

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Veterans Health Administration

*Review of
Alleged Mismanagement of
the Patient Transportation
Service Contract
for the Jesse Brown
VA Medical Center in
Chicago, Illinois*

June 27, 2017
15-03357-180

ACRONYMS

ADA	Antideficiency Act
CO	Contracting Officer
eCMS	Electronic Contract Management System
FAR	Federal Acquisition Regulation
IGCE	Independent Government Cost Estimate
IOP	Integrated Oversight Process
POP	Period of Performance
GLAC	Great Lakes Acquisition Center
OIG	Office of Inspector General
SCA	Service Contract Act
VA	Department of Veterans Affairs
VHA	Veterans Health Administration
VAMC	Veterans Affairs Medical Center

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Highlights: Review of Alleged Mismanagement of VHA's Patient Transportation Service Contract for the Jesse Brown VAMC in Chicago, IL

Why We Did This Review

In March 2015, the Office of Inspector General received an allegation of mismanagement of the patient transportation service contract for the Jesse Brown VA Medical Center, Chicago, IL, which resulted in a waste of funds.

What We Found

We substantiated the allegation of contract mismanagement. Specifically, the Great Lakes Acquisition Center (GLAC) contracting officer (CO) did not adequately validate performance requirements to determine the required quantity of transportation trips. The CO did not adequately determine price reasonableness or fully fund the contract prior to obligating the Government. Finally, the CO did not document required contract information in VA's Electronic Contract Management System (eCMS).

This occurred because the GLAC CO did not ensure required reviews were performed for the awarded contract and for four modifications that either funded or extended the contract, increasing its value from about \$885,000 to more than \$6 million. Also, VA did not solicit competition to ensure fair and reasonable pricing. As a result, VA lacks assurance that the amount paid was the best value to the Government. In addition, VA potentially violated the Antideficiency Act (ADA) if funds were not available at the time VA incurred obligations for the services performed.

What We Recommended

We recommended that the Veterans Health Administration (VHA) ensure compliance with policies to perform required oversight reviews and ensure eCMS includes complete contract information. We also recommended that VA compete future patient transportation service contracts. Lastly, we recommended that VHA determine if an ADA violation occurred.

Agency Comments

The Acting Under Secretary for Health concurred with our report and recommendations, and provided a plan for corrective action. We considered the plan acceptable and will follow up on its implementation.

A handwritten signature in black ink that reads "Larry M. Reinkemeyer".

LARRY M. REINKEMEYER
Assistant Inspector General
for Audits and Evaluations

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INTRODUCTION

Allegation

In March 2015, the Office of the Inspector General received an anonymous allegation that the patient transportation service contract for the Jesse Brown VA Medical Center (VAMC), Chicago, IL, was mismanaged. The contract, expected to expire on October 30, 2014, was extended to April 30, 2015, and the total contract value increased from about \$885,000 to approximately \$6 million. The complaint alleged that all of the extensions and increased funding were executed without proper reviews and approvals.

Beneficiary Travel Program

Section 111, title 38, United States Code, *Payments or Allowances for Beneficiary Travel*, permits VA to assist eligible veterans to offset the cost of travel for certain medical care. The Beneficiary Travel Program, organizationally aligned under Veterans Health Administration's (VHA) Chief Business Office, is responsible for assisting eligible veterans with travel to and from health care facilities, either through mileage reimbursement or arrangement of special mode transportation, such as ambulance or wheelchair van.

Patient Transportation Procurement History

Since 2009, the Great Lakes Acquisition Center (GLAC) awarded the same contractor three consecutive sole source¹ patient transportation service contracts for the Jesse Brown VAMC. The contracts provided wheelchair van transportation, Monday through Sunday, 24 hours a day, to and from locations designated by the VAMC Beneficiary Travel Office.

- The first contract was from September 1, 2009 through October 31, 2011 for a total contract value of approximately \$4.4 million.
- The second contract was from November 1, 2011 through April 30, 2014 for a total contract value at approximately \$9.1 million.
- The contract that is the subject of this review is the third contract awarded on May 1, 2014, for a 6-month period of performance (POP), ending October 31, 2014. This contract was awarded for about \$885,000 and then modified three times (October 2014, January 2015, and May 2015) to extend the contract for a total POP of 14 months and a total contract value of more than \$6 million. The final contract completion date was June 30, 2015.

¹ FAR 2.101 defines "sole source acquisition" as any "contract for the purchase of supplies or services that is entered into or proposed to be entered into by an agency after soliciting and negotiating with only one source."

RESULTS AND RECOMMENDATIONS

Finding **The Patient Transportation Service Contract at the Jesse Brown VA Medical Center Was Mismanaged**

We substantiated the allegation of contract mismanagement. Specifically, the GLAC contracting officer (CO) did not adequately validate performance requirements to determine the required quantity of transportation trips. The CO did not adequately determine price reasonableness or fully fund the contract prior to obligating the Government. Finally, the CO did not document required contract information in VA's Electronic Contract Management System (eCMS).

This occurred because the GLAC CO did not ensure required reviews were performed for the awarded contract and for four modifications that either funded or extended the contract, increasing its value from about \$885,000 to more than \$6 million. Also, VA did not solicit competition to ensure fair and reasonable pricing. As a result, VA lacks assurance that the amount paid was the best value to the Government. In addition, VA potentially violated the Antideficiency Act (ADA) if funds were not available at the time VA incurred obligations for the services performed.

Contract Mismanagement

We determined the CO mismanaged the Jesse Brown VAMC patient transportation service contract by not following Federal Acquisition Regulation (FAR) requirements. FAR 1.602-2 states that COs are responsible for ensuring performance of all necessary actions for effective contracting and safeguarding the interests of the United States in its contractual relationships. COs must also ensure that the requirements of the law, regulations, and other applicable procedures have been met and that sufficient funds are available for obligations before entering into a contract.

The CO did not adequately validate performance requirements, which resulted in significantly underestimating the number of trips needed during the POP from May 1 through October 31, 2014. The CO did not consider price reasonableness to sufficiently support increased costs valued at 166 percent above the independent government cost estimate (IGCE) of \$333,094 to the awarded amount of \$885,000. Furthermore, the CO did not obtain funding until more than 3 months after awarding the contract. In addition, VA's eCMS lacked documentation for key contract decisions, such as the acquisition plan and market research.

Inadequate Performance Requirements

In accordance with FAR 7.104, the planner should consult with requirements and logistics personnel to determine contract quantity requirements. VHA *Procurement Manual* Volume 12 states that the planner is the designated personnel responsible for the planning function of the acquisition not requiring written plans. Interviews with the CO, contracting officer's

representative and contract specialist, determined that the GLAC CO was the responsible personnel for the planning functions. However, the CO, acting as the planner, did not adequately determine the appropriate number of patient trips, which led to the significant underestimation of the value of the contract.

From May 1 through October 31, 2014, the CO estimated a transportation requirement of 7,700 trips at 19,800 miles and at a cost of \$333,094.² Had the CO reviewed historical data from the previous contracts, a more appropriate estimate would have been about 22,900 trips and 96,500 miles at a cost of about \$1.3 million.

For example, our review of historical invoices from April 2014 showed the contractor provided 3,816 trips and 16,080 miles. Comparatively, our review of invoices for the month of April 2015 under the May 2014 contract reflected 3,712 trips and 21,129 miles. Therefore, the number of trips and mileage remained about the same for April 2014 and April 2015. Using the historical data of 3,816 trips and 16,080 miles would reflect a cost of about \$212,007 a month. Extending these costs for 6 months would result in an estimated cost of about \$1.3 million, considerably higher than the CO's IGCE of \$333,094.

Table 1 illustrates how historical data would have provided a more realistic estimation of trips and mileage required from May through October 2014.

Table 1: Contract Quantity Versus Historical Use and Estimated Quantity

Contract Quantity (May 2014 – October 2014)			Historical Data of Quantity Used (April 2014)			Appropriate Estimate Based on Historical Data (May 2014–October 2014)		
Trips	Miles	Cost	Trips	Miles	Cost	Trips	Miles	Cost
7,700	19,800	\$333,094	3,816	16,080	\$212,007	22,900	96,500	\$1,272,253

Source: OIG review of the patient transportation service contract invoices and solicitation

The significantly underestimated contract award affected VA's ability to appropriately plan for the funds necessary to pay for the required services. The CO awarded the contract in the amount of \$885,000, but only requested funding in the amount \$201,700 at the time of the award in May 2014. Therefore, the requested amount was not sufficient to cover the amount of the awarded contract. The CO modified the contract in September 2014 to

² The CO's justification for other than full and open competition included the Government estimate for this procurement. We are considering this Government estimate as the IGCE for the contract.

increase funding by approximately \$2 million, for a total of about \$2.9 million (\$885,000 + \$2 million). The CO had access to the historical data, which include quantity and dollar value of previous contracts. This information should have been used to validate performance requirements. The CO's inadequate validation resulted in the VA not ensuring that reasonable funds were set aside to meet the transportation service costs. This had the potential to adversely affect the services provided to veterans if services were halted due to lack of funding; fortunately, this did not occur.

*Inadequate
Price
Evaluation*

The CO's price evaluation did not adequately support the 166 percent increase from the IGCE³ of \$333,094 to the award amount of \$885,000. Specifically, there was a lack of sufficient information to determine how the costs per trip rates were evaluated or that the prices were fair and reasonable. FAR 15.404-1 requires the CO to establish fair and reasonable pricing. Since full and open competition was not used to solicit these services, how prices were determined to be fair and reasonable should be documented in the contract files.

In response to the contract solicitation, the contractor proposed a price of \$885,000, which was 166 percent more than the IGCE of \$333,094. According to the CO, the higher price was due to the addition of Service Contract Act (SCA)⁴ wage requirements that were not included in previously awarded contracts. The CO cited the SCA wage requirements, indicating a price increase of 40 to 50 percent over the previous contract. However, we found no documentation to support whether the 166 percent increase was reasonable or that the CO questioned the contractor concerning the significant difference in pricing.

In accordance with FAR 15.404-1(b)(3), in a sole source situation in which no price comparison exists, the CO can compare the quoted price to the IGCE or compare it to previously paid prices. The quoted rates were approximately 70 to 193 percent over the previous rates that were shown on the contract that expired on April 30, 2014. These two examples reflect the rate increases between the contracts:

Example 1

One-way trips inside the city limits: The contract rate for trips in April 2014 inside the Chicago city limits was \$34.42 per trip. However, the rate for the same trip in May 2014 was \$100.85 per trip. This was a 193 percent increase over previously paid prices. This line item comprised about 82 percent of the contract value.

³ IGCE is defined as the Government estimates of the resources and the costs of those resources a prudent contractor will incur to provide the goods and/or services.

⁴ The McNamara-O'Hara SCA requires contractors and subcontractors performing services on prime contracts in excess of \$2,500 to pay service employees in various classes no less than the wage rates and fringe benefits found prevailing in the locality, or the rates (including prospective increases) contained in a predecessor contractor's collective bargaining agreement.

Example 2

One-way trips between the Community Based Outpatient Clinic and the local area: The contract rate for trips in April 2014⁵ between the Jesse Brown VAMC and its associated clinics was \$60.11 per trip. The contract rate for the same trip in May 2014⁶ was \$102.32 per trip. This was a 70.22 percent increase over previously paid prices. This line item made up 5.8 percent of the contract value.

Since the award decision document did not spell out how the SCA wage requirements affected the rate changes nor if the prices were evaluated, we determined that the CO did not establish the pricing as fair and reasonable.

*Inadequate
Obligation
of Funds*

The CO did not ensure availability of funding prior to awarding the contract. FAR 32.702 requires the CO to ensure funding is available prior to obligating the Government. A funding document should be provided to contracting personnel showing that funds are available for the contract requirement prior to award.

In May 2014, the CO awarded the contract in the amount of about \$885,000, but requested only one month's worth of funding and received \$201,700. The CO did not request the appropriate funding of \$885,000 until July 2014 and did not obtain the approved \$885,000 funding until August 2014. By this time, transportation services had already been provided for 3.5 months in the amount of approximately \$1.25 million.⁷ As a result of having services provided, but not obtaining the funds for the services, the CO violated FAR 32.702 and put VA at risk of not paying for services rendered and potentially violated ADA if funds were not available at the time VA incurred obligations for the services were performed. ADA prohibits the Federal Government from entering into a contract without appropriated funds because doing so would obligate the Government in the absence of funding adequate to meet the needs of the contract.

*Inadequate
Documentation
in eCMS*

The CO did not use VA's required eCMS to appropriately document key contract decisions. FAR Part 4.801 requires the contract files to be sufficient to constitute a complete history of the transaction. VA's policy, *Mandatory Usage of eCMS*, dated June 15, 2012, requires all contract documents to be captured in eCMS. Based on our review, we determined several appropriate documents were not included in eCMS. The missing documents included:

- Market research
- Acquisition plan

⁵ The contract rate was effective from November 1, 2011 through April 30, 2014. The contract expired on April 30, 2014.

⁶ This contract rate was effective from May 1 through October 31, 2014.

⁷ Although services were provided, the contractor did not submit invoices for payment until after the obligation was made.

- Determination and findings for all modifications
- Solicitation
- Contractor's quote
- Best value determination documents

At our request, the CO provided all but three of the six documents. The three documents not provided included the market research, acquisition plan, and determination and findings for all modifications.

According to the CO, the market research was not performed due to the short turnaround time required for awarding the contract. These documents are necessary to show whether the CO awarded the contract in accordance with FAR requirements. For example, FAR Part 10.002 states that agencies should document the results of market research in a manner appropriate to the size and complexity of the acquisition. Although the justification and authorization to sole source the contract mentioned market research, there was insufficient information to support the dollar value or complexity of the contract.

Furthermore, we identified nine modifications in the contract file without sufficient documentation for each of the modifications. FAR 4.802(a) requires COs to document the basis for any subsequent actions taken by the contracting office. A determination and findings provides the justification, reason, and basis of the modification.

We disagree with the CO's assertion that adequate market research was not performed because of a short turnaround time for awarding the contract. The CO had awarded the same contractor three consecutive sole-source contracts for patient transportation service beginning in September 1, 2009.

***Why this
Occurred***

Mismanagement of the patient transportation service contract occurred because the CO did not ensure required reviews were performed prior to awarding the contract or four of the nine modifications. In addition, VA did not solicit competition for this procurement, preventing assurance that prices were fair and reasonable.

***Lack of
Oversight***

We found no evidence of any required reviews and approvals for the contract or modifications by either the contract review team or VA's Office of General Counsel. VA's *Integrated Oversight Process* (IOP) policy, dated June 19, 2009, requires a contract review team and VA's General Counsel to review and approve non-competitive solicitations, quotes or proposed contracts with an anticipated value of \$500,000 or greater and modifications with a value of \$100,000 or greater.

The CO underestimated the contract value at \$333,094; therefore, it did not meet the \$500,000 threshold for required reviews. However, the CO

awarded the contract for more than \$885,000 and issued five modifications from September 2014 through April 2015, increasing the contract value to more than \$6 million and extending the POP from October 31, 2014 to June 30, 2015. Four of the modifications exceeded \$1 million each. Despite the fact that the CO awarded a sole-source contract valued at more than \$885,000 and issued multiple modifications exceeding \$100,000 threshold for required reviews, an IOP review was never performed on this contract.

According to the former Director of Contracting for the GLAC, management relies on the CO to request contract reviews. However, the CO stated that due to the urgency to issue this contract, this sole-source procurement was not submitted for review. In addition, the CO and contract specialist stated that they did not know reviews were required on the modifications. Furthermore, if a CO does not submit procurements for review, management is not provided any other notification of pending reviews. Had the appropriate reviews been conducted, the inadequate procurement actions and lack of documentation by the CO would have likely been questioned, detected, and avoided.

*Lack of
Competition*

VA has not solicited full and open competition for the patient transportation service contract since 2006. FAR 6.101 requires COs to provide for full and open competition through the use of competitive procedures that are best suited to the circumstances of the contract action and consistent with the need to fulfill the Government's requirement efficiently. Furthermore, FAR 6.301(c) states that a lack of planning by the requiring activity shall not justify contracting without providing for full and open competition.

The last time the Jesse Brown VAMC competed the requirement for patient transportation service was in May 2006—for the period from May 1, 2006 through August 31, 2009. Since September 2009, the same CO awarded three consecutive sole-source contracts to the same vendor. These contracts were issued in September 2009, November 2011, and May 2014. According to GLAC COs, a new CO was assigned to the contract about 9 months before its expiration, in June 2015, and was in the process of soliciting for the requirement. However, due to a concern by GLAC counsel, that Federal Supply Service Contractors would not be able to meet the capacity requirements of the VA, the new CO did not solicit the requirement before the contract expired. Therefore, the new CO awarded a fourth sole-source contract to the same vendor for the period July 2015 through March 2016. Since April 2016, the GLAC is paying for services by an alternate payment method⁸ that is authorized when there is no contract in place. As of October 2016, eCMS included a current solicitation number for

⁸ VA form 1358 is an obligation control document. This document provides an alternate payment method used for travel related to medical care when paid to non-contract transportation vendors.

the procurement of patient transportation service but we found no other documentation to reflect the current status for this procurement.

This continued lack of competition limits VA's ability to ensure it received fair and reasonable prices. Furthermore, the CO's action of awarding multiple contracts to the same vendor without competition presents a potential risk of fraud. Therefore, we referred this contract to OIG's Office of Investigations for possible action.

**Results of
Inadequate
Management
of Contract**

We determined that invoices showed VA received the services as required by the contract, at prices that were agreed upon at the time of award. However, we concluded lower rates could have been negotiated for the current patient transportation service contract. We came to this conclusion after considering the lack of documentation to support the 166 percent increase from the IGCE of \$333,094 to the award amount of approximately \$885,000. In addition, we considered the fact that the CO did not question the contractor concerning the significant difference in previous contract rates and the lack of evidence that the CO compared the quoted price to the IGCE.

Conclusion

We substantiated the allegation that the GLAC CO mismanaged the contract. This occurred because the GLAC senior officials did not provide adequate oversight of the acquisition process. As a result, VA lacked assurance that the amount paid was the best value to the Government and VA potentially violated the ADA.

Recommendations

1. We recommended the Acting Chief Procurement and Logistics Officer, Veterans Health Administration, ensure the Great Lakes Acquisition Center complies with Department of Veterans Affairs and Veterans Health Administration's policies to perform Integrated Oversight Reviews.
2. We recommended the Acting Chief Procurement and Logistics Officer, Veterans Health Administration, ensure the Great Lakes Acquisition Center complies with Department of Veterans Affairs' policy for documenting contract information in the Electronic Contract Management System.
3. We recommended the Acting Chief Procurement and Logistics Officer, Veterans Health Administration, ensure the Great Lakes Acquisition Center performs appropriate competition for future patient transportation service contracts.
4. We recommended the Acting Chief Procurement and Logistics Officer, Veterans Health Administration, work with the Chief Financial Officer,

Veterans Health Administration, to determine if an Antideficiency Act violation occurred and take action as deemed appropriate.

5. We recommended the Acting Chief Procurement and Logistics Officer, Veterans Health Administration, require all Great Lakes Acquisition Center's patient transportation service contracts be reviewed for compliance with Federal Acquisition Regulation regardless of the financial thresholds in the proposed contract award.
6. We recommended the Acting Chief Procurement and Logistics Officer, Veterans Health Administration, work with the Head of Contracting Activity, Service Area Office Central to review and assess the contracting officers' warrant authority and take action as deemed appropriate.

**Management
Comments**

The Acting Under Secretary for Health concurred with our recommendations and provided an action plan to address these recommendations by November 2017. VHA will conduct a 100 percent review of all Fiscal Year 2017 service contracts awarded by the Great Lakes Acquisition Center to determine compliance with contracting policies. Additionally, VHA developed a dashboard to ensure that required documentation is included in VA's eCMS. VHA will also determine whether there was an Antideficiency Act violation. Furthermore, the warrant authority of the COs involved will be reviewed and corrective actions will be taken if needed.

**OIG
Response**

The Acting Under Secretary for Health's planned corrective actions to our recommendations are acceptable. VHA has taken actions to address Recommendations 3, 4, and 6 and we consider them closed. We will monitor VHA's progress and follow up on the implementation of Recommendations 1, 2, and 5 until all proposed actions are completed. Appendix C contains the full text of the Acting Under Secretary for Health's comments.

Appendix A Background

Great Lakes Acquisition Center

The GLAC is located in Milwaukee and supports seven medical facilities in Wisconsin, Illinois, and Michigan. The GLAC was established in Milwaukee in 1997. In January 2014, two new teams were established in North Chicago, IL, to specifically support facilities in the Chicago area.

Procurement History

The patient transportation service contract has been sole sourced to the same contractor since September 2009. The CO awarded the first sole-source contract in September 2009. The contract's original POP was 4 months. In total, the contract was extended and services were provided for a total of 2 years and 2 months. When the contract expired in October 2011, the CO awarded a second sole-source contract with a POP of 6 months. It was then extended until April 2014, for a total POP of 2 years and 6 months. When the contract expired in April 2014, the sole-source contract under review was awarded for a 6-month POP from May 1 through October 31, 2014. It was then extended until June 2015 for a total POP of 1 year and 2 months.

Contract Award and Modifications

On May 1, 2014, the GLAC awarded a 6-month patient transportation service contract valued at approximately \$885,000 for the Jesse Brown VAMC to be performed from May 1 through October 31, 2014. Nine modifications occurred after the award, which included funding and extending the contract for a total of 14 months and a total contract value of \$6,360,785. Table 2 shows all of the actions taken related to this contract, including any corresponding changes made to the contract value.

Table 2: Contract Funding and Actions

Action	Amount	Contract Value	Action Description
Award	\$885,422.91	\$885,422.91	
Modification 1	\$1,978,246.52	\$2,863,669.43	Fund original POP
Modification 2	\$1,513,000.00	\$4,376,669.43	Extend POP
Modification 3	\$6,042.89	\$4,382,712.32	Fund original POP
Modification 4	\$1,513,000.00	\$5,895,712.32	Extend POP
Modification 5	\$1,010,000.00	\$6,905,712.32	Extend POP
Modification 6	\$0.00	\$6,905,712.32	Administrative
Modification 7	-\$412,652.32	\$6,493,060.00	Deobligation/closeout
Modification 8	-\$5,502.33	\$6,487,557.67	Deobligation/closeout
Modification 9	-\$126,772.22	\$6,360,785.45	Deobligation/closeout

Source: eCMS action VA69D-14-C-0209

**Electronic
Contract
Management
System**

VA's eCMS provides a centralized database for procurement actions and is VA's "Official Contract of Record." VA requires its acquisition workforce to use eCMS when soliciting, awarding, or administering contracts to establish a historical record of contract actions.

**Prior
OIG Work**

In the *Audit of Veterans Integrated Service Network Contracts* (Report No. 10-01767-27, December 1, 2011), the OIG reported that when IOP reviews were conducted, contracts generally had fewer deficiencies. However, only 32 percent of contracts reviewed had required IOP reviews. We estimated that Veterans Integrated Service Networks did not perform the required reviews for about 3,000 contracts, for a total value of about \$1.58 billion, awarded between June 2009 and May 2010. VA could have prevented many of the deficiencies associated with acquisition planning and contract award actions by conducting IOP reviews. Furthermore, absent effective management oversight, contracting officers did not promote competition to the maximum extent practicable, awarding noncompetitive contracts to expedite contract workload.

Appendix B Scope and Methodology

Scope

We conducted our review work from June 2015 through February 2017. The review focused on determining the merits of the allegation that there was mismanagement on the patient transportation service contract for the Jesse Brown VAMC and a potential waste of funds. The team reviewed applicable laws and regulations, VA policies and procedures, handbook, and guidelines related to the allegations. We also conducted interviews with key VHA personnel, such as the two COs, the contract specialist, and the contracting officer's representative responsible for the contract. In addition, we reviewed applicable contract documents, including the contract, modifications, invoices, and formal communications with and from the CO. We also conducted sites visits at the Jesse Brown VAMC and the Captain James A. Lovell Federal Health Care Center, both in Chicago, IL.

Fraud Assessment

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

- Coordinating with the OIG's Office of Investigations to determine if there were any ongoing or previous cases involving the patient transportation service contract at the Jesse Brown VAMC
- Conducting steps to review the patient transportation service contract for potential fraud

Our review identified indicators of fraud risk related to the CO's action to award three consecutive sole-source contracts to the same vendor without full and open competition. Furthermore, the May 2014 contract was awarded for more than 166 percent above the previous contract without appropriate justification. Therefore, we referred this contract to OIG's Office of Investigations for further review.

Data Reliability

While performing this review, we did not use computer-processed data to support our findings, conclusions, or recommendations.

Government Standards

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

Appendix C Management Comments

Department of Veterans Affairs Memorandum

Date: April 28, 2017

From: Acting Under Secretary for Health (10)

Subj: Office of Inspector General (OIG) Draft Report, Review of Alleged Mismanagement of the Patient Transportation Service Contract for Jesse Brown VA Medical Center (Project Number 2015-03357-AR-0182) (VAIQ 7779728)

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

1. Thank you for the opportunity to review and comment on the draft report, Review of Alleged Mismanagement of the Patient Transportation Service Contract for Jesse Brown VA Medical Center. I concur with the draft report content and OIG's six recommendations. I have provided the attached action plan to address all recommendations.
2. The Service Area Office (SAO) Central will conduct a 100 percent review of all Fiscal Year 2017 service contracts awarded by the Great Lakes Acquisition Center to determine compliance with contracting policies. SAO Central will determine if this is an isolated incident or if there are broader issues and take administrative action as appropriate. A dashboard was developed to assure that required documentation exists in the Electronic Contract Management System. The Branch Chiefs will be required to monitor the dashboard and ensure corrective actions are taken as needed. SAO Central will work with the Veterans Integrated Service Network Chief Financial Officer to determine whether there was an Antideficiency Act violation. The warrant authority of the Contracting Officers involved will be reviewed and determined if corrective actions are needed.
3. VHA is using the input from VA's OIG, and other advisory groups to identify root causes and to develop critical actions. The required contract and modification reviews were not completed in accordance with policy, so a team has been established to promptly identify the root causes for the lack of contract and modification reviews. Upon analysis of the root causes, additional training and management controls will be considered. As VHA implements corrective measures, we will ensure our actions are meeting the intent of OIG's recommendations.
4. VHA is making notable advances to improve contract modifications and policy compliance. A team has been established that will promptly conduct a price analysis, determine if the pricing was fair and reasonable, and decide the root causes of non-compliance with policy. Upon completion of the team's report in April 2017, administrative actions warranted against the contracting officer will be considered based on the findings in the report.
5. VA has also established a major new initiative to strengthen VA's ability to combat fraud, waste and abuse (FWA). The initiative is aligned with the President's pledge to investigate fraudulent activities and root out corruption. VHA Procurement and Logistics has assigned two representatives as part of the FWA team to help combat FWA across VHA.
6. If you have any questions, please email Karen M. Rasmussen, M.D., Director, Management Review Service at VHA10E1DMRSAction@va.gov.

(Original signed by)

Poonam Alaigh, M.D.

Attachment

**VETERANS HEALTH ADMINISTRATION (VHA)
Action Plan**

**OIG Draft Report, Veterans Health Administration Review of Alleged Mismanagement of the
Patient Transportation Service Contract for Jesse Brown VA Medical Center**

Date of Draft Report: February 10, 2017

Recommendations/ Actions	Status	Target Completion Date
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Recommendation 1. We recommended the acting Chief Procurement and Logistics Officer, Veterans Health Administration, ensure the Great Lakes Acquisition Center complies with Department of Veterans Affairs and Veterans Health Administration's policies to perform Integrated Oversight Reviews.

VHA Comments: Concur

The Service Area Office (SAO) Central Procurement Analyst team will perform Integrated Oversight Reviews of all Great Lakes Acquisition Center (NCO 12) Fiscal Year (FY) 2017 Base and option year service contracts, both competitive and sole source for compliance with contract policies. The team will provide a report that identifies any incidents of contract non-compliance and an analysis of the root causes to the SAO Central Director. Based on the identified causes a plan to monitor all future actions will be required from the NCO 12 Director of Contracting (DOC).

At completion of this action, VHA will provide the following documentation:

1. SAO Central Report of Non-Compliance actions
2. NCO 12 Correction Action Plan

Status:
In process

Target Completion Date:
November 2017

Recommendation 2. We recommended the acting Chief Procurement and Logistics Officer, Veterans Health Administration, ensure the Great Lakes Acquisition Center complies with Department of Veterans Affairs' policy for documenting contract information in the Electronic Contract Management System.

VHA Comments: Concur

The SAO Central Data team provides weekly reports to the SAO Central Director which identifies all Contract awards in FY 2017 and required contract file documentation.

An automated Electronic Contract Management System (eCMS) briefcase dashboard has been created to allow for monitoring of all required documentation for contract awards. This dashboard provides Contracting leadership with insight into the NCOs, product line teams, and specific actions for a specific Contracting Officer. It identifies missing required contract file documentation. NCO 12 Branch Chiefs review updated dashboard information and ensure corrective actions are taken.

At completion of this action, VHA will provide the following documentation:

1. Report from Dashboard showing compliance for a 3 month period

Status:
In progress

Target Completion Date:
June 2017

Recommendation 3. We recommended the acting Chief Procurement and Logistics Officer, Veterans Health Administration, ensure the Great Lakes Acquisition Center performs appropriate competition for future patient transportation services contracts.

VHA Comments: Concur

The NCO 12 DOC will ensure that detailed Market Research is accomplished to ensure that the acquisition strategy for all future patient transportation services is appropriate competition for the requirements. The requirements will be scrubbed to ensure the minimum needs of the agency are identified.

At completion of this action, VHA will provide the following documentation:

1. Market Research Report and Acquisition Strategy Plan for new patient transportation services

Status:
In progress

Target Completion Date:
May 2017

Recommendation 4. We recommended the acting Chief Procurement and Logistics Officer, Veterans Health Administration, work with the Chief Financial Officer, Veterans Health Administration, to determine if an Anti-Deficiency Act (ADA) violation occurred and take action as deemed appropriate.

VHA Comments: Concur

A review of funds availability from time of contract award will be requested from the VISN 12 Chief Financial Officer. Appropriate action will be taken once the review is complete.

At completion of this action, VHA will provide the following documentation:

1. Certification from VISN 12 Chief Financial Officer if funds were available at time of award and a determination whether there was an ADA violation committed.

Status:
In progress

Target Completion Date:
April 2017

Recommendation 5. We recommended the acting Chief Procurement and Logistics Officer, Veterans Health Administration, require all Great Lakes Acquisition Center's patient transportation service contracts be reviewed for compliance with Federal Acquisition Regulation regardless of the financial thresholds in the proposed contract award.

VHA Comments: Concur

All NCO 12 patient transportation service contracts will be reviewed by the SAO Central Review Team for compliance with Federal Acquisition Regulation (FAR) regardless of financial thresholds. SAO Central will review contracts through FY 2017 to ensure that FAR and contract file documentation are found to be in compliance. All review comments will be forwarded to both the Contracting Officer and the NCO 12 DOC for action.

At completion of this action, VHA will provide the following documentation:

1. A copy of the SAOC Contract Review form with comments from all levels of the FY17 review to include legal advisors and Contracting Officers comments/corrections.

Status:
In progress

Target Completion Date:
October 2017

Recommendation 6. We recommended the acting Chief Procurement and Logistics Officer, Veterans Health Administration, work with the Head of Contracting Activity, Service Area Office Central to review and assess the contracting officers' warrant authority and take action as deemed appropriate.

VHA Comments: Concur

The Chief Procurement and Logistics Officer and SAO Central Head of Contracting Activity shall review and assess all contracting officers' warrant authorities for any Contracting Officer that took action on the patient transportation contracts in question. After the completion of recommendation 4 and the full review of the warrant authorities, actions will be taken as deemed appropriate.

At completion of this action, Procurement and Logistics will provide the following documentation:

1. Copies of Warrants of Contracting Officers involved.
2. Copy of documentation of any action taken.

Status:
In Progress

Target Completion Date:
May 2017

For accessibility, the format of the original memo has been modified to fit in this document.

Appendix D **OIG Contact and Staff Acknowledgments**

Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
Acknowledgments	Judith Sterne, Director Christopher Bowers Kimberly Choplin Melissa Colyn Benjamin Howe Thomas Pasquini Angela Sneed

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