



Report to the Chairman, Subcommittee
on Oversight and Investigations,
Committee on Veterans' Affairs, House
of Representatives

September 2016

VETERANS AFFAIRS CONTRACTING

Improvements in Policies and Processes Could Yield Cost Savings and Efficiency

Accessible Version

GAO Highlights

Highlights of [GAO-16-810](#), a report to the Chairman, Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, House of Representatives

Why GAO Did This Study

The VA spent about \$20 billion in fiscal year 2015 for procurement of a wide range of goods and services that are essential to meeting its mission to serve veterans. A 2015 independent review commissioned by VA found that the procurement acquisition function was unduly complex and inefficient.

GAO was asked to look at how VA manages procurement. This report assesses 1) the extent to which VA data systems accurately reflect procurement spending, 2) VA procurement policies and lines of authority, 3) the extent to which VA's acquisition workforce is positioned to carry out its responsibilities, and 4) the extent to which opportunities exist to improve VA's key procurement functions and save money. GAO analyzed VA policies and procedures and reviewed a non-generalizable sample of 37 contract actions for fiscal years 2013 through 2015, selected based on their dollar value, extent of competition, and use of small business set-asides. GAO interviewed relevant officials and visited six contracting offices.

What GAO Recommends

GAO is making 10 recommendations, including that VA develop procedures to ensure all obligations are recorded in the procurement system, update and clarify its policy framework, assess and address inconsistent implementation of the contract liaison initiative, review strategic sourcing efforts, and improve contract reviews. VA stated that it agreed with all of GAO's recommendations; however, VA did not provide its written response in time for publication in this report.

View [GAO-16-810](#). For more information, contact Michele Mackin at (202) 512-4841 or mackinm@gao.gov.

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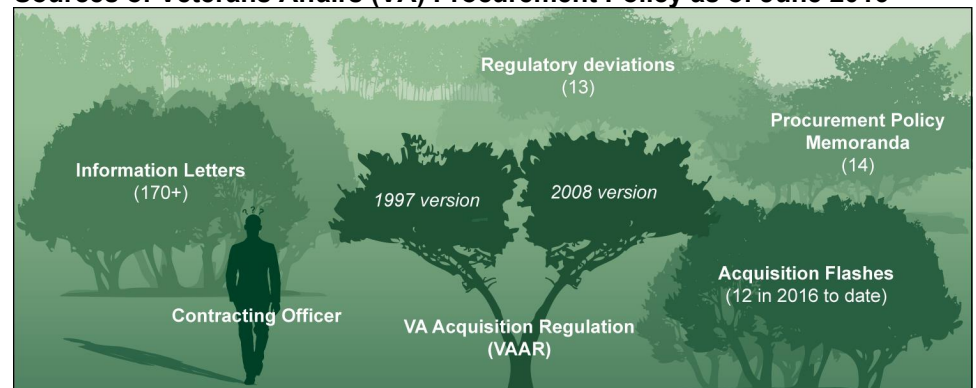
What GAO Found

GAO found opportunities for the Department of Veterans Affairs (VA) to improve the efficiency and effectiveness of its multi-billion dollar annual procurement spending in several areas including data systems, procurement policies and oversight, acquisition workforce, and contract management.

Shortcomings in VA's recording of procurement data limit its visibility into the full extent of its spending. A recent policy directing that medical-surgical supply orders be captured in VA's procurement system is a step in the right direction, but proper implementation is at risk because procedures are not in place to ensure all obligations are recorded.

VA's procurement policy framework is outdated and fragmented. As a result, contracting officers are unclear where to turn for current guidance. VA has been revising its overarching procurement regulation since 2011 but completion is not expected until 2018. Meanwhile, contracting officers must consult two versions of this regulation, as well as other policy related documents. Clear policies are key to ensuring VA conducts procurements effectively on behalf of veterans. The figure below depicts the various sources of regulations, policy, and guidance.

Sources of Veterans Affairs (VA) Procurement Policy as of June 2016



Source: GAO analysis of Veterans Affairs procurement policies. | [GAO-16-810](#)

Managing workload is a challenge for VA's contracting officers and their representatives in customer offices. A 2014 directive created contract liaisons at medical centers in part to address this issue, but medical centers have not consistently implemented this initiative, and VA officials have not identified the reasons for uneven implementation.

VA can improve its procurement processes and achieve cost savings by complying with applicable policy and regulation to obtain available discounts when procuring medical supplies; leveraging its buying power through strategic sourcing; ensuring key documents are included in the contract file, as GAO found that more than a third of the 37 contract files lacked key documents; and ensuring that compliance reviews identify all contract file shortcomings.

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Abbreviations

COR	contracting officer's representative
eCMS	Electronic Contract Management System
FAC-C	Federal Acquisition Certification-Contracting
FAITAS	Federal Acquisition Institute Training Application System
FAR	Federal Acquisition Regulation
FPDS-NG	Federal Procurement Data System-Next Generation
HCA	Head of Contracting Activity
IFCAP	Integrated Funds Distribution Control Point Activity, Accounting and Procurement
MSPV	medical-surgical prime vendor
NAC	National Acquisition Center
NCA	National Cemetery Administration
NCO	Network Contracting Office
OAL	Office of Acquisition and Logistics
OALC	Office of Acquisition, Logistics, and Construction
OAO	Office of Acquisition Operations
SAC	Strategic Acquisition Center
SDVOSB	Service-Disabled, Veteran-Owned Small Business
TAC	Technology Acquisition Center
VA	Department of Veterans Affairs
VAAA	Veterans Affairs Acquisition Academy
VAAR	Veterans Affairs Acquisition Regulation
VBA	Veterans Benefits Administration
VHA	Veterans Health Administration
VISN	Veterans Integrated Service Network

VOSB

Veteran-Owned Small Business

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September 16, 2016

The Honorable Mike Coffman
Chairman
Subcommittee on Oversight and Investigations
Committee on Veterans' Affairs
House of Representatives

Dear Mr. Chairman:

The Department of Veterans Affairs (VA) spent about \$20 billion on goods and services in fiscal year 2015.¹ The wide range of goods and services that VA procures—including construction, information technology, medical supplies, and many other categories—is essential to meeting its mission to provide health care and other benefits to the nation's military veterans. Prior assessments of VA management, both internal and external, have found shortcomings in VA procurement. For example, a 2015 MITRE Corporation assessment of VA health care required by the Veteran Access, Choice, and Accountability Act of 2014 found that VA's acquisition function was unduly complex and did not always result in procuring goods and services for the lowest available price.² Also, in 2015, we reviewed VA's use of interagency agreements and federally-funded research and development centers and added VA Health Care to our High Risk list; both reports cited issues including ambiguous policies, inconsistent processes, and inadequate oversight and accountability.³

In response to your request, this report assesses 1) the extent to which VA data systems accurately reflect VA procurement spending for fiscal years 2013 through 2015, 2) VA procurement policies and lines of

¹For our purposes, "spent" means obligated, as defined in our scope and methodology. This total does not include interagency agreements, in which other agencies award contracts on VA's behalf.

²The Veterans Access, Choice, and Accountability Act of 2014 required this assessment. Pub. L. No. 113-146, § 201 (a).

³GAO, Veterans Affairs Contracting: *Improved Oversight Needed for Certain Contractual Arrangements*, [GAO-15-581](#) (Washington, D.C.: July 2, 2015); and *High Risk Series: An Update*, [GAO-15-290](#), (Washington, D.C.; Feb. 11, 2015).

authority, 3) the extent to which VA's acquisition workforce is positioned to carry out its responsibilities,⁴ and 4) the extent to which opportunities exist to improve VA's key procurement functions and to save money.

To assess the extent to which VA data systems accurately reflect VA procurement spending, we obtained VA-provided contracting data from fiscal years 2013 through 2015. We determined that the data were sufficiently reliable for the purposes of our reporting objectives. We analyzed this data to assess a number of characteristics, including extent of competition and use of contracting preferences—such as those to service-disabled veteran-owned small businesses. We obtained documentation related to VA's Electronic Contract Management System (eCMS), and also interviewed system administrators and other officials regarding the reliability and completeness of this data. To review VA procurement policies and lines of authority, we obtained and analyzed policy documents, and interviewed policy officials, heads of contracting activity, contracting officers, and other officials. To assess the extent to which VA's acquisition workforce is positioned to carry out its responsibilities, we obtained and analyzed data on certifications and the number of contracting officers in various VA contracting organizations, which we found sufficiently reliable for the purposes of our reporting objectives. We interviewed contracting officers, as well as other contracting officials. Additionally, we obtained information on the VA Acquisition Academy and interviewed the Deputy Chancellor. To assess opportunities to improve VA's key procurement functions and to save money, we reviewed a non-generalizable sample of 37 contracts and 19 associated task orders. Our basis for selection included dollar value, whether these contracts were competed or not, and contracts awarded at contracting offices we selected to visit. We visited three Veterans Health Administration (VHA) contracting offices, located in Long Beach, CA; Minneapolis, MN; and St. Petersburg, FL, selected primarily by total contract obligations during fiscal years 2013 through 2015, and interviewed contracting officers and other officials at each location. We also visited three national contracting offices, selected based on total contract obligations and the types of contract requirements they procure. Additionally, we interviewed contracting officer's representatives for about

⁴For purposes of this report, we focused on contracting officers and contracting officers' representatives.

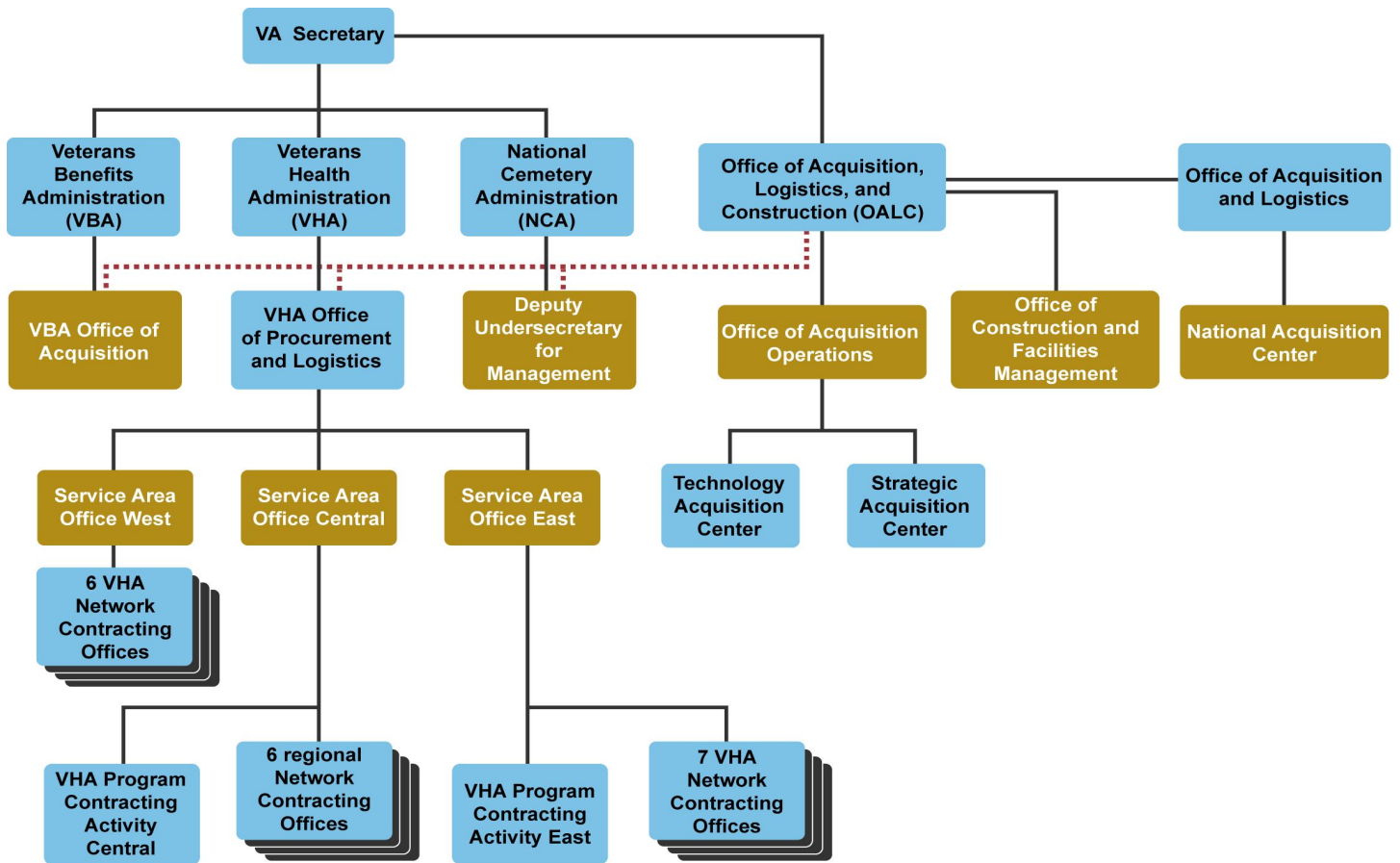
half of our selected contracts, focusing on those who were located at the VHA locations we visited. Finally, to review VA's contracting for medical supplies, we obtained and analyzed information regarding VA's medical-surgical prime vendor program and interviewed officials with roles in management, contracting, and operations for the program. Appendix I provides a more detailed description of our scope and methodology.

We conducted this performance audit from July 2015 to September 2016, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

VA serves veterans of the U.S. armed forces, and provides health, pension, burial, and other benefits. In fiscal year 2015 VA procured about \$20 billion—more than a quarter of its discretionary budget—of goods and services via contracts. As shown in the organizational chart below, these contracts were awarded by VA's eight heads of contracting activity (HCAs). The department's three operational administrations—VHA, Veterans Benefits Administration, and National Cemetery Administration—operate largely independently from one another. Each has its own contracting authority, though all three also work with national contracting organizations under the Office of Acquisition, Logistics, and Construction for certain types of purchases, such as medical supplies and information technology.

Figure 1: Organizational Structure of the Department of Veterans Affairs (VA) Procurement



..... OALC's oversight of the acquisition function in each Administration.

■ Heads of contracting activity (HCA)

Source: GAO analysis of Veterans Affairs organizational charts and policies. | GAO-16-810

In addition to the operating administrations, VA's acquisition function is spread across a number of organizations that have department-wide roles:

- The Office of Acquisition, Logistics, and Construction (OALC) is a VA headquarters organization responsible for directing the acquisition, logistics, construction, and leasing functions within VA. The Principal Executive Director of OALC is VA's Acting Chief Acquisition Officer.

-
- The Office of Acquisition Operations (OAO), which falls under OALC's purview, conducts procurement activities for customers across the department, has two primary operating divisions:
 - The Technology Acquisition Center (TAC) is a contracting office designated by VA policy to conduct the vast majority of information technology-related purchasing for customers VA-wide.
 - The Strategic Acquisition Center (SAC) is responsible for procurement of certain types of goods and services for the operating administrations, such as VHA. Responsibility for VHA medical-surgical supply contracting was recently transferred to SAC from NAC—including the medical-surgical prime vendor (MSPV) program, a single logistics provider that delivers supplies to medical centers from many different contractors.
 - The Office of Acquisition and Logistics (OAL) is responsible for oversight of contracting across VA, including setting policy and issuing warrants to contracting officers. The Deputy Assistant Secretary for OAL is VA's Senior Procurement Executive.
 - The National Acquisition Center (NAC) is an OAL contracting organization which serves VHA by providing contracting for certain health care-related goods and services. It awards national contract vehicles for pharmaceuticals, prosthetics, and other supplies and services, which are used by medical centers to meet operational needs. NAC also purchases most high-tech medical equipment for medical centers. Finally, NAC is responsible for managing VA's Federal Supply Schedules.⁵

In July 2015, the Secretary of Veterans Affairs announced an organizational transformation for the department called MyVA. The initiative outlined goals for improving the veteran experience and the employee experience, along with related goals such as improving support services and enhancing strategic partnerships. One of these efforts includes a pilot program on supply chain modernization—aimed at consolidating requirements and reducing contracting workload, among

⁵The General Services Administration, which has statutory responsibility for the Federal Supply Schedule program, has delegated to VA the role of managing the health-care-related schedules. VA is the largest user of these categories of goods and services.

other things. The MyVA initiative also includes some organizational changes; for instance, VA is in the process of reducing the number of VHA's Veterans Integrated Service Networks (VISNs) from the 21 that existed in 2015 to 18 by the end of fiscal year 2018.

Veterans Health Administration

VHA provides medical care to veterans and is by far the largest administration in VA, with a budget of \$61.1 billion for fiscal year 2016, representing the majority of VA's \$75 billion discretionary budget. In fiscal year 2014, VHA provided healthcare to almost six million patients at 167 medical centers. These medical centers are currently organized into 19 VISNs, regional networks that manage some aspects of operations, such as facility planning. VHA's procurement function is overseen by a separate management hierarchy, as shown in figure 1, led by the Office of Procurement and Logistics. Its three Service Area Offices oversee 19 Network Contracting Offices (NCOs), each of which serves one of the 19 VISNs.

VA's Acquisition Workforce

Like in other agencies, contracting officers in the GS-1102 job series are a key part of VA's department wide acquisition workforce. Only warranted contracting officers—individuals who are authorized to commit government funds to procurements—may award contracts. VA has eight individuals designated as heads of contracting activity (HCA) who are responsible for managing the contracting activity of their offices in accordance with the Federal Acquisition Regulation (FAR). Contracting officers are responsible for maintaining a Federal Acquisition Certification in Contracting (FAC-C) in order to hold a VA warrant.⁶ The VA Acquisition Academy (VAAA), in Frederick, MD, offers contracting officers the internal training necessary for obtaining and maintaining FAC-C certifications.

Electronic Contract Management System

In 2007, VA mandated that its contracting officers use the Electronic Contract Management System (eCMS), a contract writing system, as the official repository for contract documents. Generally, all contract actions

⁶There are three levels of FAC-C certification (I, II, and III) with increasing requirements for specific education, training, and experience, which in turn allow contracting officers to be warranted for increasingly complex and costly contracts. To maintain certification, acquisition professionals must also meet annual training requirements.

over the current micro-purchase threshold of \$3,500 must be recorded in eCMS.⁷ In addition to documents, the system also records summary data such as dollar value, award date, and contractor name. This information is then entered into the Federal Procurement Data System-Next Generation (FPDS-NG), a government-wide repository of contracting data, which includes most actions over the current micro-purchase threshold. VA uses data from eCMS to provide management visibility into procurement activity.

In 2007 and again in 2012, VA issued policy requiring that contracting officers use eCMS for all contract actions valued above the current micro-purchase threshold, as well as ensuring that contracting officers are properly trained on how to use the system. However, the VA Inspector General has repeatedly found problems with the completeness of documentation in eCMS. Specifically, audits conducted between 2009 and 2014 revealed incomplete eCMS data, and, in 2009, the Inspector General recommended that VA assess the feasibility of connecting eCMS to the department's accounting system to provide more robust internal controls.⁸ VA agreed to assess the feasibility of taking this action, but, to date, the systems have not been integrated.

Because eCMS and the accounting system are not integrated, contracting officers must enter information into a separate system, called the Integrated Funds Distribution Control Point Activity, Accounting and Procurement (IFCAP).⁹ We reported in 2015 that, in part because information is manually entered into this system, eCMS data on interagency agreements were not sufficiently reliable for fiscal years 2012 through 2014, but we also found that eCMS data on contract actions related to federally-funded research and development centers during this

⁷In July of 2015, the micro-purchase base threshold of \$3,000 was increased to \$3,500. Federal Acquisition Regulation; Inflation Adjustment of Acquisition-Related Thresholds, 80 Fed. Reg. 38293, 38294 (July 2, 2015).

⁸Department of Veterans Affairs Inspector General, *Audit of VA Electronic Contract Management System*, (Washington, D.C.: July 30, 2009); and Veterans Health Administration: *Audit of Support Service Contracts*, (Washington, D.C.: Nov. 19, 2014). This latter report had findings related to eCMS, but did not have additional recommendations specific to the system.

⁹IFCAP is used by most VA organizations, including VHA, but a few use a different system, called the Centralized Administrative Accounting Transaction System.

period were sufficiently reliable for our purposes. As a result, we recommended that VA improve the completeness of interagency agreement data recorded in eCMS, including procedures to routinely check this data against transaction data in IFCAP.¹⁰ While VA agreed with this recommendation, it did not address how it would improve the completeness of data recorded in eCMS.

Findings of Other Reviews

In addition to the VA Inspector General audits, a recent external assessment, as well as our prior work, has focused on VA procurement:

- In 2015, MITRE conducted the Choice Act Independent Assessment, which reviewed VHA operations overall, and identified a number of issues related to procurement.¹¹ For instance, it found that VA has limited ability to monitor and enforce contract requirements because complete data are not recorded in eCMS. It also found the VA supply chain to be complex and duplicative, contributing to VA failing to take full advantage of its scale to obtain the best pricing. The assessment had several procurement-related recommendations, including that VA consolidate its contracting and logistics offices, standardize and simplify purchasing, and improve management of its acquisition workforce.
- We have also found problems related to VA procurement and policies in prior reviews. In 2015, we found gaps in the documentation for interagency agreements and federally-funded research and development center contracts. Also, in 2015, we added “Managing Risks and Improving VA Health Care” to our High Risk list.¹² This report identified concerns about VA’s ability to ensure timely, cost-effective, and quality health care, with findings including ambiguous policies, unclear resource needs and allocation priorities. However, we have also found that VA achieved some cost savings through strategic sourcing efforts.¹³

¹⁰See [GAO-15-581](#).

¹¹The Choice Act requires VA to enter into at least one contract with a private firm to conduct twelve independent assessments of health care provided by VA.

¹²See [GAO-15-581](#) and [GAO-15-290](#).

¹³GAO, *Strategic Sourcing: Improved and Expanded Use Could Save Billions in Annual Procurement Costs*, [GAO-12-919](#) (Washington, D.C.: Oct. 4, 2012).

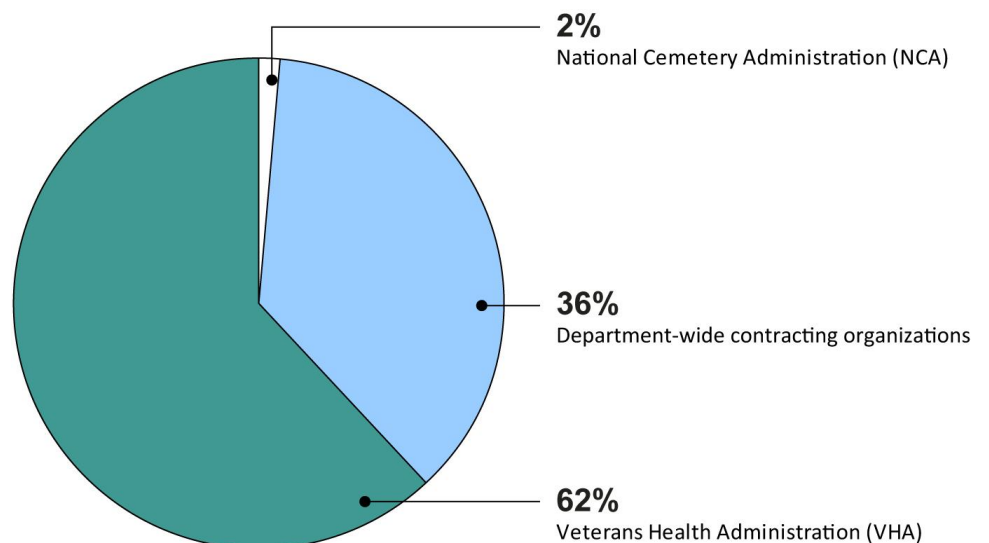
Available Data Are Incomplete but Indicate That VA Obligated Nearly \$46 Billion from Fiscal Years 2013 to 2015

Our analysis of the available eCMS data found that VA obligated about \$46 billion on goods and services via contracts in fiscal years 2013 through 2015; however, the data are incomplete. VHA accounted for 62 percent of these obligations during fiscal years 2013 through 2015. While eCMS—VA’s central repository for all contract actions and supporting documentation—provides useful data on VA contracting, we found that data on high-tech medical equipment and prime vendor orders were not complete, leading eCMS to reflect much lower total obligations than FPDS-NG. While we determined that the available data were sufficiently reliable for describing certain characteristics of VA contract obligations over this period, we found that shortcomings limit its usefulness.

Overview of VA Procurement Spending

According to our analysis of the available data from VA’s eCMS, the department spent about \$46 billion from fiscal years 2013 to 2015 on goods and services. VHA accounted for 62 percent and, together, VHA and department-wide contracting offices (the NAC, SAC, and TAC), accounted for nearly 98 percent of total obligations recorded in eCMS during this time period, spending roughly \$28.3 and \$16.7 billion, respectively. See figure 2 for the distribution of contract obligations within VA.

Figure 2: Distribution of Contract Obligations by Organizational Unit, Fiscal Years 2013 through 2015



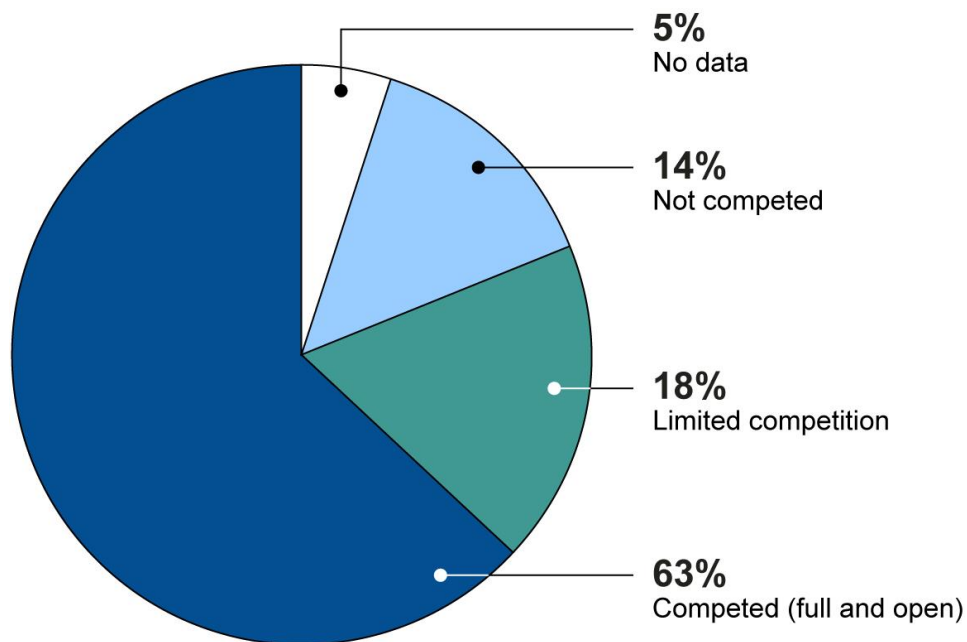
Source: GAO analysis of Veterans Affairs Electronic Contract Management System data. | GAO-16-810

Note: The Veterans Benefits Administration accounted for less than one percent of contract obligations during this period.

VA spent about \$30.9 billion on services over this period, about twice as much as the \$15 billion it spent on goods. Information technology (\$6.7 billion) and medical services (\$6.3 billion) were the largest categories of contract obligations for services. Medical supplies accounted for the majority of spending on goods, at \$11.1 billion. As discussed in more detail below, supply orders placed under the MSPV program are generally not included in this total.

Our analysis also indicates that the VA relied on competitive procedures for the majority of its spending on goods and services from fiscal year 2013 through fiscal year 2015, obligating roughly \$28.8 billion, or 63 percent of its total obligations, using full and open competition, as shown in figure 3. VA also obligated about 14 percent non-competitively. We could not determine the extent of competition for about 5 percent of obligations because this field was not populated in eCMS.

Figure 3: Extent of Competition in VA Contract Obligations in Fiscal Years 2013 through 2015



Source: GAO analysis of Veterans Affairs Electronic Contract Management System data. | GAO-16-810

According to the available data, most of the remaining \$8.3 billion (18 percent) of obligations were competitively awarded after limiting the pool of available contractors—a process known as full and open competition after the exclusion of sources.¹⁴ VA has special statutory contracting preferences for Service-Disabled, Veteran-Owned Small Businesses (SDVOSB) and Veteran-Owned Small Businesses (VOSB), and these accounted for a significant portion of these “limited competition” obligations. VA set aside \$6.5 billion, or 14 percent, of its total fiscal year 2013 through fiscal year 2015 obligations to competitively award set-aside contracts to SDVOSBs and VOSBs and used sole source procedures to award another \$219.4 million to these businesses. We reported earlier this year that total contracting awards to SDVOSB and VOSB firms have increased in recent years, in part because of the Veterans Benefits, Health Care, and Information Technology Act of 2006, which required VA to set annual goals for contracting with SDVOSBs and VOSBs and directed VA to restrict competition to veteran-owned small businesses if it is reasonably expected that at least two such businesses will submit offers and the award can be made at a fair and reasonable price, known as the Rule of Two.¹⁵ In June 2016, a Supreme Court decision concluded that VA must use the Rule of Two every time it awards contracts, even when VA will otherwise meet its annual minimum contracting goals.¹⁶

eCMS Does Not Meet Business Needs of One of VA’s National Contracting Organizations

According to the director of NAC’s National Contract Service, NAC contracting officers only began recording orders for high-tech medical equipment into eCMS in 2013. Prior to 2013, NAC awarded and administered these orders—on which VA reported spending \$424 million in fiscal year 2015—outside of eCMS, and recorded the obligations in a

¹⁴To fulfill the statutory requirements relating to small business concerns, the FAR authorizes contracting officers to set aside solicitations to allow only small businesses to compete.

¹⁵GAO, *Veteran-Owned Small Businesses: VA Improved Its Verification Program but Lacks an Effective Operational Plan for Ongoing Efforts*, [GAO-16-129](#), (Washington, D.C.: March 21, 2016); Pub. L. No. 109-461, § 502, 120 Stat. 3403, 3431 – 3435 (codified as amended at 38 U.S.C. § 8127).

¹⁶*Kingdomware Technologies, Inc. v. United States*, 136 S.Ct. 1969 (2016).

separate, NAC-specific system.¹⁷ NAC officials stated that they continue to use their own system alongside eCMS, as it provides essential functionality not provided by eCMS, such as the ability to exchange data with systems run by other agencies and NAC contractors. OAL officials responsible for maintaining VA data systems stated that they are working to develop updates to eCMS. However, according to NAC contracting officials, planned updates will not provide the ability to exchange critical data such as pricing and sales reports with other government and contractor data systems. As a result, NAC contracting officers must maintain data on their contract actions in both systems, which requires duplicative work and increases the risk of errors in eCMS. Without resolving the functionality issues that are driving this duplicative data entry, VA cannot be assured that its high-tech medical equipment spending is properly accounted for in eCMS.

VA's Recent Direction to Record MSPV Data Is Positive, but Implementation May Fall Short, and Other Prime Vendor Data Are Not Recorded in eCMS

Our review of the MSPV program found that orders placed under this program have not been consistently recorded in eCMS, meaning that VA was missing important information on its spending.¹⁸ VA procurement policy, dated June 15, 2012, requires mandatory usage of eCMS for most procurement actions valued above the micro-purchase threshold (currently \$3,500). Many individual MSPV orders are under the micro-purchase threshold, and those actions were not recorded in the system. Further, VA policy exempted MSPV orders placed by ordering officers from being recorded in eCMS. According to VHA's MSPV program office, because ordering officers—as opposed to contracting officers—do the bulk of VA's MSPV ordering, this exemption resulted in VA not capturing these orders in eCMS. VA's total MSPV obligations are substantial. NAC-provided data—reported by the prime vendors—showed that VA obligated \$465 million under the MSPV prime contract during fiscal year 2015.

¹⁷According to NAC officials, the base indefinite delivery/indefinite quantity contracts for high-tech medical equipment were recorded in eCMS prior to 2013 but orders were not. Because all obligations take place in the orders, no high-tech medical equipment obligations were recorded in eCMS until 2013.

¹⁸VA has three separate prime vendor programs; we focused our review on the medical-surgical prime vendor program and included, to a much lesser extent, the pharmaceutical prime vendor program.

As of April 2016, VA policy has changed regarding how MSPV orders are to be recorded. Ordering officers are now required to report summaries of MSPV orders to the responsible contracting officers in monthly summaries, which the contracting officers are then to record in eCMS—even for orders under the micro-purchase threshold. But the policy is silent regarding the procedures ordering officers should use to do so. VA’s Senior Procurement Executive stated that the department lacks procedures to ensure that these orders are consistently reported, despite the new policy. Without putting in place procedures to implement the new policy, VA is at risk of continuing to lack a complete picture of its substantial MSPV obligations.

In addition to the MSPV data, we also found that other prime vendor orders are not recorded in eCMS. We compared FPDS-NG and eCMS data for fiscal years 2013 through 2015 and found that the total obligations recorded in FPDS-NG were about \$10.4 billion more than in eCMS. Based on our analysis, it appears that the primary reason for this gap is that orders under the pharmaceutical prime vendor program are not being recorded in eCMS but rather are being manually reported to FPDS-NG. VA’s Senior Procurement Executive told us that the omission of many prime vendor orders from eCMS limits VA’s knowledge and oversight of its contract obligations. As the *Standards for Internal Control in the Federal Government* also note, leadership needs complete information to provide effective management and oversight. Those standards state that U.S. government agencies should clearly document transactions, ensure that documentation be readily accessible, and ensure that transactions are complete and accurate.¹⁹ As described above, we found billions of dollars not contained in eCMS. While VA has taken some steps to improve the completeness of eCMS information, such as adding data on high-tech medical equipment orders, most prime vendor orders are still omitted. This situation results in missed opportunities for VA to understand the full picture of where its obligations are going, information that is needed to effectively monitor and provide oversight of procurement actions.

¹⁹GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#), (Washington, D.C.: Sept. 10, 2014).

eCMS Continues to Lack Integration with VA's Accounting System

eCMS is not linked to VA's accounting system, requiring duplicate effort and increasing the risk of errors, a known problem that VA has been struggling to address. This situation causes duplicative work for contracting officers since data must be entered separately into both systems, thus increasing the risk that differences between these data might occur. In 2009, the VA Inspector General recommended that not only should the department implement an eCMS oversight program, but also that additional steps should be taken to assess the feasibility of connecting eCMS to the accounting system. Similarly, in 2015, GAO recommended that the VA put into place procedures to improve the quality of contract action data in eCMS, which could include implementing procedures to routinely check eCMS data against transaction data in VA's accounting system, and VA concurred. We found that some individual contracting organizations within the VA have made efforts to address this risk. For instance, as we previously noted, VHA's Service Area Offices routinely compare IFCAP records to eCMS records to identify actions that do not match.²⁰ VA's Office of Management, which is responsible for the accounting system, estimates that VA will replace IFCAP in fiscal year 2019; VA's Senior Procurement Executive stated that when this change occurs VA would likely obtain a new interoperable contract system to replace eCMS.

VA's Procurement Policy Framework Is Outdated and Fragmented, and Acquisition Responsibilities Are Not Always Clear

Our analysis of VA's contracting regulations and policies, which VA contracting officers must follow, found a framework that is disjointed and difficult to use. The VA Acquisition Regulation (VAAR), VA's acquisition regulation, is outdated, and contracting officers need to consult both the 1997 and 2008 versions. An updated version is in development but will not be ready for several years. In the interim, VA communicates procurement policy in a number of different forms that, taken together, pose challenges for contracting officers who need clear guidance to effectively perform their duties. For example, there is ambiguity about whether over one hundred previously-issued Information Letters (policy memoranda) are still in effect. Additionally, we found that VA's decentralized acquisition function—which does not always have clearly delineated organizational roles and responsibilities—contributes to confusion among customers regarding which contracting entity they

²⁰See [GAO-15-581](#).

should consult to acquire various goods and services, sometimes causing VA contracting entities to perform overlapping roles.

VA Does Not Always Ensure That Procurement Policies Are Cohesive and Effectively Communicated

Key VA procurement policies are outdated and difficult for contracting officers to use. *Standards for Internal Control in the Federal Government* state that it is important for an organization's management to update its policies over time to reflect changing statutes or conditions, and that those policies should be communicated to those who need to implement them.²¹ However, many of VA's regulations and policies—most importantly the VAAR, which has not been updated since 2008—are outdated, and the department has issued a patchwork of policy documents in the interim to fill this gap.²² VA asks contracting officers to refer to two different versions of the VAAR, one from 1997 and the other from 2008. The VA Director of Procurement Policy stated that the 1997 VAAR was not completely rescinded upon the publication of the 2008 edition because some of the prior provisions remained relevant. We found that the necessity to use two VAAR versions to understand which of the provisions are relevant is causing confusion among contracting officers. For instance, a 2015 edition of the VA Handbook for Acquisition Professionals states:

There are two active versions of the VAAR: 1997 and 2008. Neither version is comprehensive. All information in the 2008 version still applies (unless an Information Letter, circular, directive or memorandum specifically states otherwise); not all of the information in the 1997 version still applies. To determine if information in the 1997 version still applies, you must review the 1997 version and look for '...' preceding the section. If the section is preceded by '...', it still applies. If the section is not preceded by '...', it no longer applies.

²¹See [GAO-14-704G](#).

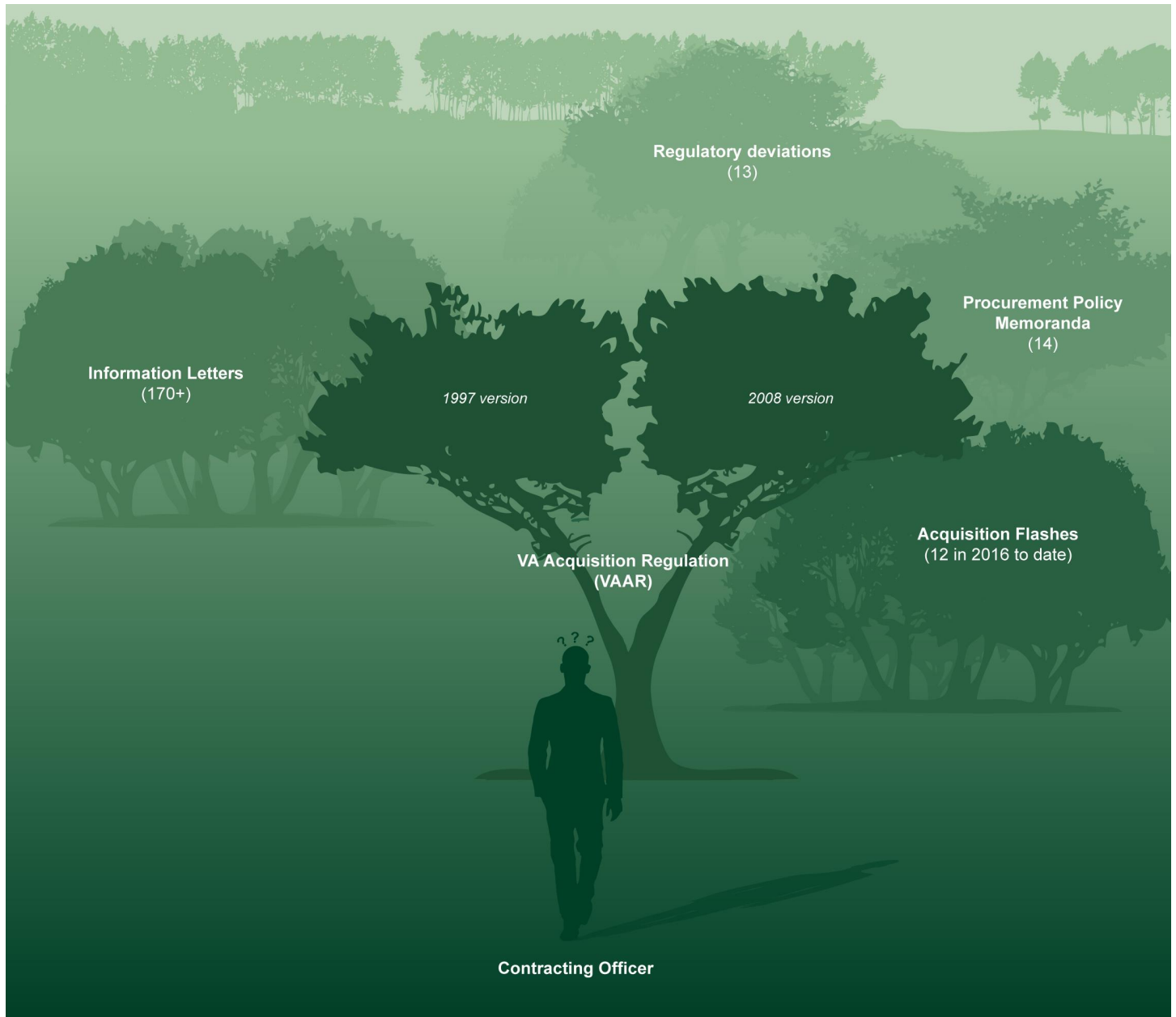
²²While we have not reviewed all Federal Register notices since 2008 to determine whether there have been any updates, agency officials confirmed that the VAAR has not been updated since 2008.

Since contracting officials voiced confusion and raised concerns with the 2008 VAAR, the Office of Procurement Policy undertook a gap analysis of three sections of the 1997 version of the VAAR, for which the language either differed between the 1997 and 2008 versions or was omitted from the more recent 2008 version entirely. Following our inquiries about this issue, the Office of Procurement Policy took action to fully rescind the 1997 VAAR. In June 2016, VA's Senior Procurement Executive informed us that this process had been completed, including the rescission of the 1997 VAAR in its entirety, meaning that VA contracting officials are now to refer solely to the 2008 VAAR.

A new revision of the 2008 VAAR is also in development, but the progress towards completion has faced delays. VA began the process in 2011 but does not plan to finalize the new VAAR until December 2018, including the required rulemaking process. According to VA's Director of Procurement Policy its Senior Procurement Executive, several reasons contributed to these delays, including various steps in obtaining internal review from VA's legal department and input from other stakeholders, such as VISN and Medical Center Directors. VA's Senior Procurement Executive also stated that this revision of the VAAR has just recently become a high priority for the department and senior management attention may be needed to help expedite revisions and the ultimate issuance of the updates. In addition to revising the VAAR, VA's Office of Procurement Policy, within the Office of Acquisition and Logistics, is also developing a new VA Acquisition Manual that will serve as a companion to the VAAR and replace VA's other sources of procurement policy. Issuance of the manual is expected to follow the same schedule as the updated VAAR. The lengthy delay in updating this fundamental source of policy for contracting officers impedes their ability to effectively carry out their duties. Without sustained senior management attention and a plan to expedite the revisions, there is the risk of further delays.

In the absence of an updated VAAR, VA has communicated interim procurement policies in a number of different forms, some of which can be duplicative. Figure 4 illustrates the numerous sources that contracting officers must turn to for guidance.

Figure 4: Sources of Veterans Affairs (VA) Procurement Policy



Source: GAO analysis of Veterans Affairs procurement policies. | GAO-16-810

Note: A regulatory deviation is a policy, procedure, method, or practice at any stage of the procurement process that is inconsistent with the FAR. Acquisition Flashes disseminate information relevant to day-to-day procurement operations. Information Letters are policy memoranda.

The sheer number and different forms of communications—many of which are outdated—are confusing and present challenges for contracting officials seeking appropriate guidance.

VA's Information Letters are largely obsolete, but many have not been rescinded, creating potential for confusion. The Office of Procurement Policy is no longer issuing these policy memoranda, but in previous years it and other offices had issued at least 170, which typically did not have expiration dates. The Director of Procurement Policy stated that the guidance set forth in these letters was meant to be temporary in nature. For example, a 2009 Information Letter outlining contract oversight processes established dollar thresholds for certain reviews—which officials in VA contracting offices cited during our visits—but Procurement Policy officials said that these thresholds had since been revised by an interim Acquisition Flash until a Procurement Policy Memorandum can be developed.²³ The Director of Procurement Policy also stated that the Office of Procurement Policy does not have a complete list of all Information Letters and is working to develop a complete repository, in some cases by gathering them from the contracting officers themselves. As of April 2016, the office had identified approximately 170 Information Letters through this process, 70 of which the Director said had been rescinded entirely or were replaced by Procurement Policy Memoranda. The Director of Procurement Policy further stated that access to the repository is limited to Office of Procurement Policy staff to prevent recirculation of outdated Information Letters among the department's contracting staff, which could cause confusion on which policy is in effect. The Office of Procurement Policy has not established a firm time frame for completing its efforts to rescind or replace the Information Letters. Without a firm time frame, there is the risk that this effort will lose traction.

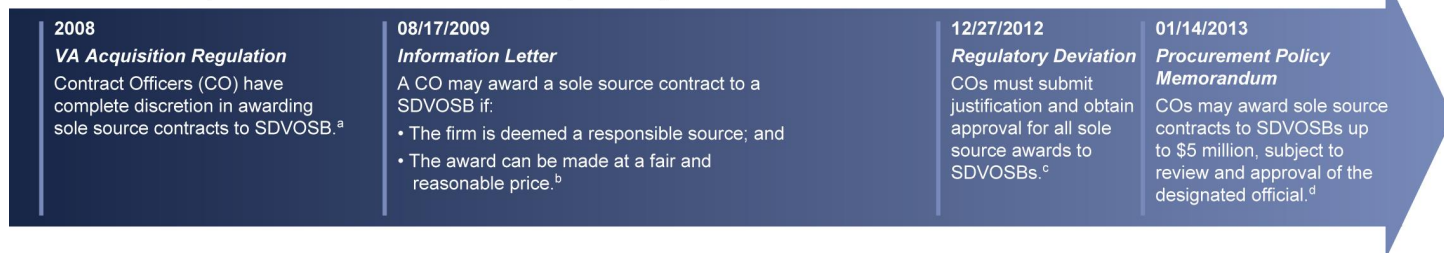
As an example of the confusion we found among the various sources of policy and guidance, we analyzed information specific to contracting with SDVOSBs, which is an important part of VA's procurement process. Additionally, we spoke with one contracting officer who found the available information on this issue challenging to navigate. Several sources of VA policy address SDVOSB contracting. Figure 5 shows an

²³Acquisition Flashes are communications to the acquisition workforce, which Procurement Policy officials told us can sometimes serve as policy.

example of VA making policy changes without incorporating them into the VAAR.

Figure 5: VA Policies Addressing Contracting with Service-Disabled, Veteran-Owned Small Businesses

VA's policy regarding sole source contracts to Service-Disabled, Veteran-Owned Small Businesses (SDVOSB)



Source: GAO analysis of Veterans Affairs procurement policies. | GAO-16-810

For example, the contracting officer responsible for one of our selected contracts for surgical equipment stated that, using the VAAR as her guide, she awarded a \$335,000 contract to an SDVOSB on a sole-source basis without a justification and approval. However, an internal post-award review found that this action was not permitted based a 2012 VAAR deviation and a 2013 Procurement Policy Memorandum. Both required a justification and approval from contracting office management for a contract of this value. The contracting officer was unaware of this policy change because she believed the VAAR to be the most current policy. This particular contracting office subsequently provided training to its staff regarding sole-source contracting with SDVOSB firms.

The issues associated with contracting with SDVOSB and VOSB firms have recently been subject to heightened attention due to the June 2016 Supreme Court decision, which concluded that VA must restrict competition to veteran-owned small businesses if it reasonably expects that at least two veteran-owned firms will submit offers and the award can be made at a fair and reasonable price, even when VA will otherwise meet its annual minimum contracting goals.²⁴ According to VA's Senior Procurement Executive, this decision will have a large impact on VA contracting because, among other things, the ruling requires training for VA contracting officers. VA began providing this training in July 2016 and

²⁴Kingdomware Technologies, Inc. v. United States, 136 S.Ct. 1969 (2016).

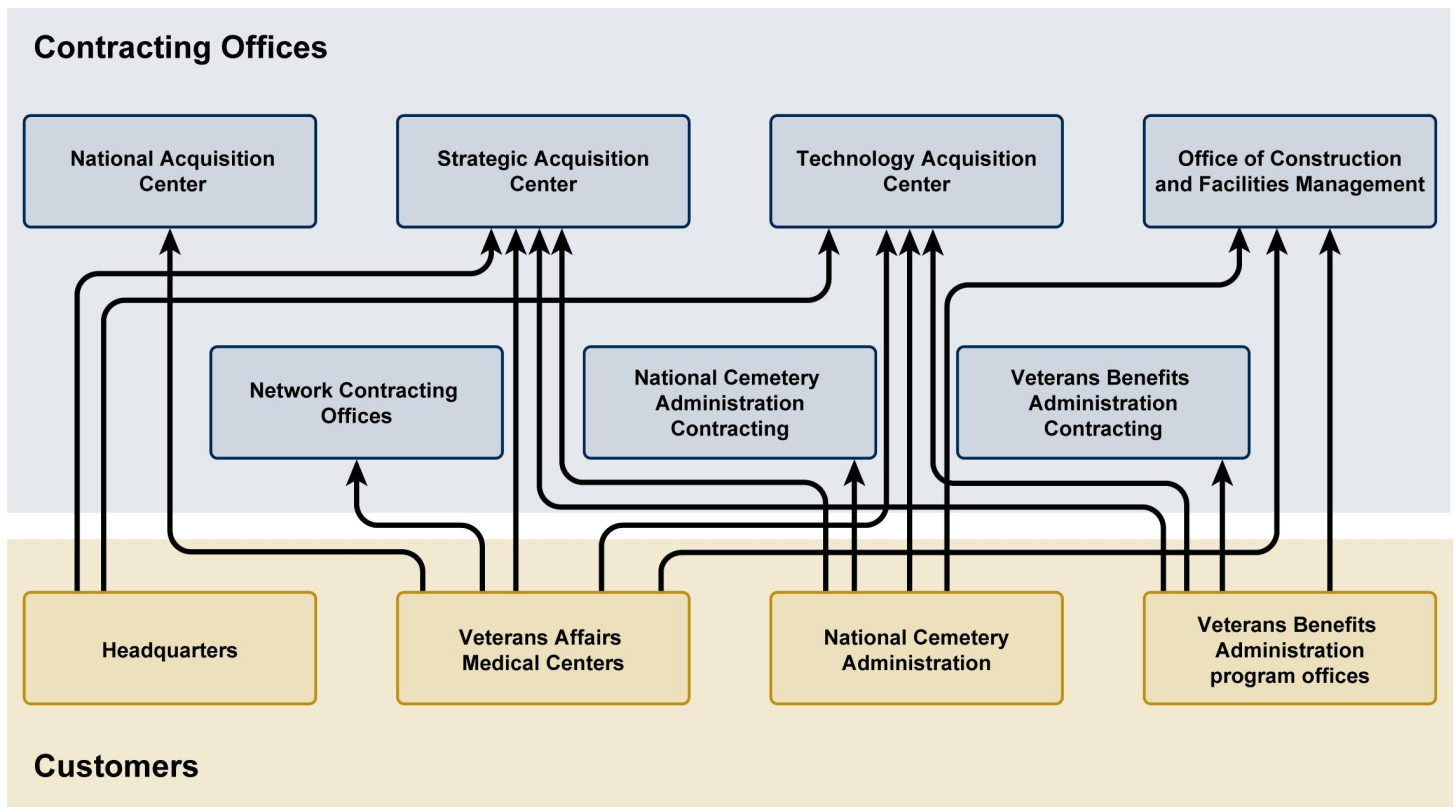
plans to continue it on an ongoing basis through webinars. VA also plans to staff a hotline to assist contracting officers in implementing the Supreme Court ruling. VA also plans to pursue a “train the trainer” strategy where field-based staff can offer support on implementing the Supreme Court’s rule.

VA’s Complex Procurement Structure Creates Challenges for Users

VA procurement is highly decentralized and spread across six acquisition contracting organizations, each of which is led by an individual designated as an HCA.²⁵ Three of these acquisition organizations represent each of the department’s operating administrations, and three represent each of the VA-wide contracting entities that serve customers across the agency. A given customer—such as a department in a medical center or a program office—may need to work with more than one of these contracting entities to meet its procurement needs. Figure 6 illustrates customer relationships contracting offices across VA.

²⁵VHA recently informed us that it decided to delegate its HCA authority among three individuals. As a result, the VA now has a total of 8 HCAs. Additionally, the HCA for the Office of Acquisition Operations oversees both the SAC and TAC.

Figure 6: Veterans Affairs Customer Relationships with Contracting Offices



Source: GAO analysis of Veterans Affairs policies. | GAO-16-810

The complexity of the organizational structure can contribute to confusion. Several of the contracting officials we spoke with stated that they were, at times, uncertain of which contracting office handled a particular requirement. Many program offices must not only work with their local contracting office (such as the NCOs within VHA) but also with national contracting organizations such as the SAC or NAC. In the course of our review, we encountered examples of confusing roles and responsibilities, uncoordinated procurements that resulted in duplication, or unofficial agreements about procurement responsibilities. For example:

- A VISN official reported procuring one type of high-tech medical equipment through the SAC, even though this area is specifically designated as NAC's responsibility, because she expected that the SAC could execute the purchase more quickly.

-
- The VBA and VHA separately acquired similar types of contract support services through the SAC; however, because the requirement was procured by each administration through a different SAC office location, two separate contracts were awarded.
 - An official from VBA's Office of Acquisitions stated that in the absence of an official policy on the division of responsibilities between his office and national contracting organizations, he informally agreed with the Office of Acquisition Operations that his office would handle all procurements under \$5 million, while the SAC would handle those valued above this amount.

Standards for Internal Control in the Federal Government state that it is important for an organization to fully communicate its policies to those who need to implement them. However, the variability in procurement processes and lack of clearly-defined organizational roles and responsibilities could result in inconsistent implementation of VA's procurement policy.

Leaders in VA's procurement organizations have recognized that organizational complexity is a challenge and have taken some steps to address it. The Office of Acquisition, Logistics, and Construction, in its role as the overseer of VA's national contracting organizations, issued a memorandum in March 2013 that established lead responsibility for various types of purchases among the national contracting organizations—SAC, TAC, and NAC. Table 1 shows the responsibilities outlined in that memorandum.

Table 1: Division of Lead Responsibility for Types of Procurements among VA National Contracting Organizations

Type of Product and/or Service	Strategic Acquisition Center	Technology Acquisition Center	National Acquisition Center
Information technology products and services	No	Yes	No
General medical products and services	Yes	No	No
General surgical products and services	Yes	No	No
High-tech medical equipment and systems	No	No	Yes
Medical specialty products and services	Yes	No	No
Surgical specialty products and services	Yes	No	No
Pharmaceuticals	No	No	Yes
Prosthetics (general)	Yes	No	No
Prosthetics (socks and other soft goods)	No	No	Yes
Dental products and services	Yes	No	No
Patient mobility products and services	Yes	No	No
Telehealth products and services ^a	No	No	Yes
Hearing products and services	No	No	Yes
Facilities maintenance and repair products and services	Yes	No	No
Medical Federal Supply Schedule contracts	No	No	Yes
Allied health products and services	No	No	Yes
Subsistence	No	No	Yes
All other products and services	Yes	No	No

Source: GAO Analysis of VA Policy for VA National Contracting Organizations | GAO-16-810

^aTelehealth refers to services to reach patients at home or at different facilities.

VA’s Acting Chief Acquisition Officer stated that, although the policy delineates separate responsibilities, he is aware there is overlap in the functions of some contracting organizations, especially the NAC and the SAC. He also stated that he is aware of confusion among customers regarding whom to go to with their requirements. For example, SAC’s responsibility for specialty medical and surgical supplies could include some areas covered by the NAC—especially since the NAC had this responsibility in prior years. Some contracting officials we spoke with characterized the March 2013 memorandum as more of a guide than a mandate, resulting in confusion about how flexible these roles and responsibilities really are. While issuing the March 2013 memorandum was a good first step, the fact that there is still confusion indicates that more needs to be done to clarify roles and responsibilities—particularly regarding the NAC and the SAC. Without clearly delineated organizational roles and customer relationships, the possibility of

duplication is increased, and customers lack clear guidance on what organization to approach for certain types of procurements.

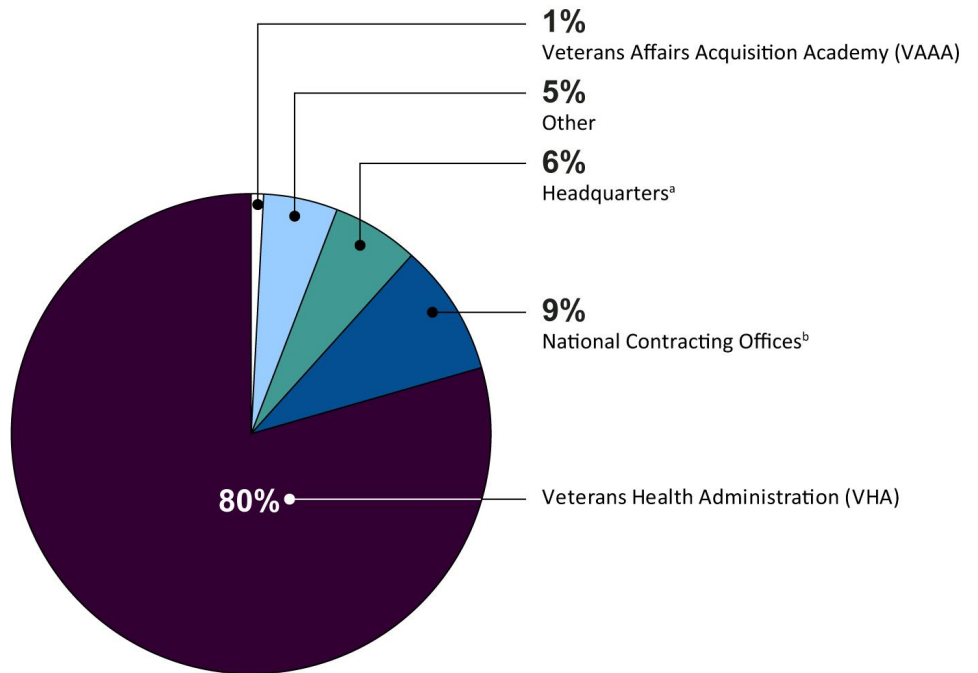
VA's Acquisition Workforce Faces Workload Challenges and Aspects of Workforce Data Could Be Improved

VA's contracting officers are concentrated in VHA. Managing workload can be a challenge for these staff as well as for the contracting officer representative (CORs), the officials in customer offices throughout the department who help manage contracts on behalf of contracting officers. In 2014, VHA directed medical centers to implement contract liaisons, in part to address the demands on CORs, but this initiative has not been consistently implemented. VA also does not have historical data on the certifications of its contracting officers, impairing its ability to plan and identify recurring problems. Finally, of the contracting officers who shared their opinion of the VA Acquisition Academy with us, most said that they were satisfied with the training it provided.

VHA Employs the Majority of VA's Contracting Officer Workforce

VA's contracting officer workforce is spread across a number of organizations, but the majority of VA's 2,716 contracting officers work within VHA. As figure 7 shows, VHA accounts for 80 percent of the department's contracting officers. The largest share of the remaining contracting officers work in SAC, TAC, or NAC, with about 12 percent in other organizations.

Figure 7: Distribution of Contracting Officers in VA by Contracting Organization, as of the End of Fiscal Year 2015



Source: GAO analysis of Veterans Affairs personnel data. | GAO-16-810

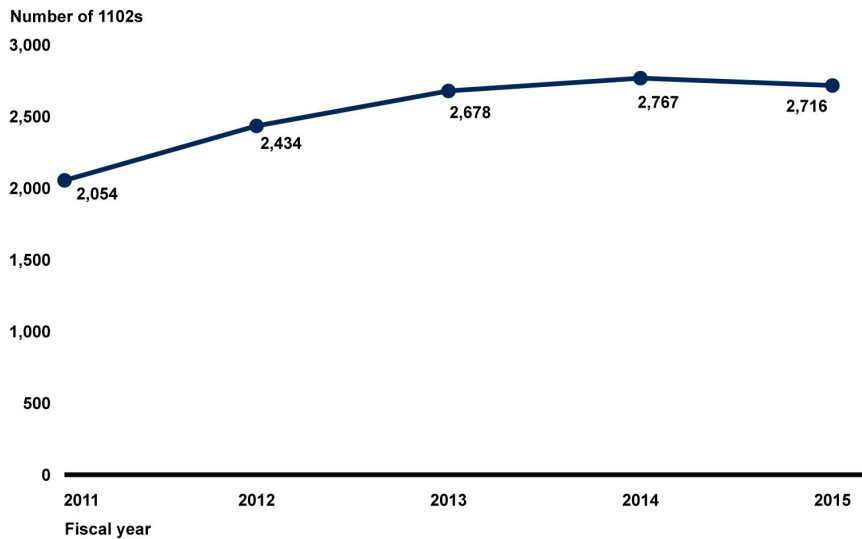
Note: The 1102 federal job series is primarily comprised of contracting officers. Percentages do not add to 100 due to rounding.

^aStrategic Acquisition Center, Technology Acquisition Center, and National Acquisition Center

^bIncludes offices such as the Executive Director for the Office of Acquisition Operations and the Deputy Assistant Secretary for the Office of Acquisitions and Logistics

Over the last 5 years, VA's total number of contracting officers has generally increased, as shown in figure 8.

Figure 8: Total Number of VA Contracting Officers, Fiscal Years 2011 through 2015



Source: GAO analysis of Veterans Affairs personnel data, on 1102 federal job series, which is primarily comprised of contracting officers | GAO-16-810

Workload Is a Challenge for Some Members of VA's Acquisition Workforce

We found indications that managing workload is a challenge for some of VA's acquisition workforce, which includes contracting officers and CORs. In our discussions with officials who rely on contracting staff, they told us they had experienced difficulties due to workload constraints. Specifically, one medical center's chief logistics officer—responsible for managing supplies—stated that his local contracting office had at times turned away some purchase requests because it could not staff them. In some cases, workload prevented contracting officials from pursuing the optimal acquisition strategy. For example, medical center and contracting staff identified a medical center's month-to-month purchase orders for patient transportation as problematic because no long-term contract was in place, but no action was taken for more than a year due to lack of staff availability. Once a new contract was finally awarded about 2 years later, the annual value of the contract had decreased by about \$1.7 million. According to the COR, the pricing on this new contract was much better. These savings could have been realized much sooner if the contracting office had been able to proceed immediately once the need was identified. Another contract that we reviewed covered a requirement for the delivery of durable medical equipment. The contracting officer that currently oversees the requirement said that the contract passed among several contracting officers who had retired or were on extended sick

leave; the current contracting officer stated that he received the requirement just as the contract was ending and expected to non-competitively extend the contract due to a lack of time to compete the requirement. Additionally, a recent GAO review of one specific type of VA contract—sole-source contracts for affiliates—found that workload demands and training shortcomings for the contracting officers were a challenge to VA’s ability to manage these contracts in a timely manner.²⁶ One contracting officer we met with also stated that, while training at the VAAA, he had to work each evening following class because his colleagues were not available to provide backup. We spoke with the leadership of seven different contracting offices in the course of our review, and, in six of those cases, managers said that workload was a challenge for their staff.

Our analysis supported the concerns we heard from VHA contracting officers and their managers. VHA’s contracting officers process a large number of small dollar-value actions to support medical center operations. According to eCMS data, contracting staff in the three VISNs we visited executed a total of about 36,000 actions in fiscal year 2015, the majority of which were small transactions, representing total obligations of about \$1.6 billion.²⁷ According to figures provided by local managers, the three offices had a total of about 363 contracting officers. This average of about 100 actions per year per contracting officer is indicative of the fact that VHA contracting officers must process a comparatively large number of small transactions. The number of actions a given contracting officer is able to process varies, given the wide spectrum of cost, complexity, and risk, and there is no single standard to apply. GAO has previously noted, in our inclusion of strategic human capital management on our High Risk list, that contract specialists are one area of the federal workforce that has been identified by an Office of Personnel Management working group as having a skills gap.²⁸

²⁶GAO, *VA Health Care: Improvements Needed for Management and Oversight of Sole-Source Affiliate Contract Development*, [GAO-16-426](#) (Washington, D.C.: May 6, 2016).

²⁷Contract actions include contract awards, modifications, and orders.

²⁸See [GAO-15-290](#).

As VA's Acting Chief Acquisition Officer noted, the need for contracting officers to process frequent and urgent small-dollar transactions reduces their ability to plan ahead and take a strategic view of procurement needs. We found that many VHA contracting actions are short-notice urgent purchases to support immediate patient care, even though many of the items are repetitive procurements. For instance, a review of eCMS records for one of the VISNs we visited indicated that from fiscal years 2013 through 2015 hundreds of actions each year were identified as "emergency" purchases in the requirement description.²⁹ In many cases, these purchases were for routine items such as surgical or lab equipment supplies. The Acting Chief Acquisition Officer said that VA's efforts to consolidate requirements through strategic sourcing and make greater use of ordering officers for routine items will help reduce these demands; however, these efforts are in their initial stages.

Several of the CORs we spoke to also cited workload as a challenge. For these representatives, who work in program offices, medical departments, and other operational roles, an additional challenge is that working with contracts is not their primary role. Of the 19 CORs we spoke with, 5 said that it was difficult to balance their COR duties with their regular job responsibilities. CORs typically develop key portions of the contract documentation, such as work statements and cost estimates. We have previously reported that VA CORs on clinical contracts had difficulty managing their COR responsibilities due to the demands of their primary job. As a result, they reported that they were not always able to effectively monitor their contracts.³⁰

²⁹After using a text search to identify all instances of the word "emergency," we manually reviewed each instance to eliminate cases where it described the nature of the good or service (e.g. emergency room supplies) instead of the nature of the purchase.

³⁰GAO, *VA Health Care: Additional Guidance, Training, and Oversight Needed To Improve Clinical Contract Monitoring*, [GAO-14-54](#) (Washington, D.C.: Oct. 31, 2013).

VHA Directed Medical Centers to Create Contract Liaisons to Address Demands on CORs but Implementation Is Uneven

Recognizing that the COR role was not working optimally, in part because workloads were too high and oversight was being impacted, VHA directed medical centers to implement contract liaisons to assist CORs. An interdisciplinary team convened by VHA's Office of Procurement and Logistics had found that there were not enough CORs to meet medical center needs and that staff lacked the resources necessary to efficiently prepare procurement documents. But the review also found that certain medical centers had been successful in creating new staff positions to assist CORs. In April 2014, VHA officials directed all VISNs and medical centers to develop and fund medical-center-based liaisons to assist in the contracting process. These contract liaisons, some of whom have backgrounds in contracting, were intended to assist CORs in performing their duties by providing guidance, assisting with procurement documentation, and supporting COR training status. For example, two CORs we spoke with, as well as chief logistics officers from facilities in VISNs that had implemented the contract liaison position, said that the liaisons have improved the procurement process by clarifying documentation and process requirements. In particular, one chief logistics officer at a facility we visited stated that the liaisons have helped ensure that procurement packages are complete, and, as a result, paperwork is less frequently returned to CORs for additional information, thereby speeding up the procurement process.

However, this initiative has not been fully implemented. As of July 2016, 37 percent of VA medical centers had not implemented the contract liaison role. Two of the VISNS we visited had implemented the contract liaison position in all of their medical centers; the third VISN had not created contract liaisons at its own facilities but did have liaisons at two medical centers it had recently absorbed from a different VISN. VHA officials said that medical centers had implemented the role differently: some had created and staffed new positions, while others delegated the duties to existing staff. VHA officials responsible for this directive said medical centers had cited a lack of designated funding as an obstacle to the creation of full-time contract liaison positions.

VHA directed that all VISNs and medical centers implement the contract liaison role to alleviate COR workload, and, based on the feedback we heard during our review, the position has the potential to do so. Without taking more proactive steps to understand and address obstacles to implementing the directive, VHA cannot ensure that all of its medical centers are taking advantage of this potential improvement in the efficiency and effectiveness of its procurement efforts.

VA Lacks Historical Data on the Certification Status of Its Contracting Officers, Limiting Its Ability to Monitor Expired Certifications

VA currently has limited historical data on its contracting officers' FAC-C certifications, which limits its visibility into potential lapses in their certification status. From fiscal year 2011 through fiscal year 2015, VA did not archive any underlying data from the systems it used to monitor contracting officers' FAC-C certifications, meaning that VA has no record of individuals' certification status over time. During this period, VA maintained two systems for monitoring contracting officers' FAC-C certification status: the Acquisition Resource Center until January 2014, and the eCERT system from January 2014 until the end of 2015. During most of the period it used eCERT, VA created monthly summary reports on contracting officers' FAC-C certification status but did not archive the underlying data. The monthly summary reports include information such as the number of contracting officers with FAC-C certifications and the number of lapsed certifications within each VA contracting organization but do not include individual records. A senior VA official stated that, under the government-wide Federal Acquisition Institute Training Application System (FAITAS) that VA transitioned to in 2016, the agency does not plan to continue to create monthly summary reports but will begin to archive historical data extracts every 6 months.³¹

The lack of historical data on contracting officers' certification status leaves the office of the Acquisition Career Manager without information that is needed to perform effective strategic planning and management of the contracting officer workforce. In our 31 interviews with contracting officers, we spoke with four who said that their certifications had lapsed for a period of time—two did not meet training requirements, and the other two had problems with the certification process. Two of the contracting officers said that their certifications had lapsed for about a year or more; as a result, they were unable to perform their jobs independently and needed certified coworkers to sign all of their work. Because VA did not maintain archived data extracts, the summary data do not allow VA to determine the duration of these lapses, or in which offices they occurred. As of the end of fiscal year 2015, the summary data showed no contracting officers with lapsed certifications. Archives of the full data extracts would allow historical tracking of certifications of individual contracting officers, but doing so on a biannual basis may not

³¹Since the beginning of calendar year 2016, VA has used FAITAS. The Office of Management and Budget directed all civilian agencies, including VA, to switch to FAITAS.

provide timely enough data to allow VA management to fully monitor the certifications of its contracting staff.

Most Contracting Officers We Spoke with Are Satisfied with VAAA Training

The contracting officers we spoke with were generally satisfied with the training provided by VA; of the contracting officers who shared their opinion of the VA Acquisition Academy (VAAA) most said they were satisfied with the training it provided. In 5 of the interviews, contracting officers stated that the applicability of VAAA training to their work could be improved, stating that they would prefer more VA-centric examples. For example, most of the case studies used in VAAA contracting courses are based on Department of Defense acquisitions, such as how to procure helicopters or body armor, rather than items a VA contracting officer might actually acquire, like medical supplies. The Defense Acquisition University manages the FAC-C curriculum. VA contracting officers work toward their certification through a combination of courses provided by Defense Acquisition University and equivalent courses at the VAAA, which are delivered by contractors.³² A senior official at VAAA stated that the Academy's contract with the instructors requires that at least 20 percent of the case studies used in the courses be based on VA-specific procurements. VAAA has offered webinars in recent years, which the head of VAAA stated are typically focused on VA-specific issues.

³²The Federal Acquisition Institute collaborated with the Defense Acquisition University to develop courses to fulfill FAC-C certification requirements. The Defense Acquisition University also permits contractors to develop courses that fulfill the same requirements. Contractors can then apply for their courses to receive equivalency so that they fulfill that portion of the FAC-C certification requirements.

VA Can Improve Its Processes for Medical Supply Purchasing, Identifying Cost Savings Opportunities, and Documenting Contracts

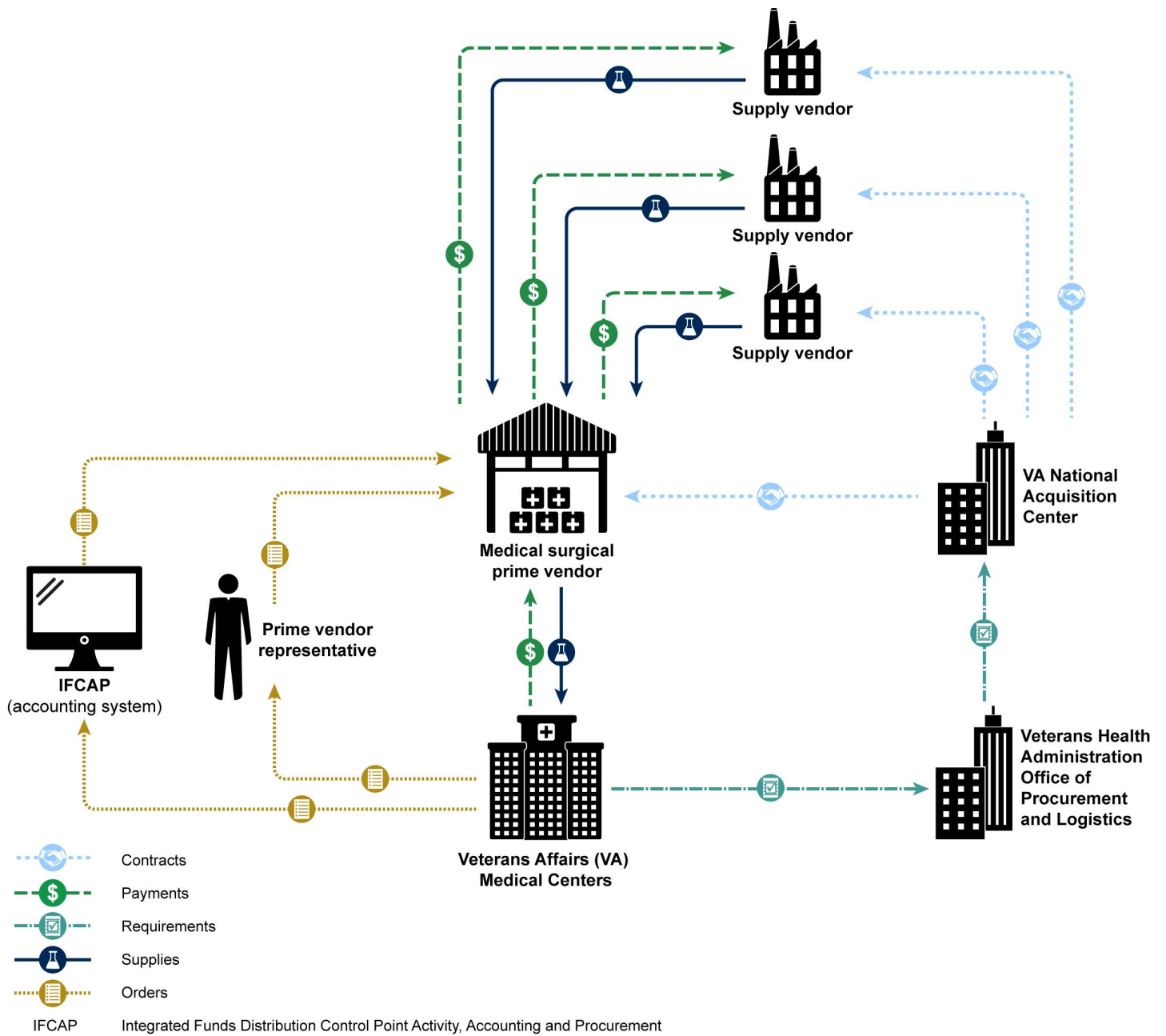
VA can improve the functioning of key procurement processes. First, VA's MSPV program is a tool for medical centers to efficiently obtain supplies used on a daily basis, but current processes do not consistently ensure that orders comply with policy or take advantage of available discounts. Second, VA organizations are missing opportunities to realize cost savings and greater efficiency through strategic sourcing of medical supplies and services purchased by individual medical centers. Finally, a number of our selected contract files were missing key documents. Each contracting office we visited had a compliance function, but they varied in their approach to this role.

The Current MSPV Ordering Process Is Inefficient and Makes It Difficult to Comply with Policy; Improvements Are Underway to Address Some of These Problems

VA medical centers use contractors called medical-surgical prime vendors to obtain many of the supplies that they use on a daily basis, such as bandages and surgical sutures. The prime vendor operates a local warehouse and delivers supplies ordered by the medical center, typically multiple times per week. The prices for these medical supplies are established by VA national contracts. The NAC contracting officers who award these national contracts delegate authority to place orders on the contracts to ordering officers at the medical centers, who place the orders with their local prime vendor. VA has substantial buying power—spending \$465 million in fiscal year 2015 through the MSPV program alone—and its national contracts typically provide significant discounts over the Federal Supply Schedule prices—an estimated 30 percent on average, according to a senior NAC official. Use of these national contracts is also required by VA policy and regulation.³³ Figure 9 provides an overview of the MSPV process.

³³VA is required to purchase through the MSPV all medical and surgical supplies that are available from an MSPV contract. Department of Veterans Affairs Memorandum, June 22, 2015, Use of Medical/Surgical Prime Vendor (MSPV) Contracts is Mandatory. VA is also required to satisfy supplies and services requirements using the order of priority listed in VAAR 808.002(a)(2), which lists a higher priority of use for national contracts, such as the MSPV contracts, than for Federal Supply Schedule Contracts. See also, Department of Veterans Affairs Memorandum, May 5, 2016, Class Deviation Veterans Affairs Acquisition Regulation (VAAR) Part 808, Required Sources of Supplies and Services, and VAAR Subpart 808.002, Priorities for Use of Government Supply Sources.

Figure 9: Structure of Current Medical Surgical Prime Vendor Process



Source: GAO analysis of Veterans Affairs contracts and policies. | GAO-16-810

However, the current MSPV process is confusing and cumbersome. This makes it difficult for ordering officers to buy their supplies through the correct national contracts (administered by the NAC) and take full advantage of their discounted pricing, as required by VA policy. As noted, these savings can be substantial. In addition to the supply items available on national contracts, the MSPV system also allows ordering officers to buy thousands of items directly from VA's Federal Supply Schedule contracts, which lack the degree of discounted pricing of the national contracts. Further, the information technology systems that support the ordering process create obstacles for ordering officers to easily use the discounted national contracts. Most orders are placed through IFCAP, a decades-old IT system with a text-based interface, which does not include a tool to look up items that are available on the national contracts. For instance, ordering officers must know the exact item number—which is different for each vendor—to enter into IFCAP. Replicating a prior order is simpler than cross-referencing contracts and item numbers to ensure that the items are being procured on the national contracts. Figure 10 shows an example of the IFCAP text-based interface used by ordering officers.

Figure 10: Example of Current Supply Ordering Screen

```
===== PART 3: START AUTO-GENERATION =====  
  
ARE YOU SURE YOU WANT TO START AUTO-GENERATION? YES// (YES)  
  
<<< Starting Auto-generation ...  
  
                % COMPLETE  
0   10   20   30   40   50   60   70   80   90  100  
|----+----+----+----+----+----+----+----+----+----+----|  
|*****|  
  
<<< Finished !  
  
<<< Creating repetitive item list ... Number: 695-16-4-081-828100-0366  
<<< Locking repetitive item list ...  
<<< Adding 30 items to repetitive item list ...  
  
                % COMPLETE  
0   10   20   30   40   50   60   70   80   90  100  
|----+----+----+----+----+----+----+----+----+----+----|  
|*****|  
Total number of items : 30  
Total cost (all items): $ 15222.96  
  
<<< Unlocking repetitive item list ...
```

Source: Veterans Health Administration Medical-Surgical Prime Vendor program office. | GAO-16-810

We found that while tools are available elsewhere to help ordering officers identify the right national contracts, these are not easy to use. NAC has provided spreadsheets listing its national contracts and the thousands of items available under them, but ordering officers must visit the website to find the spreadsheets and then cross-reference manually to the items that they need to purchase. Ordering officers can also search for supplies via the web-based Contract Catalog Search Tool, which is also operated by NAC. This tool can be searched multiple ways, such as by item name or contract vehicle. In addition, its search results include thousands of Federal Supply Schedule items—for instance, a search for “bandage” returns 5,073 results, as shown in Figure 11. Given these obstacles, ordering officers may be ordering based on historical purchases because it is simpler or because of local preferences. By failing to use VA’s

national contracts, medical centers may be failing to take advantage of their discounted pricing.

Figure 11: Sample of Contract Catalog Search Tool Results for Bandages

National Acquisition Center (CCST)

MedSurg Catalog Search:Items List

Search by
FSS Contract Number

Search by
BPA Contract Number

Search by
BOA / National
Number

Search by
Contractor Name

Search by SIN Number

Search by SIN
Description

Search by Schedule

Search by Contract
Type

Search by Item Name / Catalog Number using terms or phrase

- Sort Order -

20 Results/Page

: narrow down your query or increase [Results per Page]

Click on the Catalog Number hyperlinks below for contract details and ordering information

Found 5073 records out of 933113
Results 1 - 20 displayed
[CopySave](#)

CATALOG NUMBER	CONTRACT NUMBER	BPA CONTRACT NUMBER	GSA PV	PRODUCT LONG DESCRIPTION	CONTRACTOR NAME	PRICE	BPA PRICE	SIN
Bandages: Fabric Bandages: G-124	V797P-4208B		X	Knuckle Fabric Bandage - 40 per box	CPR Savers and First Aid Supply, LLC	\$3.50		A-1
Bandages: Fabric Bandages: H-125	V797P-4208B		X	Knuckle Fabric Bandage - 100 per box	CPR Savers and First Aid Supply, LLC	\$8.27		A-1
Bandages: G-127	V797P-4208B		X	Fingertip fabric bandage - 100 bandages per dispenser box	CPR Savers and First Aid Supply, LLC	\$8.54		A-1
6007	V797P-4208B		X	40" x 40" x 56" Triangular Sling/Bandage (1) Bandage	CPR Savers and First Aid Supply, LLC	\$2.24		A-3A

CCST Contract Catalog Search Tool

FSS Federal Supply Schedules

BPA Blanket Purchase Agreement

BOA Basic Ordering Agreement

SIN Special Item Number

Source: Veterans Affairs National Acquisition Center website. | GAO-16-810

In addition to possibly missing out on discounted pricing on national contracts, orders over the current micro-purchase threshold of \$3,500 placed directly on the Federal Supply Schedules via the MSPV system are subject to a FAR requirement to document a best value determination after review of pricing from at least three vendors. Some orders are over the micropurchase threshold, though the majority of orders are under the threshold. Ordering officers placing orders directly on the Federal Supply Schedules via the MSPV system would not conduct a best value determination because the system does not present them that opportunity. Thus, VA runs the risk of not complying with FAR requirements in this regard.

VA officials recognize that placing orders directly on the Federal Supply Schedules through MSPV is problematic because they may be missing out on discounted prices. However, neither we nor VA are able to assess the full the extent to which MSPV orders are placed directly on Federal Supply Schedules because of data limitations. But VA officials estimate that this represents a substantial number of purchases. As noted above, individual MSPV orders are generally not recorded in eCMS, although a 2016 policy now requires these orders to be reported in summaries at least monthly. Currently, the prime vendors submit sales reports to NAC that show transaction-level detail, but VA officials stated that these reports are not consistent across the seven prime vendor contractors—for instance, the data fields vary. The acting head of VHA's MSPV Program Office stated that it is not possible to estimate the portion of purchases that are made directly on Federal Supply Schedules because VHA's data do not differentiate between FSS and national contract purchases. Officials from NAC and SAC also acknowledged that ordering officers can order supplies directly from the Schedules, even when national contracts are available. Officials from the SAC, which is now responsible for the MSPV program, told us they plan to analyze the vendor-provided data to determine the extent to which MSPV orders are bypassing national contracts by being placed directly on the Federal Supply Schedules. However, the SAC does not yet have the mechanisms in place to do so.

Changes Planned in the Transition of MSPV Will Address Some Issues, but Additional Work Remains to Ensure Transition Fully Addresses Issues

Administration of the MSPV program is being transferred from NAC to SAC, and, along with this transfer, some new approaches will be used in an effort to address the issues discussed above and streamline the process. Under the new approach, SAC has already awarded new prime vendor contracts and is in the process of awarding the supporting national contracts for individual types of supplies. According to the Acting Chief Acquisition Officer, VA has been planning for this change since 2011 when VA outlined a new approach to the MSPV program to improve

efficiency. More recently, improving the efficiency of how VA buys medical and surgical goods has been identified as a priority under the Secretary's MyVA initiative, including consolidating requirements to obtain a larger portion of supplies through standardized national contracts.

There will be a number of changes to how the MSPV program operates under the new approach. First, SAC implemented new prime vendor contract clauses that prohibit certain kinds of fees. According to NAC and SAC officials, the current prime vendors charge suppliers fees to stock their products in their warehouses, and these costs are indirectly passed on to VA on the national contracts. SAC officials estimated the fees the MSPVs charge suppliers—which the current prime vendor contracts do not prohibit—range from 10 to 14 percent of the cost of the item. These fees could represent a substantial increase in cost to VA. From fiscal years 2013 through 2015, NAC reported that the VHA spent about \$1.2 billion on MSPV sales. Using SAC's estimate of the scale of fees, we calculated this could equal between around \$120 million to \$169 million in fees paid by suppliers—and, in turn, the VA medical centers—over that period. According to SAC officials, the new prime vendor contracts specifically restrict the prime vendors from charging suppliers fees to stock their products.

Second, SAC plans to restrict ordering officers to a catalog of items on national contracts, as opposed to allowing them to order directly from Federal Supply Schedules. However, SAC faces a challenge in doing so. In the initial rollout of the new process, purchases of certain Federal Supply Schedule items not on VA national contracts will still be an option. SAC officials stated that in order to ease the transition, about 4,500 Federal Supply Schedule items will be available initially. To accomplish its goal of having all MSPV items under national contracts, SAC is also awarding new national contracts for the thousands of items that will be available for purchase through the new MSPV program.³⁴ These national contracts will cover supplies based on requirements identified by VHA medical centers. To support this effort, VHA's MSPV program office is identifying needs and setting consistent national requirements for medical

³⁴SAC officials stated that they are not certain if they will use national contracts or will establish Blanket Purchase Agreements against FSS contracts. Blanket Purchase Agreements can be established under any schedule contract to fill repetitive needs for supplies or services. FAR 8.405-3(a)(1).

supply items. According to the director of this program office, VHA is identifying items that should be offered in the new MSPV catalog through a combination of analyses of current purchases and consulting with project teams comprised of medical center clinicians. According to VHA and SAC officials, they believe that about 8,000 to 10,000 unique items will ultimately need to be available on national contracts to meet the needs of all medical centers once ordering officers are no longer able to use the Federal Supply Schedules for medical and surgical supplies.

As of July 2016, SAC officials stated that VA had awarded national contracts for about 1,800 items, including those on contract vehicles transferred from NAC. VHA has set an internal goal of providing all requirements—detailed descriptions of the items to be purchased—to SAC by November 2016. However, the director of SAC stated that he believes this timeline is aggressive and may be delayed. Once VHA has submitted all requirements to SAC, additional time will be required to award contracts. VA does not anticipate that SAC will be able to award contracts for the full 8,000 to 10,000 items by the time the new MSPV contracts become operational in late 2016—the primary reason for the addition of Federal Supply Schedule items to the catalog, as mentioned above. According to the *Standards for Internal Control in the Federal Government*, management should define objectives clearly to identify risks. One example of objectives is time frames for achieving goals such as this one.³⁵ Given the importance to VA of ensuring that all MSPV items are purchased through national contracts, it is critical that VA have clearly-defined time frames for eliminating the ability for ordering officers to directly order Federal Supply Schedule items from the MSPV catalog. Without such time frames, VA is at risk of not ensuring that it gets the available discount for these items.

The final major change that SAC and VHA plan to implement is a new online ordering interface, developed by a contractor for VHA, which will provide ordering officers a more intuitive interface for the outdated and difficult-to-use IFCAP system that is currently used for most orders.³⁶

³⁵See [GAO-14-704G](#).

³⁶According to VHA officials, IFCAP will still be used to place supply orders, but this overlay will provide a new interface for the ordering process.

Figure 12 shows a sample screen from a pilot version of the new interface.

Figure 12: Screenshot from Pilot Version of New Medical-Surgical Prime Vendor Ordering Interface

The screenshot displays the 'Above PAR' application window. At the top, there are navigation tabs for 'Admin', 'Equipment', 'Work Orders', 'Inventory', and 'Reports'. Below these are various utility icons like 'Metrics', 'Today', 'Dist Pt', 'Items', 'Email', and 'Settings'. A search bar is present with 'Primary: MED-MEDICAL SUPPLY' and 'Secondary:' fields. A 'By Item IMF' dropdown is also visible. The main section is titled 'Inventory Management' and shows 'Inventory Search Results [2] 695-MED-MEDICAL SUPPLY Items Found: 1139'. Below this is a table with columns: IMF, Description, NSN, Group, NIF, O/H, D/I, D/O, L, E, T, R, O. The first row is highlighted in yellow.

IMF	Description	NSN	Group	NIF	O/H	D/I	D/O	L	E	T	R	O
498	TAPE,MEDICAL,ELASTIC FOAM,4IN X 5		MSPV	37582	26	21	0	50	12		25	37
739	PROTECTOR,HEMODIALYSIS		FRES	145051	100	0	0	100	25		50	75
1146	VINEGAR,DISTILLED,50 GRAIN		FRES	430036	15	8	0	22	5		11	16

Below the table are tabs for 'Details', 'Images', 'Distribution Order Processing', 'Item Purchase Order History', and 'Item Master'. The 'Distribution Order Processing' tab is active, showing a 'Distribution Orders:' field and a toolbar with 'AutoGen', 'Delete', 'Save', 'Release', 'Send', 'Print', and 'Post' buttons. A tooltip for 'AutoGen' says 'Auto generate a Distribution Order'. To the right, there are fields for 'Distribution Point:', 'Order Date:', 'Order Number:', 'Type:', 'Status:', and 'Initiated By:'. Below this is a 'Remarks:' section with a table header: IMF, Description, Order Qty, SEC U/I, SEC I/M, SEC O/H, SEC D/I, SEC L, SEC R, PRI O/H, PRI D/I, PRI D/O, Error Message.

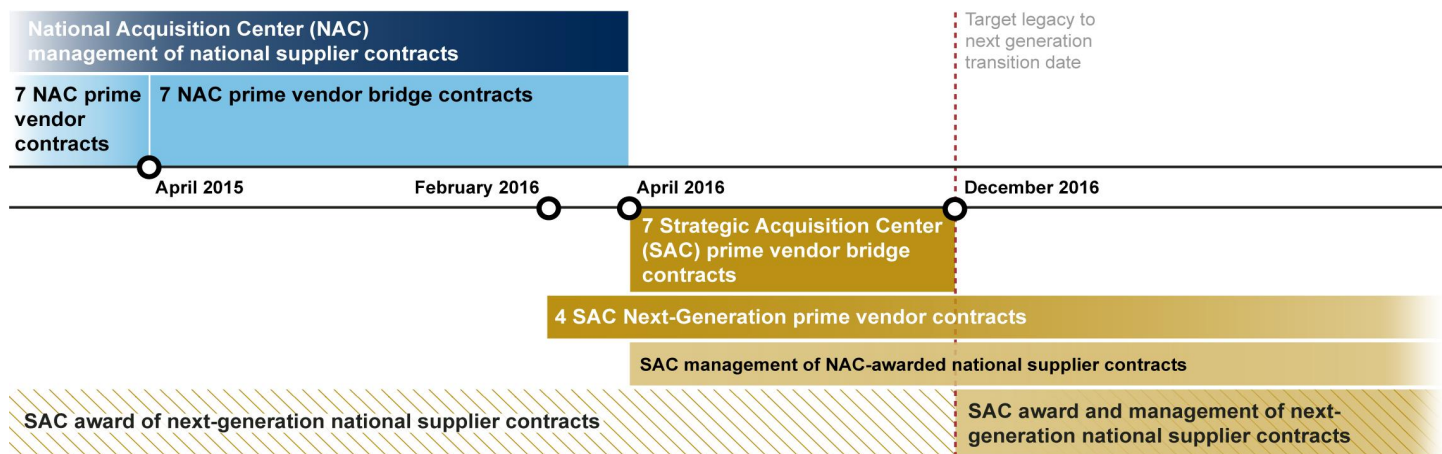
If you modify the IMF number, please press the RETURN/ENTER key after the change to update the record.

Source: Veterans Affairs Medical-Surgical Prime Vendor program office. | GAO-16-810

According to the *Standards for Internal Control in the Federal Government*, information systems should be designed to help achieve an organization's objectives.³⁷ As VHA continues to develop the ordering interface, it will be important that ordering officers can clearly distinguish between items on national contracts and items directly on Federal Supply Schedules. The national contracts are the required method of ordering, when available, and they provide substantial discounts.

There have been some delays in rolling out this new approach. In the meantime, NAC and then SAC awarded one-year bridge contracts on a sole-source basis to all current prime vendors to provide time for the transition.³⁸ VA anticipates transitioning operation of the MSPV to the new contracts in December 2016. VA is currently preparing for this transition to take place. Figure 13 shows the key events in this transition.

Figure 13: Timeline of Medical-Surgical Prime Vendor Program Transfer from NAC to SAC



Source: GAO analysis of Veterans Affairs (VA) contracts and policies; VA officials. | GAO-16-810

Work remains to ensure that the transition to this new approach will be successful. Updating the MSPV process affects how essential supplies

³⁷ See [GAO-14-704G](#).

³⁸ We recently reported that bridge contracts, while a useful tool for contracting officers, sometimes last a year or longer, which puts the government at risk of paying more under these sole source contracts. GAO, *Sole Source Contracting: Defining and Tracking Bridge Contracts Would Help Agencies Manage Their Use*, [GAO-16-15](#), (Washington, D.C.: Oct. 14, 2015).

are ordered and delivered at 167 medical centers on a daily basis, and facility logistics staff, including ordering officers, must be able to implement the new approach. Some of the chief logistics officers and ordering officers we spoke with expressed confusion over details of the MSPV transfer to SAC. Three of the five medical center chief logistics officers we spoke with said that they were uncertain about some details of the transfer. Also, two of the three ordering officers we spoke with expressed similar uncertainty. All of the chief logistics officers expressed concern over whether the new MSPV approach would include all of the items their medical centers currently require; one of these officials said that he planned to work with his local Network Contracting Office to procure supplies in the event that the new MSPV approach did not include critical items. He reported that his office's analysis found 14 items deemed critical to the function of the medical center that were not on a preliminary list of supplies available through the new MSPV, nor were acceptable substitutes. He stated that another 287 items they currently purchase did not appear on the list, and his staff is in the process of assessing whether acceptable substitutes will be included on a future list. VHA's MSPV program office has developed a communication plan for the transition that includes conferences, memoranda, and other communications aimed at logistics personnel nationwide. For instance, representatives from the program office presented at a national conference of medical center logistics personnel. VHA plans to continue to update its communication plan as implementation of the new MSPV proceeds.

VA Is Missing Opportunities to Save Money with National and Regional Strategic Sourcing Efforts

VA's substantial buying power presents many opportunities for procurement cost savings, but the department has not consistently taken advantage of them. A key aspect of strategic sourcing is consolidating similar requirements to manage them collectively, reaping cost savings and efficiency gains.³⁹ VA has done this successfully in some areas. In 2015, GAO found that VA had implemented several key strategic sourcing practices, including performing spend analyses and tracking cost avoidance.⁴⁰ The largest savings came from pharmaceutical purchasing,

³⁹See [GAO-12-919](#).

⁴⁰GAO Action Tracker, "*General Government: Agencies' Use of Strategic Sourcing*" [gao.gov](#), updated March 6, 2015.

where VA reported \$1.4 billion in cost avoidance in fiscal year 2015 alone, but VA also realized some strategic sourcing savings on medical supplies. However, VA does not know how much of its contract spending remains outside of strategic sourcing efforts, which could lead to VA paying higher prices than it could otherwise obtain.

Medical supplies are one area where strategic sourcing efforts have lagged. As discussed above, the MSPV program does not ensure that supplies are consistently purchased through VA's favorably-priced national contracts, and many purchases were instead made directly from Federal Supply Schedules. For example, in 2015, the Choice Act Independent Assessment team conducted an analysis which found that within one VISN, a single item—a disposable blood pressure cuff—was purchased from six different vendors at significantly different prices, despite the fact that a national contract was in place. According to VA policy, use of a national contract is mandatory when one is in place for a given type of supply, but VA does not have a process in place to monitor VISN and medical center compliance with this requirement. GAO has also previously reported that VISNs and medical centers have fallen short in complying with VHA policies regarding the standardization of medical supplies.⁴¹ If VA was able to realize savings of 10 percent on its fiscal year 2015 MSPV spending, it could save about \$46 million annually. VA estimated that it saved approximately \$103 million through the use of national medical surgical contracts in fiscal year 2015. The planned changes to the MSPV program, discussed above, may help increase the percentage of supplies purchased via standardized national contracts once fully implemented, but it is too soon to evaluate their success.

There are opportunities to better apply strategic sourcing principles at the regional level, as well. Within VHA, each of the 19 VISNs is responsible for a regional network of multiple medical centers and clinics. Individual medical centers within each VISN procure many goods and services separately, despite the fact that their requirements are similar. There are opportunities to consolidate these requirements—such as security services, elevator maintenance, and eyeglasses for patients—to realize

⁴¹GAO, *Veterans Health Care: VHA Has Taken Steps to Address Deficiencies in Its Logistics Program, but Significant Concerns Remain*, [GAO-13-336](#), (Washington, D.C.: Apr. 17, 2013).

both cost savings and greater efficiency in awarding and administering contracts.

We found efforts underway to consolidate requirements at the regional level, but local autonomy and limited planning capacity pose obstacles. For instance, one VISN we visited recently began an initiative to consolidate requirements for purchases made by all of its medical centers, especially services. VISN managers explained that they began with the easiest requirements, such as security guard services and elevator maintenance. They issued a draft memorandum with plans to broaden this approach to most purchases. However, medical center staff provided feedback that they preferred their own local contracts and did not want VISN-wide contracts to become the default approach.

Nevertheless, in our reviews of selected contract actions, we found a few instances where program or contracting staff had been successful in consolidating similar requirements across multiple medical centers. For example, officials in two different VISNs told us that they had awarded VISN-wide laboratory support contracts—one VISN awarded a contract for laboratory reagents, and the other VISN awarded a single contract for outside testing services. In both cases, the contracting and laboratory officials reported that they faced challenges, such as determining the volume of the requirements, given that different medical centers have slightly different equipment and demand. Both contracts are awarded, and the COR for the testing services contract stated that it had achieved significant savings for the VISN as a whole.

Standards for Internal Control in the Federal Government state that visible leadership commitment is needed to drive changes like consolidating fragmented procurement.⁴² Also, as stated in our 2012 report on strategic sourcing, best practices include clear guidance on metrics for measuring success, including setting goals for use of strategic sourcing contracts, establishing a centralized office, and holding senior managers accountable to meet goals.⁴³ VHA does not yet have these types of practices in place for its regional medical centers and has not taken steps to identify existing effective regional strategic sourcing

⁴²See [GAO-14-704G](#).

⁴³See [GAO-12-919](#).

practices. VA’s Acting Chief Acquisition Officer acknowledged that fragmented procurement based on local preferences is a problem, especially within VHA, and stated that he is trying to identify ways to change this culture. While VA officials recognize that obstacles stem from VA’s culture of local autonomy, the cases we found where regional VISNs had taken action—in one case a VISN-wide initiative, and in other cases for individual procurements—indicate consolidating procurement is possible with leadership buy-in, and that there are opportunities to share lessons learned across VISNs. Within VHA, in VISNs where there is not a consistent push by local leadership to pursue consolidation, it is challenging for efforts driven by individual departments or contracting personnel to overcome cultural obstacles.

More Than a Third of the Selected Contract Files Lacked Key Documents, and Internal Compliance Reviews Did Not Always Identify These Issues

VA contract files we reviewed were often missing key documents, increasing the risk that key processes and regulations were not followed. Among the 37 VA contracts we reviewed, 13 were missing at least one key required document—including justifications for non-competitive awards, documentation of market research, and documentation of price negotiations—from the base contract.⁴⁴ Additionally, in one case, the eCMS file—the official contract record—did not contain a copy of the signed contract. Table 2 summarizes the number of contracts missing key documents.

Table 2: Summary of Key Documents Missing from Base Contract Files

Contract Document	Number of Cases Where Missing	Number of Cases Where Document Was Required	Percentage of Cases with Missing Document
Signed contract	1	35	3%
Documentation of market research	6	35	17%
Documentation of price determination	9	31	29%
Justification for other than full and open competition, with proper approvals ^a	4	12	33%

⁴⁴We selected and reviewed 37 VA contracts; in the 19 cases where the contract was an indefinite delivery/indefinite quantity contract, we also selected one order on that contract for review. In two cases, the orders we selected were placed on base contracts awarded by another agency, leaving 35 VA base contracts that we reviewed.

^aIn three cases no justification was present; in one case, it was present but lacked the proper approvals.

In six additional cases beyond those listed above, key documents were not recorded in eCMS, but contracting officers were able to provide them to us from hard copies or copies saved on their own computers. VA policy requires that all contract documentation be saved in eCMS, and documentation not saved in eCMS does not enable effective management by subsequent contracting officers. For instance, for one of the contracts, the contracting officer stated that she had only recently been given responsibility for the contract, which had been awarded and administered by a different contracting officer. There was very little documentation in the eCMS file—only a statement of work—and the contracting officer said that she was unsure how to perform contract closeout activities without any invoices to reconcile against the funds obligated.

Of the 35 base contracts we reviewed, 10 were awarded to SDVOSB firms under the Veterans Benefits, Health Care and Information Technology Act of 2006.⁴⁵ The contracting preference for these firms in this statute is specific to VA. VA's Vets First Certification Program office maintains a database of firms that have been verified as being owned by a service-disabled veteran. Among these 10 contracts, contracting officials took the extra step in seven cases of documenting this certification in the contract file. Checking SDVOSB status is an important safeguard to ensure that these contracts are awarded only to firms eligible to receive them.

⁴⁵38 U.S.C. § 8127. During a prior GAO engagement ([GAO-15-581](#)), we found that VA included a requirement in its interagency agreements for servicing agencies to implement the SDVOSB and VOSB preferences in section 8127 "to the maximum extent feasible" when they procure goods and services for VA pursuant to such agreements. VA officials later explained that a servicing agency is unable to use the authority under section 8127 to make sole source or set-aside awards to SDVOSBs and VOSBs when procuring goods and services for VA pursuant to interagency agreements because the requirement to do so is expressly limited to a VA contracting officer. Rather, VA officials explained that a servicing agency is only able to make sole source or set-aside awards for specific socioeconomic categories when it has authority under another statute to do so. The servicing agencies in our prior engagement had statutory authority to make sole source or set-aside awards to SDVOSBs under 15 U.S.C. § 644, 48 C.F.R. Subpart 19.14 but lacked authority to make such an award to VOSBs.

In addition to missing documentation across many of the selected contracts, one case indicates more fundamental shortcomings in the procurement process. A medical center had procured non-emergency patient transportation services, but that contract ended in 2010. The local contracting office issued a solicitation for a new contract, but, due to protests by a losing offeror (the incumbent), the award was withheld. To continue to meet patient transportation needs, the contracting officer awarded non-competitive purchase orders to the incumbent contractor—and continued to do so for 36 months. Medical center and contracting office staff later identified this as a problem, and awarded a non-competitive one-year bridge contract to the incumbent vendor until a new competitive contract could be awarded. However, the contracting office was not able to move forward with a competitive contract, and instead awarded a second one-year non-competitive bridge contract to the incumbent contractor. In January 2016, a contract was awarded competitively for patient transportation services, but it was also withheld due to another protest. According to the COR and the contracting officer, from October 2015 to June 2016, the contracting office again awarded monthly purchase orders to the incumbent. The protest was resolved and the new contractor began providing services in June 2016. According to the COR, this contract provided substantial savings over the incumbent.

VA policy requires some form of independent review for all acquisition actions above the simplified acquisition threshold (currently \$150,000).⁴⁶ All seven contracting offices we spoke with had an internal compliance or quality assurance function but varied in their approach, including how individual contract files were reviewed. One office conducted post-award audits of only one percent of contracts, which it said reflected the staff resources available to cover the workload. Another office audited 10 percent of all contracts. A third office audited the top 25 contracts by obligation amount. Finally, another office conducted audits of all contracts over the simplified acquisition threshold; particularly in VHA contracting offices, this approach would exclude the majority of actions from compliance review. About 95, 94, and 96 percent of actions, respectively,

⁴⁶VA policy requires the reviews for policy compliance, and legal advice to prevent unknown violations of law, regulation and to minimize litigation risks associated with bid protests and contract claims. VA policy further states: “Under no circumstances shall a Contract Officer release a solicitation or sign a contract/modification at any value unless a peer or second-level review is conducted.”

were under the simplified acquisition threshold in fiscal year 2015 at each of the three NCOs we reviewed. Collectively, these actions represent obligations of \$509 million, about 33 percent of all fiscal year 2015 contract obligations by those three NCOs.

The varied nature of the internal compliance reviews among the contracting offices we visited results in a lack of consistency in selection of contract actions for review. According to the FAR, file documentation must be sufficient to establish a complete history of a transaction so that informed decisions can be made at each step in the acquisition process, actions taken can be supported, and information can be provided for reviews and investigations. In addition, according to the *Standards for Internal Control in the Federal Government*, documentation is a key process control to ensure that procurement regulations and other policies are implemented as required. As evidenced by missing documentation in our review of selected contract files, existing compliance reviews are not identifying all contract file shortcomings. We found that a few of these actions had been subject to local pre-award compliance reviews. While our findings cannot be generalized to all VA contract actions, more than a third of the files we reviewed were missing one or more key documents, including some that were subject to compliance reviews. The absence of these required documents leaves VA without information needed to effectively make informed decisions on these contracts, such as when executing additional actions on them.

Conclusions

To fulfill its mission to serve veterans, VA's discretionary budget was \$75 billion in fiscal year 2016, more than a quarter of which was spent on essential goods and services, such as medical services and supplies, provided by contractors. Given the volume of those procurements, which add up to about \$20 billion a year, VA must have clear policies and effective oversight in place to ensure that veterans' needs are being met and that VA is taking full advantage of discounted pricing. VA faces challenges in doing so, in large part due to the highly decentralized nature of its procurement organization. However, it is incumbent on the department to take actions—and in some cases, ensure that ongoing initiatives are properly monitored and have the attention of senior management—to maximize use of taxpayer dollars and make the best use of VA's contracting and COR workforce.

In terms of data, eCMS, VA's system for recording and tracking its contracting actions, is not capturing complete spending data on prime vendor orders, including medical surgical and high- tech medical

equipment as well as pharmaceuticals—areas where VA spends hundreds of millions of dollars each year. At the NAC—which is responsible for buying high-tech medical equipment—contracting officers must enter data in their own business system and then enter it again in eCMS. This situation opens the door for errors or missing information in eCMS.

Regarding the workforce, VA's outdated and confusing policy framework is cumbersome to contracting staff and creates potential oversights and inefficiencies. While VA has taken some recent steps to alleviate this confusion, more can be done to help ensure that efforts continue with a sense of urgency. At a more tactical level, the shortcomings we found in contract files—where required documents as fundamental as justifications for sole source awards had not been prepared—indicate that current internal compliance reviews could be more effective. VHA tried to alleviate workload challenges for its CORs by directing that all VISNs implement contract liaisons, but the fact that 37 percent of medical centers have not done so indicates that there is an impediment which senior VHA officials have not addressed.

Given the volume of VA spending on goods and services, it is important that the department identify and implement cost savings opportunities. While VA has had some success in this regard recently, more can be done in terms of how medical supplies are ordered and how services across medical centers could be leveraged for savings.

In many cases, VA has changes underway—including development of revised acquisition regulations and rollout of the next-generation medical-surgical prime vendor program—that are intended to address some of these challenges. Implementation is still to be seen, however. To help ensure that these initiatives are successful, sustained senior management attention is needed.

Recommendations for Executive Action

We are making the following 10 recommendations to the Secretary of Veterans Affairs.

1. In order to ensure universal usage and reduce duplicate work, the Office of Acquisition and Logistics (OAL) should work with the National Acquisition Center to develop a plan for adding functionality to eCMS that will alleviate the need for NAC contracting officers to enter obligations for high-tech medical equipment into two different data systems.

-
2. In order to ensure that VA's procurement data is complete and accurate, the Office of Acquisitions and Logistics should develop policies and procedures to ensure that obligations made through prime vendor orders—such as medical-surgical orders—are consistently captured in eCMS.
 3. In order to ensure that contracting officers have clear and effective policies as soon as possible, the OAL should identify measures to expedite the revision of the VAAR, which has been ongoing for many years, and the issuance of the VA Acquisition Manual.
 4. To help contracting officers use current policy that is in effect in the period before the updated VAAR and VA Acquisition Manual are released, OAL should take interim steps to clarify its policy framework, including establishing and adhering to set time frames for completing the process of reviewing all Information Letters, and either rescinding them or reissuing updated policy through Procurement Policy Memoranda.
 5. To address remaining ambiguities in roles and customer relationships, the Office of Acquisition, Logistics, and Construction should assess whether additional policy or guidance is needed to clarify the roles of VA's national contracting organizations, beyond that provided in its March 2013 memorandum outlining the current structure.
 6. To improve the efficiency of the procurement process, VHA should assess why its April 2014 directive to implement contract liaisons at all medical centers has been inconsistently implemented and take appropriate steps to increase use of these liaison positions, if warranted.
 7. To ensure that VA has the data required to fully monitor the certifications of its contracting workforce, OAL should determine the appropriate frequency for archiving the data extracts on FAC-C certifications to ensure that up-to-date data are readily accessible to management.
 8. To maximize compliance with mandatory national contracts during the transition to the new medical-surgical prime vendor process, SAC and VHA Procurement and Logistics should take steps to ensure that:
 - SAC has mechanisms in place to collect and monitor transaction data to determine the extent to which VISNs and their medical centers are complying with the requirement to use national contracts.
 - They establish achievable time frames for eliminating the ability for ordering officers to directly order Federal Supply Schedule

items from the MSPV catalog once SAC awards national contracts for these items and monitor progress on an ongoing basis.

- The ordering interfaces developed by the prime vendors clearly distinguish and prioritize standardized national contracts over items on Federal Supply Schedule contracts.
9. To facilitate consolidation of similar requirements and leverage buying power across medical centers within VISNs, VHA Procurement and Logistics should conduct a review of VISN-level strategic sourcing efforts, identify best practices, and, if needed, issue guidance.
 10. The Senior Procurement Executive should issue guidance to the Heads of Contracting Activity to focus internal compliance reviews on ensuring that required contract documents are properly prepared and documented.

Agency Comments

We provided a draft copy of this report to the Department of Veterans Affairs for their comment. The Acting Chief Acquisition Officer, OALC said the department concurs with all of our recommendations. However, the department did not send the formal, written response in time for us to include it in this report, although it had over 30 days to respond.

We are sending a copy of this report to the appropriate congressional committees, the Secretary of Veterans Affairs, and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff has any questions concerning this report, please contact me at (202) 512-4841 or by e-mail at mackinm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix II.

Sincerely yours,



Michele Mackin
Director, Acquisition and Sourcing Management

Appendix I: Objectives, Scope, and Methodology

To assess the extent to which Department of Veterans Affairs (VA) data systems accurately reflect VA procurement spending for fiscal years 2013 through 2015, we obtained data on VA contract spending from fiscal years 2013 through 2015 from VA's Electronic Contract Management System (eCMS).¹ We used eCMS as our main source of information because it is intended to be the official repository for VA procurement information and contains fields, such as the responsible contracting office and obligation amount, relevant to our review. While we found errors and missing data in eCMS, we determined that the data were sufficiently reliable for the purposes of our reporting objectives. We made this determination by conducting our own testing of the data for consistency, including matching it against Federal Procurement Data System-Next Generation (FPDS-NG) data for the same period, which we found sufficiently reliable for our purposes. This comparison matched individual contract numbers across the two databases, and, although it found a large gap in total obligations, it indicated that the gap was due almost exclusively to obligations under the pharmaceutical prime vendor program. We also compared entries in certain data fields to information in contract files for the 37 contracts and 19 task orders we selected for review and found that data on extent of competition was generally accurate. Finally, we discussed the accuracy and completeness of the data with contracting office managers, system administrators, and other VA officials who work with eCMS, and gathered information on internal controls used to ensure the reliability of the data.

We analyzed the eCMS data by

- contracting organization,

¹For our purposes, "spent" means obligated. An obligation is a definite commitment that creates a legal liability of the government for the payment of goods and services ordered or received, or a legal duty on the part of the United States that could mature into a legal liability by virtue of actions on the part of the other party beyond the control of the United States. Payment may be made immediately or in the future. An agency incurs an obligation, for example, when it places an order, signs a contract, awards a grant, purchases a service, or takes other actions that require the government to make payments to the public or from one government account to another. The standards for the proper reporting of obligations are found in section 1501(a) of title 31 of the United States Code. See also OMB Circular No. A-11. A Glossary of Terms Used in the Federal Budget Process, GAO-05-734SP.

- type of procurement,
- extent of competition, and
- other factors such as use of contracting preferences.

We also discussed how the system interacts with other VA data systems with local contracting officials and system administrators. Additionally, we reviewed prior VA Inspector General's findings and interviewed Inspector General officials. We generally focused our review on Veterans Health Administration (VHA) procurements, as VHA represents 62 percent of VA's total spending over the period of our review.

To assess VA procurement policies and lines of authority, we obtained and analyzed VA policy documents, including procurement regulations, policy and guidance, as well as organizational charts and related documentation. We interviewed Office of Procurement Policy officials regarding current and planned policies. We also interviewed a number of VA officials about organizational roles and procurement policies, including:

- the Acting Chief Acquisition Officer,
- the Senior Procurement Executive,
- six heads of contracting activity (HCAs),
- Veterans Integrated Service Network (VISN) and Network Contracting Office (NCO) leadership at three selected locations,
- contracting officers for all 37 contracts included in our review, and
- contracting officer's representatives (CORs) for 19 contracts included in our review.²

²At the time of our interviews with HCAs, one individual served as HCA for all VHA contracting. There are now eight HCAs because VHA has since delegated the role to the directors of its three Service Area Offices.

Additionally, we analyzed how certain policy requirements had changed over time. To determine which contracting offices are responsible for different organizations' procurement needs, we analyzed policy documents, reviewed selected contract files, and interviewed cognizant program and contracting officials.

We selected six contracting offices to visit, based on those with the largest total contract obligations in fiscal years 2013 through 2015 in eCMS, as well as their organizational structure (in order to select a mix of VHA contracting offices with greater and lesser degrees of centralization) and the types of requirements they procure (in order to select national contracting offices):

- NCO 8, St. Petersburg, Florida;
- NCO 22, Long Beach, California;
- NCO 23, Minneapolis, Minnesota;
- National Acquisition Center (NAC), Hines, Illinois;
- Strategic Acquisition Center (SAC), Frederick, MD; and
- SAC, Fredericksburg, VA.

For the three VHA NCO contracting offices we selected, we also met with officials from their corresponding VISNs, including leadership, CORs, and logistics officials. At some locations, we also met with ordering officers and contract liaisons. In addition, we met with leadership from a seventh contracting office, the Technology Acquisition Center in Eatontown, New Jersey.

To assess the extent to which VA's contracting workforce is positioned to carry out its responsibilities, we obtained and analyzed data on VA employees in the GS-1102 contracting job series from two sources, both of which we found sufficiently reliable for purposes of reporting summary data:

- Personnel data from the Office of Human Resources and Administration, and
- FAC-C certification data from OAL's eCERT system.

We reviewed VA annual acquisition workforce reports submitted to the Office of Management and Budget for fiscal years 2011 through 2014. We also obtained and analyzed information on VA and VHA policies related to contracting officers and CORs. To assess the extent of lapses in contracting officer Federal Acquisition Certification-Contracting certifications, we analyzed eCERT data. We obtained data on VHA compliance with its contract liaison directive from the Office of Procurement and Logistics and from the three individual VISNs we visited. We also interviewed the Acquisition Career Manager, the Acting Chief Acquisition Officer, Senior Procurement Executive, six HCAs, VISN and NCO leadership, and contracting officers for all 37 selected contracts.

To assess training opportunities for VA's acquisition workforce, we obtained and analyzed budget and course information from the VA Acquisition Academy, located in Frederick, Maryland. We also interviewed the Deputy Chancellor of the Academy, as well as contracting officers for all 37 contracts regarding their experiences with training, including that provided by the Academy.

In order to assess VA's medical-surgical prime vendor (MSPV) program, we obtained and analyzed contract documentation for one of the NAC prime vendor contracts. We also obtained and analyzed other NAC MSPV information, as MSPV was under the NAC's purview during the time of our review. We obtained sample prime vendor sales reports from the NAC in order to review what information they contain and how they are used by NAC and VHA. We also obtained documentation on plans for changes to the MSPV program from officials at the SAC in Fredericksburg, Virginia, and the VHA MSPV Program Office. We interviewed NAC, SAC, and VHA officials responsible for the program. Finally, during our site visits to VA medical centers, we discussed the MSPV program with logistics officials, including observation of ordering officers using the Integrated Funds Distribution Control Point Activity, Accounting and Procurement (IFCAP) system to place orders in the system.

To assess the extent to which opportunities exist to improve VA's key procurement functions and to save money, we selected a non-generalizable sample of 37 contracts across five locations—NCO 8, NCO

22, NCO 23, NAC, and the SAC location in Frederick, Maryland.³ The sample contracts were selected from contracts with obligations during fiscal years 2013 through 2015 at the selected contracting offices, based primarily on

- those with the highest dollar value;
- type of purchase; and
- extent of competition, to obtain a mix of fully competitive, limited competition, and non-competitive contracts.

Within the three selected VHA contracting offices, we focused on contract actions for

- supplies,
- minor construction, and
- services.

We focused on these categories because they each represent major categories of purchases made by VHA NCOs. We excluded other major categories of contracts, such as those for clinical support or major construction projects, because they were addressed by recent or ongoing GAO reviews.⁴

In cases where the selected contracts were indefinite delivery/indefinite quantity contracts, we also selected one order from each—a total of 19—to include in our review. These were selected primarily based on those with the highest dollar value.

³The MSPV contract discussed above is one of these 37 contracts.

⁴One VHA contract that we initially selected for our sample was later excluded after our review determined that it was awarded under a special authority for interim medical affiliate contracts.

For each selected contract and order, we obtained the entire contents of the eCMS files from headquarters system administrators. We reviewed these files to assess compliance with the FAR, focusing on key documentation, including market research, price determinations, use of Service-Disabled, Veteran-Owned Small Business (SDVOSB) set-asides, and justifications for non-competitive awards (when applicable). In cases where we did not locate these documents in the files, we contacted the responsible contracting officer to determine if the documents existed outside of eCMS. We also interviewed the contracting officers for all 37 selected contracts regarding the circumstances of the award and to clarify any inconsistencies in the documentation; in cases where the awarding contracting officer was not available, we spoke with the individual currently assigned to the contract. We also spoke with the contracting officers for each of the 19 selected orders. Finally, we interviewed with CORs for 19 of the selected contracts and orders to discuss the nature of the requirement, their experience with the contracting process, and contractor performance. We selected these CORs primarily based on those that were physically located at medical centers we visited.

We conducted this performance audit from July 2015 to September 2016, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: GAO Contact and Staff Acknowledgments

GAO Contact:

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Staff

Acknowledgments:

In addition to the contact named above, Lisa Gardner, Assistant Director; Emily Bond; George Bustamante; Margaret Hettinger; Julia Kennon; John Krump; Katherine Lenane; Ethan Levy; Teague Lyons; Jean McSween; Sylvia Schatz; Erin Stockdale; and Roxanna Sun made key contributions to this report.

Appendix III: Accessible Data

Data Tables/Accessible Text

Data Table for Figure 2: Distribution of Contract Obligations by Organizational Unit, Fiscal Years 2013 through 2015

Organizational Unit	Percentage
National Cemetery Administration (NCA)	2%
Department-wide contracting organizations	36%
Veterans Health Administration (VHA)	62%

Data Table for Figure 3: Extent of Competition in VA Contract Obligations in Fiscal Years 2013 through 2015

Category	Percentage
No data	5%
Not competed	14%
Limited competition	18%
Competed (full and open)	63%

Accessible Text for Figure 5: VA Policies Addressing Contracting with Service-Disabled, Veteran-Owned Small Businesses

2008	08/17/2009	12/27/2012	01/14/2013
VA Acquisition Regulation	Information Letter	Regulatory Deviation	Procurement Policy Memorandum
Contract Officers (CO) have complete discretion in awarding sole source contracts to SDVOSB.	A CO may award a sole source contract to a SDVOSB if: <ul style="list-style-type: none"> The firm is deemed a responsible source; and The award can be made at a fair and reasonable price. 	COs must submit justification and obtain approval for all sole source awards to SDVOSBs.	COs may award sole source contracts to SDVOSBs up to \$5 million, subject to review and approval of the designated official.

Data Table for Figure 7: Distribution of Contracting Officers in VA by Contracting Organization, as of the End of Fiscal Year 2015

Category	Percentage
Veterans Affairs Acquisition Academy (VAAA)	1%

Category	Percentage
Other	5%
Headquarters	6%
National Contracting Offices	9%
Veterans Health Administration (VHA)	80%

Data Table for Figure 8: Total Number of VA Contracting Officers, Fiscal Years 2011 through 2015

Fiscal year	Number of 1102s
2011	2054
2012	2434
2013	2678
2014	2767
2015	2716

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