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OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

VETERANS HEALTH ADMINISTRATION

Review of Regional
Procurement Office East's
Contract Closeout
Compliance

REVIEW

REPORT #19-05866-82

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Executive Summary

The VA Office of Inspector General (OIG) conducted this review to determine whether Regional Procurement Office (RPO) East performed and documented all contract closeout requirements in accordance with the Federal Acquisition Regulation (FAR) and the Veterans Health Administration (VHA) procurement manual. The contract closeout process is the last opportunity for contracting officers to ensure the government's interests are protected. If proper procedures are not followed, the government's financial and legal risk increases and excess funds may not be made available for other uses.

What the Review Found

The review team examined contract files for a random sample of 40 contracts closed during FY 2018—each valued at \$500,000 or greater—to determine whether closeout procedures were followed. The team also reviewed an open obligations report to identify contracts for which remaining excess funds had not been deobligated.

The contract closeout process is important because it is the last opportunity to ensure deliverables have been received and accepted; government-furnished property is accounted for; the contractor has been paid; potential future financial and legal claims against the government are mitigated; and excess funds are deobligated, allowing them to be put to other uses. If the steps to close out contracts are not followed, it increases future financial and legal risk to the government and may prevent the government from obtaining the maximum benefit of any unused funds.

The OIG found about \$6.8 million in excess funds that could have been put to better use, but which had not been identified and deobligated in a timely manner. The OIG also found that contracting officers did not consistently close out contracts within the required time standards and did not fully document contract closeout requirements in accordance with the FAR and VHA procurement manual.

Contracts were not closed out in accordance with the FAR and VHA procurement manual for a number of reasons. This included contracting officers reporting that a heavy workload affected their ability to comply with contract closeout requirements. In addition, reasons for noncompliance included

- Contracting officers not prioritizing contract closeouts, as they typically prioritize awarding contracts;
- Incorrectly applying closeout procedures, based on incorrect internal training and unclear standard operating procedures; and

- Ineffectively overseeing the contract closeout process, as a minimum level of required quality assurance reviews were not established, and the OIG found a number of errors in its review of closed-out contracts.

What the OIG Recommended

The OIG recommended the executive director of VHA Procurement establish effective and consistent quality assurance reviews for contracts, especially those deemed higher risk, that will help ensure all closeout requirements are performed in accordance with the FAR and VHA procurement manual. The OIG also recommended the executive director makes certain all contracting officers receive standardized training on the manual's closeout procedures. Finally, the executive director should be certain the contract files for the 40 sampled contracts have complete closeout documentation.

Management Comments

The executive director of VHA Procurement concurred with all three recommendations and provided responsive action plans for implementation. The OIG will monitor implementation of the planned actions and will close the recommendations when the proposed actions are completed.



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Abbreviations

eCMS	electronic contract management system
FAR	Federal Acquisition Regulation
FY	fiscal year
NCO	network contracting office
OIG	Office of Inspector General
P&LO	Procurement and Logistics Office
RPO	Regional Procurement Office
SAP	simplified acquisition procedures
TO/DO	task order/delivery order
VA	Department of Veterans Affairs
VHA	Veterans Health Administration



Introduction

The VA Office of Inspector General (OIG) conducted this review to determine whether Regional Procurement Office (RPO) East performed and documented all closeout requirements in accordance with the Federal Acquisition Regulation (FAR) and the Veterans Health Administration (VHA) procurement manual. The contract closeout process is important because it is the last opportunity for the contracting officer to ensure the government's interests are protected. Specifically, contracting officers make certain that deliverables have been received and accepted, government-furnished property is accounted for, the contractor has been paid, potential future financial and legal claims against the government are mitigated, and excess funds are deobligated and available for other uses.¹ If contracting officers do not follow the necessary steps to close out contracts, it increases future financial and legal risk to the government and may prevent the government from obtaining the maximum benefit of any unused funds.

RPO East

The VHA Procurement and Logistics Office (P&LO) supports the purchase of \$15 billion annually in healthcare products and services for VHA. The P&LO's major components include three RPOs: East, Central, and West. Each RPO is subdivided into network contracting offices (NCOs). RPO East is composed of seven NCOs that provide procurement services for the entire east coast of the United States, including Puerto Rico and the Virgin Islands.²

Table 1. RPO East—NCO States Served

NCO	Name	States and territories covered
NCO – 1	VA New England Healthcare System	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
NCO – 2	New York/New Jersey VA Health Care Network	New Jersey, New York, Pennsylvania
NCO – 4	VA Healthcare-Veterans Integrated Service Network 4	Delaware, New Jersey, Ohio, Pennsylvania
NCO – 5	VA Capitol Health Care Network	Kentucky, Maryland, Ohio, Virginia, Washington DC, West Virginia
NCO – 6	VA Mid-Atlantic Health Care Network	North Carolina, Virginia
NCO – 7	VA Southeast Network	Alabama, Georgia, South Carolina

¹ Department of Veterans Affairs, *Obligations Policy*, vol. II, chap. 5, "VA Financial Policy—Obligations Policy," January 2018. Deobligation is defined as a cancelation or downward adjustment of previously incurred obligations.

² According to a VHA official, NCO 2 and NCO 3 were combined into NCO 2 during a VHA realignment.

NCO	Name	States and territories covered
NCO – 8	VA Sunshine Healthcare Network	Georgia, Florida, Puerto Rico, Virgin Islands

Source: VHA Procurement & Logistics Office website

Contract Closeout

VA is required to close out contracts when they are physically complete.³ The FAR establishes the requirements for closing out contract files and the VHA procurement manual establishes the standard operating procedures for contract closeouts. The agency-specific tasks for closing out contract files include

- Ensuring receipt and acceptance of deliverables,
- Obtaining evidence of final payment,
- Obtaining a release of claims or a contractor closing statement from the contractor,⁴
- Identifying and deobligating excess funds for other uses, and
- Preparing a contract completion statement.⁵

Furthermore, the FAR requires the contract files to be sufficient to constitute a complete history of the transaction and the files normally should include contract completion documents.⁶ VA policy requires that all contract documents necessary to support the contracting officers' decisions throughout the acquisition cycle are captured in VA's electronic contract management system (eCMS), VA's official contract file.⁷ The VHA procurement manual states that once the contract closeout requirements are completed, the contracting officer must archive the contract file in eCMS.⁸

³ FAR part 4, sub. 4.8, 4.804, 4.804-5, "Procedures for Closing Out Contract Files." FAR part 4, sub. 4.8, 4.804, 4.804-4, "Physically Completed Contracts," states that a contract, other than a rental, use, and storage agreement, is considered physically completed when the government has received and accepted all contracted goods and services and all option provisions have expired or when the government has given the contractor a notice of complete contract termination.

⁴ Obtaining a release of claims or contractor closing statement is not required for closing contracts acquired using simplified acquisition procedures (SAP).

⁵ VHA procurement manual 804.804-1, rev. 04, sec. 4, "Closeout Process for Contracts Using Simplified Acquisition Procedures," and sec. 5, "Closeout Process for Contracting Actions Not Using Simplified Acquisitions Procedures Using FAR Part 14 or 15 Procedures," April 23, 2018. A contract completion statement is not required for closing contracts acquired using SAP.

⁶ FAR part 4, sub. 4.8, 4.801, "General," and FAR part 4, sub. 4.8, 4.803, "Contents of Contract Files."

⁷ VA Procurement Policy Memorandums, "Mandatory Usage of VA's Electronic Contract Management System (eCMS)," June 15, 2012, and January 26, 2018, Procurement Policy Memorandum 2018-03.

⁸ VHA procurement manual 804.804-1, rev. 04, sec. 4.6, "Step 6," and sec. 5.8, "Step 8," April 23, 2018.

Results and Recommendations

Finding: Contract Files Were Not Closed in Accordance with the FAR and VHA Procurement Manual

RPO East contracting officers did not consistently close out contract files in accordance with the FAR and VHA procurement manual. Specifically, the OIG found the following during its review of 40 contracts:

- Twenty-six contracts were not closed timely.
- Six contracts had about \$243,000 in excess funds that were not deobligated within the required time standards.
- Thirty-six contracts did not have contract closeout requirements fully documented in the contract file.

In addition, RPO East did not deobligate within the required time standards about \$6.6 million in excess funds that were associated with 74 contracts listed in an open obligations report.

Contracting officers told the OIG that a heavy workload affected their ability to fully comply with contract closeout requirements. In addition, the identified contract issues occurred because contract closeout was not a priority, closeout procedures were applied incorrectly, and oversight of the closeout process was ineffective. As a result, RPO East did not deobligate about \$6.8 million in excess funds that potentially could have been put to better use. In addition, incomplete contract files increased the government's financial and legal risk.

What the OIG Did

The team reviewed a random sample of 40 RPO East contracts from a total of 308 contracts, each valued at \$500,000 or greater, that were closed between October 1, 2017, and September 30, 2018 (FY 2018).⁹ All 40 of the randomly sampled contracts were firm-fixed-price contracts. A firm-fixed-price contract is one in which the price is fixed and is not subject to adjustments based on the contractor's cost experience.¹⁰ The team reviewed documents maintained in eCMS for each contract file to determine whether RPO East contracting officers

⁹ A contract is a mutually binding legal relationship obligating the seller to furnish supplies or services and the buyer to pay for them. FAR part 2, sub 2.1, 2.101, "Definitions." For the purposes of this report, it includes all commitments that obligate the government, including task and delivery orders.

¹⁰ FAR part 16, sub. 16.2, 16.202-1, "Description."

closed out the sampled contracts in accordance with the FAR and VHA procurement manual.¹¹ The review team also interviewed RPO East contracting officials for clarification about the contract documentation in eCMS and obtained additional documentation when necessary. Details on the scope are provided in Appendix A and on the sampling methodology in Appendix B.

In addition to the review of the sample of 40 RPO East contracts, the team also reviewed an October 22, 2018 open obligations report that was generated from VA's Financial Management System.¹² From the report, the review team identified open obligations of \$10,000 or more on contracts for which the period of performance had ended at least six months earlier.¹³ The team reviewed the contract files in eCMS for each contract identified and asked RPO East contracting officials to verify the outstanding obligation amount and whether the contract was complete.

RPO East Contract Files Closeout Metrics

The VHA P&LO tracks whether RPOs, including RPO East, close out contracts in eCMS within the established time standards. As a general matter, the closeout time standard for firm-fixed-price contracts not using simplified acquisition procedures (SAP) is six months from the time the contracting officer receives evidence of physical completion.¹⁴ According to the metrics reported by P&LO in FY 2018, RPO East closed out about 95 percent of contracts within the time standards. More than 90 percent of the contracts RPO East closed were for purchases below the simplified acquisition threshold (small purchases). Because of the lower dollar value, these contracts may have fewer tasks for the contracting officer to perform during contract closeout. Furthermore, according to RPO East officials, there are fewer complications associated with these lower-dollar-value contracts that would otherwise extend the closeout process beyond the established time standards. The 40 contracts in the review team's sample were above the simplified acquisition threshold and typically required more tasks during contract closeout. This could explain why the OIG found that 26 of 40 contracts reviewed were not closed timely, while according to P&LO, RPO East closed 95 percent of its contracts within the time standards. See Appendix C for a listing of the sampled contract types.

¹¹ FAR part 4, sub 4.8, 4.804, "Closeout of Contract Files," and VHA procurement manual 804.804-1, rev. 04, "Contract Closeout SOP," April 23, 2018. There were three versions of the VHA procurement manual in effect during FY 2018. Revision 2 was in effect from January 11, 2016, to December 13, 2017. Revision 3 was in effect from December 14, 2017, to April 22, 2018. Revision 4 was in effect from April 23, 2018, to January 28, 2019. Except where otherwise noted, the language/requirements in the VHA procurement manual revisions were the same.

¹² An open obligations report is a listing of obligations that are not considered closed or complete and that have a balance associated with them. For various reasons, including differences in the time periods covered, the contracts reviewed from the open obligations report did not include the 40 sampled contracts.

¹³ The open obligations report contained "ending dates" for the period of performance of the contract to which the open obligation was tied. Contracts with ending dates after April 22, 2018 (six months before the date of the report), were not included due to the FAR closeout time standard for firm-fixed-price contracts that did not use SAP.

¹⁴ FAR part 4, sub. 4.8, 4.804-1, "Closeout by the Office Administering the Contract."

RPO East Contracts Not Closed Within Time Standards

The FAR and VHA procurement manual establish time standards for closing contract files.¹⁵ Closing out contract files consistent with these standards helps ensure VA deobligates unspent funds before the funds are canceled and returned to the U.S. Department of the Treasury. This allows VA to potentially use these funds for other appropriate needs.

As mentioned above, the established time standard for closing firm-fixed-price contracts that do not use SAP is six months after the date the contracting officer receives evidence of physical completion.¹⁶ Contracts using SAP have fewer closeout requirements than contracts that do not use SAP because it maximizes efficiency and economy while minimizing burden and administrative costs for both the government and industry.¹⁷ These procedures are meant to streamline the contracting process by reducing the administrative burden of awarding and closing certain contracts. The established time standard for closing contracts that use SAP is “immediately” after the contracting officer receives evidence of receipt of property and final payment.¹⁸

Of the 40 contracts reviewed, RPO contracting officers did not close 26 contracts within the established time standards.¹⁹ Of these 26 contracts, only one used SAP. The OIG used the end of the contract's period of performance or required delivery date to measure timeliness because the OIG was unable to accurately determine when all of the sampled contracts were physically completed due to the lack of reliable documentation in the eCMS contract files.²⁰ In addition to reviewing eCMS documentation, the OIG also interviewed contracting officials in an effort to obtain clear support that the contract was physically completed. However, the review team was not able to accurately determine the dates of physical completion for all the contracts. Therefore,

¹⁵ FAR 4.804-1, “Closeout by the Office Administering the Contract,” and VHA procurement manual 804.804-1, rev. 04, sec. 2.2, “Regulatory Timeframe for Contract Closeout,” April 23, 2018.

¹⁶ FAR 4.804-1, “Closeout by the Office Administering the Contract.”

¹⁷ VHA procurement manual 804.804-1, rev. 04, “Contract Closeout SOP,” and FAR part 13, 13.002, “Purpose.”

¹⁸ VHA procurement manual 804.804-1, “Regulatory Timeframe for Contract Closeout.”

¹⁹ The OIG considered contracts closed when the status of the contract was changed to “closed out” in eCMS. This includes eight task orders or delivery orders (TO/DO) closed between October 1, 2017 and December 13, 2017 that were not closed within six months of the end of the period of performance for the TO/DO although the base contract under which they were issued may have closed at a later date. The VHA procurement manual in effect at that time (rev. 002) could be read to suggest that these TOs/DOs did not need to be closed out until the indefinite delivery contract or blanket purchase agreement under which they were issued was scheduled for closeout. VHA procurement manual, rev. 002, 804.804-1, part 6.1.4. However, individual TOs/DOs are considered contracts for other purposes in this report and the subsequent version of the VHA procurement manual made clear that TOs/DOs under indefinite delivery contracts should be closed out upon completion of the TO/DO. Accordingly, for consistency, the end date of the TO/DO period of performance, not the end date of the base contract or blanket purchase agreement period of performance, was used to determine whether these eight TOs/DOs were closed within the established time standards.

²⁰ The end of the period of performance is the end of the contract. All goods or services should be received and accepted by then and contract performance should be completed.

the OIG considered a contract not closed within time standards if there was no closure within six months of the end of the performance period.

Contracts Not Using SAP Lacked Timely Closeout

The 25 non-SAP contracts were considered closed within standards if completed within six months (i.e., 183 days) after the end of the contract's performance period. The team found delays in closing out the contracts ranged from 24 to 1,244 days, with an average delay of 377 days. Furthermore, 12 of the 25 contracts were closed more than one year after the six-month time standard.

Table 2. Non-SAP Contracts Not Closed Timely

	Contract	Number of days to close	Time standard (in days)	Number of days late
1	VA245-14-F-0161	1,427	183	1,244
2	VA244-14-J-2107	1,288	183	1,105
3	VA247-14-F-2059	1,096	183	913
4	VA248-14-F-0293	1,024	183	841
5	VA248-15-F-3179	731	183	548
6	VA246-15-J-4654	656	183	473
7	VA248-15-J-0124	628	183	445
8	VA248-15-J-3090	622	183	439
9	VA245-14-F-0160	599	183	416
10	VA246-15-F-2270	578	183	395
11	VA241-14-J-1812	561	183	378
12	VA241-16-J-0273	560	183	377
13	VA241-16-F-2176	496	183	313
14	VA244-16-J-6500	430	183	247
15	VA244-16-J-7045	393	183	210
16	VA268-15-J-0166	383	183	200
17	VA248-16-F-1512	361	183	178
18	VA248-15-F-6608	355	183	172
19	VA246-16-J-0001	335	183	152
20	VA247-17-J-1449	327	183	144
21	VA244-17-J-2592	246	183	63
22	VA247-15-J-2938	244	183	61
23	VA248-16-F-0538	229	183	46

	Contract	Number of days to close	Time standard (in days)	Number of days late
24	VA241-17-J-0238	220	183	37
25	VA242-16-F-3794	207	183	24

Source: *OIG analysis based on data obtained from eCMS*

One Contract Using SAP Not Closed Timely

Of the 26 contracts that were not closed within time standards, one was a contract that used SAP.²¹ According to the FAR, contracts that use SAP should be considered closed when the contracting officer receives evidence of receipt of property and final payment, unless otherwise specified by agency regulations.²² While the VHA procurement manual also established that contracts using SAP should be closed immediately after the contracting officer receives evidence of receipt of property and final payment, it does not define an actual time standard for “immediately.”²³ According to RPO East officials, the P&LO’s time standard for contracts using SAP states they are to be closed once the contract completion date has passed.²⁴ To eliminate the ambiguity in the FAR, other federal agencies have further defined the time standard for closing out contracts using SAP. For example, the Department of Commerce requires the contracts to be closed within 60 days after the contracting officer receives evidence of physical completion, while the Department of Agriculture requires the contracts to be closed within 30 days of contract completion or receipt of goods or services following final payment.²⁵

The RPO East contracting officer for the sampled contract that used SAP closed the contract 498 days after the contract’s period of performance, far exceeding any reasonable timeliness standard measure of “immediately.”

Excess Funds Not Deobligated Promptly

The OIG found about \$6.8 million in excess funds that were not deobligated in a timely manner. The FAR and VHA procurement manual require that excess funds be deobligated before closing out contract files, which allows the funds to be put to other uses.²⁶ It is important to identify and deobligate excess funds on contracts during contract closeout so the funds may be redirected to

²¹ VA contract VA248-15-C-1422.

²² FAR 4.804-1, “Closeout by the Office Administering the Contract.”

²³ VHA procurement manual 804.804-1, “Regulatory Timeframe for Contract Closeout.”

²⁴ VHA P&LO’s metrics are generated using this standard.

²⁵ Commerce Acquisition Manual, 1304.804, June 2017, and Department of Agriculture, Office of Procurement and Property Management, Procurement Advisory No. 93C, rev. C, May 18, 2017.

²⁶ FAR 4.804-5, “Procedures for closing out contract files;” VHA procurement manual 804.804-1, rev. 04, sec. 4.4, “Step 4,” and sec. 5.5, “Step 5,” April 23, 2018; and VA policy, “VA Financial Policy – Obligations Policy.”

other projects that support veterans. Excess funds that are deobligated may be used within the appropriation's period of availability. For example, annual appropriated funds may be used in the fiscal year of the appropriation, while multiyear or no-year funds may also be used in the same or subsequent fiscal years.²⁷ The OIG considered the deobligation of excess funds to be timely if completed within the time standards for contract closeout established by federal regulation and the VHA procurement manual, and before the contract was closed out in eCMS.

From the sample of 40 contracts, the review team found six contracts with about \$243,000 in excess funds that were not deobligated within those timeliness parameters. Excess funds can occur on firm-fixed-price contracts for several reasons, including requirement changes and delivery location changes.

Table 3. Excess Funds from 40 Sampled Contracts Not Deobligated Timely

	Contract number	Amount of excess funds
1	VA245-14-F-0161	\$154,881
2	VA248-14-F-0293	\$54,830
3	VA247-17-J-1449	\$19,982
4	VA248-15-F-3179	\$5,158
5	VA247-14-F-2059	\$4,800
6	VA268-15-J-0166	\$3,000
Total		\$242,651

Source: OIG analysis based on data obtained from eCMS

Note: Values are rounded.

Contracting officers closed out two of the six contracts in eCMS before deobligating \$8,158 in excess funds, in violation of the FAR and the VHA procurement manual.²⁸ Contracting officers can close a contract in VA's eCMS by changing the status, but that does not ensure that all FAR closeout requirements such as deobligating excess funds are complete. For the remaining four contracts, the review team found \$234,493 in excess funds were not deobligated within the established time standards. For example, the contracting officer for one contract deobligated the \$154,881 in excess funds 302 days after the end of the contract's period of performance.²⁹

²⁷ VA policy, "VA Financial Policy—Obligations Policy."

²⁸ VA contracts VA248-15-F-3179 and VA268-15-J-0166; FAR 4.804-5(a)(15) "Procedures for Closing Out Contract Files;" and VHA procurement manual 804.804-1, sec. 4.4, "Step 4" and sec. 5.5, "Step 5."

²⁹ VA contract VA245-14-F-0161.

Open Obligations Report

The team also reviewed an open obligations report in an effort to determine the financial impact of not closing out contracts and deobligating excess funds timely. In the open obligations report, the review team found 74 contracts with about \$6.6 million of excess funds that were not deobligated within time standards. The review team confirmed that the 74 contracts identified should have been closed and the associated excess funds should have been deobligated. Of the 74 contracts with excess funds, 10 were closed out in eCMS by the contracting officers without deobligating the funds and RPO East officials confirmed the remaining 64 contracts had funds that should have been deobligated. Specifically, the contracting officers did not deobligate about \$412,000 in excess funds before closing out 10 contracts as required by the FAR and VHA procurement manual.³⁰ For the remaining 64 contracts, about \$6.2 million in excess funds were not deobligated within six months of the end of the contract's period of performance. After the OIG began its review and identified these excess funds, RPO East contracting officers began deobligating the funds. See Appendix D for a listing of the contracts.

Contract Closeout Not Fully Documented in eCMS

The FAR requires contract files to be sufficient to constitute a complete history of the transaction and identifies contract completion documents as contents that should normally be included in the contract file.³¹ This requirement helps protect the government's interest. Complete contract files ensure necessary information is available for reviews, investigations, litigation, or congressional inquiries. VA policy requires all contract documents to be maintained in eCMS, VA's official contract file.³² The VHA procurement manual states that once the contract closeout requirements are completed, the contracting officer must archive the contract file in eCMS.³³ The OIG found several documents required for contract closeout by the FAR and VHA procurement manual were not included in eCMS at the time of closeout. Of the 40 contract files reviewed, RPO East contracting officers did not load all the necessary closeout documents in eCMS for 36 contract files. The missing documents included

- Evidence of final payment,
- Release of claims,
- Contractor's closing statement, and

³⁰ FAR 4.804-5(a)(15), "Procedures for Closing Out Contract Files," and VHA procurement manual 804.804-1, sec. 4.4, "Step 4," and sec. 5.5, "Step 5."

³¹ FAR 4.801, "General," and 4.803, "Contents of Contract Files."

³² VA Procurement Policy Memorandums, "Mandatory Usage of VA's Electronic Contract Management System (eCMS)," June 15, 2012, and January 26, 2018, PPM 2018-03.

³³ VHA procurement manual 804.804-1, sec. 4.6, "Step 6," and sec 5.8, "Step 8."

- Contract completion statement.

In response to the OIG review, RPO East personnel began uploading the missing documents into the contract files. Details on the missing documentation are provided in Appendix E.

Lack of Final Payment Documentation in the Contract File

The VHA procurement manual states final payment is to be made before the contract file is closed out.³⁴ According to a standard operating procedure set forth in the VHA procurement manual, the contracting officer should document evidence of final payment by uploading the payment history information from the invoice payment processing system into the contract file.³⁵

RPO East personnel did not upload the payment history in 21 of the 40 contracts reviewed prior to closeout. In some instances, contracting officers uploaded other documents as proof of final payment. For example, contracting officers used the contract completion statement, invoices, or obligation history report as evidence of final payment. The OIG did not consider these documents evidence of final payment because they did not comply with the requirement to upload the payment history as set forth in the VHA procurement manual.

Lack of Release of Claims and Contractor Closing Statement in the Contract File

The FAR and VHA procurement manual require a release of claims or contractor's closing statement to close out a contract.³⁶ Specifically, the VHA procurement manual states a release of claims is required from the contractor for construction contracts, while a contractor closing statement is required for goods or service contracts.³⁷ The contractor signs a release of claims releasing the government from all liabilities, demands, obligations, and claims arising from the contract. A contractor closing statement confirms that all goods or services have been delivered or performed and accepted, all invoices submitted were paid, and outstanding invoices or issues were resolved. When contracting officers do not obtain these documents, they leave VA vulnerable to potential future financial and legal claims by contractors.

Of the 40 contracts reviewed, two of them used SAP. Therefore, the remaining 38 contracts required either a release of claims or a contractor's closing statement. Table 4 shows that 27 of the contract files did not contain the required documentation.

³⁴ VHA procurement manual 804.804-1, rev. 04, sec. 4.2, "Step 2," and sec. 5.2, "Step 2," April 23, 2018.

³⁵ The invoice payment processing system is the Financial Services Center's online certification system used for invoice certification; VHA procurement manual 804.804-1, sec. 4.2, "Step 2," and sec. 5.2, "Step 2."

³⁶ FAR 4.804-5, "Procedures for Closing Out Contract Files," and VHA procurement manual 804.804-1, rev. 04, sec. 5.3, "Step 3," April 23, 2018. The VHA procurement manual does not require a release of claims or contractor's closing statement if the contract used SAP.

³⁷ VHA procurement manual 804.804-1, sec. 5.3, "Step 3."

Table 4. RPO East Contracting Officers' Compliance with Obtaining Release of Claims and Contractor's Closing Statement

Required document	Contract files requiring the document	Contract files without the required document
Release of claims	8	2
Contractor's closing statement	30	25
Total	38	27

Source: *OIG analysis*

Lack of Contract Completion Statement in the Contract File

The FAR and VHA procurement manual require the contracting officer to prepare and upload a contract completion statement to the official contract file.³⁸ The contract completion statement indicates the contracting officer certified that all necessary actions required to close the contract were completed.

- Of the 40 contracts reviewed, two used SAP.
- The 38 remaining contracts required a contract completion statement.
 - RPO East contracting officers did not have evidence of a contract completion statement in 24 of the 38 contract files.
 - The OIG found that three of the 24 contracts had contract completion statements added to the contract files after the contracts were closed out but before the OIG began its review.

Heavy Workload

According to the 2019 Government Accountability Office (GAO) High-Risk Series, VA acquisition management faces challenges regarding contracting officer workload.³⁹ GAO began focusing on VA's acquisition management activities in 2015, and since then has highlighted workload as a contributing factor to challenges that contracting officers face.

In meetings with RPO East contracting officials, the review team also heard that a heavy workload contributed to noncompliance with contract closeout requirements. Multiple NCO

³⁸ FAR 4.804-5, "Procedures for Closing Out Contract Files," and VHA procurement manual 804.804-1, rev. 04, sec. 5.7, "Step 7," April 23, 2018. The VHA procurement manual does not require a contract completion statement if the contract used SAP.

³⁹ Government Accountability Office High-Risk Series, *Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*, GAO-19-157SP, March 2019.

directors of contracting cited heavy workload as a reason for noncompliance with contract closeout requirements, as the following examples reflect:

- An NCO director of contracting specifically cited the volume of contract closeouts that contracting officers are responsible for as contributing to the deficiencies the review team identified.
- An NCO director of contracting remarked on the high volume of pre-award and administrative actions. Specifically, the director reported that the 187 contracting officers in their NCO performed more than 14,000 contracting actions during the last fiscal year.
- An NCO director of contracting explained that contracting officers in their NCO can simultaneously be responsible for awarding at least 10 contracts, actively administering up to 30 contracts, and closing out an additional 30 to 50 contracts at a given time.

Contract Closeout Was Not a Priority

According to RPO East contracting officials, RPO East contracting officers did not always prioritize contract closeouts. According to senior officials from multiple NCOs, contracting officers have an extensive workload and tend to prioritize awarding contracts and focus less on closing out contracts. Another NCO senior official explained that contracting officers were constantly under pressure to complete award actions because of the belief that delays in awarding contracts could result in safety risks to veterans.

Several RPO East contracting officers also echoed the NCO senior officials' sentiment when asked why they did not comply with contract closeout requirements, responding that awarding contracts took priority over closing them out. For example, one contract was closed 622 days after the contract's period of performance ended but should have been closed within 183 days (six months).⁴⁰ According to the RPO East contracting officer for this contract, he was focused on the mission to award all new projects to meet established goals. Another contract was closed 1,024 days after the contract's period of performance ended but also should have been closed within 183 days (six months).⁴¹ The contracting officer for this contract explained that awarding contracts to support veterans took priority over contract closeouts.

Incorrectly Applied Closeout Procedures

RPO East contracting officers also incorrectly used closeout procedures reserved for contracts awarded using SAP (FAR part 13) for non-SAP awarded contracts. These contracts do not require a contractor's closing statement, release of claims, or a contract completion statement. The review team found that contracting officers were closing out contracts awarded under the

⁴⁰ VA contract VA248-15-J-3090.

⁴¹ VA contract VA248-14-F-0293.

authority for required sources of supplies and services (FAR part 8) using the SAP process.⁴² For example, two contracts were awarded using required sources of supplies and services, but the contracting officer did not complete the required contractor's closing statement or contract completion statement.⁴³ The review team also found that a contracting supervisor provided internal training that instructed personnel to use the closeout procedures for SAP for contracts that were awarded using required sources of supplies and services.

The VHA procurement manual did not specify how contracts awarded using required sources of supplies and services should be closed out.⁴⁴ In the absence of procedures in the VHA procurement manual, the required sources of supplies and services contracts should have been closed out following the procedures established in FAR, which include the requirement for a contractor's closing statement and contract completion statement.⁴⁵

After the OIG's review started to identify issues with closeout documentation, VHA's Policy Office informed the OIG they were updating the VHA procurement manual to clarify this requirement.

Ineffective Oversight of Closeout Process

Another contributing reason contract files were not closed in accordance with the FAR and VHA procurement manual was RPO East contracting officials' ineffective oversight of the contract closeout process. According to RPO leaders, they had not established a minimum level of required oversight for the contract closeout process for NCOs. One NCO director of contracting stated that while quality assurance reviews were performed on closed contracts, there were too many closed contracts to review them all; therefore, reviews focused on a sample of contracts. Other NCO senior officials explained there was no set standard for the number of contracts that underwent quality assurance reviews. The number of reviews depended on workload and were reduced when contracting officers needed to focus on awarding actions.

While several NCO officials stated varying amounts of quality assurance reviews were occurring, the review team identified at least one missing document from 36 of the 40 contract files reviewed at the time of closeout. Some contracts were missing more than one document. For instance, one contract did not have evidence of final payment, a contractor's closing statement, or a contract completion statement when the contract was closed.⁴⁶ When the OIG

⁴² The phrase "required sources of supplies and services" in this report means contracts awarded using FAR part 8, "Required Sources of Supplies and Services."

⁴³ VA contracts VA244-12-F-3144 and VA244-17-F-6560.

⁴⁴ The VHA procurement manual addresses the contract closeout procedures for contracts awarded under FAR parts 13 (SAP), 14, and 15, but it does not address closeout procedures for contracts awarded under FAR part 8.

⁴⁵ FAR 4.804-5, "Procedures for Closing Out Contract Files."

⁴⁶ VA contract VA248-14-F-0293.

brought the violations to the attention of RPO East contracting officers, the general response was that these steps were accidentally omitted or forgotten. A more effective quality assurance process could help ensure that required closeout procedures occur.

In addition, the OIG identified multiple contracts that were closed without the contracting officers deobligating excess funds. For example, a contract from the open obligations report was closed without deobligating \$214,846 in excess funds despite the review team alerting contracting officials to the funds prior to closeout.⁴⁷

RPO East contracting officials should ensure consistent reviews of high-risk contracts (for example, high-dollar or complex contracts) are conducted before they are closed out, which could help VHA mitigate the risks associated with closing out contracts.

Funds Put to Better Use and Incomplete Contract Files

RPO East contracting officers are responsible for awarding and administering contracts for goods and services to meet veterans' needs. While the contract closeout process is often a low priority, it is nonetheless important to protect the government.

Contract closeout is the last opportunity for the contracting officer to get it right—to make sure deliverables have been received and accepted; government-furnished property is accounted for; the contractor has been paid; potential future financial claims against the government are mitigated; and excess funds are deobligated, allowing them to be put to other uses. If these actions are not completed or documented, it increases the government's financial and legal risk.

Deobligating Excess Funds and Closing Out Contracts Timely

The OIG identified about \$6.8 million in excess funds on 80 contracts that may have been put to better use had they been identified and deobligated within time standards. Table 5 breaks down excess funds the review team identified in its sample of 40 contracts and the open obligations report.

⁴⁷ VA contract VA241-15-J-1726.

Table 5. Excess Funds That May Have Been Put to Better Use

Category	Number of contracts	Amount of excess funds
40 sampled contracts	6	\$242,651
Open obligations report	74	\$6,579,261
Total	80	\$6,821,912

Source: OIG analysis of open obligations report

Note: Values are rounded

Delayed contract closeout actions could create risk of increased administrative burden from backlogs, as well as risk that the contract file may be closed improperly.

Incomplete Contract Files

According to the 2019 GAO High-Risk Series, VA acquisition management faces challenges with incomplete contract file documentation.⁴⁸ As previously discussed, the OIG identified that 36 of the 40 contract files reviewed lacked complete closeout documentation at the time the contracts were closed. Incomplete files increase financial and legal risk to the government. For example, a lack of a contract completion statement makes it more difficult to verify that all closeout requirements were achieved, which in turn could increase administrative burdens for contracting officials. If questions about the closed contract arise, contracting officials may have to do additional work to determine whether all the required documentation for contract closeout have been obtained and the required steps have been performed.

Conclusion

RPO East performance metrics show contracting officers are generally closing contracts within the time standards. However, the OIG identified opportunities for improvements to the closeout process. Specifically, 26 of the contracts reviewed as part of the OIG's sample of 40 contracts were not closed timely. Furthermore, the OIG identified approximately \$6.8 million in funds that were not deobligated within the standards for timeliness from RPO East contracts. Ensuring timely closeouts and deobligations of excess funds for contracts (especially those deemed a higher risk), and making certain all closeout requirements are documented, will help protect the government from financial and legal risk.

⁴⁸ GAO, *Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*.

Recommendations 1–3

The OIG recommended that the executive director of VHA Procurement

1. Establish effective and consistent quality assurance reviews, especially for contracts deemed higher risk, to ensure all closeout requirements, such as identifying and deobligating excess funds, closing out contracts timely, and properly completing and uploading closeout documentation, are performed in accordance with the Federal Acquisition Regulation and the Veterans Health Administration procurement manual;
2. Ensure all contracting officers receive standardized training regarding the Veterans Health Administration procurement manual closeout procedures, including the correct use of closeout procedures for contracts that are awarded using Federal Acquisition Regulation part 8 and simplified acquisition procedures; and
3. Ensure the contract files for the 40 sampled contracts have complete closeout documentation in accordance with the Federal Acquisition Regulation and Veterans Health Administration procurement manual.

Management Comments

The executive director of VHA Procurement concurred with all three recommendations and provided responsive action plans. In response to recommendation 1, the executive director stated that by October 2020 he will establish effective and consistent quality assurance reviews, especially for contracts deemed higher risk, to ensure all closeout requirements are performed accordingly. For recommendation 2, the executive director stated he will provide national training on closeout procedures during FY 2020. For recommendation 3, the executive director stated the RPO East head of contract activity will review the actions cited in the report and ensure the closeout documentation has been completed by April 2020. The full text of the responses from the executive director is in Appendix G.

OIG Response

The corrective action plans submitted by the executive director of VHA Procurement are responsive to the intent of the recommendations. The OIG will monitor implementation of the planned actions and will close the recommendations when sufficient evidence has been provided that illustrates the corrective actions have been implemented.

Appendix A: Scope and Methodology

Scope

The OIG conducted its review work from November 2018 through January 2019. The review evaluated whether RPO East contracting officers closed out a sample of randomly selected FY 2018 contracts valued at \$500,000 or more in accordance with the FAR and VHA procurement manual requirements. In addition, the review evaluated whether excess funds, as listed in an October 22, 2018, open obligations report valued at \$10,000 or greater, remained as open obligations on closed contracts or contracts that should have been closed.

Methodology

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

The team also reviewed open obligations identified in an open obligations report tied to contracts that were not closed within six months after the end of the contracts' period of performance. The OIG used eCMS to review the relevant contract documentation for each contract to determine whether excess funds remained on the contracts that should have been deobligated. The OIG contacted RPO East officials to verify the outstanding open obligation amounts and whether the contracts should be closed out.

The OIG interviewed RPO East leaders, NCO leaders, and staff. The review team also contacted RPO East contracting officials for clarification about the contract documentation and requested additional documentation to ensure compliance with the FAR and VHA procurement manual, as necessary.

Fraud Assessment

The OIG 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 were applicable to this project.

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

Data Reliability

The OIG used eCMS to obtain a report containing a universe of closed FY 2018 contracts to generate a sample. Testing was performed on the data for validity by comparing the information in the report to the information and supporting documentation in eCMS. The OIG also used a Financial Management System-generated open obligations report obtained from the VA Office of Finance to create a listing of potential excess funds. Testing was performed on the data for validity by confirming the accuracy of the information with RPO East officials and comparing the information in the report and supporting documentation in eCMS. The OIG determined the data were reliable to support its findings, conclusions, and recommendations.

Government Standards

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

Appendix B: Statistical Sampling Methodology

The OIG reviewed a random statistical sample of 40 closed FY 2018 RPO East contracts valued at \$500,000 or more for compliance with contract closeout requirements.

Population

In FY 2018, RPO East closed 30,579 contracts valued at approximately \$4.03 billion. From these closed contracts, the following parameters were incorporated to arrive at the population from which to pull a sample:

- Closed in eCMS during FY 2018
- Valued at \$500,000 or greater
- Was not an eCMS entry with a primary ID number and no secondary ID number, indicating it was a stand-alone contract or an express order for a pharmaceutical contract

Sampling Design

To identify the sample, the OIG used a simple random statistical methodology. Table B.1 shows the randomly selected RPO East closed FY 2018 contracts.

Table B.1. Closed Contracts Randomly Selected for Sample

Sample number	Contract	Sample number	Contract
1	VA244-16-J-6500	16	VA245-14-F-0161
2	VA244-17-J-2592	17	VA248-16-F-0538
3	VA244-12-F-3144	18	VA268-15-J-0166
4	VA244-16-F-7458	19	VA244-16-J-7045
5	VA244-17-F-6560	20	VA241-14-J-1812
6	VA242-16-F-3794	21	VA248-16-F-1512
7	VA241-17-J-0238	22	VA248-15-J-0124
8	VA241-14-J-1994	23	VA247-14-F-2059
9	VA246-17-F-5955	24	VA248-15-J-3090
10	VA241-12-J-0117	25	VA245-14-F-0160
11	VA244-17-F-1122	26	VA248-15-F-3179
12	VA248-15-F-6608	27	VA248-14-F-0293
13	VA241-16-J-1925	28	VA248-15-F-5404
14	VA247-15-J-2938	29	VA241-16-F-2176
15	VA247-17-J-1449	30	VA248-16-J-2362

Sample number	Contract
31	VA244-14-J-2107
32	VA244-17-J-2631
33	VA241-16-J-0273
34	VA241-17-J-1324
35	VA246-16-J-0001

Sample number	Contract
36	VA248-15-C-1422
37	VA241-16-J-0875
38	VA248-17-F-2728
39	VA246-15-F-2270
40	VA246-15-J-4654

Source: VA's eCMS

Appendix C: Sample Contract Types

Table C.1 identifies the type of contract for each of the OIG's 40 sampled FY 2018 RPO East closed contracts.

Table C.1. Sample Contract File Types

Sample number	Contract	Contract type
1	VA244-16-J-6500	Firm-Fixed-Price (Not Using SAP)
2	VA244-17-J-2592	Firm-Fixed-Price (Not Using SAP)
3	VA244-12-F-3144	Firm-Fixed-Price (Not Using SAP)
4	VA244-16-F-7458	Firm-Fixed-Price (Not Using SAP)
5	VA244-17-F-6560	Firm-Fixed-Price (Not Using SAP)
6	VA242-16-F-3794	Firm-Fixed-Price (Not Using SAP)
7	VA241-17-J-0238	Firm-Fixed-Price (Not Using SAP)
8	VA241-14-J-1994	Firm-Fixed-Price (Not Using SAP)
9	VA246-17-F-5955	Firm-Fixed-Price (Not Using SAP)
10	VA241-12-J-0117	Firm-Fixed-Price (Using SAP)
11	VA244-17-F-1122	Firm-Fixed-Price (Not Using SAP)
12	VA248-15-F-6608	Firm-Fixed-Price (Not Using SAP)
13	VA241-16-J-1925	Firm-Fixed-Price (Not Using SAP)
14	VA247-15-J-2938	Firm-Fixed-Price (Not Using SAP)
15	VA247-17-J-1449	Firm-Fixed-Price (Not Using SAP)
16	VA245-14-F-0161	Firm-Fixed-Price (Not Using SAP)
17	VA248-16-F-0538	Firm-Fixed-Price (Not Using SAP)
18	VA268-15-J-0166	Firm-Fixed-Price (Not Using SAP)
19	VA244-16-J-7045	Firm-Fixed-Price (Not Using SAP)
20	VA241-14-J-1812	Firm-Fixed-Price (Not Using SAP)
21	VA248-16-F-1512	Firm-Fixed-Price (Not Using SAP)
22	VA248-15-J-0124	Firm-Fixed-Price (Not Using SAP)
23	VA247-14-F-2059	Firm-Fixed-Price (Not Using SAP)
24	VA248-15-J-3090	Firm-Fixed-Price (Not Using SAP)
25	VA245-14-F-0160	Firm-Fixed-Price (Not Using SAP)
26	VA248-15-F-3179	Firm-Fixed-Price (Not Using SAP)
27	VA248-14-F-0293	Firm-Fixed-Price (Not Using SAP)
28	VA248-15-F-5404	Firm-Fixed-Price (Not Using SAP)

Sample number	Contract	Contract type
29	VA241-16-F-2176	Firm-Fixed-Price (Not Using SAP)
30	VA248-16-J-2362	Firm-Fixed-Price (Not Using SAP)
31	VA244-14-J-2107	Firm-Fixed-Price (Not Using SAP)
32	VA244-17-J-2631	Firm-Fixed-Price (Not Using SAP)
33	VA241-16-J-0273	Firm-Fixed-Price (Not Using SAP)
34	VA241-17-J-1324	Firm-Fixed-Price (Not Using SAP)
35	VA246-16-J-0001	Firm-Fixed-Price (Not Using SAP)
36	VA248-15-C-1422	Firm-Fixed-Price (Using SAP)
37	VA241-16-J-0875	Firm-Fixed-Price (Not Using SAP)
38	VA248-17-F-2728	Firm-Fixed-Price (Not Using SAP)
39	VA246-15-F-2270	Firm-Fixed-Price (Not Using SAP)
40	VA246-15-J-4654	Firm-Fixed-Price (Not Using SAP)

Source: RPO East and OIG analysis of data in eCMS

Appendix D: October 2018 Open Obligations Report Contracts and Excess Funds

The team obtained a report generated from VA’s Financial Management System that listed open obligations within VHA as of October 22, 2018. The team reviewed the October 2018 open obligations report to identify excess funds. To accomplish this, the team reviewed the open obligations report and narrowed the listing to only open obligations that were associated with RPO East. The team then eliminated (1) any open obligations valued at less than \$10,000 and (2) any open obligations with a period of performance that had expired after April 22, 2018.⁴⁹

Using eCMS MicroStrategy, the review team tied the remaining open obligations to RPO East contracts.⁵⁰ The team then compiled the contract listing and associated funds and provided them to RPO East officials. The officials confirmed whether the funds on the identified contracts were excess and whether the contracts should have been closed.

Table D.1 summarizes Tables D.2 and D.3.

Table D.1. Excess Funds—Open Obligations Report

Category	Number of contracts	Excess funds amount (amounts rounded)
Closed contracts with excess funds (Table D.2)	10	\$412,291
Expired contracts with excess funds (Table D.3)	64	\$6,185,277
Total	74	\$6,597,569

Source: OIG analysis of open obligations report

Table D.2 shows the details of contracts listed in the open obligations report that were closed without deobligating excess funds.

⁴⁹ The open obligations report contained “ending dates” for the period of performance of the contract to which the open obligation was tied. Contracts with ending dates after April 22, 2018 (six months before the date of the report) were not included due to the FAR closeout time standard for firm-fixed-price contracts that did not use SAP.

⁵⁰ The eCMS Reporting Services (MicroStrategy) allows users to create a customized report based on attributes that relate to contracts in eCMS.

Table D.2. Excess Funds—Open Obligations Report (Closed)

	Contract number	Contract status	Excess funds amount (amounts rounded)
1	VA244-13-C-0299	Closed on 12/11/14	\$132,968
2	VA244-17-J-1176	Closed on 06/19/18	\$48,017
3	VA244-14-J-3512	Closed on 03/23/18	\$40,719
4	VA247-15-F-0045	Closed on 07/18/17	\$39,769
5	VA244-14-C-0220	Closed on 07/28/16	\$31,043
6	VA246-17-F-4568	Closed on 05/23/18	\$29,070
7	VA244-16-J-2054	Closed on 10/19/17	\$27,648
8	VA247-15-J-1732	Closed on 01/20/17	\$27,181
9	VA244-15-J-7817	Closed on 12/14/17	\$18,226
10	VA244-16-P-6417	Closed on 04/13/18	\$17,650
Total			\$412,291

Source: OIG analysis of open obligations report and eCMS

Table D.3 shows the details of the contracts with a performance period that ended six months or more in the past and had an available balance of \$10,000 or greater in the open obligations report.⁵¹

Table D.3. Excess Funds—Open Obligations Report (Expired)

	Contract number	Contract status	Excess funds amount (amounts rounded)
1	VA247-16-F-0763	Expired on 02/28/18	\$1,853,744
2	VA247-17-C-0085	Expired on 09/30/17	\$494,148
3	VA248-17-J-0191	Expired on 11/30/17	\$308,477
4	VA244-16-F-1012	Expired on 06/06/17	\$255,368
5	VA247-16-F-0002	Expired on 06/30/17	\$248,425
6	VA241-15-J-1726	Expired on 06/08/17	\$214,846
7	VA244-16-F-3180	Expired on 11/30/16	\$209,649
8	VA241-16-J-1153	Expired on 09/26/17	\$204,224
9	VA247-14-F-3122	Expired on 03/31/18	\$187,679
10	VA244-15-F-5144	Expired on 09/30/16	\$150,872

⁵¹ The contracts in Table D.3 with excess amounts below \$10,000 had open obligations that exceeded \$10,000 in the original open obligations report; however, after interviews with RPO East officials, the amounts were decreased.

	Contract number	Contract status	Excess funds amount (amounts rounded)
11	VA247-16-F-0776	Expired on 01/31/17	\$148,922
12	VA241-16-J-2139	Expired on 04/02/18	\$123,128
13	VA247-16-C-0287	Expired on 09/30/17	\$122,550
14	VA241-16-J-1601	Expired on 09/27/17	\$120,148
15	VA242-16-F-4207	Expired on 09/30/17	\$83,622
16	VA244-14-F-3283	Expired on 04/01/15	\$79,789
17	VA247-16-J-0203	Expired on 09/30/16	\$75,547
18	VA246-15-J-0525	Expired on 06/30/17	\$73,546
19	VA241-16-J-1822	Expired on 03/30/17	\$69,884
20	VA247-12-F-2928	Expired on 09/30/17	\$68,370
21	VA244-17-J-0873	Expired on 09/30/17	\$63,914
22	VA247-14-F-0176	Expired on 09/30/17	\$55,996
23	VA244-15-F-7783	Expired on 12/31/17	\$54,594
24	VA247-15-F-3074	Expired on 12/30/16	\$49,864
25	VA243-14-J-3538	Expired on 09/30/16	\$49,258
26	VA244-14-F-1055	Expired on 09/30/17	\$44,183
27	VA244-15-F-1454	Expired on 05/29/17	\$43,548
28	VA247-14-J-0397	Expired on 09/04/17	\$39,452
29	VA244-17-F-0006	Expired on 03/31/17	\$36,547
30	VA245-17-F-1335	Expired on 10/31/17	\$36,524
31	VA241-16-J-1939	Expired on 02/28/18	\$36,261
32	VA241-12-J-0728	Expired on 01/31/18	\$33,951
33	VA246-15-C-0025	Expired on 12/23/16	\$30,706
34	VA244-17-P-0486	Expired on 12/31/16	\$30,059
35	VA244-14-F-1863	Expired on 03/31/15	\$26,879
36	VA246-14-J-0693	Expired on 09/30/17	\$24,176
37	VA246-17-P-8017	Expired on 09/25/17	\$23,990
38	VA244-16-C-0084	Expired on 09/30/16	\$22,700
39	VA246-17-J-2004	Expired on 12/31/17	\$20,916
40	VA246-17-J-2176	Expired on 12/31/17	\$20,790
41	VA247-14-J-3394	Expired on 10/01/17	\$20,748
42	VA247-15-C-0095	Expired on 09/30/17	\$20,321
43	VA247-14-J-0229	Expired on 01/31/17	\$19,280

	Contract number	Contract status	Excess funds amount (amounts rounded)
44	VA247-14-F-0192	Expired on 09/30/17	\$18,940
45	VA247-12-F-0557	Expired on 03/31/17	\$18,904
46	VA244-14-F-3136	Expired on 09/30/15	\$18,815
47	VA247-16-J-1050	Expired on 03/31/17	\$17,900
48	VA244-15-P-7376	Expired on 11/28/15	\$15,913
49	VA246-17-P-2125	Expired on 09/30/17	\$15,561
50	VA244-16-J-5819	Expired on 08/14/17	\$15,066
51	VA246-17-P-6114	Expired on 06/15/17	\$15,000
52	VA244-16-F-7528	Expired on 05/31/17	\$14,967
53	VA246-14-F-6081	Expired on 06/30/15	\$14,774
54	VA247-16-J-0181	Expired on 09/30/16	\$14,535
55	VA247-17-J-0007	Expired on 03/31/17	\$13,553
56	VA244-16-C-0226	Expired on 12/31/16	\$13,387
57	VA247-12-F-2904	Expired on 09/30/17	\$13,362
58	VA247-15-J-0812	Expired on 01/31/18	\$12,835
59	VA246-14-J-5713	Expired on 07/04/17	\$12,748
60	VA248-17-P-1908	Expired on 01/31/18	\$12,129
61	VA247-14-J-0471	Expired on 01/31/17	\$10,571
62	VA244-17-J-0026	Expired on 09/30/17	\$10,079
63	VA244-17-C-0161	Expired on 12/30/17	\$7,978
64	523-B88004	Expired on 09/30/14	\$667
Total			\$6,185,277*

Source: OIG analysis of open obligations report and eCMS

*Numbers do not sum due to rounding.

Appendix E: Summary of Review Results

Table E.1 shows the results of the OIG's review regarding proper final payment documentation. Specifically, it identifies whether proper evidence of final payment was maintained in the contract file before the contract was closed, whether evidence was added as a result of the review, or whether evidence was not available.

Table E.1. Evidence of Final Payment from Sample of Closed Contracts

Contract number	Evidence in contract file before closeout	Evidence in contract file after closeout but before OIG review	Evidence added to contract file after OIG review	No evidence available
VA244-16-J-6500				X
VA244-17-J-2592				X
VA244-12-F-3144			X	
VA244-16-F-7458			X	
VA244-17-F-6560			X	
VA242-16-F-3794	X			
VA241-17-J-0238	X			
VA241-14-J-1994			X	
VA246-17-F-5955			X	
VA241-12-J-0117			X	
VA244-17-F-1122	X			
VA248-15-F-6608			X	
VA241-16-J-1925			X	
VA247-15-J-2938	X			
VA247-17-J-1449	X			
VA245-14-F-0161	X			
VA248-16-F-0538	X			
VA268-15-J-0166	X			
VA244-16-J-7045				X
VA241-14-J-1812			X	
VA248-16-F-1512	X			
VA248-15-J-0124	X			
VA247-14-F-2059	X			
VA248-15-J-3090	X			

Contract number	Evidence in contract file before closeout	Evidence in contract file after closeout but before OIG review	Evidence added to contract file after OIG review	No evidence available
VA245-14-F-0160		X		
VA248-15-F-3179	X			
VA248-14-F-0293			X	
VA248-15-F-5404			X	
VA241-16-F-2176	X			
VA248-16-J-2362	X			
VA244-14-J-2107			X	
VA244-17-J-2631	X			
VA241-16-J-0273			X	
VA241-17-J-1324	X			
VA246-16-J-0001			X	
VA248-15-C-1422	X			
VA241-16-J-0875			X	
VA248-17-F-2728			X	
VA246-15-F-2270	X			
VA246-15-J-4654			X	
Total	19	1	17	3

Source: OIG's analysis based on data obtained from eCMS

Table E.2 shows the results of the OIG's review regarding contractors' closing statements or release of claims.⁵² Specifically, it identifies whether the required document was maintained in the contract file before the contract was closed, whether evidence was added because of the review, or whether evidence was not available.

⁵² The FAR and VHA procurement manual require a contractor's closing statement or release of claims to close out a contract, unless SAP is used. Of the 40 contracts reviewed, two of them used SAP. Therefore, 38 of the reviewed contracts required either a contractor's closing statement or release of claims.

Table E.2. Evidence of Contractor's Closing Statement or Release of Claims from Sample of Closed Contracts

Contract number	Document required	Evidence in contract file before closeout	Evidence added to contract file after OIG review	No evidence available
VA244-16-J-6500	Contractor's closing statement			X
VA244-17-J-2592	Contractor's closing statement			X
VA244-12-F-3144	Contractor's closing statement			X
VA244-16-F-7458	Contractor's closing statement			X
VA244-17-F-6560	Contractor's closing statement			X
VA242-16-F-3794	Contractor's closing statement			X
VA241-17-J-0238	Contractor's closing statement	X		
VA241-14-J-1994	Contractor's closing statement			X
VA246-17-F-5955	Contractor's closing statement	X		
VA244-17-F-1122	Contractor's closing statement			X
VA248-15-F-6608	Contractor's closing statement	X		
VA241-16-J-1925	Contractor's closing statement		X	
VA247-15-J-2938	Release of claims	X		
VA247-17-J-1449	Contractor's closing statement			X
VA245-14-F-0161	Contractor's closing statement		X	
VA248-16-F-0538	Contractor's closing statement			X
VA268-15-J-0166	Contractor's closing statement			X
VA244-16-J-7045	Contractor's closing statement			X

Contract number	Document required	Evidence in contract file before closeout	Evidence added to contract file after OIG review	No evidence available
VA241-14-J-1812	Release of claims			X
VA248-16-F-1512	Contractor's closing statement	X		
VA248-15-J-0124	Release of claims	X		
VA247-14-F-2059	Release of Claims		X	
VA248-15-J-3090	Release of claims	X		
VA245-14-F-0160	Contractor's closing statement			X
VA248-15-F-3179	Contractor's closing statement		X	
VA248-14-F-0293	Contractor's closing statement		X	
VA248-15-F-5404	Contractor's closing statement	X		
VA241-16-F-2176	Contractor's closing statement			X
VA248-16-J-2362	Release of Claims	X		
VA244-14-J-2107	Release of Claims	X		
VA244-17-J-2631	Contractor's closing statement			X
VA241-16-J-0273	Contractor's closing statement		X	
VA241-17-J-1324	Contractor's closing statement		X	
VA246-16-J-0001	Contractor's closing statement			X
VA241-16-J-0875	Release of claims	X		
VA248-17-F-2728	Contractor's closing statement		X	
VA246-15-F-2270	Contractor's closing statement			X
VA246-15-J-4654	Contractor's closing statement			X
Total		11	8	19

Source: OIG's analysis based on data obtained from eCMS

Table E.3 shows the results of the OIG's review regarding contract completion statements.⁵³ Specifically, it identifies whether the required document was maintained in the contract before the contract was closed, whether evidence was added because of the review, or whether evidence was not available.

Table E.3. Evidence of Contract Completion Statement from Sample of Closed Contracts

Contract number	Evidence in contract file before closeout	Evidence in contract file after closeout but before OIG review	Evidence added to contract file after OIG review	No evidence available
VA244-16-J-6500		X		
VA244-17-J-2592		X		
VA244-12-F-3144				X
VA244-16-F-7458			X	
VA244-17-F-6560				X
VA242-16-F-3794	X			
VA241-17-J-0238		X		
VA241-14-J-1994				X
VA246-17-F-5955	X			
VA244-17-F-1122			X	
VA248-15-F-6608	X			
VA241-16-J-1925			X	
VA247-15-J-2938	X			
VA247-17-J-1449				X
VA245-14-F-0161			X	
VA248-16-F-0538				X
VA268-15-J-0166	X			
VA244-16-J-7045			X	
VA241-14-J-1812	X			
VA248-16-F-1512			X	
VA248-15-J-0124	X			
VA247-14-F-2059				X

⁵³ The FAR and VHA procurement manual require the contracting officer prepare and upload a contract completion statement to the official contract file, unless SAP is used. Of the 40 contracts reviewed, two of them used SAP. Therefore, 38 of the reviewed contracts required a contract completion statement.

Contract number	Evidence in contract file before closeout	Evidence in contract file after closeout but before OIG review	Evidence added to contract file after OIG review	No evidence available
VA248-15-J-3090	X			
VA245-14-F-0160				X
VA248-15-F-3179	X			
VA248-14-F-0293				X
VA248-15-F-5404	X			
VA241-16-F-2176				X
VA248-16-J-2362			X	
VA244-14-J-2107	X			
VA244-17-J-2631	X			
VA241-16-J-0273			X	
VA241-17-J-1324			X	
VA246-16-J-0001	X			
VA241-16-J-0875			X	
VA248-17-F-2728			X	
VA246-15-F-2270	X			
VA246-15-J-4654				X
Total	14	3	11	10

Source: OIG's analysis based on data obtained from eCMS

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

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs
1	By establishing effective and consistent reviews that ensure compliance with closeout procedures, contracting officers will identify excess funds timely and deobligate. This is important so the funds can be redirected to other projects that support veterans.	\$6,840,219	
	Total	\$6,840,219⁵⁴	

Source: OIG analysis of open obligations report and data in eCMS

Note: Values are rounded.

⁵⁴ The identified better use of funds includes \$242,650.62 from the review of 40 sampled contracts and \$6,597,568.62 from the review of the open obligations report.

Appendix G: Management Comments

Department of Veterans Affairs Memorandum

Date: January 22, 2020

From: Executive Director, VHA Procurement

Subj: OIG Draft Report, Regional Procurement Office East Contract Closeout Compliance Review

To: Counselor to the Inspector General

I have reviewed the draft report and concur with 3 of 3 recommendations.

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

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

VETERANS HEALTH ADMINISTRATION (VHA)

Action Plan

OIG Draft Reports - Regional Procurement Office East Contract Closeout Compliance Review

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

Recommendation 1. Establish effective and consistent quality assurance reviews, especially for contracts deemed higher risk, to ensure all closeout requirements, such as identifying and de-obligating excess funds, closing out contracts timely, and properly completing and uploading closeout documentation, are performed in accordance with the Federal Acquisition Regulation and the Veterans Health Administration procurement manual;

VHA Comments: Concur

VHA Executive Director for Procurement will establish effective and consistent quality assurance reviews, especially for contracts deemed higher risk, to ensure all closeout requirements are performed accordingly.

Status	Target Completion Date :
In Progress	October 2020

Recommendation 2. Ensure all contracting officers receive standardized training regarding the Veterans Health Administration procurement manual closeout procedures, including the correct use of closeout procedures for contracts that are awarded using Federal Acquisition Regulation Part 8 and simplified acquisition procedures; and

VHA Comments: Concur

VHA Executive Director for Procurement will provide National training on closeout procedures during FY2020.

Status :	Target Completion Date :
In Progress	April 2020

Recommendation 3. Ensure the contract files for the 40 sampled contracts have complete closeout documentation in accordance with the Federal Acquisition Regulation and the Veterans Health Administration procurement manual.

VHA Comments: Concur

RPO East HCA will review the actions cited in the report and ensure the close documentation has been completed.

Status :	Target Completion Date :
In Progress	April 2020

OIG Contact and Staff Acknowledgments

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