VA Office of Inspector General

OFFICE OF AUDITS & EVALUATIONS

Veterans Health Administration

Audit of Oversight of Patient Transportation Contracts

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ACRONYMS AND ABBREVIATIONS

CAP	Combined Assessment Program
CAPRI	Compensation and Pension Record Interchange
CO	Contracting Officer
COTR	Contracting Officer's Technical Representative
eCMS	Electronic Contract Management System
FAR	Federal Acquisition Regulation
FPDS-NG	Federal Procurement Data System-Next Generation
FMS	Financial Management System
GAO	Government Accountability Office
IL	Information Letter
IOP	Integrated Oversight Process
NCM	Network Contract Manager
OAL	Office of Acquisition and Logistics
OALC	Office of Acquisition, Logistics, and Construction
P&LO	Procurement and Logistics Office
QA	Quality Assurance
VAAR	Veterans Affairs Acquisition Regulation
VAMC	Veterans Affairs Medical Center
VISN	Veterans Integrated Service Network
VISTA	Veterans Health Information Systems and Technology Architecture

REPORT HIGHLIGHTS: Audit of VHA's Oversight of Patient Transportation Contracts

Why We Did This Audit

The OIG conducted this audit to assess the adequacy of the contract development, award, and oversight processes for patient transportation contracts. We also assessed if the Contracting Officer's Technical Representatives (COTRs) adequately reviewed and certified the accuracy of invoice payments in accordance with contract terms.

What We Found

Veterans Integrated Service Network contract managers did not effectively provide the oversight needed to develop, administer, award, and monitor patient transportation contracts. Veterans Health Administration (VHA) missed opportunities to provide full and open competition in soliciting offers and awarding patient transportation contracts. Because Contracting Officers (COs) did not always award transportation services competitively, and instead, extended or awarded sole-source contracts, VA cannot be assured of obtaining the best price for the services. We found COTRs did not adequately review invoices before certifying payments.

What We Recommended

We recommended the Under Secretary for Health ensure the appropriate use and oversight of sole-source awards and contract extensions, recover overpayments and reimburse underpayments, and automate patient transportation billing information. In addition, we recommended COs be required to properly plan and solicit new contracts and held accountable through the establishment of controls to provide oversight. We also recommended the implementation of policies that allow only designated and trained COTRs to certify invoices, require quality assurance reviews to evaluate a COTR's performance, and ensure the COs written assessment of the COTR's performance is included in the COTR's annual performance appraisal.

Agency Comments

The Under Secretary for Health agreed with our findings and recommendations and plans to complete all corrective actions by September 30, 2010. We consider these planned actions acceptable, and will follow up with their implementation. See Appendix E for the full text of the Under Secretary for Health's comments.

(original signed by:)

BELINDA J. FINN
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for Audits and Evaluations

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INTRODUCTION

Objective

The audit assessed the adequacy of contract development, award, and oversight processes for patient transportation contracts. We also assessed if Contracting Officer's Technical Representatives (COTRs) adequately reviewed and certified the accuracy of invoice payments for patient transportation services in accordance with contract terms. Appendix A describes the scope and methodology used to answer the audit objective.

Roles and Responsibilities

The Office of Acquisition, Logistics, and Construction (OALC) is responsible for VA-wide acquisition policy. These responsibilities include contracting; contract administration; supply-chain processes; and the planning, design, and construction of major facilities. The Executive Director of OALC serves as the advisor to the Deputy Secretary on acquisition, logistics, and construction issues, and directs the development of policies, determines priorities, and establishes organizational goals and objectives. At the regional level, Network Contract Managers (NCMs) are responsible for oversight of contracts within their Veterans Integrated Service Network (VISN). Contracting Officers (COs) are responsible for ensuring performance of all necessary actions for effective and accurate contracting and ensuring compliance with the terms of the contract. COs assigned specific responsibilities to COTRs, including the responsibility to review and certify contractor invoices.

RESULTS AND RECOMMENDATIONS

Finding 1 Contract Solicitation, Award, and Oversight Processes Need Improvement

VISN contract managers needed to strengthen controls and provide additional oversight to effectively develop, administer, award, and monitor patient transportation contracts. The audit found 22 (61 percent) of 36 contracts (valued at about $39 million) had deficiencies. COs did not always award patient transportation services competitively, and contract files did not include all documentation required by Federal Acquisition Regulation (FAR). VISN contract managers did not conduct adequate reviews of patient transportation contracts. These reviews could have been used to make recommendations and monitor corrective actions. Veterans Health Administration (VHA) cannot ensure contracts comply with FAR, and adequately protect VHA from fraud, waste, and abuse. Also, VHA is at an increased risk for financial loss that could result from successful litigation and protest by contractors.

Improved Planning Needed for New Solicitations

VHA missed opportunities to solicit new competitive contracts because COs did not properly plan and prioritize for the time needed to open new solicitations, and NCMs did not perform the required oversight. FAR 6.301(c), *Other Than Full and Open Competition Policy*, states that contracting without providing for full and open competition shall not be justified on the basis of a lack of advance planning.

We identified 9 (25 percent) of 36 (estimated value of about $12.3 million) patient transportation contracts that were inappropriately awarded as sole-source and then were extended for up to 6 months after the contract expired. According to COs that we interviewed, this was due to acquisition staff shortages which increased their workload and resulted in insufficient time to solicit new contracts.

For seven of nine contracts, the required information, including the number of trips and the type of equipment needed, was not provided by the requesting service in order to develop an accurate solicitation proposal. The Supervisory CO stated she awarded the sole-source contracts and extensions to prevent a lapse in service. However, we found no evidence that the Supervisory CO attempted to contact the requesting service for the information prior to the expiration of the contract. According to the NCM, she did not provide oversight for the contracts because she was unaware that the contracts were not competitively bid, but she agreed that mandatory contracting procedures were not followed.

Full and Open Competition Needed When Awarding Contracts

VISN contract managers did not provide the oversight to ensure that openings of new solicitations were timely to avoid needing to grant extensions in order to prevent a lapse of service. In one example, when an extension expired, the CO did not open a new solicitation for patient transportation services, but awarded the contract to the current service provider as a sole-source contract. The justification provided in the contract file for granting the sole source award was "Unusual and Compelling Urgency." FAR 6.302-2 states that an agency is permitted to limit the number of sources from which it solicits bids or proposals when the need for the services is of such an unusual and compelling urgency that the Government would be seriously injured otherwise. According to the CO's written justification required by FAR to support the compelling urgency, the facility wanted to prevent a lapse in patient transportation services. However, he could not provide a reasonable explanation for not issuing a competitive solicitation until a full 15 months after the expiration of the original contract.

COs also extended contracts beyond 6 months which circumvented FAR instead of ensuring full and open competition. FAR 52.217-8, *Option to Extend Services,* states that the total extension for an expired contract cannot exceed 6 months. For two contracts valued at about $10.8 million, each was extended for 9 months after the contract expired. COs told us this occurred because the facility wanted to prevent a lapse in patient transportation services.

According to the Director of VA's Electronic Contract Management System (eCMS) Project Management Office, the milestone function capabilities in eCMS should be used to monitor and plan for contracts that are due to expire. This would help ensure timely follow-up on procurement actions and established milestones and provide increased management visibility and oversight. By not seeking full and open competition for patient transportation services, VHA cannot be assured of obtaining the best price for services provided.

Inadequate Monitoring and Oversight

On June 19, 2009, the Office of Acquisition and Logistics (OAL) issued Information Letter (IL) 001AL-09-02 to establish an Integrated Oversight Process (IOP). The goal of the IOP is to promote quality throughout the acquisition cycle and hold COs responsible and accountable for the accuracy of all contracts. The IL states that reviews for acquisitions will be conducted within each VISN and OAL will monitor the process and provide feedback to the acquisition offices.

The contracts we reviewed needed additional monitoring and oversight to ensure accuracy and compliance with FAR. Contract files did not include

basic documents required by FAR and, as a result, VHA is at an increased risk that may affect its ability to withstand legal and technical challenge.

Although COs provided us with checklists they used to ensure the required documents were included in the contract file, we found files did not include price negotiation memorandums, determination of price reasonableness, best value analysis, notice of award, insurance certificates, and COTR designation letters. FAR 4.802, *Contents of Contract Files*, states files must be maintained that ensure effective documentation of contract actions. However, for 14 (39 percent) of 36 contract files (total value of about $16.5 million), basic documents required by FAR were missing. COs could not provide a reasonable explanation for the missing documents and VISN contract managers did not conduct quality reviews on patient transportation contracts to ensure contract files included all required documentation prior to awarding the contract. To ensure contracts adequately protected VA's contractual interest, VISN contract managers needed to ensure contract files include all required documents prior to awarding contracts.

Accountability of CO Duties Needed

Even though the CO designates specific duties to the COTR, the CO is ultimately responsible for the administration of awarded contracts. For example, at one facility we visited, the contract patient transportation rate was determined according to a zone where the patient resided. However, the contract did not encompass rates for all zones where services were provided to patients. As a result, when the COTR received the contractor's invoice, and it included a zone that was not in the contract, he inappropriately negotiated a rate with the contractor. According to the CO, a verbal agreement between himself and the contractor to address this issue existed; however, he had not yet modified the contract to document the agreed upon rates. Also, he was unaware the COTR independently negotiated a rate that was not included in the contract. It is the CO's duty to ensure contracts are administered correctly, including payment of contractor invoices. Not only does negotiating contract rates exceed the COTR's authority that could lead to contractual disputes and legal actions, but the CO and VISN contract managers should have provided effective oversight to ensure a contract modification was included in the file once the missing rates were identified.

Conclusion

VHA missed opportunities to provide full and open competition in soliciting offers and awarding patient transportation contracts. Competition would help ensure VA receives the highest quality products and services while reducing costs, thus saving taxpayer dollars, and ensuring equitable opportunities for contractors interested in providing services. VISN contract managers needed to provide oversight during the award process to ensure contracts are adequately planned and competitively awarded, and not extended or sole-sourced in a manner that circumvents FAR. Adherence to the newly implemented IOP would help improve the quality of awarded

contracts, hold CO's accountable, and provide the oversight needed over contract administration while protecting VHA from unnecessary legal risk.

Recommendations

1. We recommend the Under Secretary for Health establish controls to ensure COs properly plan and prioritize new contract solicitations for patient transportation services.

2. We recommend the Under Secretary for Health implement procedures to ensure the appropriate use of sole-source and contract extensions, maximize the use of full and open competition in accordance with FAR, and use the automated milestone functions in eCMS to ensure timely follow-up for patient transportation contract actions.

3. We recommend the Under Secretary for Health establish specific controls to provide effective monitoring and oversight in accordance with the OAL issued IL 001AL-09-02 and hold COs responsible and accountable for all patient transportation contracts.

Management Comments and OIG Response

The Under Secretary for Health agreed with the finding and recommendations and provided acceptable implementation plans.

The Under Secretary for Health stated that a review of existing patient transportation contracts will be conducted to determine current status. Each Network Contracting Activity will submit a list of all existing patient transportation contracts to include performance period and acquisition strategy to VHA Procurement and Logistics Office (P&LO). For all contracts due to expire within 12 months, the Network Contracting Activity will submit an action plan detailing plans to ensure solicitation will fully comply with all procurement regulations and the proposed acquisition strategy promotes competition to the maximum extent. VHA P&LO's National Quality Assurance (QA) Director will review all data to identify/rectify any potential problems prior to the release of the solicitations and use of the eCMS Planning Module for all procurements of patient transportation services will be required.

The Under Secretary for Health stated that each contract file for patient transportation services will contain a Network Contracting Manager's certification that the appropriate acquisition strategy was used. VHA P&LO's National QA Director will develop standardized certification language. Use of the eCMS automated milestone functions will be required in the post award phase and NCMs will certify that all patient transportation contracts have a post award milestone plan attached. Each Network Contracting Activity will require all COs for patient transportation contracts to meet at least quarterly with the designated COTRs to review invoices and

address contractor performance issues. A record of quarterly meetings will be maintained in the contract file to include documentation of the invoices that were reviewed. COs will conduct and review a random sampling of invoices certified for the previous quarter. VHA PL&O National Compliance Director and Service Area Organization (SAO) Quality Assurance staff will conduct random reviews of patient transportation contracts to ensure compliance.

We consider the planned actions acceptable and will follow up on implementation.

Finding 2 Accuracy of Invoice Review and Certification Needs Improvement

VHA needed to strengthen controls and oversight of patient transportation service invoices to ensure the accuracy of payments. Payments for 18 percent of patient trips on contractor invoices we reviewed were inaccurate because COTRs did not adequately review the invoices before certifying them for payment; unauthorized staff were verifying and certifying invoices instead of a properly designated COTR; transportation records used to reconcile invoices were missing; and COTR performance plans did not hold them accountable for their collateral COTR duties. Because of the significant value of overpayments we identified, we believe all patient transportation invoices that are not adequately reviewed puts VHA funds at an unnecessary risk for potential improper payments.

We estimate from March 1, 2008–February 28, 2009, VHA overpaid $18.4 million and underpaid $1.3 million to patient transportation service contractors. Based on these estimates, we projected overpayments would total about $91.8 million and underpayments would total about $6.5 million for a period of 5 years.

Inadequate Invoice Reviews

We reviewed 166 randomly selected patient transportation invoices valued at $3.9 million and verified 15,595 patient trips valued at $2.1 million. A total of 2,766 (18 percent) of 15,595 trips were inaccurately invoiced. As a result, VHA made overpayments totaling $217,098 and underpayments totaling $21,488. Invoicing discrepancies were caused by inaccurately calculating additional mileage and invoicing incorrect rates for services provided. VA medical centers (VAMCs) improperly paid invoices because COTRs did not adequately review contractor invoices and verify the appropriateness of the additional mileage charges as well as the correct rate for services provided.

Because we identified multiple errors on a single patient trip, the sum of all values shown for each specific type of error will not total 18 percent. To prevent over calculating the estimated error rate, we only counted each trip once, regardless of whether the trip had multiple errors.

Incorrect Mileage Charges

Invoices included additional mileage charges for patient transportation services that were provided outside the base rate area as indicated in the awarded contract. Rand McNally© or MapQuest®, in accordance with the contract terms, was used to determine mileage from the origin of the trip (most likely the patient's residence) to the destination (most likely a medical facility) and then return where applicable. We allowed a 5-mile variance before considering a mileage calculation error.

A total of 1,165 (8 percent) of 15,595 trips were inaccurately invoiced. For example, on November 25, 2008, a VAMC was invoiced for transportation services for a roundtrip charge from a patient's residence to the medical facility. The contractor calculated the trip as 442 miles and then invoiced for that distance. However, using Rand McNally©, we determined the mileage to be 396 miles, a difference of 46 miles. The contracted rate was $2.26 for each additional mile above the base rate which resulted in an overpayment of $104 (46 miles x $2.26).

Incorrect Rates Invoiced

We found other discrepancies with contractor invoices that should have been identified by the responsible COTR and corrected before certifying the invoices for payment. For 750 (5 percent) of 15,595 patient trips, VHA paid for transportation services other than the type approved on VHA transportation logs.

Patient transportation contracts included varying rates for Advanced Life Support ambulances, Basic Life Support ambulances, and wheelchair van services due to the type of medical equipment and personnel provided. The original VHA transportation logs should be retained and used by the COTR to reconcile the contractor's invoice to ensure the appropriate rates were billed for the type of transportation service provided. COTRs did not adequately review contractor invoices, which included comparing the invoices to the patient transportation logs and to the rates listed in the contract before certifying the invoices for payment. For example, a contractor's invoice dated November 6, 2008, included a charge for a patient trip at the more expensive ambulance rate. This rate should only be used when a medical attendant is required in the vehicle with the patient. However, according to the VA documentation, an attendant was not required for this trip and the facility had not requested an attendant. The correct rate for this trip was $347; however, the contractor invoiced $525, which the facility paid. This resulted in an overpayment of $178 ($525 - $347).

Improper Delegation of Duties

For three of eight facilities we visited, staff other than the designated COTR were reviewing and certifying invoices without a written designation letter or the required COTR training. For example, a designated COTR verbally delegated her authority to review and certify invoices to transportation service staff who did not complete required COTR training. According to another COTR, her full-time job duties prevented her from conducting collateral COTR duties and she was unaware that she could not re-delegate her authority. The designation letter requires that COTRs review contractor invoices to ensure they accurately reflect the work completed before certifying for payment. VAAR 801.603-70(a) (1) states that COs may designate in writing a COTR to perform selective contracting duties, and appropriately designated COTRs must meet the mandatory 40-hour training requirement detailed in OAL IL 049-08-02, dated December 31, 2008.

According to VAAR, only the CO can designate a COTR and the authority granted in the designation letter may not be re-delegated. As a result, VHA cannot ensure the accuracy of payments because unauthorized and untrained staff are verifying and certifying invoices instead of a trained and designated COTR.

Manual Processes Needed Automation

The facilities we visited used either electronically generated or manual documents to record patient travel. VHA's Records Control Schedule requires that documentation related to the expenditure of funds and internal activities, such as logs, be retained for 2 years. Records of travel, referred to as transportation logs, were not available at three of eight facilities for the audit team to reconcile and review the invoices in our sample. For example, at a VAMC, transportation logs were destroyed after the invoices were reviewed because of a shortage of space. According to one COTR, he was unaware that 5 years of logs had been destroyed in his absence. Destroying source documents related to expenditures increases the potential that a misuse of funds will not be identified during internal or external audits.

Automating patient transportation logs could allow archiving of data and provide an adequate audit trail to facilitate invoice reconciliation. One facility we visited successfully utilized the Veterans Health Information Systems and Technology Architecture (VISTA) appointment module to schedule patient transportation and generate a daily record of patient transportation. If patient transportation logs were automated, the travel information, including type of transportation provided to the patient, could be maintained and retained in VISTA's permanent system of record.

Oversight and Accountability of COTR Duties Needed

COTRs perform their selected contracting duties as designated by the CO; however, performance plans do not hold them accountable for their COTR duties. COTR duties are collateral for patient transportation contracts, often performed by service supervisors and chiefs along with their primary job duties. No formal process exists to provide oversight or evaluate the effectiveness of the COTR review and certification of transportation invoices for accuracy. Without oversight, errors went undetected and opportunities to address performance deficiencies were missed.

For example, a contractor continued to invoice an increased rate for patient transportation services although the contract modification allowing the rate expired in September 2007. The VAMC continued to certify invoices for the increased rate for 9 months after the modification had expired. In June 2008, the contractor advised the facility that state law required any patient transferred from hospital to hospital, regardless of the severity of the illness or medical condition, be transported by a specially equipped ambulance. As a result, the facility incurred a substantial increase in transportation service costs because the COTR continued to certify the contractor's invoices for

payment without verifying the accuracy of the trips or the validity of the increased rate.

Including COTR duties and CO feedback in a COTR's performance plan and annual performance appraisal could help to improve the effectiveness and consistency of both the contracting and the evaluation process. This would help ensure COTRs are held accountable for their contract oversight duties. Acknowledging COTR performance would allow for both recognition of successful completion of these collateral duties as well as identify areas needing improvement.

Conclusion

VHA could have identified many of the inaccurate invoices if a more thorough review and oversight of invoices was performed before certifying the invoices for payment. While we recognize the increased time and effort required to thoroughly review and verify each patient trip on contractor invoices, we believe VHA needs to more effectively ensure invoices are accurate before they are certified for payment. Automating the patient transportation logs could potentially reduce the amount of time needed to review invoices. Although VHA has established mandatory training requirements for COTRs, the lack of oversight responsibilities and accountability increases the risk of improper payments and wastes health care resources. Adopting strategies to statistically review invoices would establish a minimum standard for review and help ensure the accuracy of invoices and assist in identifying recurring errors.

Recommendations

4. We recommend the Under Secretary for Health implement controls to ensure patient transportation invoices are adequately reviewed before certification for payment and initiate recovery of overpayments and reimbursements of underpayments resulting from calculation errors on contractor invoices identified by our audit.

5. We recommend the Under Secretary for Health establish controls to ensure COTRs are designated in writing and have completed mandatory training requirements to review and certify patient transportation invoices.

6. We recommend the Under Secretary for Health automate patient transportation billing information in order to maintain and retain data needed to efficiently perform invoice reconciliation.

7. We recommend the Under Secretary for Health implement policies and procedures to require quality assurance reviews that evaluate the effectiveness of COTR responsibilities, specifically reviewing and certifying patient transportation invoices for accuracy.

8. We recommend the Under Secretary for Health ensure duties detailed in COTR designation letters are included in the COTRs performance standards and addressed during annual performance appraisals.

Management Comments and OIG Response

The Under Secretary for Health agreed with the findings and recommendations and provided acceptable implementation plans.

The Under Secretary for Health stated that due to the volume of invoices associated with patient transportation contracts, VHA P&LO will establish a team to determine the feasibility/cost effectiveness of assigning two COTRs to patient transportation contracts. By September 30, 2010, a report including an action plan and next steps will be issued. VHA P&LO National QA Director in conjunction with SAO training staff will develop a VHA COTR training program to be used at the local level to supplement and reinforce mandatory COTR training and will include a module with emphasis on invoice certification. Instructions will be issued by PL&O requiring training to be completed prior to issuance of a COTR delegation.

The Network Contract Manager or a supervisory contract specialist one level above the CO will approve all personnel nominated to serve as a COTR on a transportation contract prior to the COTR delegation being issued. All existing contracts will be reviewed by the Network Contracting Activity to ensure that COTRs assigned to patient transportation contracts have completed mandatory COTR training and a copy of the training certificate is in the contract file and certification will be sent to VHA P&LO. Quarterly, each Network Contracting Activity will certify that only the trained COTR who was issued the COTR designation is certifying invoices. This will be validated by a random sampling of certified invoices.

The Under Secretary for Health concurred in principle with recommendation six and noted that while VHA acknowledges the importance of invoice reconciliation, it is crucial to maintain and appropriately use source material to support the processing of invoices. This requires that VHA ensure business processes are in place for compliance and that staff are trained to reconcile invoices correctly. The Under Secretary for Health stated that this may or may not involve automation. He stated that a workgroup will develop an action plan to review business practices and identify those that ensure compliance. By June 30, 2010, an action plan will be developed that will include timelines, milestones, and training.

We reported that VHA did not always have documentation to support the use of patient transportation services. We agree that VHA needs to ensure that effective business processes are in place and train staff to reconcile invoices correctly. We will monitor the effectiveness of VHA's implementation

actions in establishing an adequate audit trail to support contract payments and provide effective accountability over patient transportation services.

The Under Secretary for Health stated that VHA PL&O National QA Director will work with SAOs to establish a team to develop a set of general COTR related duties to be incorporated in any performance standards where serving as COTR is a collateral duty assignment. Development of a set of COTR duties and related requirements are in process and will be completed, distributed, and implemented by September 30, 2010.

The Under Secretary for Health noted that VHA acknowledges the criticality of the duties involved in serving as COTR on any contract and recognize the value in having COTR-related duties included in performance standards. It should be noted that COTR duties are collateral to such a wide variety of positions and COTR delegations are not necessarily issued at the beginning of rating periods. Additionally, COTR duties may vary based on the type of contract being monitored.

We consider the planned actions acceptable and will follow up on implementation.

Appendix A Background

VA's Acquisition Profile

VA is one of the largest procurement and supply agencies of the Federal Government with annual expenditures of more than $10 billion for supplies and services. Previous audits have identified systemic problems in planning, defining requirements, awarding, and administering contracts. A lack of internal controls in contract administration may result in improper payment of invoices by VHA.

Acquisition and Contract Oversight at the Regional and Local Level

VHA oversees 21 VISNs responsible for managing, funding, and ensuring accountability while conducting daily operations and making decisions affecting VA hospitals, clinics, nursing homes, and veteran centers. NCMs are responsible for the oversight of contracts awarded and administered by COs within the jurisdiction of their VISN. COs are responsible for ensuring performance of all necessary actions for effective contracting and ensuring compliance with the terms of the contract. Additionally, COs may designate selective administrative management duties of the contracting process to the COTR. Even though the CO designates specific duties to the COTR, the CO is ultimately responsible for the administration of awarded contracts. One key duty delegated to COTRs is the responsibility for ensuring contractor invoices accurately reflect the services provided before certifying them for payment.

Recurring Acquisition Issues

Since 2004, VA OIG Combine Assessment Program (CAP) reviews, VA OIG audits, and Government Accountability Office (GAO) reports identified a need for improvement in awarding and administering contracts, including those for patient transportation. The reports detailed that COs exceeded their warrant authority when awarding contracts and COTRs did not verify invoice accuracy before certifying them for payment. Other issues found included a lack of documented training for COTRs and COs were not appropriately designating the COTRs. For example:

- VA OIG's *Audit of VHA Noncompetitive Clinical Agreements* found VAMCs overpaid contractors because COTRs did not verify the VAMCs received the services required at the prices specified. In addition, COs did not provide the COTRs clear guidance about their responsibilities, nor did they implement procedures to routinely review the COTRs' monitoring activities to ensure they were effective. COTRs also did not receive sufficient training to monitor clinical sharing agreements (Report No. 08-00477-211, dated September 29, 2008).

- GAO's report on *VA Health Care: Status of Inspector General Recommendations for Health Care Services Contracting* provided an overview of VA OIG's CAPs that identified issues in contracting for health care services. Recurring themes for OIG recommendations tallied

in the GAO report included verifying and certifying the accuracy of invoices prior to payment, ensuring COTRs are designated in writing and verifying appointments are current and appropriate, ensuring all applicable FAR and VAAR requirements are met, and ensuring COs do not exceed their warrant authority (Report No. GAO-08-61R, dated October 31, 2007).

- VA OIG's *CAP Review of VAMC Tuscaloosa, AL,* reported the VAMC overpaid $88,500 to a contractor for ambulance services because the COTRs did not properly monitor the contract or verify the contractor's invoices complied with contract terms prior to certifying the invoices for payment (Report No. 04-00931-166, dated July 15, 2004).

Appendix B Scope and Methodology

Overview

The audit focused on key responsibilities in the development, award, and administration of patient transportation contracts.

We reviewed VHA patient transportation contracts identified by facility and product service code in the Federal Procurement Data System - Next Generation (FPDS-NG), the mandated procurement system that collects contract-reporting data from all Federal agencies and provides transparency and visibility over all Federal contracts. We also reviewed randomly selected invoices from the Financial Management System (FMS) for the period March 1, 2008–February 28, 2009. FMS is the agency-wide accounting system of records that supports a full range of financial activities and interfaces with other VA systems.

We performed on-site visits at one certainty site, Edward Hines, Jr. VA Hospital, and seven randomly selected VA medical facilities as shown in Table 1. The certainty site was selected because we identified potential issues at the facility while obtaining background information in preparation for the audit.

Table 1. VA Medical Facilities Selected for Onsite Review

#	Medical Center	Location	VISN
1	John D. Dingell VAMC	Detroit, MI	11
2	Edward Hines, Jr., VA Hospital	Hines, IL	12
3	Hampton VAMC	Hampton, VA	6
4	VA Pittsburgh Health Care System	Pittsburgh, PA	4
5	G.V. Sonny Montgomery VAMC	Jackson, MS	16
6	Minneapolis VAMC	Minneapolis, MN	23
7	Charlie Norwood VAMC	Augusta, GA	7
8	Providence VAMC	Providence, RI	1

Contract Award Review

To assess the adequacy of contract development, award, and oversight processes for patient transportation contracts, audit work steps included reviewing applicable laws, regulations, and policies; interviewing VISN staff and COs; and reviewing and analyzing contract documentation.

The audit team identified 619 VA patient transportation contracts in the FPDS-NG with an estimated value of $562 million. We reviewed 36 patient transportation contracts with an estimated value of $52 million. We reviewed contract files to determine if the files contained all documents required by FAR to support the contract award and to determine whether full

and open competition occurred in soliciting offers and awarding contracts. We assessed the potential for fraud when contracts were not competitively bid and when contract modifications lacked appropriate approval.

Invoice Verification and Certification Review

We randomly selected and reviewed 166 invoices valued at $3.9 million from the FMS for the period March 1, 2008–February 28, 2009. To determine if COTRs adequately reviewed and certified the accuracy of invoice payments for patient transportation services in accordance with contract terms, we reviewed applicable laws, regulations and policies; interviewed COTRs; reviewed training records, position descriptions, and COTR designation letters; identified paid contractor invoices in FMS and randomly selected and verified invoices in the scope period.

We compared the invoices to VA's patient transportation logs to determine if trips were valid. Patient transportation logs provide contractors with information regarding which patients to transport and what type of service is being requested. We verified appointments in VA's Compensation and Pension Record Interchange (CAPRI) to substantiate appointments for patients who were provided transportation. CAPRI is an information technology interface that provides access to veterans' electronic medical records. Rand McNally© and Mapquest® were used to verify additional mileage charges on contractor invoices for services that were provided outside of the contractor's base rate area. We reviewed COTR designation letters to determine if authorized staff were verifying and certifying invoices. We assessed the potential for fraud when there were duplicate trips, duplicate invoices, unauthorized trips, handwritten additions to transportation logs, and when incorrect rates were charged for services.

Reliability of Computer-Processed Data

We used computer-processed data from FPDS-NG and FMS to assess the reliability of the information. We compared the data found in FPDS-NG to the original source documents. During our review of the FPDS-NG data, we determined 11 VAMCs did not currently have patient transportation contracts and verified the data by contacting those facilities. We reviewed randomly selected paid invoices from FMS for accuracy. We assessed the reliability of the data and found them to be adequate. Based on these tests and assessments we concluded the data was sufficiently reliable to be used in meeting the objectives.

Compliance with Government Audit Standards

We conducted audit work from May 2009 through February 2010. Our assessment of internal controls focused on those controls relating to the audit objectives. We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our

audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix C Statistical Sampling Methodology

Introduction

We selected a random sample of patient transportation invoices to review to determine if COTRs adequately reviewed and certified the accuracy of invoice payments in accordance with contract terms. We reviewed each patient trip on the invoices to ensure it was authorized, charged at the correct transportation rate, and additional mileage was calculated correctly.

Population

The population included 69,664 patient transportation invoices valued at $155 million that were paid between March 1, 2008–February 28, 2009.

Sampling Design

We selected a two-stage sample where the first-stage included eight VAMCs and the second-stage encompassed a sample of invoices within each selected VAMC. In the first-stage we selected nine VAMCs using systematic sampling (VAMCs sorted by ZIP code to ensure geographic distribution) with probability proportional to action obligation amounts for patient transportation contracts at the VAMCs.

We selected our second-stage sample by obtaining a list of patient transportation invoices paid March 1, 2008 to February 28, 2009 from FMS for all of the contractors identified in the FPDS-NG for the sites selected. These invoices were sequentially numbered and placed in random order using a random number generator. This amounted to a simple random sample of invoices within each site. We reviewed 166 paid patient transportation invoices comprised of 15,595 patient trips for the eight facilities visited. Table 2 lists the VAMCs and number of invoices reviewed.

Table 2. Total Invoices and Patient Trips Reviewed

#	Station Number	Medical Center	Number of Invoices Reviewed	Number of Patient Trips Reviewed
1	553	John D. Dingell VAMC	2	2,844
2	578	Edward Hines, Jr., VA Hospital	13	2,926
3	590	Hampton VAMC	10	2,400
4	646	VA Pittsburgh Health Care System	7	2,329
5	586	G.V. Sonny Montgomery VAMC	30	553
6	618	Minneapolis VAMC	54	2,035
7	509	Charlie Norwood VAMC	25	1,686
8	650	Providence VAMC	25	822
		Total	**166**	**15,595**

Projections and Margins of Error

Tables 3 and 4 that follow show population projections and their margins of error based on a 90 percent confidence interval. The margin of error and confidence interval are indicators of the precision of the projections.

Table 3 presents the estimated total number of incorrectly charged patient trips for the invoices.

Table 3. Total Number Incorrectly Charged Patient Trips (March 1, 2008 to February 28, 2009)

Description	1-Year Projection	Margin of Error Based on 90% Confidence Interval	90% Confidence Interval		5-Year Projection
			Lower 90%	Upper 90%	
Number of Incorrectly Charged Patient Trips	889,129	530,532	358,597	1,419,662	4,445,647
Error Rate	18.5%	4.4%	14.1%	22.9%	

Repeated statistical sampling of this universe would result in a projected error rate between 14 and 23 percent in 90 percent of the cases. The 5-year projection is an extrapolation of the 1-year projection.

Table 4 presents the estimated total overpayments and underpayments for incorrectly charged patient trips for the invoices.

Table 4. Overpayments and Underpayments of Incorrectly Charged Patient Trips (March 1, 2008 to February 28, 2009)

Incorrect Charge for Patient Trips	1-Year Projection	Margin of Error Based on 90% Confidence Interval	90% Confidence Interval		5-Year Projection
			Lower 90%	Upper 90%	
Overpayments	$18,355,500	$4,182,003	$14,173,496	$22,537,503	$91,777,498
Underpayments	$1,296,640	$575,544	$721,095	$1,872,184	$6,483,198

Repeated statistical sampling of this universe would result in a projection approximately between $14 and $22.5 million in 90 percent of the cases. The 5-year projection is an extrapolation of the 1-year projection.

Appendix D Monetary Benefits in Accordance with IG Act Amendments

Recommendation	Explanation of Benefits	Better Use of Funds
4	Initiate recovery of funds for overpayments resulting from calculation errors of statistically sampled contractor invoices identified during the audit.	$217,098[1]
	Implement controls to ensure invoices are adequately reviewed before certification for payment.	$91,777,498
	Total	**$91,994,596**

[1]Although the audit identified underpayments in the amount of $21,488 for the statistically sampled contractor invoices, we did not claim these underpayments as a better use of funds.

Appendix E Under Secretary for Health Comments

Department of Veterans Affairs

Memorandum

Date: April 23, 2010

From: Under Secretary for Health (10)

Subj: OIG Draft Report, Audit of Oversight of Patient Transportation Contracts, (Project No. 2009-01051-R4-0052, WebCIMS 451686)

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

1. I have reviewed the draft report and concur with the findings, recommendations, and with the monetary benefit associated with this report.

2. Although the Veterans Health Administration (VHA) acknowledges the importance of invoice reconciliation, which appears to be the intent of recommendation six, it is also important to maintain and appropriately use source material to support invoice processing. For this reason, VHA must ensure that business processes are equipped to ensure compliance and that staff are properly trained to reconcile invoices correctly. This may or may not involve automation.

3. Thank you for the opportunity to review the draft report. A complete action plan to address the report recommendations is attached. If you have any questions, please contact Linda H. Lutes, Director, Management Review Service (10B5) at (202) 461-7014.

(original signed by:)
Robert A. Petzel, M.D.

Attachment

VETERANS HEALTH ADMINISTRATION (VHA)
Action Plan

OIG Draft Report, Audit of VHA's Oversight of Patient Transportation Contracts, (Project No. 2009-01051-R4-0052, WebCIMS 453167)

Date of Draft Report: March 2, 2010

Recommendations/ Actions	Status	Completion Date

Recommendation 1. We recommend the Under Secretary for Health establish controls to ensure COs properly plan and prioritize new contract solicitations for patient transportation services.

VHA Comments

Concur

A review of existing patient transportation contracts will be conducted to determine current status. Each Network Contracting Activity through their respective Service Area Organization (SAO), will submit a list of all existing patient transportation contracts to include performance period and acquisition strategy to the Veterans Health Administration (VHA) Procurement and Logistics Office (P&LO).

For all contracts due to expire within 12 months, the Network Contracting Activity will submit an action plan to their respective SAO detailing plans to ensure new solicitations will fully comply with all procurement regulations and the proposed acquisition strategy promotes competition to the maximum extent practicable.

In Progress July 31, 2010

VHA P&LO's National Quality Assurance (QA) Director will review all data to identify/rectify any potential problems prior to solicitations being released.

Use of eCMS Planning Module for all procurements for patient transportation services will be required upon completion of training of identified VISN staff.

In Progress September 30, 2010

Recommendation 2. We recommend the Under Secretary for Health implement procedures to ensure the appropriate use of sole-source and contract extensions, maximize the use of full and open competition in accordance with FAR, and use the automated

milestone functions in eCMS to ensure timely follow-up for patient transportation contract actions.

VHA Comments

Concur

The Network Contracting Activity and/or SAO Quality Assurance (QA) staff will review all solicitations for the procurement of patient transportation services to ensure full compliance with all procurement regulations and that the proposed acquisition strategy promotes competition to the maximum extent practicable.

Each contract file for patient transportation services will contain certification by Network Contracting Manager that the appropriate acquisition strategy was used. Contract files will continue to include properly executed VA-Form 2268, Procurement Request Review for the Small Business Program and Contract Bundling and Justifications for Other Than Full and Open Competition.

VHA P&LO's National QA Director will develop standardized certification language.

In Progress September 30, 2010

The use eCMS automated milestone functions will be required in the post award phase.

NCMs will certify that all patient transportation contracts have a post award milestone plan attached.

In Progress July 31, 2010

Recommendation 3. We recommend the Under Secretary for Health establish specific controls to provide effective monitoring and oversight in accordance with the OAL issued IL 001AL-09-02 and hold COs responsible and accountable for all patient transportation contracts.

VHA Comments

Concur

Each Network Contracting Activity will require all COs for patient transportation contracts to meet at least quarterly with the designated Contracting Officer's Technical Representatives (COTR) to review invoices and address contractor performance issues. Record of quarterly COTR meetings will be maintained in the contract file to include documentation of the invoices that were reviewed.

COs will conduct and review a random sampling of invoices certified for the previous quarter.

VHA P&LO National Compliance Director and SAO Quality Assurance staff will conduct random reviews of patient transportation contracts to ensure compliance.

In Progress September 30, 2010

Recommendation 4. We recommend the Under Secretary for Health implement controls to ensure patient transportation invoices are adequately reviewed before certification for payment and initiate recovery of overpayments and reimbursements of underpayments to review and certify patient transportation invoices.

VHA Comments

Concur

Due to the volume of invoices associated with patient transportation contracts, VHA P&LO will establish a team to determine the feasibility/cost effectiveness of assigning two COTRs to patient transportation contracts. The team will present findings in a report. A report including an action plan with the next steps will be issued by September 30, 2010.

VHA P&LO National QA Director in conjunction with SAO training staff and Network Contract Managers will develop a VHA COTR training program to be used at the local level to supplement and reinforce mandatory COTR training. A module will be included with emphasis on invoice certification. P&LO will issue instructions requiring training to be completed prior to issuance of a COTR delegation.

A bill of collections for all verified overpayments and reimbursements for all verified underpayments identified in this audit will be issued for errors on contracting invoices.

In Progress September 30, 2010

Recommendation 5. We recommend the Under Secretary for Health establish controls to ensure COTRs are designated in writing and have completed mandatory training requirements to review and certify patient transportation invoices.

VHA Comments

Concur

The Network Contract Manager or a supervisory contract specialist one level above the CO will approve all personnel nominated to serve as a COTR on a transportation contract prior to the COTR delegation being issued.

Each Network Contracting Activity will review existing contracts to ensure that all COTRs assigned to patient transportation contracts have completed mandatory COTR training and a copy of the training certificate is in the contract file with certification to be sent to VHA P&LO.

Each Network Contracting Activity will certify quarterly to VHA P&LO through their SAO that only the trained COTR who was issued the COTR designation is certifying invoices. This will be validated by a random sampling of certified invoices.

In Progress September 30, 2010

Recommendation 6. We recommend the Under Secretary for Health automate patient transportation billing information in order to maintain and retain data needed to efficiently perform invoice reconciliation.

VHA Comments

Concur in principle

NOTE: While VHA acknowledges the importance of invoice reconciliation; it is crucial to maintain and appropriately use source material to support the processing of invoices. This requires that VHA ensure that business processes are in place for compliance and that staff are trained to reconcile invoices correctly. This may or may not involve automation.

A workgroup will develop an action plan to review business practices and identify those that ensure compliance. The action plan for the review will include timelines and milestones, including a training component. The action plan will be developed by June 30, 2010.

In Progress June 30, 2010

Recommendation 7. We recommend the Under Secretary for Health implement policies and procedures to require quality assurance reviews that evaluate the effectiveness of COTR responsibilities, specifically reviewing and certifying patient transportation invoices for accuracy.

VHA Comments

Concur

Also see Recommendation 5.

VHA P&LO National QA Director as well as SAO QA and training staff and Network Contract Managers will develop a VHA COTR training program to be used at the local level to supplement and reinforce mandatory COTR training. Training will emphasize invoice certification as well as standardized COTR delegation templates for use in the various types of contracts. P&LO will issue instructions requiring training to be completed prior a COTR delegation being issued. Development of the training program and requirement is in process and will be completed, distributed and implemented by September 30, 2010.

In Progress September 30, 2010

Recommendation 8. We recommend the Under Secretary for Health ensure duties detailed in COTR designation letters are included in the COTRs performance standards and addressed during annual performance appraisals.

VHA Comments

Concur

VHA P&LO National QA Director will work with SAOs to establish a team to develop a set of general COTR related duties to be incorporated in performance standards of any position where serving as COTR is a collateral duty assignment. Development of a set of COTR duties and related requirements are in process and will be completed, distributed and implemented by September 30, 2010.

Note: We acknowledge the criticality of the duties involved in serving as COTR on any contract and recognize the value in having COTR-related duties included in performance standards. It should be noted that COTR duties are collateral to such a wide variety of positions and COTR delegations are not necessarily issued at the beginning of rating periods. Additionally, COTR duties may vary based on the type of contract being monitored.

In Progress September 30, 2010

Appendix F OIG Contact and Staff Acknowledgments

OIG Contact	Cherie Palmer 708-202-7906
Acknowledgments	Alicia Castillo-Flores Dana Fuller Kevin Gibbons Lee Giesbrecht Theresa Golson Harvey Hittner Raymond Jurkiewicz Cynnde Nielsen John Pawlik Jennifer Roberts

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