

DEPARTMENT OF VETERANS AFFAIRS

Memorandum

Date: February 28, 2012

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

Subject: Review of VA Purchases Made on Behalf of the Department of Defense
(Project Number 2012-01041-R6-0064)

To: Deputy Assistant Secretary for Acquisition and Logistics (003A)

1. The objective of our review was to evaluate the effectiveness of internal controls over purchases made by VA contracting activities on behalf of the Department of Defense (DOD).
2. *Section 801*, of the *National Defense Authorization Act for Fiscal Year 2008*, requires the DOD and VA Offices of Inspectors General (OIG) to assess whether VA has policies, procedures, and internal controls in place to ensure that VA purchases made on behalf of DOD comply with Defense procurement requirements. VA contracting activities are considered in compliance if internal controls ensure that its purchases of goods and services on behalf of DOD comply with the same laws and regulations that would apply to purchases made directly by DOD.
3. On August 14, 2008, VA's Office of Acquisition and Logistics notified its contracting activities that VA would discontinue purchases on behalf of DOD by May 21, 2009. In 2008, VA and DOD also started to work together to jointly award Indefinite Delivery Indefinite Quantity (IDIQ) contracts for high-tech medical equipment for use by both organizations. Generally, DOD and VA contracting officers award delivery orders against IDIQ contracts for their respective departments. Nevertheless, we did identify and review one contracting action completed by VA on behalf of DOD in FY 2011. Specifically, VA's National Acquisition Center (NAC) awarded a delivery order for an X-Ray machine for DOD at a cost of \$38,000.
4. We determined the NAC had effective policies, procedures, and management controls in place to ensure the contracting officer complied with Defense procurement requirements when placing the X-Ray machine delivery order. The NAC was authorized to make the purchase under a Memorandum of Agreement between DOD and VA, signed in August 2003. The NAC contracting officer followed proper ordering procedures when placing the delivery order, such as, posting the requirement on the FedBizOpps website.
5. In response to our review, the Deputy Assistant Secretary for Acquisition and Logistics has stated that in the future, the NAC will not accept delivery orders for equipment purchases for DOD facilities. Any pending or future requests will be returned to DOD for action. On January 21, 2012, the VA NAC's National Contract Service Director sent an email advising his staff of the Deputy Assistant Secretary's decision. Finally,

information on the NAC's website was also revised to advise DOD customers they must submit their purchase requests to the Defense Logistics Agency Troop Support contracting activity in Philadelphia, PA. As such, we are making no recommendations.

6. If you have questions or wish to discuss the issues in this memorandum, please contact the Program Director for this review, Mr. Mario Carbone, (b) (6) or Mr. Jehri Lawson, (b) (6)

A handwritten signature in black ink, reading "Belinda J. Finn". The signature is written in a cursive, flowing style.

BELINDA J. FINN