



US DEPARTMENT OF VETERANS AFFAIRS OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

VETERANS HEALTH ADMINISTRATION

Summary of Fiscal Year 2022 Preaward Reviews and Audits for Healthcare Resource Proposals from Affiliates

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Executive Summary

This report summarizes the preaward reviews and audits of sole-source healthcare proposals that the VA Office of Inspector General (OIG) conducted in fiscal year (FY) 2022.¹

VA policy requires that Veterans Health Administration (VHA) contracting officers request an OIG review or audit for any sole-source healthcare proposal that has an anticipated annual value of at least \$400,000.² One type of acquisition for which the OIG provides preaward services is sole-source proposals that often come from VA-affiliated institutions such as colleges and schools of medicine. VA is authorized by statute to procure healthcare resources from affiliates on a sole-source basis without regard to laws or regulations that require competition.³ The OIG examines such proposals and provides information that contracting officers have the discretion to use as they negotiate fair and reasonable prices.

Proposals not associated with an affiliated institution may also lead to a sole-source procurement, but only if the contracting officer includes a written justification demonstrating that the sole-source award would represent the best value to the government, which satisfies the statutory criteria detailed in VA Directive 1663.⁴ In FY 2022, the OIG did not examine any proposals for procurements not associated with an affiliated institution.

What the Reviews and Audits Found

In FY 2022, the OIG completed nine preaward reviews and 15 audits of sole-source healthcare contract proposals. The 24 proposals included: 17 with only full-time-equivalent pricing, six with only pricing per procedure, and one with both full-time-equivalent and procedure pricing. The reviews and audits were not published because they contain sensitive personal data of the physicians and other clinical personnel. This report provides an overview of the OIG's findings and recommendations in the following three general areas:

- **Costs underlying proposed hourly rates.** For all 18 proposals with full-time-equivalent pricing, the OIG examined hourly rate pricing and determined that the prices offered to the government were higher than the supported amounts. Unsupported amounts are costs not supported by data in the underlying accounting

¹ Effective December 15, 2021, the OIG Healthcare Resources team transitioned from performing reviews to conducting audits in accordance with generally accepted government auditing standards for attestation engagements and attestation standards established by the American Institute for Certified Public Accountants. For all 15 audits conducted under attestation standards, the OIG teams concluded that the evidence obtained was sufficient and appropriate to provide a reasonable basis for a modified opinion.

² VA Directive 1663, Health Care Resources (HCR) Contracting—Buying, dated May 10, 2018.

³ 38 U.S.C. § 8153(a)(3)(A)

⁴ 38 U.S.C. § 8153(a)(3)(D); VA Directive 1663.

records. The most common issue was unsupported provider salaries. Other frequently occurring issues were unsupported administrative expenses, fringe benefit amounts, incentives, or malpractice insurance premiums.⁵ Affiliates also routinely propose automatically escalating option year amounts.⁶ Automatically escalated option years put risk on both VA and the affiliate that can be eliminated with an economic price adjustment clause rather than automatic increases.⁷ The OIG recommended contracting officers obtain lower prices than those offered to the government for all 18 proposals.

- **Per-procedure prices.**⁸ The OIG examined seven proposals with per-procedure pricing and determined that they all offered prices higher than the properly calculated Medicare rates.⁹ The OIG recommended contracting officers obtain lower prices than those offered in each proposal.
- **Potential conflicts of interest.** For 12 of the 24 contract proposals examined, the OIG found potential conflicts of interest for VA personnel who may be involved in the acquisition process and who also hold a position with the affiliate. These VA personnel held faculty appointments at the affiliated institutions and potentially would also have responsibilities such as monitoring performance of the affiliate’s services. In each instance, the OIG recommended the contracting officer request an opinion from VA’s Office of General Counsel as to whether these individuals would have a financial interest in the proposal.

The combined estimated contract value of these 24 preaward reviews and audits was about \$389.7 million; the OIG teams identified a total of over \$171.4 million in potential cost savings. As of March 2023, VA contracting officers had awarded contracts for 21 of the 24 proposals and had sustained over \$34.1 million in cost savings based, in part, on the OIG’s evaluation of cost data submitted by the contractors. The OIG recommendations resulted in a sustainment rate of over 21 percent based on the completed negotiations.¹⁰ This report provides a summary of the preaward reviews and audits of these proposals and an overview of what the OIG found.

⁵ Fringe benefit amounts are expenses to the employer for items such as retirement contributions, social security tax, and health insurance.

⁶ Option years are periods of service that VA may purchase from the contractor but is not required to do so.

⁷ To better protect VA’s interests, for each option year purchased by VA, the contracting officer should review all cost increases in lieu of committing to automatic increases.

⁸ Each procedure has a set fee based on the Medicare price list using the associated current procedural terminology code.

⁹ VHA Procurement Manual, part 873, attachment 3, “MSO [Medical Sharing Office]—HCR [Health-Care Resources] Pricing SOP [Standard Operating Procedure],” see “Per-Procedure Contracts off site,” para. 1.3.1, March 2, 2020.

¹⁰ The sustainment rates per audit are detailed in appendix A.

VA Comments and OIG Response

The executive director of procurement at the VHA Procurement and Logistics Office concurred with the draft report and provided five comments. Appendix C provides the full text of the executive director's comments. In response to the executive director's comments, the OIG confirms that this report did not provide recommendations and replaced the reference to the VHA Handbook 1660.03 with Directive 1660.03. After clarifying discussions with VHA Procurement and Logistics Office staff, the OIG updated table 3 to reflect "Administrative staff" instead of "Administrative officer." However, as VHA did not provide a rationale or basis for its request, the OIG did not change the term "preaward" to "pre-negotiation." In addition, as VHA did not provide alternate suggested language or explanations of value added, the OIG declined to restate the number of audits and reviews.



LARRY M. REINKEMEYER
Assistant Inspector General
for Audits and Evaluations

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Abbreviations

FAR	Federal Acquisition Regulation
FY	fiscal year
OIG	Office of Inspector General
VHA	Veterans Health Administration



Introduction

At the request of contracting officers, the VA Office of Inspector General (OIG) conducts preaward reviews and audits of proposals that contractors submit to VA. The primary purpose of this work is to determine if the prices in the proposals are supported by actual costs and to provide information that VA can use for negotiations and to determine that the proposed prices are fair and reasonable.¹¹ Preaward reviews and audits facilitate informed decision-making and help prevent fraud, waste, and abuse. OIG recommendations of price adjustments to submitted proposals are used by contracting officers to help negotiate better prices than those offered in affiliates' proposals; there is no guarantee that the government will get the price recommended by the OIG.

The OIG provides preaward reviews and audits of sole-source proposals from VA-affiliated institutions such as colleges and schools of medicine. VA is authorized by statute to procure healthcare resources from affiliates on a sole-source basis without regard to laws or regulations that require competition.¹² Contracting officers are required to request the OIG to provide field pricing verification assistance when the estimated value of the contract is at least \$400,000 per year.¹³

This report summarizes the findings and effects of the OIG's nine preaward reviews and 15 audits of sole-source healthcare resource proposals in fiscal year (FY) 2022.¹⁴ Appendix A contains a listing of the 24 preaward reviews and audits that shows the OIG-recommended cost savings and the savings achieved by VA contracting officers as of March 31, 2023.

VA's Participation in Medical Education and Training Programs

One of VA's missions established in statute is to assist and participate in education and training programs for students and residents in the healthcare professions.¹⁵ VA participates in the programs of 151 of the 157 schools of medicine accredited by the Liaison Committee on Medical Education and 35 of the 37 schools' commissions the Osteopathic College Accreditation of

¹¹ VA Directive 1663, Health Care Resources Contracting—Buying, May 10, 2018.

¹² 38 U.S.C. § 8153(a)(3)(A).

¹³ VA Directive 1663, Health Care Resources Contracting—Buying, May 10, 2018.

¹⁴ Effective December 15, 2021, the OIG Healthcare Resources team transitioned from performing reviews to conducting audits in accordance with generally accepted government auditing standards for attestation engagements and attestation standards established by the American Institute for Certified Public Accountants. For all 15 audits conducted under attestation standards, the OIG teams concluded that the evidence obtained was sufficient and appropriate to provide a reasonable basis for a modified opinion.

¹⁵ 38 U.S.C. § 7406 as implemented by VA Directive 1400.09(1), *Education of Physicians and Dentists*, September 9, 2016, as amended December 26, 2018.

medical schools affiliated with VA. In addition, more than 60 other clinical health education programs are represented by VA's affiliations with over 1,400 colleges and universities.

Policy for Awarding Sole-Source Contracts

VA has statutory authority to acquire healthcare resources, healthcare professionals, or medical procedures through other-than-full-and-open competition, such as sole-source procurement.¹⁶ For those procurements with an affiliated institution or with a teaching hospital, individual physician, or practice group associated with the affiliated institution, there is no statutory requirement to provide written justification for the use of sole-source procedures. Procurements not associated with an affiliated institution may also be acquired as a sole-source procurement but only after following the applicable statutory criteria as detailed in VA Directive 1663.¹⁷ The directive requires a written justification demonstrating that the sole-source award would represent the best value to the government.

VA Directive 1663 sets forth VA policy for implementing the statute on sharing healthcare resources and allows sole-source contracts to be awarded to affiliated institutions or other related healthcare entities. The directive states that these sole-source contracts shall be the preferred method for procuring healthcare services when the services include duties relating to a professional healthcare residency program. The directive also states that sole-source affiliate contracts for services not associated with a residency program must demonstrate that the award would represent the best value to the government. The directive allows sole-source contracts for the use of medical equipment, space, home oxygen services, transcription services, grounds maintenance, laundry services, or other nonclinical services that can be defined as a healthcare resource; however, the OIG did not examine any proposals for these services in FY 2022.

The directive states the VA contracting officer must submit sole-source proposals valued at \$400,000 or more annually to the OIG for preaward reviews and audits and that the contracting officer may ask the OIG to assist in determining and validating the actual costs to the affiliated educational institution for other procurements. The directive further states that the OIG shall examine supporting documents, accounting records, and any other data necessary to verify costs.

According to the Federal Acquisition Regulation (FAR), contracting officers are to establish the reasonableness of offered prices through either cost or pricing data.¹⁸ As there is no competition in these sole-source procurements, the contracting officer must rely on data related to prices such as market data or to the costs incurred by the contractor.¹⁹ For these procurements, market prices are not available because the affiliate does not generally offer physician services in the

¹⁶ 38 U.S.C. § 8153.

¹⁷ 38 U.S.C. § 8153(a)(3)(D); VA Directive 1663; 38 U.S.C. § 7302.

¹⁸ FAR 15.404-1 (2021).

¹⁹ FAR 15.402 (2021).

commercial market as it does to VA. Therefore, the OIG uses the affiliate’s cost information to determine the recommended rates as per FAR and the Veterans Health Administration (VHA) pricing policy.²⁰

²⁰ VHA Procurement Manual, part 873, attachment 3, “MSO [Medical Sharing Office]—HCR [Health-Care Resources] Pricing SOP [Standard Operating Procedure],” March 2, 2020.

Summary of Preaward Reviews and Audits

The cumulative proposed amount for the 24 sole-source healthcare proposals examined by the OIG, typically five-year contracts, was about \$389.7 million. The OIG teams identified over \$171.4 million in potential savings from all 24 proposals.²¹ The \$171.4 million represented about \$31.6 million in savings from hourly rate proposals and over \$139.8 million in savings from medical procedure-based proposals.

What the OIG Did

In FY 2022, the OIG completed nine preaward reviews and 15 audits of sole-source healthcare contracts. The 24 proposals included 17 with only full-time-equivalent, or hourly pricing, six with only pricing per procedure, and one with both full-time-equivalent and procedure pricing. The OIG teams had three primary objectives when reviewing the 24 sole-source healthcare proposals:

1. Determine if the affiliate's documentation adequately supported proposed hourly rates or provided pricing recommendations if the proposed rates were not supported.
2. Evaluate proposed per-procedure prices and provide pricing recommendations using Medicare rates if an affiliate proposed higher-than-Medicare rates without sufficient justification.
3. Determine if VA providers have any potential conflicts of interest with responsibilities regarding the acquisition or resulting contract.²²

During a review of each proposal for hourly rates, the team asked affiliates to provide documentation that supported the various cost elements in their proposals. Common cost elements included the providers' salaries, fringe benefits, malpractice insurance premiums, continuing medical education, bonuses, and expenses associated with administering the contract.²³ To assess these elements, the team reviewed each affiliate's supporting documentation, which often included salary agreements, fringe benefit data from the accounting system or forward pricing rate agreements from the cognizant audit agency, insurance billing statements, training policies, the bonus policy, and historical expenses.²⁴

²¹ See appendix A for more information on OIG-identified cost savings.

²² Proposals could contain both hourly rate and per-procedure pricing and were evaluated accordingly.

²³ Fringe benefit amounts are expenses to the employer for items such as retirement contributions, social security tax, and health insurance.

²⁴ A forward pricing rate agreement involves the cognizant audit agency establishing indirect rates, typically for fringe benefits and overhead, for a set time. The cognizant audit agency is the federal agency (in this case, the Department of Health and Human Services) with designated audit responsibilities that provides predominant direct funding.

The team discussed the documentation with affiliate representatives and VA contracting officers and evaluated the information in accordance with applicable statutory criteria and other guidance:

- 38 U.S.C. § 8153, “Sharing of Healthcare Resources”
- FAR, subparts 31.2, 12.207, 16.203, and 7.105
- VA Acquisition Regulation, subparts 806.302-5
- VHA Procurement Manual, part 815.404, “Medical Sharing Office Healthcare Pricing Standard Operating Procedures”
- VA Directive 1663, *Health Care Resources Contracting—Buying*
- VHA Directive 1660.03, *Conflict of Interest for Sharing of Health Care Resources*
- Centers for Medicare and Medicaid Services, Fee Guidelines for Medicare Beneficiaries²⁵

The OIG’s findings in the 24 issued healthcare preaward reviews and audits are summarized below and include evaluations of the following:

- Proposed hourly rates
- Proposed per-procedure prices
- Proposals with both hourly rate and per-procedure pricing²⁶
- Potential conflicts of interest of VA providers

Evaluation of Proposed Hourly Rates

In all 18 reviews and audits that had hourly rate pricing, the OIG recommended contracting officers obtain lower prices than those offered to the government. The OIG recommended lower rates for common issues such as unsupported proposed expenses or annual hours and administrative expenses included in the hourly rates instead of proposed separately as required.²⁷ A proposal with unsupported rates is one in which the amounts proposed are inconsistent with available data—for example, the proposal is for \$400 per hour, but the documentation shows the actual hourly rate is \$250. The OIG identified \$31.6 million in total potential cost savings

²⁵ “Medicare,” (web page) Centers for Medicare and Medicaid Services, accessed September 29, 2022, <https://www.cms.gov/medicare/medicare>.

²⁶ This was not listed as a separate objective on page 4 but was given consideration by the summary review team.

²⁷ VHA Procurement Manual, part 873, attachment 3, (2020).

attributed to hourly rates. Unsupported on-call expenses, fringe benefits, and provider salaries were the most significant and prevalent issues the team identified.

The OIG teams identified proposed on-call expenses not supported by documentation of actual expenses in six of the 18 hourly rate proposals examined. VHA policy excludes proposed on-call amounts unless the provider is paid by the affiliated institution for the on-call duty.²⁸ On-call duties were typically compensated as part of providers' base salaries. However, the examined proposals frequently included a price for on-call hours above and beyond what the affiliate compensated its providers. Therefore, the entire proposed on-call amounts represented profit to the affiliate.

The most common issue the OIG identified during FY 2022 was unsupported provider salaries, which were found in 11 of the 18 hourly rate proposals examined. Frequent causes of these findings were bonus or incentive amounts contingent on a provider's performance during a specified period that were included in the base salary. According to VHA policy, compensation contingent on performance should be removed from the salary amount and placed in a separate line item, to be paid proportionate to a provider's time spent at VA after the bonus is paid by the affiliate.²⁹

Evaluation of Hourly Rate Calculations

The number of annual hours used in the hourly rate calculation has a significant effect on its accuracy. In seven of the 18 hourly rate proposals examined in FY 2022, the affiliates' hourly rate calculations included a reduced number of hours from the annual standard of 2,080 hours, typically citing training, meetings, or paid time off as reasons for the reduction.³⁰ In each case, affiliates stated they did not track the total number of hours providers worked but wanted an allowance for paid time off. The OIG recommended rates do not include paid time off unless an affiliate can also provide a reliable estimate of actual work hours. If no data or reliable estimates are available, the OIG uses the standard of 2,080 annual work hours. Annual work hours are needed to properly calculate the hourly rate of pay; using different annual work hours for this basis can cause the rate to vary significantly, as shown in table 1.

²⁸ VHA Procurement Manual, part 873, attachment 3, "MSO [Medical Sharing Office]—HCR [Health Care Resources] Pricing SOP [Standard Operating Procedure]," March 2, 2020, para. 1.8.2.

²⁹ VHA Procurement Manual, part 873, attachment 3, "MSO [Medical Sharing Office]—HCR [Health Care Resources] Pricing SOP [Standard Operating Procedure]," March 2, 2020, para. 1.8.1.

³⁰ The annual standard of 2,080 hours is the result of 40 hours per week multiplied by 52 weeks in a standard year.

Table 1. Examples of Hourly Rates Based on Providers' Varying Work Hours (by Lowest Annual Hours)*

Provider	Total salary, benefits, and other costs (in dollars) (a)	Average weekly work hours (b)	Annual hours (c = b x 52)	Hourly rate (in dollars) (a/c)
A	300,000	35	1,820	165
B	300,000	40	2,080	144
C	300,000	50	2,600	115
D	300,000	60	3,120	96

Source: VA OIG analysis.

Note: Numbers in table are rounded.

If an affiliate tracked physician work hours, the OIG team used the actual hours worked by the physicians and subtracted paid time off as well as training hours. In the absence of a definitive number of hours worked, the team used the standard 40-hour work week as the basis for the rate with no allowance for paid time off.

Evaluation of Offered Per-Procedure Prices

The OIG examined seven proposals that included procedure-based pricing and identified \$139.8 million in recommended cost savings during FY 2022.³¹ Table 2 summarizes the issues found.

Table 2. Issues Identified in Per-Procedure Proposals

Issue	Occurrences in seven proposals
Included outdated and exceeded Medicare rates	6
Included a rate increase in option years instead of a more favorable economic price adjustment clause that protects both VA and affiliates regarding future pricing	4
Included length of stay and per diem	4
Included a markup over the Medicare rate	1

Source: Analysis of VA OIG reviews and audits.

Note: Some proposals had more than one issue, so occurrences exceeded the number of proposals.

These issues are described in more detail in the sections that follow:

³¹ All seven per-procedure pricing reviews or audits had recommendations that funds be put to better use.

- **Outdated and exceeded Medicare rates.** Medicare establishes per-procedure rates for physician services that are revised and updated quarterly (January, April, July, and October). For this reason, the recommended Medicare current procedural terminology reimbursement rates, which is a set fee determined by the Medicare price list, can change based on the timing of the submitted proposal and the OIG analysis.
- **Unallowable rate increases in option years.** Before FY 2019, VHA had a written policy that option years would not be separately priced, and the contract would instead include an economic price adjustment clause to protect VA and affiliates.³² However, neither the revised Directive 1663 nor the VHA policy manual address option year pricing.³³ For all four proposals that included price escalation in the option years, the OIG recommended the contracting officer not allow escalation but verify cost increases as option years are exercised. This approach will best protect VA and affiliates regarding future pricing.
- **Length of stay and per diem charges exceeded limit.** The OIG noted length of stay was limited and VA was charged for days beyond that limit in a proposal for heart transplant services. To avoid the risk of double billing, the OIG recommended the Medicare rate be paid regardless of the length of hospital stay unless a patient's care qualified as an outlier consistent with Medicare policy.³⁴
- **A markup over the Medicare rate.** Medicare establishes per-procedure rates for physician services. The current procedural terminology rates, which typically change at least once a year, cover the cost of the provider, malpractice insurance, and practice expense. Medicare rates also include a geographic adjustment factor. VHA policy calls for using Medicare rates as the preferred method for per-procedure pricing.³⁵ In one review, the OIG found an affiliate's proposal included a markup above the Medicare rate.

Evaluation of Proposals with Both Hourly Rate and Per-Procedure Pricing

One of the 24 sole-source healthcare preaward reviews and audits was a hybrid contract that contained both per-procedure and hourly rate pricing. For the full-time-equivalent portion of the proposal, the team questioned proposed fringe benefits, malpractice insurance premiums, on call/call back physician services, and the annual hours used to calculate the proposed hourly rates. Regarding the per-procedure portion of the proposal, the affiliate proposed prior contract

³² VHA Directive 1663, *Health Care Resources Contracting—Buying*, August 10, 2006.

³³ VHA Procurement Manual, part 873, attachment 3, paragraph 1.3.1.

³⁴ "Medicare," (web page) Centers for Medicare and Medicaid Services, accessed September 29, 2022, <https://www.cms.gov/medicare/medicare>.

³⁵ VHA Procurement Manual, part 873, attachment 3, paragraph 1.3.1.

pricing rather than current Medicare rates. The OIG recommended reimbursement rates that were 100 percent of the current Medicare rates for the per-procedure portion of the affiliate's proposal.

Evaluation of Potential Conflicts of Interest

VHA Directive 1660.03 defines a criminal conflict of interest as occurring

when an employee participates personally and substantially in a particular matter (e.g., a contract) that would have a direct and predictable effect on the employee's own financial interest, or the financial interest of the employee's spouse, minor child, general partner, any person or entity [for] whom the employee serves as an officer, director, trustee or employee, or any person with whom the employee is negotiating or has an arrangement for prospective employment.³⁶

Furthermore, the directive points out that federal law prohibits any employee from participating personally and substantially in a particular matter in which the employee has a conflict of interest.³⁷ For every potential conflict of interest identified, the OIG recommended the contracting officer request an opinion from the Office of General Counsel on whether these individuals would have a financial interest in any proposal the OIG examined.

Twelve of the 24 proposals examined contained potential conflicts of interest for which the VHA contracting officer had not yet sought Office of General Counsel opinions. Specifically, the OIG found and notified the contracting officer of potential conflicts of interest in awarding a proposed sole-source contract to an affiliate or other entity for which VA personnel may receive monetary benefit or have oversight responsibility. Table 3 summarizes the potential conflict of interest findings during FY 2022.

³⁶ VHA Directive 1660.03, *Conflict of Interest for Sharing of Health Care Resources*, September 13, 2021.

³⁷ VHA Directive 1660.03.

**Table 3. Extent of Potential Conflict of Interest
Findings by Occurrences**

Employee affected	Occurrences in 12 proposals
Chief of services	8
Chief or deputy chief of staff	7
VA medical center director	2
Administrative staff	2

Source: Analysis of VA OIG reviews and audits.

Note: Some proposals had more than one employee affected, so the number of occurrences exceeded the number of proposals.

The potential conflicts of interest were for VA personnel holding faculty appointments at the affiliate, which are often necessary to supervise the affiliate’s residents (student doctors). The chief of staff and chief of services personnel typically approve requests for sole-source procurements from the affiliate and are also typically identified in the resulting contract as responsible for monitoring performance of the services procured. However, when potential conflicts of interest are identified, a written opinion from an Office of General Counsel ethics official is required to determine whether an employee has a financial interest that would disqualify the employee from participating in the procurement process and the resulting contract.³⁸ The OIG did not identify potential conflicts of interest in the remaining 12 of 24 proposals.

Conclusion

Of 24 sole-source healthcare resource proposals, typically five-year contracts, valued at approximately \$389.7 million, OIG FY 2022 reviews and audits identified potential cost savings in all proposals for a potential cost savings of \$171.4 million. The \$171.4 million represented \$31.5 million in savings from hourly rate proposals and \$139.8 million in savings from procedure-based proposals.

Following the OIG reviews and audits, VHA awarded contracts for 21 of the 24 proposals by March 2023 and was able to leverage the OIG teams’ work to sustain over \$34.1 million in cost savings. Two contracts were canceled, and the OIG recommended \$898,289 in cost savings specific to the one proposal that had not yet been awarded.

³⁸ VHA Directive 1660.03.

VA Management Comments

The executive director of procurement at the VHA Procurement and Logistics Office concurred with the draft report and provided five comments. Appendix C provides the full text of the executive director's response.

OIG Response

In response to the executive director's comments, the OIG confirms that this report did not provide recommendations and replaced the reference to the VHA Handbook 1660.03 with Directive 1660.03. After clarifying discussion with VHA Procurement and Logistics Office staff, the OIG updated table 3 to reflect "Administrative staff" instead of "Administrative officer." However, as VHA did not provide a rationale or basis for its request, the OIG did not change the term "preaward" to "pre-negotiation." In addition, as VHA did not provide alternate suggested language or explanation of value added, the OIG declined to restate the number of audits and reviews.

Appendix A: OIG-Identified Cost Savings for FY 2022 Preaward Reviews and Audits

The Office of Inspector General (OIG) identified \$160,365,106 in cost savings for fiscal year (FY) 2022. Table A.1 shows the OIG-identified cost savings for awarded contracts.

**Table A.1. OIG-Identified Cost Savings for FY 2022
Preaward Reviews and Audits for Awarded Contracts**

Report count	Date review issued	OIG's estimated cost savings (in dollars)	VA's sustained cost savings (in dollars)	Percentage of estimated cost savings realized	Date contract awarded
1	10/14/2021	1,159,793	60,241	5.19	4/27/2022
2	10/28/2021	319,357	86,208	26.99	2/2/2022
3	11/17/2021	3,613,088	2,469,164	68.34	9/29/2022
4	11/18/2021	4,301,878	1,679,788	39.05	7/12/2022
5*	12/3/2021	62,016	0	0.00	3/10/2022
7	12/23/2021	582,325	25	0.00	4/20/2022
8	3/4/2022	550,784	289,380	52.54	7/12/2022
9	3/10/2022	67,832,048	17,472,148	25.76	10/1/2022
10*	3/15/2022	145,645	0	0.00	9/21/2022
11	3/30/2022	3,456,481	487,880	14.11	9/20/2022
12	4/5/2022	30,625,897	6,739,382	22.01	10/1/2022
13*	4/13/2022	1,788,799	0	0.00	7/29/2022
14	5/18/2022	2,103,760	488,217	23.21	9/29/2022
16	5/31/2022	21,472,334	815,046	0.00	9/14/2022
17*	6/14/2022	967,254	0	0.00	12/19/2022
18	7/1/2022	1,029,149	0	0.00	10/26/2022
19	8/10/2022	1,500,219	142,428	9.49	9/29/2022
20*	8/30/2022	1,385,118		0.00	9/22/2022
21	9/2/2022	1,781,720	1,853,711	104.04	2/24/2023
23	9/23/2022	1,862,018	0	0.00	9/12/2022
24	9/29/2022	13,825,421	1,561,301	11.29	11/30/2022
Totals		160,365,106	34,144,920	21.29	

Source: VA OIG reviews and audits and VHA contract files as of March 31, 2023.

Note: The estimated cost savings is the difference between offered prices and OIG-recommended prices. VA's sustained cost savings are the cost savings based on the final prices awarded by the contracting officer.

Note: Numbers are rounded, and totals do not sum due to rounding.

*The contracting officer and affiliate made changes to the requirements or made upward adjustments during negotiations for these proposals.

Table A.2 shows the cost savings the OIG identified for unawarded contracts.

**Table A.2. OIG-Identified Cost Savings for FY 2022
Preaward Reviews and Audits for Unawarded Contracts**

Report count	Date review issued	OIG's estimated cost savings (in dollars)	VA's sustained cost savings (in dollars)	Percentage of estimated cost savings realized	Date contract awarded
6*	12/16/2021	7,357,215	0	0.00	N/A
15*	5/24/2022	2,791,251	0	0.00	N/A
22†	9/21/2022	898,289	To be determined after contract award	To be determined after contract award	N/A
Total		11,046,754			

Source: VA OIG reviews and audits and VHA contract files as of March 31, 2023.

Note: The estimated cost savings is the difference between offered prices and OIG-recommended prices. VA's sustained cost savings are the cost savings based on the final prices awarded by the contracting officer.

Note: Numbers are rounded, and totals do not sum due to rounding.

** Solicitations did not result in a contract.*

† Proposal under negotiation.

Appendix B: Scope and Methodology

Scope

The review team conducted its work from March through June 2023. The scope was focused on summarizing the information in prior OIG preaward reviews and audits and presenting subsequent contract award data. The team assessed relevant sources of information, including contracts obtained from VA's electronic contract management system, and applicable FY 2022 healthcare resource preaward reports.

Methodology

The review team searched the VA electronic contract management system for the solicitations with OIG-prepared preaward review and audit reports and obtained the resulting contracts, if applicable. The team then summarized the data from the review reports and resulting contracts for presentation in this publication.

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

Data Reliability

The review team did not obtain or rely on computer-processed data. The team also did not perform detailed fieldwork to verify the accuracy of information listed in the reports or the contracts because verification was not the focus of the review.

Government Standards

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

Appendix C: VA Management Comments

Department of Veterans Affairs Memorandum

Date: July 7, 2023

From: VHA Executive Director of Procurement

Subj: OIG Draft Report, Summary of Fiscal Year 2022 Pre-award Reviews and Audits of Healthcare Resource Proposals from Affiliates (Report #23-01236-101)

To: VHA Office Inspector General (OIG), Director Healthcare Contracts

1. Thank you for the opportunity to review and comment on the draft report, Veterans Health Administration: Summary of Fiscal Year 2022 Pre-award Reviews and Audits of Healthcare Resource Proposals from Affiliates (Report #23-01236-101). The report summarizes the pre-award and audits of sole-source healthcare proposals that the VA OIG conducted in fiscal year 2022. There were no recommendations or actions for VHA Procurement in this summary report.
2. VHA appreciates the summary of the OIG reviews and the three general findings. As noted during the exit brief, please clarify in the report the following: (1) no recommendations were given, (2) the reviews occur pre-negotiation not pre-award, (3) replace reference to VHA Handbook 1660.03 with VHA Directive 1660.03, (4) verify Table 3 extent of potential conflict of interest findings by occurrences (Administrative Officer), and (5) consider restating the number of audits/reviews completed to ensure the reader is clear as to the total number (and types) completed throughout the report.
3. The Executive Director, Procurement concurs with the draft report with the comments noted above and welcomes our continued partnership in improving Healthcare affiliate contracts.

(Original signed by)

Joseph P. Maletta

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

Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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Review Team	Melodee Snoke-Bullock, Director Rhonda Gaines Patrick Gallagher Renee Owens Chris Tarbrake
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Other Contributors	Kathy Berrada Rachel Stroup Khaliah McLaurin
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