



DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

VETERANS HEALTH ADMINISTRATION

Inadequate Oversight of
Contractors' Personal
Identity Verification Cards
Puts Veterans' Sensitive
Information and Facility
Security at Risk

REVIEW

REPORT #20-00345-77

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Executive Summary

The VA Office of Inspector General (OIG) conducted this review to determine whether Veterans Health Administration (VHA) contracting officers complied with mandates to ensure contractors account for and return their personnel's personal identity verification (PIV) cards as required, such as at the end of a contract or employment. A PIV card is a federally issued credential that is used by authorized individuals to gain access to federal facilities and information systems commensurate with the cardholder's security level and allows for multifactor authentication.¹ The Federal Acquisition Regulation (FAR) establishes that it is the contracting officer's responsibility to ensure that all identification issued to contractor employees, including PIV cards, is returned. The VHA procurement manual embraces this principle by establishing that contracting officers shall ensure the contractor provides a list of PIV cards issued and returns all PIV cards to the issuing office. Unreturned PIV cards increase risks for unauthorized access to VA facilities and information systems. This poses a threat to property and to veterans, visitors, VA staff, and contractors. It also creates opportunities for individuals to compromise veterans' personal data, which could result in identity theft for personal profit and medical identity theft to access treatment, medications, or other gains.²

What the Review Found

The review team examined a random sample of 46 professional service and healthcare resource contracts to determine whether contractors' PIV card return requirements were met. The VHA procurement manual requires the contracting officer to obtain a contractor-provided list of all contractor employees who were issued PIV cards and ensure all PIV cards were returned.³

The team found that none of the reviewed contracts had adequate evidence to demonstrate these requirements were met. VHA contracting officials' evidence of compliance with the PIV card requirements was determined to be either missing or inadequate for all 46 reviewed contracts. In

¹ "Introduction—PIV Guides," General Services Administration, accessed August 17, 2020, <https://piv.idmanagement.gov/>.

² "Identity Theft," Department of Justice, accessed April 14, 2020, <https://www.justice.gov/criminal-fraud/identity-theft/identity-theft-and-identity-fraud>. Identity theft occurs when someone wrongfully obtains and uses another person's personal information. Identity theft involves fraud or deception for economic gain and includes crimes such as fraudulent withdrawals from bank accounts and false applications for loans and credit cards. "Medical Identity Theft: FAQs for Health Care Providers and Health Plans," Federal Trade Commission, accessed April 14, 2020, <https://www.ftc.gov/tips-advice/business-center/guidance/medical-identity-theft-faqs-health-care-providers-health-plans>. Medical identity theft occurs when an unauthorized person obtains personal information and uses it to obtain medical treatment, prescription drugs, or surgery. Medical identity theft can also include using personal information to submit false bills to insurers.

³ VHA Procurement Manual, part 804.804-1, sec. 7, "Government-provided Identification," January 29, 2019.

some cases, the VHA contracting official obtained the information from the contractor that was required, but only after contract closure and the OIG's request.

As a result of contracting officers not complying with these requirements, there is an increased risk that unauthorized individuals could access VA facilities or exploit information systems unnoticed. Even if subsequently detected, it could be too late to stop harm in the facility or the misuse or distribution of veterans' personal information.

VHA Could Not Ensure That PIV Cards Issued to Contractor Employees Were Returned When No Longer Required Due to Lack of Documentation

The OIG's primary finding that VHA could not adequately monitor PIV cards issued to contractor employees was attributed to several factors that include contracting officers not maintaining accurate and complete lists of employees with PIV cards and the absence of that requirement being included in contracts. In addition, VHA lacked adequate tracking systems and clarity around ensuring PIV cards were returned when no longer needed or when employment or contracts were terminated. Some systems that could provide additional controls were also missing or deficient. Responses to questionnaires, however, revealed two fundamental causes for the deficiencies:

- lack of awareness of the distinct roles and responsibilities among VHA contracting staff
- inadequate supervisory oversight and monitoring of contracting officers

Contracting Personnel Were Unaware of Their Responsibilities

VHA contracting officers' noncompliance with PIV card requirements occurred because they were unaware of their responsibilities and the requirements to obtain a list of PIV cards issued to contractors' employees, maintain the list, and confirm the cards were returned. Contracting officials incorrectly asserted that contracting officer's representatives (COR) were responsible for documenting that PIV card requirements were met. Contracting officers can delegate PIV card duties to CORs, but the review team found that had not been done for the contracts reviewed. Moreover, the COR responsibility matrix, which outlines the contract administration duties the COR may be required to perform, does not discuss duties related to contractors' PIV cards. Therefore, the contracting officers were responsible for performing the duties related to monitoring contractors' PIV cards but failed to complete the documentation needed to ensure compliance with FAR and VHA procurement manual requirements prior to contract closeouts.

VHA Lacked Oversight and Monitoring

VHA's oversight and monitoring of its contracting officers were inadequate to ensure contractors' PIV card requirements were met. According to VHA officials, oversight of

contracting officers was established through standardized position descriptions and performance plans. However, these documents are broadly worded and do not describe a supervisor's responsibility to oversee a contracting officer's compliance with specific requirements.

The supervisor's responsibility for oversight of contracting officers is not outlined in the VHA procurement manual, but the manual does require contracting officers to prepare and upload a contract completion statement to the contract file indicating all necessary actions required to close the contract were completed.⁴ However, the contract completion statement does not specifically include the contractor-related PIV card requirements and does not require supervisory review.

The VHA Office of Procurement has an audit office that monitors and reports on VHA contracting compliance to improve performance. However, according to VHA officials, no internal audits were performed of contracting officer compliance with PIV card requirements. In addition, VHA does not have a system to assist with ongoing monitoring for compliance. While there are several systems that contain various aspects of needed PIV card information or information on contractors, these systems do not effectively track and monitor these cards by contract. Without properly established controls, adequate supervisory oversight of contracting officers, and monitoring of PIV cards, VHA cannot confirm contracting officers' compliance with FAR and VHA procurement manual requirements, potentially resulting in vulnerabilities to incursions and misuse of VA facilities and systems.

What the OIG Recommended

The OIG made 10 recommendations to the acting under secretary for health to address deficiencies related to compliance with requirements for PIV cards issued to contractor employees. The recommendations include ensuring contracting officers maintain evidence of a contractor-provided list of issued PIV cards and that all PIV cards were returned to the issuing or designated office prior to contract closeout. Further, the OIG recommended that VHA evaluate the role of CORs in the PIV card process for contractor employees and assess whether updates to the COR letter of delegation and standard operating procedures are necessary.

New policies and procedures are recommended to outline specific supervisory responsibilities for contracting officer oversight. An assessment of the contract completion statement template should also be made to determine whether contractor-related PIV card requirements should be included. The OIG also recommended procedures be established within the VHA Procurement Audit Office for periodic reviews of contract files to determine compliance with relevant FAR and VHA procurement manual requirements so corrective actions can be considered. The OIG prompts VHA to assess whether the existing and planned information systems could have the

⁴ VHA Procurement Manual, part 804.804-1, sec. 9, "Attachment 3: Contract Completion Statement," January 29, 2019.

functionality to allow effective and routine monitoring of contractors' PIV cards or whether a new system is needed. VHA is encouraged to assess whether contracting officers should be required to include the contractor-provided list as an explicit requirement in all contracts that issue PIV cards to contractors. Although the reviewed contracts did include requirements for the contractor to account for issued PIV cards, none of the contracts identified the contractor employee list as an explicit requirement. The OIG also recommended procedures be established to ensure contracting officers include FAR clause 52.204-9, "Personal Identity Verification of Contractor Personnel," in contracts when required. Lastly, the OIG recommended considering directing contracting officers to delay final payment to contractors on future contracts until all PIV cards are returned.

Management Comments and OIG Response

While the acting under secretary agreed with the OIG's findings, he did not concur with many of the OIG's recommendations on the basis that VHA is not the appropriate responsible office to establish PIV-related roles, responsibilities, and processes for the department's contracting officers. Specifically, the acting under secretary concurred with recommendation 5; concurred in principle with recommendations 4 and 10; and nonconcurred with recommendations 1 through 3 and 6 through 9. Appendix C includes the full text of VHA's comments. The OIG disagrees and believes that its recommendations fall within VHA's purview for action.

In the event the contractor fails to return PIV cards, the FAR requires the contracting officer to verify that the contractor complied with the terms of the contract, including the FAR clause governing the return of PIV cards issued to contractor employees. Additionally, the FAR provides contracting officers with the authority to delay final payment to contractors in the event such PIV cards are not returned. The VHA procurement manual in effect at the time of the OIG's review embraced the contracting officer's responsibility for ensuring the return of all government-issued identification.

During the exit conference, the executive director, VHA Office of Procurement, informed the OIG that if the VHA procurement manual requirements were used as the basis of this report he would remove the reference. After the OIG issued the draft report for comment, which detailed FAR and VHA procurement manual requirements for contracting officers to ensure government-provided identification is returned at contract completion, VHA revised its procurement manual and removed contracting officer responsibilities related to PIV card accountability and retrieval. Despite the removal of these responsibilities from its procurement manual, the FAR requires contracting officers to ensure contractors comply with all terms of the contract, including the return of PIV cards, and expressly authorizes contracting officers to delay final payment in the event such cards are not returned. Without knowledge or oversight of whether PIV cards are returned, contracting officers cannot make this determination. Accordingly, the OIG's recommendations are specific to VHA and fall squarely within its purview of action. Rather than make improvements to its processes, VHA's deflection of responsibility and removal of

contracting officer responsibilities related to PIV cards from its procurement manual only serves to exacerbate the issues identified in this report.

Where the acting under secretary concurred or concurred in principle, the OIG found the action plan for recommendation 4 was not responsive since it did not address the intent of the recommendation. The action plans for recommendations 5 and 10 were responsive.

For recommendations 4, 5, and 10, the OIG will close the recommendations when the OIG receives sufficient evidence showing progress in addressing the intent of the recommendation and issues identified.

The remaining recommendations remain open and the OIG encourages VHA to take immediate action to mitigate the potential for unauthorized access to VA facilities and systems.



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Abbreviations

COR	contracting officer's representative
eCMS	Electronic Contract Management System
eCOR	Electronic Contracting Officers Representative
FAR	Federal Acquisition Regulation
GAO	Government Accountability Office
GSA	General Services Administration
IT	information technology
OIG	Office of Inspector General
PIV	personal identity verification
RPO	regional procurement office
VHA	Veterans Health Administration



Introduction

VA provides contractor employees with security cards that have embedded chips programmed to provide the authorized holder with access to both information technology (IT) systems and to physical offices and facilities.⁵ Cardholders are instructed to carefully guard these credentials and return them at the end of employment or contract work.⁶ Unauthorized and undetected access of individuals to VA facilities and information systems using personal identity verification (PIV) cards that should have been returned poses risks to veterans, visitors, VA staff, and contractors. Specifically, it creates

- physical vulnerabilities by allowing unauthorized individuals access to facilities, and
- opportunities for individuals to compromise veterans' personal data, increasing risks for identity theft for personal profit and medical identity theft to access treatment, medications, or other gains.⁷

The VA Office of Inspector General (OIG) conducted this review to determine whether Veterans Health Administration (VHA) contracting officers complied with federal regulations and VHA requirements to ensure contractors account for and return contractor employee PIV cards. The review team evaluated whether VHA met Federal Acquisition Regulation (FAR) and VHA procurement manual requirements.

VHA Procurement and Logistics Office

VHA is America's largest integrated healthcare system, serving more than nine million enrolled veterans who can receive care through 1,255 healthcare facilities, including 170 medical centers

⁵ "Introduction—PIV Guides," General Services Administration, accessed August 17, 2020, <https://piv.idmanagement.gov/>. "A Personal Identity Verification (PIV) credential is a US Federal governmentwide credential used to access Federally controlled facilities and information systems at the appropriate security level. PIV credentials have certificates and key pairs, pin numbers, biometrics like fingerprints and pictures, and other unique identifiers. When put together into a PIV credential, it provides the capability to implement multi-factor authentication for networks, applications, and buildings."

⁶ VA Handbook 0735, Homeland Security Presidential Directive 12 (HSPD-12) Program, March 24, 2014.

⁷ "Identity Theft," Department of Justice, accessed April 14, 2020, <https://www.justice.gov/criminal-fraud/identity-theft/identity-theft-and-identity-fraud>. Identity theft occurs when someone wrongfully obtains and uses another person's personal information. Identity theft involves fraud or deception for economic gain and includes crimes such as fraudulent withdrawals from bank accounts and false applications for loans and credit cards. "Medical Identity Theft: FAQs for Health Care Providers and Health Plans," Federal Trade Commission, accessed April 14, 2020, <https://www.ftc.gov/tips-advice/business-center/guidance/medical-identity-theft-faqs-health-care-providers-health-plans>. Medical identity theft occurs when an unauthorized person obtains personal information and uses it to obtain medical treatment, prescription drugs, or surgery. Medical identity theft can also include using personal information to submit false bills to insurers.

and 1,074 outpatient sites.⁸ VHA's Procurement and Logistics Office, through its Office of Procurement, provides contracting support for purchasing healthcare services and products. This is accomplished through a contracting staff of about 2,700 personnel with annual expenditures of over \$15 billion, making it one of the largest acquisition activities within the federal government.⁹

Office of Procurement Organizational Structure

The Office of Procurement provides local, regional, and national acquisition support services through its regional procurement offices (RPO). The RPOs are divided into three regions: central, east, and west. Each region is further subdivided into network contracting offices. Each network contracting office uses a standard organizational structure to optimize operational efficiency, improve quality, lower costs, and improve customer satisfaction. Branch chiefs have direct supervisory oversight of contracting officers. Branch chiefs report to division chiefs who report to the director of contracting of each network contracting office.¹⁰ The director of contracting reports to the executive director at each RPO. The executive director at each RPO reports to the executive director at the Office of Procurement. See figure 1 for an illustration of the Office of Procurement hierarchy.

⁸ "Providing Health Care for Veterans," VHA, accessed January 16, 2020, <https://www.va.gov/health/aboutVHA.asp>.

⁹ "Who We Are," VHA Procurement and Logistics Office, accessed September 4, 2019, <https://www.va.gov/plo/>.

¹⁰ VHA Procurement Manual, part 801.304-2, "Ideal Organization SOP," February 17, 2015.



Figure 1. *Office of Procurement hierarchy.*

Source: VA OIG analysis of VHA Office of Procurement documents.

PIV Cards

PIV cards were established by presidential directive in August 2004. The directive created a government-wide policy to enhance security, increase efficiency, reduce identity fraud, and protect personal privacy by establishing a mandatory standard for secure and reliable identification for government and contractor employees.¹¹ See figure 2 for an example of a contractor employee PIV card.

¹¹ Department of Homeland Security, *Homeland Security Presidential Directive 12: Policy for a Common Identification Standard for Federal Employees and Contractors*, August 27, 2004.

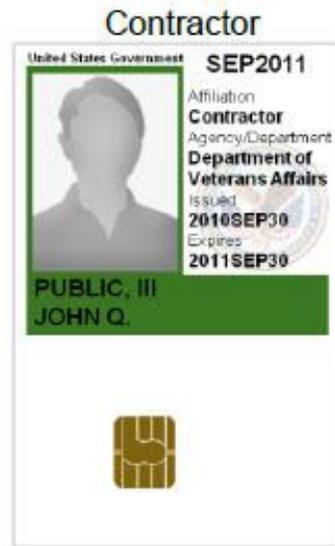


Figure 2. PIV card example.

Source: VA Handbook 0735,
Homeland Security Presidential
Directive 12 (HSPD-12) Program,
app. E, “PIV Credential
Topologies,” March 24, 2014.

PIV cards verify the identity of individuals seeking physical access to federally controlled government facilities and provide logical access to government information systems.¹²

Authorized individuals issued VA PIV cards are granted certain physical or logical access to VA facilities and information systems. This authorized access can include physical access to restricted or unrestricted areas within a VA facility that may or may not be controlled by locks, card readers, guards, or other security devices.¹³ While some VA facilities, to include community-based outpatient clinics and medical centers, are open to the general public and veterans, certain areas in these facilities are restricted and require a PIV card to access. For example, PIV cards are typically required to access IT data centers, server rooms, pharmacy drug storage, and radiation centers. Further, a PIV card may give individuals logical access to an automated system such as a workstation, network, application, or database that may contain veterans' personal information.¹⁴

¹² National Institute of Standards and Technology, “Personal Identity Verification (PIV) of Federal Employees and Contractors,” *Federal Information Processing Standards Publications (FIPS PUB) 201-2*, Department of Commerce, August 2013.

¹³ VA Handbook 0735.

¹⁴ VA Handbook 0735.

FAR Requirements

The Federal Acquisition Regulatory Council provides assistance in the direction and coordination of government-wide procurement policy and regulatory activities.¹⁵ In December 2010, the council issued a final rule to amend requirements in the FAR, to include providing additional regulatory coverage to reinforce the requirement of collecting all forms of government-provided identification.¹⁶ According to the rule, if the contractor fails to retrieve and return PIV cards as its employees leave or at contract completion and the contracting officer does not follow up, then the contracting officer must reconcile the matter at contract closeout.

Contracting officers are responsible for ensuring the performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships.¹⁷ When contract performance requires contractors to have routine physical access to a federally controlled facility or routine access to a federally controlled information system, contracting officers are required to insert a clause into the contract related to accounting for PIV cards issued to contractor employees.¹⁸ This clause requires contractors to comply with agency procedures and account for all forms of government-provided identification issued to its employees in connection with performance under the contract. Contractors must return such identification when no longer needed for contract performance, upon completion of the contractor employee's employment, or upon contract completion or termination, whichever occurs first. In the event the contractor fails to comply with these requirements, the FAR authorizes the contracting officer to enforce this clause of the contract by delaying final payment to the contractor.¹⁹ Given this explicitly designated enforcement authority, it is the responsibility of contracting officers to ensure that all identification issued to contractor employees is returned.

VHA Procurement Manual Requirements

The VHA procurement manual provides uniform internal operating acquisition procedures that implement the FAR and other statutory laws and regulations. The procurement manual establishes a set of procedures for procuring goods and services on behalf of VHA and identifies the roles and responsibilities for all contracting officials involved in the procurement process. According to the VHA procurement manual, all contracting officials, including contracting

¹⁵ 41 U.S.C. § 1302.

¹⁶ Personal Identity Verification of Contractor Personnel, 75 Fed. Reg. 82,575, 82,576 (December 30, 2010) (to be codified at 48 C.F.R. pt. 4 and 52).

¹⁷ FAR 1.602-2.

¹⁸ FAR 4.1303.

¹⁹ FAR 52.204-9.

officers and contracting officer's representatives (COR), should follow the applicable procurement processes outlined in the VHA procurement manual.²⁰

The VHA procurement manual embraces the principle that contracting officers are ultimately responsible for ensuring all PIV cards issued to contractor employees are returned. The procurement manual's contract closeout standard operating procedures require contracting officers to ensure: (1) contractors provide a list of all government-provided identification issued to contractor employees in connection with performance under the contract, and (2) contractors return all identification listed to the issuing or designated office. If a contractor fails to return all identification, the procedures reference the FAR's provision of enforcement authority to contracting officers to delay final payment.²¹

Lastly, the VHA procurement manual establishes that when contracting officials determine a deviation from the procurement manual is necessary or desirable, they must be granted a temporary deviation from the head of contract activity or their delegate.

VHA PIV Card Process for Employees and Contractors

According to the VA handbook, PIV cards are issued to employees, contractors, and affiliates, including foreign nationals, who have verified need to access VA facilities and information systems for more than 180 consecutive or aggregate days in a 365 day period.²² As of December 2019, VA had 31,289 active contractor employee PIV cards. The VHA contractor employee PIV card process life cycle has four stages and includes tasks that occur during contract planning, contract post-award, contract administration, and contract closeout.

²⁰ VHA Procurement Manual, part 801.101-2, sec. 3, "Requirements," March 30, 2020.

²¹ VHA Procurement Manual, part 804.804-1, sec. 7, "Government-provided Identification," January 29, 2019.

²² VA Handbook 0735.

Contract Planning—PIV Card Determination

Figure 3 shows an overview of the steps during contract planning.



Figure 3. Overview of PIV card determination.

Source: VA OIG analysis.

During contract planning, the acquisition team determines whether contractor employees will require access to government facilities or information systems.²³ The acquisition team is comprised of a contracting officer, COR, program manager, privacy officer, and information security officer. If the acquisition team determines the contractor's performance requires routine access, the FAR requires the contracting officer to insert a specific clause about personal identity verification of contractor personnel in the solicitation and contract.²⁴ The clause directs the contractor to comply with agency procedures for PIV cards, account for PIV cards issued to contractor employees, and return all PIV cards to the issuing agency when the cards are no longer needed.²⁵

²³ VHA Procurement Manual, part 822.18, part A, sec. 1, sub. 1.1, "Acquisition Planning (Pre-Solicitation) Phase," June 19, 2017; VHA Procurement Manual, part 839.101-70, sec. 1, sub. 1.1, "Acquisition Planning (Pre-Solicitation) Phase," June 19, 2017. The acquisition team consists of the contracting officer, contracting officer's representative, and program manager. If information systems are involved, the privacy officer and information security officer are included in the acquisition team.

²⁴ FAR 4.1303.

²⁵ FAR 52.204-9.

Contract Post-Award—PIV Card Eligibility Determination and Issuance

Figure 4 provides an overview of the steps involved after the contract is awarded.



Figure 4. Overview of PIV card eligibility determination and issuance.

Source: VA OIG analysis.

After an award, the VHA procurement manual directs the contracting officer to provide the contractor with security request packets that must be completed to initiate the issuance of PIV cards.²⁶ When an employee's packet is completed, the contractor submits it to the VHA contracting officer or COR for processing.²⁷ After the packet is processed by the contracting officer or COR and the contractor employee is fingerprinted, the VHA Service Center adjudicates the fingerprints and conducts a background screening. The VA handbook indicates fingerprint adjudication for contractor employees can also be performed at the local facility by a trained adjudicator or the Security and Investigation Center where the same general process would be followed.²⁸

Upon completion of a background screening, the VHA Service Center forwards a "Fingerprint Check-National Criminal History Check Completion Notice" to the contracting officer. The notice indicates either a favorable or unfavorable screening decision for each contractor employee listed on the form.²⁹ The VHA Service Center then initiates a background check by entering the request in the VA Security and Investigation database.³⁰ After the Security and Investigation Center processes the request, the contractor employee receives an email to complete the electronic questionnaire for investigations processing.

²⁶ VHA Procurement Manual, part 822.18, part B, sec. 1, sub. 1.8, "Contract Administration (Post-Award) Phase," June 19, 2017.

²⁷ VHA Procurement Manual, "Contract Administration (Post-Award) Phase."

²⁸ VA Handbook 0710, Personnel Security and Suitability Program, May 2, 2016.

²⁹ VHA Procurement Manual, "Contract Administration (Post-Award) Phase."

³⁰ VHA Procurement Manual, part 822.18, part. B, sec. 1, sub. 10, "Background Investigations."

The contractor employee must complete the questionnaire within five days. If the questionnaire is not completed within the required time frame, the contracting officer notifies the contractor the employee is prohibited from working on the contract until the questionnaire is completed.³¹ Once information is transmitted to the Office of Personnel Management and the background check is scheduled or reciprocated, the contractor employee is sponsored for a PIV card.³² Once the PIV card is sponsored, the contractor employee is eligible to receive a card from the PIV office.³³

VA requires the COR to sponsor a contractor employee for PIV cards. The VA handbook indicates the sponsor notifies the contractor employee of all requirements for obtaining a PIV card, validates the contractor employee is performing work and has a need for access to VA facilities or systems, and assures the background investigation level selected is appropriate for the position.³⁴ The remainder of the PIV card issuance process is the same for contractor employees as for VA personnel. The contractor employee interacts with PIV card office staff within VA and is photographed.

VA uses the PIV Enrollment Portal to request a PIV card; however, VA is discontinuing the use of this portal and transitioning to a General Services Administration (GSA) system called USAccess. According to VA officials, there is no timeline for when the transition will occur. There is no indication that the new request system will help with monitoring and ensuring the return of contractor employee PIV cards. As discussed in more detail in this report, USAccess does not include functionality to track contractor employee PIV cards using a contract number.

Contract Administration—PIV Card Monitoring and Return

Figure 5 provides an overview of PIV card monitoring and return.

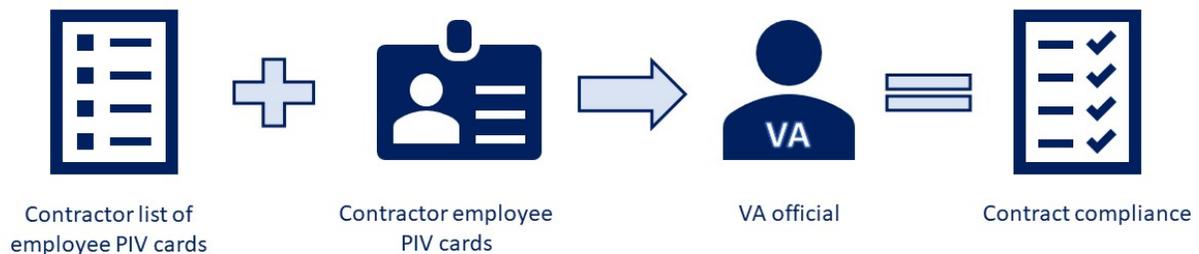


Figure 5. Overview of PIV card monitoring and return.
Source: VA OIG analysis.

³¹ VHA Procurement Manual, “Background Investigations.”

³² VHA Procurement Manual, part 822.18, part B, sec. 1, sub. 11, “PIV Badging.”

³³ VA Handbook 0735.

³⁴ VA Handbook 0735.

The FAR requires the contractor to account for all PIV cards issued to its employees and return all PIV cards when they are no longer needed for contract performance.³⁵ The VA handbook reiterates the requirement for the cardholder to return the PIV card when access to VA facilities or systems is no longer required or when a change in affiliation occurs.³⁶ PIV cards are to be returned to a human resources representative, designated/authorized supervisor, program coordinator, authorized administrator, or PIV card office.³⁷

If the contractor does not return the PIV cards issued to its employees, VA has remedies to mitigate unauthorized access. Specifically, PIV cards are required to either expire three years from the date of issuance or after the contract period of performance, whichever occurs first.³⁸ Also, PIV cards can be terminated electronically by the local PIV card offices, eliminating unauthorized access to VA systems.³⁹ However, if the cards are not returned and not electronically terminated, there is an increased risk of unauthorized system access in the VA. Specifically, a 2019 VA OIG audit identified that VA has recurring issues with individuals having unnecessary system privileges, excessive and unauthorized user accounts, accounts without formal access authorizations, and active accounts for terminated personnel.⁴⁰ Unless cards are returned and access is electronically terminated, unauthorized individuals with active PIV cards and active accounts could access veterans' information in VA systems and use it for nefarious purposes. Even unreturned PIV cards that have been electronically terminated significantly increase the risk for unauthorized physical access to areas of VA facilities that allow individuals to show their PIV cards to guards to gain access. Therefore, it is essential that VA contracting officers comply with the requirement to ensure contractors' PIV cards are returned.

³⁵ FAR 52.204-9.

³⁶ VA Handbook 0735.

³⁷ VA Handbook 0735.

³⁸ VA Handbook 0735.

³⁹ VA Handbook 0735.

⁴⁰ VA OIG, *Federal Information Security Modernization Act Audit for Fiscal Year 2019*, Report No. 19-06935-96, March 31, 2020.

Contract Closeout—PIV Card Return Verification

Figure 6 provides an overview of the requirements for PIV card return verification.

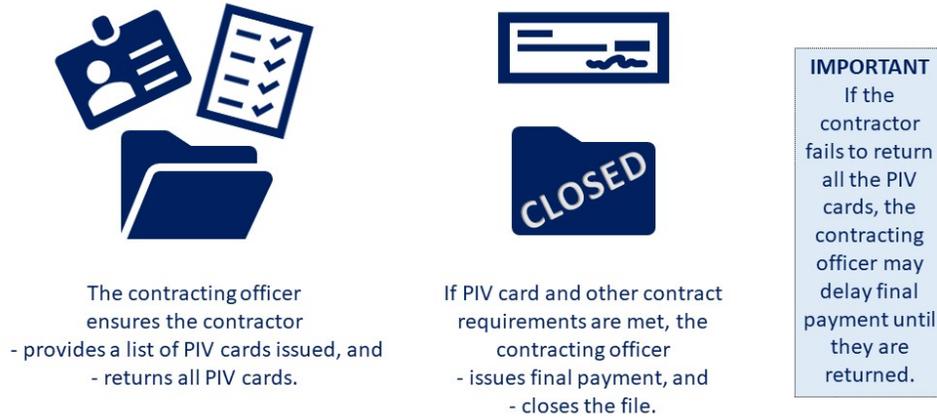


Figure 6. Overview of PIV card return verification.

Source: VA OIG analysis.

While there are other VA officials involved in the PIV card process and the contractor is responsible for accounting for and returning PIV cards, the FAR requires the contracting officer to verify the contractor complied with the terms of the agreement to include the FAR clause governing contractors' PIV cards.⁴¹ The VHA contracting officer does this by following the direction provided in the VHA procurement manual that requires the contracting officer to obtain a contractor-provided list of all PIV cards issued to contractor employees. The contracting officer must also confirm all PIV cards issued to the contractor employees were returned to the issuing or designated office.⁴² If the contracting officer finds the contractor failed to return all the PIV cards, final payment may be delayed until the PIV cards are returned.⁴³

⁴¹ FAR 1.602-2; FAR 4.1301.

⁴² FAR 1.602-2; FAR 4.1301; VHA Procurement Manual, "Government-provided Identification."

⁴³ FAR 52.204-9(c).

Results and Recommendations

Finding: VHA Could Not Ensure That PIV Cards Issued to Contractor Employees Were Returned When No Longer Required Due to Lack of Documentation

Contracting officers are ultimately responsible for ensuring all PIV cards issued to contractor employees are returned. This principle is embraced by the VHA procurement manual's contract closeout standard operating procedures, which establish that the contracting officer shall ensure the contractor provides a list of issued PIV cards and returns all PIV cards to the issuing or designated office. However, the review team found VHA contracting officers did not maintain adequate evidence to demonstrate compliance with PIV card requirements for contractor employees established in the FAR and VHA procurement manual. Specifically, the team reviewed 46 contracts with issued PIV cards and found VHA contracting officers did not have adequate evidence to support that contractors

- maintained a list of PIV cards issued to their employees, and
- returned PIV cards when the cards were no longer needed for contractor performance.

The review team sent a questionnaire to VHA contracting officials. Responses revealed that contracting officers were generally unaware of their responsibilities to ensure PIV cards were returned to VHA, and supervisors were not adequately overseeing or monitoring these contracting officers. As a result, it is extremely difficult to determine which contractor employees were issued PIV cards and whether their cards were returned when required. This increases the risk that unauthorized individuals could access VA facilities, potentially exposing the property, veterans, visitors, VA staff, and others to physical harm. In addition, veterans' personal information could be improperly accessed and stolen for personal profit or purposes or for medical identity theft to receive treatment, medications, or other gains. Even if the unauthorized access was detected, the misuse or distribution of veterans' personal information could have already occurred.

What the OIG Did

The review team identified a population of 406 closed professional service and healthcare resource contracts with contract end dates from July 1, 2018, through June 30, 2019. These agreements indicated that contractor employees needed access to government facilities or information systems and required background checks. An OIG statistician worked with the team to select a random sample of 46 contracts to review whether contracting officers ensured contractor compliance with PIV card requirements. Due to the lack of adequate documentation, the team was unable to determine the number of PIV cards issued to contractor employees during

the performance of the 46 contracts. Details on the review scope are included in appendix A and more information on the sampling methodology is provided in appendix B.

To determine whether PIV card requirements were met, the review team obtained and reviewed documentation from VA's Electronic Contract Management System (eCMS). The team used a questionnaire to request clarification and documentation to support that contractor lists were obtained and that PIV cards were retrieved. In addition, the team reviewed the VHA procurement manual and standardized position descriptions, performance plans, and VA systems to determine the extent of supervisory oversight and monitoring of contracting officers regarding PIV card requirements.

VHA Contracting Officers Did Not Maintain Lists of PIV Cards Issued to Contractor Employees

The VHA procurement manual embraces the FAR principle that contracting officers are ultimately responsible for ensuring the return of PIV cards. Specifically, the VHA procurement manual directs that contracting officers shall ensure the contractor provides a list of PIV cards issued.⁴⁴ However, the review team found VHA contracting officers did not maintain adequate evidence to support that contractors provided a list of PIV cards issued to contractor employees in any of the 46 contracts reviewed.

The FAR defines adequate evidence as information sufficient to support the reasonable belief that a particular act or omission has occurred.⁴⁵ Using the FAR's definition of adequate evidence, the review team used the following criteria to determine if any lists held by contracting officers were sufficient evidence that they complied with the PIV card list requirement for contractor employees. The list must: (1) be provided by the contractor, (2) include all employees who were issued PIV cards, and (3) be dated and obtained prior to the contract being closed. The team found that none of the contracting officers had a complete list of contractor employees who were issued PIV cards.

Although none of the contract files reviewed included a contractor-provided list of issued PIV cards, contracting officials provided the review team with a list of issued PIV cards for five contracts. However, for three of those contracts, the contracting officials obtained the lists from the contractors in response to the team's request and after the contracts were closed. For the other two contracts, the contracting officials submitted contractor-provided lists that were obtained prior to contract closeout. The team determined that the lists for these two contracts were inadequate because one list was actually submitted for a different contract and the other was not a complete list of PIV cards issued, as detailed in example 1.

⁴⁴ VHA Procurement Manual, "Government-provided Identification."

⁴⁵ FAR 2.101.

Example 1

A contractor provided a list of 40 key personnel who were to perform part of its healthcare resource contract proposal for the North Florida/South Georgia Veterans Healthcare System.⁴⁶ These key personnel were individuals the contractor proposed for use on the contract but were not the final selections to receive PIV cards. After the contract was signed, the contractor provided an updated list of 34 key personnel names and notified the contracting officer of ongoing hiring actions. Before closing out the contract, the contracting officer did not receive the required list of contractor employees who were issued PIV cards, which would demonstrate compliance with the FAR and VHA procurement manual requirement.

However, after the review team's October 2019 request for documentation and after the contract was closed, the contracting officer asked the contractor to provide a list of employees who were issued PIV cards during the performance of the contract. The contractor provided a spreadsheet with names it compiled from various records. Nineteen of those names did not appear on the updated key personnel list previously provided, and five listed personnel were never issued a PIV card as they did not complete the PIV card request process. Consequently, the OIG has no assurance that the updated information accurately captured all the contractor employees who were issued PIV cards for this contract. As a result, VHA was not compliant with the FAR and VHA procurement manual requirements.

Table 1 summarizes the evidence that contracting officials provided to the review team.

Table 1. Contractor-Provided List of Issued PIV Cards—Evidence Determination

Evidence determination	Number of contracts
No evidence provided	41
Inadequate evidence provided	5
Total	46

Source: VA OIG analysis of sampled contracts.

As mentioned previously, the review team's questionnaires revealed that contracting officers for all 46 contracts did not comply with the FAR and VHA requirements largely because they were unaware of the requirements and their responsibility to ensure the contractor-provided list was

⁴⁶ VA contract VA248-17-C-0127.

obtained prior to closeout. For example, one contracting officer stated he did not have a contractor-provided list of all PIV cards issued to the contractor employees because he was not aware the list was a mandatory requirement.

Contracting officials for 18 of the contracts asserted that obtaining and maintaining the list of contractor employees who were issued PIV cards was the responsibility of either the COR or the facility. For example, according to one contracting official the COR was supposed to maintain adequate evidence regarding the PIV cards for contractor employees. While contracting officers can delegate certain duties to CORs using letters of delegation, duties related to contractor employees PIV cards were not discussed in the delegation letters for the reviewed contracts.⁴⁷ A COR's duties are further described in the COR responsibility matrix, which outlines contract administration duties the COR may be required to perform.⁴⁸ However, the matrix does not discuss administrative duties related to contractor employee PIV cards. Accordingly, when contracting officers do not specifically delegate the duties for PIV card monitoring and return to CORs, the contracting officer retains those duties.

Although there are other VA officials involved in the PIV card process, the FAR requires that contracting officers ensure the contractor complies with the terms of the contract.⁴⁹ At contract closeout, contracting officers are required by the VHA procurement manual to ensure contractors provide a list of employees who were issued PIV cards.⁵⁰ Therefore, it is the contracting officers' responsibility to ensure the list is obtained. The complete list of contractor employees with issued PIV cards is essential in reducing the risk of unauthorized access to VA facilities and veterans' information. Without an accurate and complete list, VHA is significantly hindered from determining which contractor employees were issued PIV cards and whether the PIV cards were returned.

VHA Contracting Officers Did Not Have Adequate Evidence to Demonstrate Contractors Returned PIV Cards

As previously stated, contracting officers are ultimately responsible for ensuring all PIV cards issued to contractor employees are returned. Accordingly, the VHA procurement manual directs that contracting officers shall ensure the contractor returns all PIV cards to the issuing office.⁵¹

⁴⁷ FAR 1.602-2(d). A COR letter of delegation (1) describes the COR's duties and responsibilities; (2) specifies the extent of the COR's authority to act on behalf of the contracting officer; and (3) identifies the limitations of the COR's authority.

⁴⁸ VHA Procurement Manual, part 801.603-70, attach. B, "Contracting Officer's Representative (COR) Responsibility Matrix," March 11, 2019.

⁴⁹ FAR 1.602-2.

⁵⁰ VHA Procurement Manual, "Government-provided Identification."

⁵¹ VHA Procurement Manual, "Government-provided Identification."

However, in all reviewed contracts, the review team found VHA contracting officers lacked evidence prior to contract closeout to substantiate that all issued PIV cards were returned.

Based on governing authorities, the review team determined adequate evidence to demonstrate compliance with requirements for the return of PIV cards would meet the following criteria:

1. provided by the contractor, VA PIV office, or security offices
2. dated and obtained prior to the contract being closed
3. demonstrated the PIV cards were returned

None of the 46 contract files reviewed included adequate evidence to demonstrate that all PIV cards were returned. The review team found that 37 of the files had no evidence at all, while contracting officials for nine of the contracts attempted to provide some evidence to demonstrate compliance with this requirement following the team's request. Of the nine contracts with some evidence, five of the contracts were inadequate for several reasons. For one contract, the contracting official submitted evidence for a PIV card not associated with the contract under review. For a second contract, the contracting official submitted information from the COR with no supporting documentation from the contractor, VA PIV office, or security office. For three more contracts, contracting officials submitted documentation confirming the return of some, but not all, PIV cards.

The remaining four contracts had adequate evidence to support that the employees who were issued PIV cards returned those cards. However, without the contractor-provided list, the team was unable to determine whether any additional PIV cards were issued and not returned. Moreover, the contracting officials for the four contracts obtained the evidence after the contract was closed, in violation of the FAR and VHA procurement manual requirements. Table 2 summarizes the information regarding the evidence provided by the contracting officials.

**Table 2. Return of Contractor-Employee
PIV Cards—Evidence Determination**

Evidence determination	Number of contracts
No evidence	37
Inadequate evidence	5
Potentially adequate evidence, but evidence obtained only after team's request and after contract closeout	4
Total	46

Source: VA OIG analysis of sampled contracts.

Contracting officials again cited a lack of awareness as contributing to their noncompliance with the FAR and VHA requirements. Questionnaires used by the review team disclosed contracting

officers were unaware of the requirements and their responsibility to ensure the PIV cards were returned. One contracting official instructed the contractor to either destroy the PIV cards or return the PIV cards to the appropriate office. However, he did not maintain evidence to support the cards were destroyed or returned.

Contracting officials for 24 of the contracts also mistakenly asserted the COR or facility was responsible for documenting the return of listed PIV cards prior to contract closeout. For example, one contracting official indicated the COR did not maintain documentation or provide evidence that the contractor employee PIV cards were returned. The contracting officer stated that the COR retrieved the expired PIV cards from the individual physicians on their last day of work. The contracting officer also asserted that it is reasonable to rely upon the COR to perform duties such as retrieving PIV cards.

However, as discussed previously, the COR was not delegated PIV card duties or the specific duty to confirm the contractor returned all listed PIV cards.⁵² When contracting officers do not confirm contractor employee PIV cards are returned prior to contract closeout, VHA lacks assurance that those facing the end of their employment or end of the contract are returning PIV cards in a timely manner to avoid the risks associated with unauthorized access to facilities and those posed by information system incursions or improper disclosures.

VHA Oversight and Monitoring of Contracting Officers Was Inadequate

The Office of Management and Budget requires management personnel to use the Government Accountability Office *Standards for Internal Control* as a framework for designing, implementing, and operating an effective internal control system. Internal controls are created to provide reasonable assurance that government officials comply with applicable laws and regulations.⁵³

Management officials should design internal controls to achieve their objectives and mitigate risks that could adversely affect the organization's mission. The controls can include policies for implementation of controls, reviews performed at the functional level to compare the actual performance to planned or expected results, and qualified and continuous supervision.⁵⁴

⁵² As stated earlier, the OIG determined the contracting officer did not delegate responsibility to the COR to ensure contractor compliance with PIV card requirements. Therefore, the contracting officer retained those duties.

⁵³ Office of Management and Budget, Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control," July 15, 2016.

⁵⁴ Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014.

The review team found that VHA lacked adequate internal controls to monitor whether contracting officers complied with the PIV card requirements for contractor employees established in the FAR and VHA procurement manual. Specifically,

- VHA did not have policies or procedures detailing supervisory oversight of contracting officers' duties regarding PIV cards,
- VHA's internal audit office did not review compliance with PIV card requirements, and
- VHA did not have an automated tool for continuous tracking and monitoring of PIV cards issued to contractor employees.

VHA Did Not Establish Policies for Supervisory Oversight of Contracting Officers Related to Contractors' PIV Card Returns

Management should use policies to document the responsibility and implementation of internal controls. The policies should also include the appropriate level of detail to allow for effective monitoring and control.⁵⁵ According to VHA officials, their oversight to ensure that contracting officers are meeting PIV card requirements was established through standardized position descriptions and performance plans. However, these documents are broadly worded and do not describe a supervisor's responsibility to oversee contracting officers' compliance with specific requirements in the FAR and VHA procurement manual.

Although supervisory responsibility for oversight is not outlined in the VHA procurement manual, contracting officers are required to prepare and upload a contract completion statement to the official file prior to closing the contract.⁵⁶ The contract completion statement indicates the contracting officer completed all necessary actions required for closeout. Contracting officers are responsible for ensuring PIV card requirements for contractor employees are met prior to closeout. However, the contract completion statement does not specifically address contractor-related PIV card requirements and does not require supervisory review. Proper controls and adequate supervisory oversight of contracting officers will help ensure compliance with federal and VHA PIV card requirements.

VHA Internal Audit Office Did Not Monitor Contracting Officer Compliance with Requirements

As part of its monitoring activities, VHA established the Procurement Audit Office in March 2010 to perform internal audits. This office is responsible for monitoring and reporting on the compliance of VHA contracting organizations and the systematic review of contracting operations to improve performance. According to VHA officials, senior management and

⁵⁵ GAO, *Standards for Internal Control in the Federal Government*.

⁵⁶ VHA Procurement Manual, attach. 3, "Contract Completion Statement."

organizational needs determine the reviews performed by the audit office. At the time of the OIG's review, officials stated the office had not been assigned or performed any reviews of the return of PIV cards issued to contractors' employees. In addition, VHA officials stated the RPOs and network contracting offices do not have policies or procedures for reviewing the return of these PIV cards.

VHA Did Not Have Automated Tools for Ongoing Monitoring

Automated systems could assist in providing ongoing monitoring and ensuring compliance with PIV card requirements for contractor employees. The review team identified several existing and planned VA systems that capture contractor employee PIV card information. The systems reviewed included eCMS, Electronic Contracting Officers Representative (eCOR), VA PIV Enrollment Portal, USAccess (used by other federal agencies and the anticipated next system), and an Onboarding/Offboarding Service system.

Contracting officials are required to use eCMS and eCOR to store and maintain all required documents for contract actions. However, these systems do not track contractor employee PIV cards and whether those PIV cards were returned when required. VA's PIV Enrollment Portal is used to manage the life cycle of PIV cards, including issuance and termination. However, the portal does not associate the PIV cards issued to contractor employees with their related contract number.

VA is transitioning from the PIV Enrollment Portal to USAccess.⁵⁷ This shared service tool is used by more than 110 federal agencies to issue and terminate PIV cards. There is no indication that using USAccess will help VA monitor contractor employee PIV cards because the contract number field in USAccess is not mandatory and cannot capture multiple contract numbers if necessary. VA is also planning a centralized Onboarding/Offboarding Service to automate processes for various onboarding, monitoring, and departing VA employees and contractor employees. However, according to VA officials, the system will not be an authoritative system for PIV cards or contract information. In addition, VA officials stated the system is in preproduction with no set date for release.

Although relevant information is captured in some of VA's systems, there is not an effective mechanism to monitor contractor employee PIV cards from issuance until return.

Other Federal Agencies—GSA Monitoring of Contractors' PIV Cards

Ensuring the return of PIV cards is not only an issue at VA. A March 2016 GSA report identified similar problems with GSA's contractor employee PIV cards.⁵⁸ As a result of that review, GSA

⁵⁷ VA does not have a timeline for the transition from the PIV Enrollment Portal to USAccess.

⁵⁸ GSA OIG, *GSA Facilities at Risk: Security Vulnerabilities Found in GSA's Management of Contractor HSPD-12 PIV Cards*, Report No. JE16-002, March 30, 2016.

updated its Credential and Identity Management System to provide authoritative information on employees, work locations, and PIV cards. It streamlines the management and tracking of the background investigation and PIV card process and serves as a repository for GSA employee and contractor employee information. According to GSA officials, the system is used as a tool for tracking which contractor employees are cardholders and their issued PIV cards. GSA officials stated the system has different functions that include automated notification to contracting officials when the contract is ending and auditing capabilities.

VHA should assess whether its existing or planned systems have the functionality to allow management officials to monitor contractor employee PIV cards effectively and routinely. If VHA determines none of the systems provide or can be updated to include the necessary functionality, it should assess whether it should establish a system that allows for continuous monitoring of these PIV cards.

VHA Contracting Officers Did Not Include Requirement for Contractor-Provided List in Contracts

To comply with VHA's PIV card requirements, contracting officers must ensure the contractor provides a list of its employees who are issued PIV cards for the performance of the contract. The reviewed contracts included the requirement for the contractors to account for issued PIV cards; however, none of the contracts had an explicit requirement for the contractor to provide a list of recipients. If future contracts have an explicit requirement for the contractor to provide the list, contracting officers could emphasize the contractor's responsibility to provide the list during the post-award orientation.⁵⁹ In addition, the contracting officer would have been able to enforce the terms and conditions of the contract requiring the contractor to provide the list. VHA should assess whether it should require contracting officers to include the contractor-provided list as an explicit requirement in all contracts that issue PIV cards to contractor employees.

VHA Contracting Officers Did Not Delay Final Payments When PIV Cards Were Not Returned

Contracting officers are required to include the FAR clause that requires the contractor to account for all PIV cards issued to its employees in contracts when contractor employees require access to VA facilities and information systems.⁶⁰ Contracting officers have the authority to delay final payment for a contract if the contractor fails to return all contractor employee PIV

⁵⁹ The post-award orientation serves as a substantive review of the contract terms and conditions prior to contractor work performance.

⁶⁰ FAR 4.1303, 52.204-9.

cards.⁶¹ However, in the cases assessed by the review team, VHA contracting officers did not delay final payments when the cards were not returned.

The review team found that 39 of the 46 contracts reviewed had the required clause. The FAR clause was not included in the remaining seven contracts because the respective contracting officers

- incorrectly assumed that the clause was included in four of the contracts,
- made an omission error in one contract,
- did not cite the clause correctly in one contract, and
- did not include the terms and conditions in one contract.

Had contracting officers been aware they were required to recover the PIV cards, they could have used the clause to withhold final payment until the cards were returned.

Conclusion

For all 46 contracts reviewed, VHA could not provide adequate documentation of an accurate and complete contractor-provided list of issued PIV cards, nor could it demonstrate all PIV cards were returned when required. To mitigate the risk of unauthorized individuals having improper access to VA facilities and information systems, VHA must ensure contracting officers fulfill their roles and responsibilities. VHA's contracting staff must be held accountable for meeting PIV card requirements for contractor employees and should also be supported with effective tools. VHA also needs to develop policies and procedures outlining its oversight of contracting officers to ensure compliance with FAR and VHA requirements. The recommendations proposed by the OIG are meant to better safeguard VA property and systems and to help VHA strengthen protections for veterans, facility visitors, VHA staff, and contractors.

Recommendations 1–10

The OIG recommended the acting under secretary for health collaborate, as necessary, with other offices within VA that have responsibilities regarding personal identity verification cards to take the following actions:

1. Ensure contracting officers obtain and maintain evidence of contractor-provided lists of all personal identity verification cards issued to contractor employees.
2. Ensure contracting officers maintain evidence documenting personal identity verification cards were returned to the issuing or designated office when the cards were no longer required and prior to closing the contract.

⁶¹ FAR 52.204-9.

3. Evaluate the role of contracting officer's representatives in the personal identity verification card process for contractor employees and assess whether updates to their letter of delegation and standard operating procedures are necessary.
4. Establish policies and procedures outlining specific supervisory responsibilities for contracting officer oversight in accordance with the Government Accountability Office *Standards for Internal Controls in the Federal Government*.⁶²
5. Assess the contract completion statement template to determine whether to include the contractor-related personal identity verification card requirements.
6. Establish procedures within the Procurement Audit Office for periodic reviews of contract files to determine compliance with the personal identity verification card requirements established in the Federal Acquisition Regulation and the Veterans Health Administration procurement manual. Further, require the results of these reviews to be reported to senior management to help determine whether corrective actions are required.
7. Determine whether existing or planned systems can have the functionality to allow management to effectively and routinely monitor contractor employee personal identity verification cards or whether a new system should be established.
8. Assess whether contracting officers should be required to include the contractor-provided list as an explicit requirement in all Veterans Health Administration contracts that require issuance of personal identity verification cards to contractor employees.
9. Establish procedures to ensure contracting officers include Federal Acquisition Regulation clause 52.204-9, "Personal Identity Verification of Contractor Personnel," in contracts when required.
10. Consider directing contracting officers to delay final payment to contractors on future contracts until all personal identity verification cards have been returned.

VA Management Comments

The acting under secretary for health agreed with OIG's findings, but nonconcurred with seven of the 10 recommendations, stating that VHA was not the appropriate responsible office for implementing the recommendations. The acting under secretary concurred with recommendation 5; concurred in principle with recommendations 4 and 10; and nonconcurred with recommendations 1 through 3 and 6 through 9.

⁶² GAO, *Standards for Internal Control in the Federal Government*.

For recommendation 4, the acting under secretary concurred in principle and stated VHA is adhering to Office of Personnel Management policies and will evaluate performance plans for supervisors to determine whether additional standards need to be added.

For recommendation 5, the acting under secretary concurred and stated VHA assessed the contract completion statement template and determined it would not alter the template to include the contractor-related personal identity verification card requirement.

For recommendation 10, the acting under secretary concurred in principle and stated the VHA Office of Procurement and Logistics will remind contracting officers to comply with the authorities in FAR 52.204-9, which includes a decision to consider delaying payment on contracts if the contractor does not comply with requirements to return personal identity verification cards.

OIG Response

The OIG's review focused on whether VHA contracting officers ensured that contractors accounted for and returned their PIV cards as required by the FAR and the VHA procurement manual in effect at the time of our review. As detailed in this report, the OIG found that VHA's contracting officers did not always comply with these requirements and recommended that VHA take corrective action. As noted above, the acting under secretary for health agreed with the report's findings, but did not concur with many of the OIG's recommendations on the basis that VHA is not the appropriate responsible office to establish PIV-related roles, responsibilities, and processes for the department's contracting officers.

The OIG acknowledges that VHA cannot establish department-wide policy and did not recommend that VHA undertake this endeavor. Rather, the OIG's recommendations are specific to VHA and fall squarely within its purview for action. By way of example, recommendation 2 simply states that VHA is to "ensure contracting officers maintain evidence documenting personal identity verification cards were returned..." This is a specific recommendation of documentation that is directly within VHA's purview, is straightforward, and moves towards FAR compliance. Similarly, recommendation 3 recommends assessing whether updates to letters of delegation and standard operating procedures are necessary. Again, a straightforward recommendation within VHA's purview and moving towards FAR compliance.

In the event the contractor fails to return PIV cards, the FAR requires the contracting officer to verify that the contractor complied with the terms of the contract, including the FAR clause governing the return of PIV cards issued to contractor employees. Additionally, the FAR provides contracting officers with the authority to delay final payment to contractors in the event such PIV cards are not returned. The VHA procurement manual in effect at the time of the OIG's review embraced the contracting officer's responsibility for ensuring the return of all government-issued identification.

During the exit conference, the executive director, VHA Office of Procurement, informed the OIG that if the VHA procurement manual requirements were used as the basis of this report he would remove the reference. After the OIG issued the report for comment, which detailed FAR and VHA procurement manual requirements for contracting officers to ensure government-provided identification is returned at contract completion, VHA revised its procurement manual and removed contracting officer responsibilities related to PIV card accountability and retrieval. Despite the removal of these responsibilities from its procurement manual, the FAR requires contracting officers to ensure contractors comply with all terms of the contract, including the return of PIV cards, and expressly authorizes contracting officers to delay final payment in the event such cards are not returned. Without knowledge or oversight of whether PIV cards are returned, contracting officers cannot make this determination. Rather than make improvements to its processes, VHA's deflection of responsibility and removal of contracting officer responsibilities related to PIV cards from its procurement manual only serves to exacerbate the issues identified in this report.

Where the acting under secretary for health concurred or concurred in principle, the OIG found the action plan for recommendation 4 was not responsive since it did not address the intent of the recommendation nor the issues identified in this report. The action plans for recommendations 5 and 10 were responsive.

In recommendation 4, the OIG recommended VHA establish policies and procedures outlining specific supervisory responsibilities for contracting officer oversight in accordance with Government Accountability Office *Standards for Internal Control*. The acting under secretary for health stated VHA would not establish unique policies and procedures outlining specific supervisory responsibilities for contracting officer oversight because supervisory controls are established through the Office of Personnel Management policy. Instead, VHA will evaluate performance plans for supervisors to determine whether additional standards need to be added.

Again, the OIG found VHA did not have adequate internal controls to monitor whether contracting officers performed their responsibilities to ensure PIV card requirements were met. The acting under secretary for health's proposed action plan for recommendation 4 to evaluate performance plans does not meet the intent of the OIG's recommendation, nor does it address the issues identified in this report. Therefore, the OIG recommends the acting under secretary for health reconsider his action plan to better address the intent and issues identified in this report.

The acting under secretary for health requested the OIG close recommendation 5. Although the acting under secretary stated actions were taken to address this recommendation, evidence to support this statement was not provided. The OIG will close this recommendation when sufficient evidence has been provided to demonstrate corrective action has been implemented.

The OIG will monitor implementation of the action plan for recommendation 10 and will close this recommendation when the OIG receives sufficient evidence demonstrating progress in addressing the intent of the recommendation and the issue identified.

Appendix A: Scope and Methodology

The OIG conducted its review work from October 2019 through July 2020. The review evaluated whether VHA contracting officers complied with the FAR and VHA procurement manual to ensure PIV cards issued to contractor employees were returned.

Methodology

The review team identified and reviewed the FAR, National Institute of Standards and Technology Federal Information Processing Standards Publications, VA policies, and VHA policies related to contractors' return of PIV cards and supervisory oversight of contracting officers. The team also identified and reviewed standardized position descriptions and performance plans related to supervisory oversight of contracting officers and contractor return of PIV cards. The team reviewed and interviewed VHA contracting officials regarding internal audits and the use of systems for ongoing monitoring of contracting officers' compliance with PIV card requirements.

An OIG statistician worked with the review team to select a statistical sample of 46 closed VHA contracts with contract end dates from July 1, 2018, through June 30, 2019. The team reviewed those contracts and eCMS for relevant documentation and requested additional evidence from VHA contracting officers to determine whether they complied with FAR and VHA procurement manual requirements regarding the return of contractor employees' PIV cards.

The review team also conducted site visits at the Minneapolis VA Medical Center in Minnesota and VHA Service Center located in Independence, Ohio, for a walk-through of the PIV card process. While there, the team conducted interviews with facility security officials, contracting officials, CORs, and personnel security specialists.

Internal Controls

The team reviewed internal controls to determine whether they ensured contracting officers were meeting PIV card requirements. Specifically, the team reviewed whether VHA management

- designed control activities to achieve objectives and respond to risks, and
- implemented control activities through policies.

The review team found VHA had controls for overseeing contracting officers. However, the controls were broadly worded and did not describe supervisory responsibility for oversight of contracting officers for PIV card requirements. In addition, the controls were established through standardized position descriptions and performance plans rather than through policies or procedures. The team also found inadequate monitoring activities. Specifically, the VHA

Procurement Audit Office did not perform reviews of contract PIV card requirements and VHA did not have a system to provide routine monitoring.

Fraud Assessment

The review team assessed the risk that fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, significant within the context of the review objectives, could occur during this review. The team exercised due diligence in staying alert to any fraud indicators by

- conducting a fraud brainstorming session to discuss the potential for fraud, and
- reviewing the Department of Defense OIG fraud red flags and indicators to identify any applicable to this review.

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

Data Reliability

To generate a sample, the review team obtained a report from eCMS that contained a population of closed professional service and healthcare resource contracts with end dates from July 1, 2018, through June 30, 2019, that required contractor employees to have interim or routine access to VA facilities and systems and background investigations completed. Testing was performed on the data for validity by comparing the information in the report to information in eCMS. The team determined that the data were reliable to support its 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 B: Statistical Sampling Methodology

Approach

To accomplish the objective, the team reviewed a statistical sample of 53 closed contracts with contract end dates from July 1, 2018, through June 30, 2019, to determine whether VHA contracting officers complied with the FAR and VHA procurement manual for contractors' return of PIV cards. Of the 53 samples, seven were determined to be out of scope, resulting in 46 in-scope samples reviewed.

Population

The population included 406 closed professional service or healthcare resource contracts with contract end dates from July 1, 2018, through June 30, 2019. The contracts also indicated that contractors' employees needed routine or interim access to facilities or information systems and indicated background investigations were required.

Sampling Design

The review team selected a statistical sample of 53 contracts from the population of professional or healthcare resource contracts that indicated contractor employees needed routine or interim access to facilities or information systems and indicated background investigations were required. The sample was selected using a simple random sampling method with each contract in the universe having an equal probability of being selected. Any contracts found during testing to not require a PIV card or that did not have a PIV card issued were considered out of scope.

Table B.1 lists the selected contracts.

**Table B.1. Closed Contracts
Randomly Selected for Sample**

Sample number	Contract
1	VA262-15-J-6180
2	VA263-17-J-1033
3	VA260-17-C-0051
4	36C25618F5457
5	VA256-17-D-0072
6	VA255-18-J-5668
7	VA255-16-J-4814
8	VA248-17-C-0127
9	VA261-17-C-0168

Inadequate Oversight of Contractors' PIV Cards Puts
Veterans' Sensitive Information and Facility Security at Risk

Sample number	Contract
10	VA528-13-J-0998
11	VA263-17-C-0025
12	VA263-17-J-0501
13	VA249-18-D-9930
14	VA244-17-J-5852
15	VA261-15-J-3567
16	36C25518N1505
17	VA261-15-J-0086
18	VA248-13-C-0233
19	VA245-14-C-0078
20	VA249-14-C-0264
21	VA241-16-J-1867
22	36C25618D0029
23	36C25718F0108
24	VA261-17-P-2402
25	VA257-17-C-0140
26	VA257-17-F-0127
27	VA255-15-J-5151
28	VA241-15-C-0173
29	VA256-14-J-4115
30	VA260-17-C-0007
31	VA260-14-D-0015
32	VA69D-14-J-0759
33	VA242-17-F-0782
34	VA262-13-A-0063
35	VA256-14-F-0973
36	36C25018D0081
37	VA255-15-J-0702
38	VA262-17-J-3342
39	VA528-13-D-0096
40	VA241-16-C-0146
41	VA263-16-J-0672
42	36C24419N0018
43	VA528-13-D-0049

Sample number	Contract
44	36C25718N0540
45	VA241-17-J-2266
46	VA255-16-J-0446
47	VA255-18-J-5672
48	VA255-14-J-4694
49	VA255-13-J-4896
50	36C25518N0651
51	VA262-16-J-5935
52	36C24118N0931
53	VA251-13-C-0079

Source: VA OIG analysis of contracts.

Table B.2 shows the seven contracts that were out of scope and the reason replacements were needed.

Table B.2. Out-of-Scope Contracts

Sample number	Contract	Reason replacement needed
4	36C25618F5457	Did not meet time requirement for PIV card ⁶³
12	VA263-17-J-0501	Did not meet time requirement for PIV card
20	VA249-14-C-0264	Did not meet time requirement for PIV card
28	VA241-15-C-0173	Did not meet time requirement for PIV card
33	VA242-17-F-0782	Contract rescinded
42	36C24419N0018	Did not meet time requirement for PIV card
51	VA262-16-J-5935	Did not meet time requirement for PIV card

Source: VA OIG analysis of contracts and responses to questionnaire.

⁶³ PIV cards are required when contractor employees need access to government facilities or information systems for more than six months or 180 days total in a one-year period.

Appendix C: Management Comments

Department of Veterans Affairs Memorandum

Date: May 11, 2021

From: Acting Under Secretary for Health (10)

Subj: OIG Draft Report, Veterans Health Administration: Inadequate Oversight of Contractors' Personal Identity Verification Cards Puts Veterans' Sensitive Information and Facility Security at Risk (Project Number 2020-00345-AR-0001) (VIEWS 03990374)

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

1. Thank you for the opportunity to review and comment on the draft report, Veterans Health Administration: Inadequate Oversight of Contractors' Personal Identity Verification Cards Puts Veterans' Sensitive Information and Facility Security at Risk.

2. The Veterans Affairs (VA) appreciates OIG pointing out that not all contractors are returning their Personal Identity Verification Cards (PIV) cards at the time of project completion. The Veterans Health Administration's (VHA) Office of Procurement will ensure contracting officers remind contractors of their responsibility to return the PIV card through a written notification.

3. VA agrees with OIG's findings and is working diligently and collaboratively to improve oversight of contractor off-boarding and recovery of PIV cards. These efforts will be built into agency-wide policy and will apply to all administrations and program offices. VA's Office of Operations, Security and Preparedness (OSP) leads Department-wide policy development in this area, in collaboration with VA's Office of Acquisition, Logistics and Construction and Office of Information Technology (OIT). All offices are engaged with satisfying the recommendations and improving the process. To this end, OSP is working with OIT to implement an agency-wide automated service that tracks contractor onboarding and offboarding, including the return of PIV cards. The automated solution is in the production environment and being used by Contracting Officer Representatives in the Veterans Business Administration and National Cemetery Administration.

4. Regrettably, actions to resolve some of OIG's recommendations are not within the scope of the Under Secretary for Health. VHA discussed the scope of the recommendations with the OIG and Department-level stakeholder offices. VHA will formally ask the VA Identity, Credential and Access Management Executive Steering Committee to take these recommendations under consideration.

The OIG removed point of contact information prior to publication.

(Original signed by)

Richard A. Stone, M.D.

Attachment

VETERANS HEALTH ADMINISTRATION (VHA)

Action Plan

Inadequate Oversight of Contractors' Personal Identity Verification Cards Puts Veterans' Sensitive Information and Facility Security at Risk (OIG 2020-00345-AR-0001)

OIG recommended the Under Secretary for Health collaborate, as necessary, with other offices within VA that have responsibilities with regard to personal identity verification cards to:

Recommendation 1. Ensure contracting officers obtain and maintain evidence of contractor-provided lists of all personal identity verification cards issued to contractors' personnel.

VHA Comments: Non-concur

VHA non-concurs on this recommendation because VHA is not the appropriate responsible office for establishing the personal identity verification related roles, responsibilities and processes for contracting officers in the Department of Veterans Affairs.

The principle Department-level program office overseeing enterprise policy on this issue is handled through the VA Office of Operations, Security and Preparedness; however, other offices may be involved such as, VA Office of Acquisition, Logistics and Construction, VA Office of Information Technology, Veterans Health Administration and VA's agency partners. VHA will notify the VA Identity, Credential and Access Management Executive Steering Committee of this recommendation so the Department can more thoroughly assess the need and develop an agency-wide approach. VHA will, as appropriate, update its guidance to align with changes in Agency policy.

Recommendation 2. Make certain that contracting officers maintain evidence documenting personal identity verification cards were returned to the issuing or designated office when the card was no longer required and prior to closing the contract.

VHA Comments: Non-concur

VHA non-concurs on this recommendation because VHA is not the appropriate responsible office for establishing the personal identity verification related roles, responsibilities and processes for contracting officers in the Department of Veterans Affairs.

The principal Department-level program office overseeing enterprise policy on this issue is the VA Office of Operations, Security and Preparedness; however, other offices may be involved such as, VA Office of Acquisition, Logistics and Construction, VA Office of Information Technology, Veterans Health Administration and VA's agency partners. VHA will notify the VA Identity, Credential and Access Management Executive Steering Committee of this recommendation so the Department can more thoroughly assess the need and develop an agency-wide approach. VHA will, as appropriate, update its guidance to align with changes in Agency policy.

Recommendation 3. Evaluate the role of contracting officer representatives in the personal identity verification card process for contractors' personnel and assess whether updates to their letter of delegation and standard operating procedures are necessary.

VHA Comments: Non-concur

VHA non-concurs on this recommendation because VHA is not the appropriate responsible office for evaluating personal identity verification related roles, responsibilities and processes for contracting officer representatives in the Department of Veterans Affairs.

This is a complex process that may require coordination between multiple offices, such as VA Office of Operations, Security and Preparedness, VA Office of Acquisition, Logistics and Construction and VA Office of Information Technology, Veterans Health Administration and VA's agency partners. VHA will notify the VA Identity, Credential and Access Management Executive Steering Committee of this recommendation so the Department can more thoroughly assess the need and develop an agency-wide approach.

Recommendation 4. Establish policies and procedures outlining specific supervisory responsibilities for contracting officer oversight in accordance with the Government Accountability Office *Standards for Internal Controls in the Federal Government*.

VHA Comments: Concur in principal

With respect to supervision of VHA contracting officers, the Assistant Under Secretary for Health for Support ensures accountability for internal controls in accordance with Government Accountability Office Standards for Internal Controls in the Federal Government. VHA would not establish unique policies and procedures outlining specific supervisory responsibilities for contracting officer oversight because supervisory controls are established through Office of Personnel Management (OPM) policy. VHA, in adhering to OPM policies, will evaluate performance plans for supervisors to determine whether additional standards need to be added.

Status: In progress Target completion date: August 2021

Recommendation 5. Assess the contract completion statement template to determine whether to include the contractor-related personal identity verification card requirements.

VHA Comments: Concur

VHA assessed the contract completion statement template to determine whether to include contractor-related personal identity verification card requirements. VHA found the contract completion statement template is consistent with requirements established within the Federal Acquisition Regulation and the VA Acquisition Regulation; therefore, VHA is not going to alter the template. VHA asks OIG to consider closure as VHA completed actions on this recommendation.

Status: Complete

Recommendation 6. Establish procedures within the Procurement Audit Office for periodic reviews of contract files to determine compliance with the personal identity verification card requirements established in the Federal Acquisition Regulation and the Veterans Health Administration procurement manual. Further, require the results of these reviews to be reported to senior management to help determine whether corrective actions are required.

VHA Comments: Non-concur

At this time, it would be premature to revise any auditing procedures in the Procurement Audit Office with respect to personal identity verification (PIV) card requirements because VA's approach to PIV card requirements may be changed based on recommendations in this report. VA's approach to contractor outboarding requires coordination between multiple offices, such as VA Office of Operations, Security and Preparedness, VA Office of Acquisition, Logistics and Construction and VA Office of Information Technology, Veterans Health Administration and VA's agency partners. VHA's Procurement Audit Office determines topics for review annually and can consider whether review on contractor outboarding is needed after VA finalizes its approach to PIV card requirements.

Recommendation 7. Determine whether existing or planned systems can have the functionality to allow management to effectively and routinely monitor contractors' personal identity verification cards or whether a new system should be established.

VHA Comments: Non-concur

VHA non-concurs on this recommendation because VHA is not the appropriate responsible office for determining if the ability to routinely monitor personal identity verification cards is established, or should be, in existing or planned systems in the Department of Veterans Affairs. This is a complex process that may require coordination between multiple offices, such as VA Office of Operations, Security and Preparedness, VA Office of Acquisition, Logistics and Construction and VA Office of Information Technology, Veterans Health Administration and VA's agency partners. VHA will notify the VA Identity, Credential and Access Management Executive Steering Committee of this recommendation so the Department can more thoroughly assess the need and develop an agency-wide approach.

Recommendation 8. Assess whether contracting officers should be required to include the contractor-provided list as an explicit requirement in all VHA contracts that require personal identity verification cards be issued to contractors' personnel.

VHA Comments: Non-concur

VHA non-concurs on this recommendation because VHA is not the appropriate responsible office for establishing personal identity verification card procedures in the Department of Veterans Affairs.

This is a complex process that may require coordination between multiple offices, such as VA Office of Operations, Security and Preparedness, VA Office of Acquisition, Logistics and Construction and VA Office of Information Technology, Veterans Health Administration and VA's agency partners. VHA will notify the VA Identity, Credential and Access Management Executive Steering Committee of this recommendation so the Department can more thoroughly assess the need and develop an agency-wide approach.

Recommendation 9. Establish procedures to confirm contracting officers include Federal Acquisition Regulation clause 52.204-9, "Personal Identity Verification of Contractor Personnel," in contracts when required.

VHA Comments: Non-concur

VHA non-concurs on this recommendation because the Department's Electronic Contract Management System (eCMS), Contract Writing System (CWS) includes a clause matrix. The FAR clause 52.204-9 has a prescription which provides the contracting officers a decision point to determine when to include this clause in a solicitation or contract. The information in Recommendation 9, are procedures that are already required to be performed by the contracting officer when completing the contract execution process. The clause also includes other decision points that should be considered by the contracting officer. The contracting officers are complying with guidance in the FAR related to use of a specific clauses and this is working well.

Recommendation 10. Consider directing contracting officers to delay final payment to contractors on future contracts until all personal identity verification cards have been returned.

VHA Comments: Concur in principle

The Office of Procurement and Logistics will remind contracting officers to comply with the authorities in FAR 52.204-9, which includes a decision to consider delaying payment on contracts if the contractor does not comply with requirements to return the PIV cards.

Status: In progress

Target Completion Date: June 2021

For accessibility, the original format of this appendix has been modified to comply with Section 508 of the Rehabilitation Act of 1973, as amended.

OIG Contact and Staff Acknowledgments

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