prepare written justification and approval documents for sole-source contracts.

VHA Comments: Concur

VHA Executive Director for Procurement provided National training on June 12, 2018, on the topic of Sole Source / OTFOC. Please see the attached training presentation and training invitation.

Status :	Target Completion Date :
Complete	NA

Recommendation 2. Establish procedures to help ensure all justification and approval documents are prepared and approved by the appropriate authority.

VHA Comments: Concur

VHA Executive Director for Procurement will establish procedures or develop a system's check to ensure all justification and approval documents are prepared and approved by the appropriate authority.

Status :	Target Completion Date :
In Progress	January 2020

Recommendation 3. Review the actions of contracting personnel involved in the cited contracts and determine whether administrative actions are warranted.

VHA Comments: Concur

RPO-West HCA and the NCO reviewed the actions and determined no administrative nor personnel action(s) are warranted, other than training responsible personnel on proper OFOC procedures. RPO West initiated and completed the following training measures to improve J&A approval awareness and knowledge across the Region.

SAO West Training: SAO West provided a series of training classes for NCO's 17, 19, 22 Gilbert and 22 Long Beach in June/July 2017 based on post award assessment results. J&A Training / OTFOC was part of that series.

NCO 17: Local training was provided for Division II in October 25, 2018 (Construction, Medical Sharing and Leasing branches), and in February 14, 2019 for Division I (Supplies and Services).

NCO 19: Local Training was provided to staff on February 28, 2019. Training was done during their "Compliance Thursday" training. Attendance was required for all staff who were present.

NCO 20: Most recent Local Training was done in 2017.

NCO 22L: Services 2 Branch Chief provided training including discussion on J&As and OTFOC Oct 31, 2018.

Status :  
Complete

Target Completion Date :  
NA

*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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<b>Review Team</b>	Judith Sterne, director Christopher Bowers Angela Espinosa Shachar Gargir David Kolberg Corey Weiss
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<b>Other Contributors</b>	Dyanne Griffith, attorney advisor
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