



DEPARTMENT OF VETERANS AFFAIRS  
**OFFICE OF INSPECTOR GENERAL**

*Office of Audits and Evaluations*

VETERANS HEALTH ADMINISTRATION

Problems Were Identified on  
One Regional Procurement  
Office Central Ambulance  
Service Contract

REVIEW

REPORT #18-01836-183

SEPTEMBER 12, 2019



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## Executive Summary

This review is one in a series conducted at each of the three Veterans Health Administration (VHA) Regional Procurement Offices. During these reviews, the VA Office of Inspector General (OIG) assessed each office's use of sole-source procedures when awarding service contracts valued at more than \$700,000 in fiscal year (FY) 2017. This review was conducted at Regional Procurement Office (RPO) Central.

A sole-source contract is awarded without full and open competition. There are a limited set of circumstances under which a contracting officer may curtail competition because it is believed competition helps government officials "reassure citizens that their tax dollars are not spent wastefully."<sup>1</sup> The basic premise supporting competitive contracts is that when multiple bidders compete for the government's business, the government may be able to acquire higher-quality goods and services at lower prices than it would if it awarded contracts without competition. Also, competition can help to curb fraud because it allows for periodic changes in the vendors from which the government acquires goods and services.

### What the Review Found

Federal regulation states, with a few exceptions, that a contracting officer will not negotiate sole-source contracts without a written justification and appropriate approvals. The VHA Procurement Manual provides that a justification and approval (J&A) document be completed and approved by the proper authority. The approval authority is determined by the proposed contract amount. For example, approval by the head of contract activity (HCA) is required for a sole-source justification for contracts valued at more than \$700,000. According to the director of the VHA Procurement Audit office, the HCA also serves as the procuring activity advocate for competition, and in that role is responsible for promoting full and open competition by challenging barriers to full and open competition, such as unnecessarily restrictive statements of work, unnecessarily detailed specifications, and unnecessarily burdensome contract clauses. HCA approval helps ensure that sole-source contracts are used only when necessary. The lack of HCA approval is a violation of federal regulation. Further, without competition the government could pay more for goods and services and could be more susceptible to the risk of fraud.

The OIG reviewed 18 sole-source contracts awarded by RPO Central with a total value of about \$77 million to determine whether the J&A documents were completed and approved by the proper authority. Of the 18 contracts reviewed, six contracts did not require HCA approval, due to statutory exemptions. RPO Central contracting officers obtained proper approvals on 11 of the remaining 12 sole-source contracts, worth about \$57.3 million. In one instance, an RPO Central

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<sup>1</sup> Congressional Research Service, *Competition in Federal Contracting: An Overview of the Legal Requirements*, June 30, 2011.

contracting officer did not obtain the required HCA approval for an ambulance service contract worth about \$2.2 million because he did not understand the approval procedures required for this contract. Specifically, the deputy director of contracting sent an email approving the need to sole-source several contracts. The contracting officer misunderstood this email and thought it covered the required approval of this sole-source ambulance contract, though it did not. As a result, the contracting officer did not route the required J&A document for HCA approval. In addition, the same contracting officer also unnecessarily limited competition on the same contract by failing to plan for the procurement in advance. RPO Central contracting officials knew for several years that the existing contract for the ambulance service would be expiring and they would need to re-compete the contract. The contracting officer failed to adequately plan to compete the contract, and faced with an imminent need for renewal, moved to sole-source based on a compelling urgency, a situation created by the contracting officer's lack of planning.

When contracting officers violate federal regulation by failing to obtain the required approval, they exceed their contracting authority. This could result in the termination of their warrant, which is their authority to enter into, administer, or terminate contracts. Accordingly, the RPO Central contracting officer exceeded his authority on the ambulance service contract resulting in approximately \$2.2 million in questioned costs. To avoid future questioned costs, RPO Central contracting officers must ensure sole-source service contracts are approved by the appropriate approval authority. Furthermore, by unnecessarily limiting competition, the contracting officer increased the risk of the government paying more than necessary for the ambulance services. Specifically, by limiting competition, the government did not receive the benefit of competition, which could have resulted in savings through lower, more competitive pricing.

## **What the OIG Recommended**

The OIG recommended the executive director, VHA Procurement

1. Ensure awareness of approval procedures for justification and approval documents for sole-source contracts, and
2. Establish formal coordination with the requiring activity to ensure adequate time is allotted for soliciting and awarding recurring services competitively.

## Management Comments

The executive director, VHA Procurement concurred with both recommendations and provided acceptable corrective action plans. The OIG considers Recommendation 1 closed based on the actions reported and documentation provided by the executive director. The OIG will monitor implementation of the planned action for Recommendation 2 and will close the recommendation when the proposed action is completed.



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for Audits and Evaluations

## Contents

Executive Summary .....	i
Abbreviations .....	v
Introduction .....	1
Results and Recommendations .....	6
Finding: An RPO Central Contracting Officer Did Not Comply with Federal Regulation on One Ambulance Service Contract .....	6
Recommendations 1–2 .....	10
Appendix A: Contracts Reviewed .....	12
Appendix B: Scope and Methodology .....	13
Appendix C: Monetary Benefits in Accordance with Inspector General Act Amendments .....	15
Appendix D: Management Comments .....	16
OIG Contact and Staff Acknowledgments .....	18
Report Distribution .....	19

## Abbreviations

eCMS	Electronic Contract Management System
FAR	Federal Acquisition Regulation
FY	fiscal year
HCA	head of contract activity
J&A	justification and approval
NCO	network contracting office
OIG	Office of Inspector General
RPO	Regional Procurement Office
VHA	Veterans Health Administration



## Introduction

The VA Office of Inspector General (OIG) conducted this review to determine whether Regional Procurement Office (RPO) Central complied with federal regulation when awarding service contracts on an “other than full and open competition” (sole-source) basis.<sup>2,3</sup>

This review is one in a series conducted at each of the three Veterans Health Administration (VHA) RPOs. During these reviews, the OIG assessed the RPOs’ use of sole-source procedures when awarding service contracts valued at more than \$700,000 in fiscal year (FY) 2017.

Proponents of competition contend that competition helps government officials “reassure citizens that their tax dollars are not spent wastefully.” When multiple offerors compete for the government’s business, the government can acquire higher-quality goods and services at lower prices than it would if it awarded contracts without competition. Also, competition helps to curb fraud because it allows for periodic changes in the vendors from which the government acquires goods and services.<sup>4</sup>

### Competition in Contracting Act of 1984

The Competition in Contracting Act of 1984<sup>5</sup> requires that contracts be entered into after “full and open competition through the use of competitive procedures” unless certain circumstances exist that would permit agencies to use noncompetitive procedures.<sup>6</sup> The Federal Acquisition Regulation (FAR) outlines seven situations in which government agencies can contract without full and open competition:<sup>7</sup>

1. Only one responsible source and no other supplies or services will satisfy agency requirements (FAR § 6.302-1)
2. Unusual and compelling urgency (FAR § 6.302-2)
3. Industrial mobilization; engineering, developmental, or research capability; or expert services (FAR § 6.302-3)

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<sup>2</sup> Contract means a mutually binding legal relationship obligating the seller to furnish supplies or services and the buyer to pay for them. It includes all commitments that obligate the government such as task orders, delivery orders, etc. FAR § 2.101.

<sup>3</sup> A sole-source acquisition is a contract that is solicited and negotiated with only one source.

<sup>4</sup> Congressional Research Service, *Competition in Federal Contracting: An Overview of the Legal Requirements*, June 30, 2011.

<sup>5</sup> Pub. L. 98-369, §§ 2701-2753 (1984), codified at 41 U.S.C.A. § 3301 et seq.

<sup>6</sup> Congressional Research Service, *Competition in Federal Contracting: An Overview of the Legal Requirements*, June 30, 2011.

<sup>7</sup> FAR § 6.3.

4. International agreement (FAR § 6.302-4)
5. Authorized or required by statute (FAR § 6.302-5)
6. National security (FAR § 6.302-6)
7. Public interest (FAR § 6.302-7)

## **Justification and Approval of Sole-Source Contracts**

Prior to issuing a sole-source contract, federal regulation requires that a contracting officer (1) justify, if required, the use of the sole-source contract in writing; (2) certify the accuracy and completeness of the justification; and (3) obtain necessary approvals.<sup>8</sup> The justification must include a description of the services being procured, the statutory authority permitting the exception to competition, and other facts supporting the sole-source award.<sup>9</sup> The VHA Procurement Manual provides a justification and approval (J&A) template to record these justifications.<sup>10</sup>

The approval authority for sole-source contracts is determined by the proposed contract amount.<sup>11</sup> Within VHA, the head of contract activity (HCA) is designated as the approval authority for sole-source contracts valued at more than \$700,000, but not exceeding \$13.5 million. According to the director of the VHA Procurement Audit Office, the HCA for each RPO serves as the competition advocate for its respective Contracting Activity. Procuring activity advocates for competition are responsible for promoting full and open competition by challenging barriers to full and open competition, such as unnecessarily restrictive statements of work, unnecessarily detailed specifications, and unnecessarily burdensome contract clauses.<sup>12</sup> HCA approval helps ensure that sole-source contracts are used only when necessary. The lack of HCA approval is a violation of federal regulation. Further, without competition the government could pay more for goods and services and could be more susceptible to the risk of fraud.

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<sup>8</sup> FAR § 6.303-1.

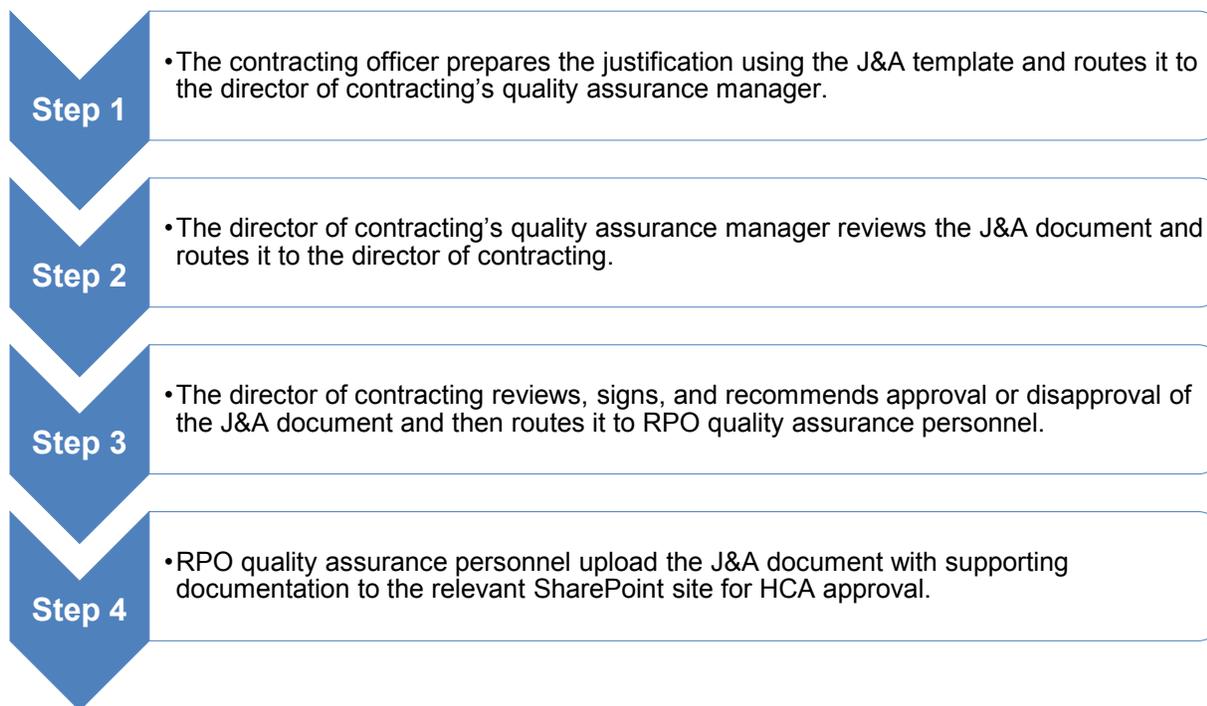
<sup>9</sup> FAR § 6.303-2.

<sup>10</sup> VHA Procurement Manual Part 806.3, *Other Than Full and Open Competition (OFOC) SOP*, Revision: 5, Effective Date: May 2, 2016.

<sup>11</sup> FAR § 6.304.

<sup>12</sup> FAR § 6.502.

Figure 1 shows the process contracting personnel must follow to obtain HCA approval for a sole-source contract.



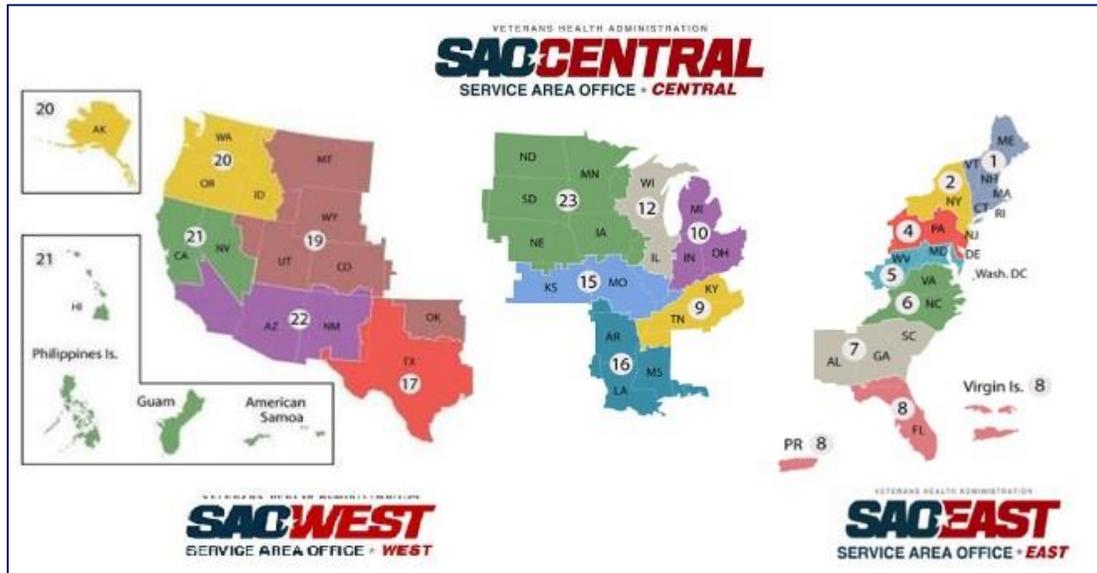
**Figure 1.** Approval procedure for HCA signature

Source: VHA Procurement Manual Part 806.3, Other Than Full and Open Competition (OFOC) SOP, Revision: 5, Effective Date: May 2, 2016, and Attachment 7: VHA Procurement HCA Approval Process

## Regional Procurement Office Central

VHA's Procurement and Logistics Office supports the purchase of \$15 billion in health care products and services for VHA and is composed of three RPOs: Central, East, and West. Each RPO has a designated HCA and is subdivided into network contracting offices (NCO). RPO Central is composed of six NCOs that provide procurement services for the Central Region. The RPO Central HCA is responsible for oversight for nearly 900 contracting employees at the six NCOs.

Figure 2 shows each RPO’s territory and associated NCOs.



**Figure 2.** RPO West, Central, and East NCO territories<sup>13</sup>  
 Source: Office of VHA’s Deputy Chief Procurement Officer SharePoint

In FY 2017, RPO Central awarded 18 sole-source service contracts each valued at more than \$700,000, totaling approximately \$77 million, as shown in Table 1. Of the 18 sole-source contracts, two contracts (primary and mental health care) were awarded as affiliate procurements that did not require a J&A document or HCA approval. Another four of the 18 contracts (linen services and laundry services) were awarded to an AbilityOne contractor, a mandatory source of supply that also did not require a J&A document or HCA approval.

**Table 1. RPO Central Sole-Source Contracts**

Contract	Service	Value*
VA701-17-C-0017	Web-based clinical solutions subscription	\$24,999,950
VA701-17-F-0020	Energy conservation project installation	\$8,708,192
VA701-17-F-0021	Energy conservation project installation	\$7,031,640
VA69D-16-J-0094	Laundry services	\$5,734,193
VA701-17-P-0158	Web-based nursing subscription	\$4,977,561
VA69D-16-C-0290	Laundry services	\$4,722,196
VA701-17-F-0024	Energy conservation project installation	\$4,062,313

<sup>13</sup> Service Area Office (SAO) was renamed RPO during the OIG review.

<b>Contract</b>	<b>Service</b>	<b>Value*</b>
VA250-17-J-1220	Laundry services	\$2,726,436
VA249-17-C-0113	Ambulance transportation	\$2,227,493
VA249-17-C-10275	Linen services	\$2,156,246
VA701-17-J-0109	Building renovation	\$1,827,290
VA701-17-F-0068	Installation of underground utility duct bank	\$1,505,980
VA255-16-J-5751	Ambulance transportation	\$1,429,804
VA256-17-J-0196	Primary and mental health care	\$1,255,176
VA69D-17-J-1706	Contracted emergency residential services	\$1,058,737
VA249-17-P-14487	Fire monitoring and suppression	\$977,232
VA256-17-J-1002	Primary and mental health care	\$836,784
VA701-17-J-0005	Steam services	\$750,500
	<b>Total</b>	<b>\$76,987,723</b>

Source: VA's Electronic Contract Management System (eCMS)

Note: Values are rounded.

\*These values may include option years.

## Results and Recommendations

### **Finding: An RPO Central Contracting Officer Did Not Comply with Federal Regulation on One Ambulance Service Contract**

Of the 18 contracts reviewed, six contracts did not require HCA approval due to statutory exemptions.<sup>14</sup> RPO Central contracting officers obtained proper approvals on 11 of the remaining 12 sole-source contracts worth about \$57.3 million. The OIG found that an RPO Central contracting officer did not obtain the required HCA approval for one ambulance service contract worth about \$2.2 million. In addition, the contracting officer unnecessarily limited competition on the same contract.

The OIG found that the RPO Central contracting officer did not obtain the required HCA approval because he did not understand the approval procedure(s) that applied to this sole-source contract. Specifically, the deputy director of contracting sent an email approving the need to sole-source several contracts. The contracting officer misunderstood this email and thought it satisfied the required approval of the sole-source ambulance service contract, though it did not. The VHA Procurement Manual sets forth the process for approval of sole-source contracts valued at more than \$700,000, which was not followed here. As a result, the contracting officer exceeded his authority, which resulted in approximately \$2.2 million in questioned costs, and increased the risk of the government paying more than necessary for the ambulance services.<sup>15</sup>

### **What the OIG Did**

The OIG reviewed all RPO Central sole-source service contracts valued at more than \$700,000 awarded in FY 2017 as reflected in VA's eCMS. This included 18 contracts with a total value of about \$77 million. The OIG reviewed documentation for each contract to determine whether RPO Central contracting officials complied with the requirement to obtain HCA approval. The OIG also corresponded with RPO Central contracting officials to obtain clarification regarding contract documentation and requested additional documentation to ensure compliance with federal regulation as necessary.

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<sup>14</sup> Of the 18 sole-source contracts, two contracts were awarded as affiliate procurements and four contracts were awarded to an AbilityOne contractor. Contracts awarded as affiliate procurements and to AbilityOne contractors do not require J&A documents or HCA approval. FAR § 6.302-5.

<sup>15</sup> The Inspector General Act of 1978 states that the term "questioned costs" includes a cost that is questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds. 5 U.S.C. app. 3, § 5(f)(1).

## Required HCA Approval Generally Obtained but Problems Found on One Ambulance Service Contract

Federal regulation states, with a few exceptions, that a contracting officer will not negotiate sole-source contracts without a written justification and appropriate approvals.<sup>16</sup> The VHA Procurement Manual provides that a J&A document be completed and approved by the proper authority.<sup>17</sup> The approval authority is determined by the proposed contract amount.<sup>18</sup> For example, HCA approval is required for a sole-source justification for contracts valued at more than \$700,000.<sup>19</sup>

Of the 18 sole-source contracts reviewed, two contracts (primary and mental health care) were awarded as affiliate procurements that did not require a J&A document or HCA approval. Another four contracts (linen services and laundry services) were awarded to an AbilityOne contractor, a mandatory source of supply under FAR § 8.7 that also did not require a J&A document or HCA approval.<sup>20</sup> For the remaining 12 contracts, HCA approval was required, and RPO Central contracting officers complied with this requirement on 11 of the 12 contracts.<sup>21</sup>

The OIG found that an RPO Central contracting officer did not obtain the required HCA approval and unnecessarily limited competition when he awarded a recurring ambulance service contract worth about \$2.2 million at the Tennessee Valley Healthcare System.<sup>22</sup> Specifically, the contracting officer did not route the J&A document for HCA approval, as required. After the OIG inquired, the HCA at the time confirmed that there was no record the document was submitted for approval. In addition, the contracting officer “sole-sourced” the award to the incumbent contractor to perform the ambulance services when he should have anticipated the need to award competitively. Specifically, the contracting officer failed to adequately plan to compete the contract, and faced with an imminent need for renewal, moved to a sole-source acquisition based on a compelling urgency, a situation created by the contracting officer’s lack of planning.

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<sup>16</sup> FAR § 6.303-1.

<sup>17</sup> VHA Procurement Manual Part 806.3, *Other Than Full and Open Competition (OFOC) SOP*, Revision: 5, Effective Date: May 2, 2016.

<sup>18</sup> FAR § 6.304.

<sup>19</sup> VHA Procurement Manual Part 806.3, *Other Than Full and Open Competition (OFOC) SOP*, Revision: 5, Effective Date: May 2, 2016.

<sup>20</sup> FAR § 6.302-5.

<sup>21</sup> FAR § 6.303-1.

<sup>22</sup> VA249-17-C-0113.

## Confusion over Approval Procedures

The OIG found that the RPO Central contracting officer did not obtain the required HCA approval because he did not understand the approval procedure for this sole-source contract. Specifically, the deputy director of contracting sent an email approving the need to sole-source several contracts. The contracting officer misunderstood this email and thought it covered the required approval of this sole-source contract, though it did not. As a result, the contracting officer did not route the required J&A document for this contract for HCA approval, as required. The contracting officer acknowledged that he was confused about his responsibilities and has since been verbally counseled and provided training.

## Lack of Advanced Planning

The OIG determined that the RPO Central contracting officer unnecessarily limited competition because he did not properly plan the award of the recurring ambulance service contract competitively. Specifically, the J&A document cited the basis for the sole-source contract was FAR § 6.302-2, unusual and compelling urgency, because contracting personnel were not able to properly solicit a one-year base contract with four option years. According to the contracting officer, this occurred because the procurement team had difficulty agreeing on the acquisition plan and evaluation factors for the recurring service.<sup>23</sup> As a result, the contracting officer requested and received approval to award the ambulance services as a sole-source, six-month contract to the incumbent contractor.<sup>24</sup> However, federal regulation states that a lack of planning is not a justification for issuing a contract on a sole-source basis.<sup>25</sup>

RPO Central contracting officials knew for several years that the existing contract for ambulance services would be expiring and they would need to re-compete the contract. In other words, there was no reason—other than a failure to plan—that this requirement became unusually and compellingly urgent. The HCA at the time stated that May 2011 was the last time these services were competed.<sup>26</sup> The OIG found contracting officials awarded multiple extensions and interim contracts for these services since April 1, 2014. See Table 2 for a list of contracts awarded to the incumbent contractor without competition.

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<sup>23</sup> The procurement team consists of those who will be responsible for significant aspects of the acquisition, such as contracting, fiscal, legal, and technical personnel.

<sup>24</sup> Following the six-month contract, this requirement was competed and awarded to the incumbent contractor.

<sup>25</sup> FAR § 6.301.

<sup>26</sup> Contract VA249P1113 was for a base year and two option years with a period of performance of May 1, 2011, through April 30, 2014.

**Table 2. Contracts Awarded without Competition**

Contract	Description of contract	Period of performance
VA249-14-P-1863	Six-month contract	April 1, 2014–September 30, 2014
VA249-15-P-13979	Six-month contract	October 1, 2014–March 31, 2015
VA249-15-P-13979 P00001	Three-month extension	April 1, 2015–June 30, 2015
VA249-15-P-2626	Three-month contract	July 1, 2015–September 30, 2015
VA249-16-P-14627	Six-month contract	October 1, 2015–March 31, 2016
VA249-16-P-2178	Six-month contract	April 1, 2016–September 30, 2016
VA249-16-P-2178 P00003	Six-month extension	October 1, 2016–March 31, 2017
VA249-17-C-0113	Six-month contract	April 1, 2017–September 30, 2017

Source: VA's eCMS

Since this contract was not competed, there was an increased risk of the government paying more than necessary for the ambulance services. Specifically, by limiting competition, the government did not receive the benefit of competition, which could have resulted in savings through lower, more competitive pricing. For example, the follow-on contract for these ambulance services was awarded using competitive pricing to the incumbent, which resulted in a 12-month period of performance awarded at approximately \$2.6 million. Without competition, RPO Central paid approximately \$2.4 million for six-months of ambulance services;<sup>27</sup> however, with competition, the follow-on contract for 12 months of ambulance service was awarded at approximately \$2.6 million. Therefore, competition appears to have contributed to RPO Central paying a significantly reduced price for the same services.

### **Contracting Officer Exceeded His Authority and Increased Risk**

When contracting officers violate federal regulation by failing to obtain the required approval for sole-source contracts, they exceed their contracting authority, which could result in termination of their warrant.<sup>28</sup> Since the RPO Central contracting officer awarded the approximately \$2.2 million ambulance service contract without HCA approval, he exceeded his authority. Furthermore, the value of this contract is considered a questioned cost. To avoid future questioned costs, contracting officers must ensure sole-source service contracts are approved by the appropriate authority.

<sup>27</sup> While this contract was awarded for \$2.2 million, RPO Central issued a modification, after the contract's period of performance, increasing the contract amount to \$2.4 million.

<sup>28</sup> VA Acquisition Regulation Part 801.690-7, *Termination*, states a contracting officer's warrant (i.e., his or her authority to enter into, administer, or terminate contracts) may be revoked or rescinded for taking an action that exceeds his or her authority.

In addition, because the contract was entered into without proper authority, there was an increased risk that a protest of the contract award would succeed.<sup>29</sup> While this contract award was not protested, a protest (even if not successful) would have resulted in increased administrative costs.

## Conclusion

The RPO Central contracting officer did not obtain the required HCA approval for one of 18 sole-source service contracts. In addition, on the same contract the contracting officer unnecessarily limited competition. As a result, the contracting officer exceeded his authority, resulting in approximately \$2.2 million in questioned costs. Further, the contracting officer increased the risk of the government paying more than necessary for the services and increased the risk of a successful protest.

## Recommendations 1–2

The OIG recommended that the executive director, VHA Procurement

1. Ensure awareness of approval procedures for justification and approval documents for sole-source contracts, and
2. Establish formal coordination with the requiring activity to ensure adequate time is allotted for soliciting and awarding recurring services competitively.

## Management Comments

The executive director, VHA Procurement concurred with both recommendations and provided acceptable corrective action plans. In response to Recommendation 1, the executive director stated national training was provided to staff in June 2018 regarding sole-source contracting. For Recommendation 2, the executive director stated he will direct each RPO director and the directors of contracting to hold at least biweekly program status meetings with the network contracting staff and customers to ensure adequate time is allotted for soliciting and awarding recurring services competitively. Action on this recommendation is expected to be completed by January 2020.

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<sup>29</sup> Any contractor who can demonstrate it was prejudiced by the award, i.e., a competitor that was excluded from competition by the sole-source procurement, could have protested the award.

## **OIG Response**

The executive director, VHA Procurement corrective actions plans are responsive to the intent of the recommendations. The OIG considers Recommendation 1 closed based on the actions reported and documentation provided. The OIG will monitor implementation of the planned action for Recommendation 2 and will close the recommendation when the proposed action is completed.

## Appendix A: Contracts Reviewed

The OIG reviewed 18 sole-source service contracts. Table A.1 details the results of the OIG team’s review.

**Table A.1. RPO Central FY17 Sole-Source Contracts**

Contract	Service	Value*	Did the HCA approve the J&A document?
VA701-17-C-0017	Web-based clinical solutions subscription	\$24,999,950.00	Yes
VA701-17-F-0020	Energy conservation project installation	\$8,708,192.00	Yes
VA701-17-F-0021	Energy conservation project installation	\$7,031,640.00	Yes
VA69D-16-J-0094	Laundry services	\$5,734,193.00	Not required**
VA701-17-P-0158	Web-based nursing subscription	\$4,977,561.00	Yes
VA69D-16-C-0290	Laundry services	\$4,722,195.69	Not required**
VA701-17-F-0024	Energy conservation project installation	\$4,062,313.00	Yes
VA250-17-J-1220	Laundry services	\$2,726,435.58	Not required**
VA249-17-C-0113	Ambulance transportation	\$2,227,492.54	No
VA249-17-C-10275	Linen services	\$2,156,246.00	Not required**
VA701-17-J-0109	Building renovation	\$1,827,289.70	Yes
VA701-17-F-0068	Installation of underground utility duct bank	\$1,505,980.00	Yes
VA255-16-J-5751	Ambulance transportation	\$1,429,803.65	Yes
VA256-17-J-0196	Primary and mental health care	\$1,255,176.18	Not required***
VA69D-17-J-1706	Contracted emergency residential services	\$1,058,737.00	Yes
VA249-17-P-14487	Fire monitoring and suppression	\$977,232.00	Yes
VA256-17-J-1002	Primary and mental health care	\$836,784.12	Not required***
VA701-17-J-0005	Steam services	\$750,500.00	Yes
	<b>Total</b>	<b>\$76,987,721.46</b>	

Source: VA’s eCMS

\* These values may include option years.

\*\* This contract was an AbilityOne procurement, which does not require a J&A document or HCA approval, per FAR § 6.302 5.

\*\*\* This contract was a sole-source affiliate procurement, which does not require a J&A document or HCA approval, per VA Directive 1663.

## Appendix B: Scope and Methodology

### Scope

The review team conducted its work from March 2018 through July 2019. The review included all RPO Central sole-source service contracts valued at more than \$700,000 awarded in FY 2017 in VA's eCMS. This included 18 contracts with a total value of about \$77 million.

### Methodology

To accomplish the objective, the OIG identified and reviewed applicable laws, federal regulations, VA policies, operating procedures, and guidelines related to other than full and open competition contracts. The OIG used VA's eCMS to review the relevant contract documentation on each service contract to determine whether RPO Central contracting officials complied with sole-source requirements. The OIG also contacted RPO Central contracting officials to obtain clarification regarding the contract documentation or requested additional documentation to ensure compliance with federal regulation as necessary.

### Fraud Assessment

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

- Reviewing the Department of Defense OIG fraud red flags and indicators to identify fraud indicators that are applicable to this project. The review team identified four red flags applicable to contracts including:
  - Contract documentation,
  - Excluding qualified bidders,
  - Source selection, and
  - Unjustified sole source.
- Soliciting the OIG's Office of Investigations to determine if there were any ongoing cases.
- Completing the Fraud Indicators and Assessment checklist.

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

## **Data Reliability**

The OIG used VA's eCMS to obtain the universe of sole-source service contracts. Testing was performed on the data for validity by comparing it with supporting contract documentation in eCMS. The OIG found minor inconsistencies in the data; however, it was determined reliable and would not affect the OIG's findings, conclusions, and recommendations.

## **Government Standards**

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

## Appendix C: Monetary Benefits in Accordance with Inspector General Act Amendments

Recommendation	Explanation of benefits	Better use of funds	Questioned costs
1	By establishing J&A document approval procedures for sole-source contracts, it will ensure HCA approval is obtained as required and will not result in questioned costs.	\$0	\$2,227,493
	<b>Total</b>	<b>\$0</b>	<b>\$2,227,493</b>

*Source: OIG finding*

*Note: Value is rounded.*

## Appendix D: Management Comments

### Department of Veterans Affairs Memorandum

Date: August 7, 2019

From: Executive Director, VHA Procurement

Subj: OIG Draft Report, Problems were Identified on One Regional Procurement Office  
Central Ambulance Service Contract

To: Counselor to the Inspector General

1. I have reviewed the draft report and concur with 2 of 2 recommendations.
2. Attached is the VHA Procurement corrective action plan for the report's recommendations.

(Original signed by)

Ricky L. Lemmon

Executive director, VHA Procurement

Veterans Health Administration

VETERANS HEALTH ADMINISTRATION (VHA)  
Action Plan

OIG Draft Report - Problems Were Identified on One Regional Procurement Office  
Central Ambulance Service

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

Recommendation 1. Ensure awareness of approval procedures for justification and approval documents for sole-source contracts.

VHA Comments: Concur

VHA Executive Director for Procurement provided National training on June 12, 2018 on the topic of Sole Source / OTFOC. Please see the attached training presentation and training invitation.

Status :	Target Completion Date :
Complete	NA

Recommendation 2. Establish formal coordination with the requiring activity to ensure adequate time is allotted for soliciting and awarding recurring services competitively.

VHA Comments: Concur

VHA Executive Director for Procurement will direct each RPO Director and the Directors of Contracting to hold at least bi-weekly program status meeting with the Network Contracting staff and customers to ensure adequate time is allotted for soliciting and awarding recurring services competitively.

Status : In Progress	Target Completion Date :
In Process	January 2020

<p><i>For accessibility, the original format of this appendix has been modified to comply with Section 508 of the Rehabilitation Act of 1973, as amended.</i></p>
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## OIG Contact and Staff Acknowledgments

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