US DEPARTMENT OF VETERANS AFFAIRS

OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

OFFICE OF ACQUISITION, LOGISTICS, AND CONSTRUCTION

A Summary of OIG Preaward Contract Reports Issued in Fiscal Year 2025 on VA Federal Supply Schedule Pharmaceutical Proposals

Review | **26-00127-169** | **August 28, 2026**

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Executive Summary

The federal government spends billions of dollars a year on pharmaceutical items through VA's Federal Supply Schedule (FSS) program. As part of ongoing oversight work to combat fraud, waste, and abuse, the VA Office of Inspector General (OIG) examines pharmaceutical proposals submitted to the VA National Acquisition Center for FSS contracts. Specifically, the OIG examines individual proposals submitted by commercial contractors for FSS contracts that have an anticipated annual value of $5 million or more or where VA has requested a review.

The OIG's oversight work helps VA contracting officers negotiate fair and reasonable prices for the government and taxpayers. Contracting officers can use OIG price recommendations to help negotiate better prices than those offered in proposals submitted by contractors; however, there is no guarantee the government will receive the price the OIG recommends. The resulting OIG reports on individual proposals are not published because they contain proprietary commercial information protected from release under 18 U.S.C. § 1905, 41 U.S.C. § 423(a), and 38 C.F.R. § 1.558(c) (2026).

To promote transparency, this report summarizes the 16 preaward reports the OIG provided to VA contracting officers in fiscal year 2025 for pharmaceutical FSS proposals. A separate summary report discusses preaward reports on nonpharmaceutical FSS proposals (that is, those that deal with medical supplies and services). The pharmaceutical proposals had a cumulative estimated contract value of about $21 billion and included 1,043 offered items. Contract negotiations for 10 of the 16 proposals were complete as of June 9, 2026, and the OIG's recommendations collectively helped contracting officers obtain about $24.7 million in savings. That amount may ultimately be understated. Three of the proposals that had associated OIG-estimated cost savings did not yet have a final award; therefore, the total actual contract savings resulting from OIG recommendations are not yet known.

The OIG's actions related to these preaward reports include the following:

- **Determined that most commercial disclosures were not accurate, complete, or current.** The OIG found the commercial sales practice disclosures were not accurate, complete, and current for 11 of the 16 proposals reviewed. This means only five proposals were reliable for determining negotiation objectives and ultimately fair and reasonable pricing. The other 11 proposals could not be reliably used by VA for negotiations until the noted deficiencies were corrected. The deficiencies the OIG identified were largely related to errors in the expiration of most-favored customer prices or the disclosed most-favored customer prices. VA

FSS Solicitation No. M5-Q50A-03-R8 defines the most-favored customer as the commercial customer who receives the best up-front (guaranteed) discount.[1]

- **Recommended pricing based on the vendor's commercial selling practices.** The OIG recommended prices lower than or equal to those offered for seven of the 16 proposals, resulting in the VA National Acquisition Center awarding contracts or modifications with sustained cost savings of about $24.7 million as of June 9, 2026.
- **Evaluated proposed tracking customers.** Tracking customers, either individually or as a category, serve as a benchmark for potential price reductions during the life of a contract. The price reductions clause in the General Services Administration Acquisition Manual says that, if tracking customers receive a price reduction, the government's price should also be reduced.[2] In the 16 proposals reviewed, the OIG determined that the proposed tracking customers for 79 of 84 sampled items were suitable for the purpose of the General Services Administration's price reductions clause.

This report details the proposals the OIG assessed to determine whether they were accurate, complete, and current. It also provides summary information about pricing and the recommendations made. This report makes no additional recommendations that necessitate an action or response by VA. The executive director of the Office of Procurement concurred with the draft report and provided no additional comments. Appendix C provides the full text of the executive director's response.

LARRY M. REINKEMEYER
Assistant Inspector General
for Audits and Evaluations

[1] VA FSS Solicitation No. M5-Q50A-03-R8, attachment 02, "Vendor Response Document," "COMMERCIAL SALES PRACTICE FORMAT."

[2] General Services Administration Acquisition Manual 552.238-81, "Price Reductions," May 2019.

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Abbreviations

FAR	Federal Acquisition Regulation
FSS	Federal Supply Schedule
FY	fiscal year
GSA	General Services Administration
OIG	Office of Inspector General

Introduction

As part of ongoing oversight work to combat fraud, waste, and abuse, the VA Office of Inspector General (OIG) examines proposals submitted by commercial contractors to VA's National Acquisition Center for pharmaceutical Federal Supply Schedule (FSS) contracts that have an anticipated annual value of $5 million or more or where VA has requested a review. The National Acquisition Center is a contracting activity under VA's Office of Acquisition, Logistics, and Construction. VA is in the process of reorganizing this office due to legislation intended to centralize VA's acquisition functions.

These pharmaceutical proposals are assessed by the OIG before the National Acquisition Center awards contracts. The National Acquisition Center's Procedural Guideline 22 requires preaward reviews to help inform decision-making and prevent the waste of VA funds; all preaward reviews are conducted at the Inspector General's discretion and noted in the VA OIG's Semiannual Report to Congress as authorized by the Inspector General Act of 1978 and 5 U.S.C. §§ 405(a)(5)(E) and 406(a)(2).[3] Contracting officers use OIG price recommendations to help negotiate better prices than those offered in proposals; however, there is no guarantee the government will receive the price the OIG recommends.

The individual reports resulting from the OIG's assessment of each FSS contract proposal are not published because they contain proprietary commercial pricing information and data protected from release under 18 U.S.C. § 1905, 41 U.S.C. § 423(a), and 38 C.F.R. § 1.558(c) (2026). To promote transparency, this report provides a summary of the 16 unpublished preaward reports on pharmaceutical proposals the OIG issued during fiscal year (FY) 2025. A separate summary report discusses preaward reports on nonpharmaceutical FSS proposals (that is, those that deal with medical supplies and services). Because this report is based on unpublished reports issued in FY 2025, it cites sections of the Federal Acquisition Regulation (FAR) that were in effect at that time unless otherwise noted.

Purpose of Preaward Reports

The findings and recommendations resulting from the OIG's preaward reports are intended to assist VA contracting officers in negotiating fair and reasonable pricing with vendors in line with Procedural Guideline 22. According to that procedural guideline and VA's Office of Procurement, Acquisition, and Logistics' "Commercial Sales Practices," the OIG conducts this work to validate the commercial sales practice disclosures required in a vendor's FSS proposal,

[3] VA National Acquisition Center Procedural Guideline 22, "OIG Contract Audit Procedures," February 9, 2023. Though the procedural guideline uses the word "audit," the OIG considers this a review and follows review standards as noted in appendix B.

identify any prices lower than those offered to the government for products or services, and propose alternative tracking customers when appropriate as the basis for future pricing.[4]

A tracking customer is a commercial customer, or category of customers, negotiated at the beginning of the contract so the government can compare its contract pricing with similar commercial pricing over the life of the contract. The General Services Administration (GSA) Acquisition Manual requires the government and the vendor to agree on a customer or category of customers as the basis of the award. FSS pricing is tracked against this customer's (or customer category's) pricing throughout the contract.[5] The price reductions clause of the GSA Acquisition Manual is intended to maintain fair and reasonable pricing after a contract is awarded. If tracking customers receive a price reduction, the government's price should also be reduced.

A VA contracting officer is someone "with the authority to enter, administer, and/or terminate contracts and make related determinations and findings," according to FAR 2.101 (2026). Additionally, FAR 15.404-1(a)(1) (2026) states, "The contracting officer is responsible for evaluating the reasonableness of offered prices."

VA Federal Supply Schedule Program

One of the primary acquisition programs for which the OIG provides recommendations in preaward reports is VA's FSS program. According to FAR 8.402(a) (2026) and VA's FSS Service, the FSS program simplifies the government's process for buying commercial supplies and services in various amounts at volume discounts.[6]

The GSA has delegated authority to VA's National Acquisition Center to award and administer nine schedules to support the healthcare acquisition needs of VA and other government agencies, based on FAR 8.402(a) and the FSS Service. Additionally, the FSS program's pharmaceutical solicitation negotiates firm, fixed pricing based on a commercial most-favored customer pricing concept—meaning a commercial customer that "receives the best upfront (guaranteed) discount." VA FSS Solicitation No. M5-Q50A-03-R8 says this does not include "conditional" discounts, such as prompt payment discounts or annual rebates based on reaching a threshold.[7] Also, according to the GSA Acquisition Manual, the FSS contract includes an option for economic price adjustments, allowing contractors to adjust prices in response to market

[4] "Federal Supply Schedule Service" (web page), VA Office of Procurement, Acquisition, and Logistics, accessed August 13, 2026, https://department.va.gov/procurement-acquisition-and-logistics/national-acquisition-center/federal-supply-schedule-service/?target=Frequently+Asked+Questions.

[5] GSA Acquisition Manual, "Price Reductions," 552.238-81, May 2019.

[6] "VA Federal Supply Schedule Service" (web page), accessed March 25, 2026, https://www.fss.va.gov/.

[7] VA FSS Solicitation No. M5-Q50A-03-R8, attachment 02, "Vendor Response Document," "COMMERCIAL SALES PRACTICE FORMAT."

volatility.[8] Provisions in the FAR explain that the goal of the FSS program is to leverage the entire federal government's purchasing power to drive volume-based discounts that provide healthcare requirements at fair and reasonable prices to all authorized FSS users.[9]

According to data from the National Acquisition Center and the FSS Service, federal agencies purchased about $25 billion in products and services through the nine schedules administered by the acquisition center during FY 2025. Through the FSS program, GSA and VA have established regulations, policies, and procedures to help ensure the government receives the best prices for products and that FSS vendors are following all the terms and conditions of their contracts.

VA established a process in Procedural Guideline 22 for requesting the OIG to review proposals and contracts submitted under or related to contracts or solicitations issued by the National Acquisition Center. In addition to requiring contracting officers to submit vendors' pharmaceutical FSS proposals to the OIG before VA awards a contract when the proposals meet dollar thresholds for the type of vendor, these guidelines say VA contracting officers may also ask the OIG to review particular proposals below the prescribed thresholds if they have any concerns.

[8] General Services Administration Acquisition Manual 552.238-120(a), "Economic Price Adjustment," January 2026.

[9] FAR 38.101(a) (2026), 8.402(a) (2026), and 8.404(d) (2026).

Summary of FY 2025 Pharmaceutical Preaward Reports to Contracting Officers

The 16 proposals the OIG reviewed during FY 2025 had an estimated contract value of about $21 billion and included 1,043 offered items. For each proposal, the OIG's primary objectives were to

- provide an opinion as to whether the commercial sales practice disclosures in the proposals were accurate, complete, and current;
- evaluate offered prices and concessions and provide pricing recommendations; and
- determine whether the proposed tracking customers were appropriate for the purposes of GSA's price reductions clause and suggest alternatives as warranted.

What the OIG Did

The OIG team summarized the results and impact of the 16 reports by objective. Collectively, the team sampled 84 of the 1,043 items (about 8 percent) offered under the 16 proposals; those items generally represented at least 75 percent of the historical government sales under each proposal. To evaluate offered prices and concessions, the team reviewed vendors' commercial sales and agreements. The team also analyzed proposed tracking customers for the sampled items to determine whether customers were suitable for the purpose of the GSA price reductions clause.[10]

The OIG's work on each of the 16 pharmaceutical proposals is summarized on the following pages and in appendix A. Information on the scope and methodology for this report is presented in appendix B.

Opinion on Commercial Sales Practice Disclosures

The OIG found that commercial sales practice disclosures were accurate, complete, and current for only five of the 16 proposals (about 31 percent). Because the other 11 proposals (about 69 percent) did not meet these criteria, they could not reliably be used by VA for negotiations until the noted deficiencies were corrected.

Government contracts generally require competition among vendors to ensure awarded prices are fair and reasonable. Under the FSS program, vendors disclose their commercial prices and terms and conditions on a commercial sales practice form in their FSS proposals. Commercial sales practice disclosures should be accurate, complete, and current so the contracting officers can use

[10] GSA Acquisition Manual 552.238-81, "Price Reductions," May 2019.

this information to evaluate proposed prices, set negotiation objectives, and determine whether offered prices are fair and reasonable.

The commercial sales practice section of the FSS pharmaceutical solicitation includes instructions on what vendors must disclose to the government. These instructions, which also apply to proposed contract modifications, state that a customer is “any entity, except the Federal Government, which acquires supplies or services from the Offeror.” The disclosure “should list the MFC [most-favored-customer] as well as each customer or category of customers (e.g. wholesalers, group purchasing organization [GPO] hospitals, etc.) who are receiving equal to or better pricing than that offered to the Government for any proposed item.”[11]

The FSS pharmaceutical solicitation also requires vendors to provide detailed information about how customers may qualify for prices or discounts lower than those offered to the government.[12] Any deviations from commercial sales practice disclosures or exceptions to disclosed standard practices must be explained.[13] For vendors who are dealers or resellers without significant commercial sales, manufacturers of the offered items should provide commercial sales practice disclosures in accordance with the solicitation instructions.

Table 1 lists the findings for the 11 proposals with commercial sales practices that were not accurate, complete, or current, and the number of occurrences.

Table 1. OIG Findings on Commercial Sales Practices Among 11 Proposals

Commercial sales practice findings	Occurrences
Expired disclosed most-favored customer prices	8
Errors in disclosed most-favored customer prices	2
Not all most-favored customers disclosed	2

Source: VA OIG analysis of vendors' commercial sales practice disclosures.

Note: Some proposals had more than one finding; therefore, the number of occurrences does not sum to 11.

For these 11 proposals in FY 2025, vendors generally did not follow solicitation or modification instructions regarding most-favored customer disclosures or pricing; therefore, the contracting officer could not rely on the commercial sales practices to make fair and reasonable price determinations to award FSS contracts or add products to existing contracts.

[11] VA FSS Solicitation No. M5-Q50A-03-R8, “Doc 03 – Pricelist Proposal Preparation (Excel Spreadsheets).”

[12] VA FSS Solicitation No. M5-Q50A-03-R8, question (3).

[13] VA FSS Solicitation No. M5-Q50A-03-R8, question (4)(b).

Evaluation of Offered Prices and Related Recommendations

The government is not always offered the lowest commercial price. In those instances, the OIG considers commercial prices lower than the offered FSS price in its recommendation. This determination may result in cost savings, which are the potential dollar impact from implementing a price recommendation that would reduce the cost of pharmaceutical drugs and products from the offered price and make these funds available for other uses.

The OIG calculates estimated cost savings as the difference between a vendor’s offered prices and the OIG’s recommended prices, multiplied by historical order volume, and extrapolated over the applicable contract period. For example, a new contract could be 10 years, but a product addition or contract extension could range between one and 10 years, depending on the remaining contract performance period.

The OIG recommended that VA seek lower-than-offered prices for seven of the 16 proposals. Overall, as of June 9, 2026, VA sustained about $24.7 million of the OIG’s estimated potential cost savings of $613.2 million. Due to the terms and conditions of commercial contracts, contracting officers are not always able to obtain the OIG-recommended price during negotiations.

Evaluation of Proposed Tracking Customers

Pharmaceutical FSS contracts are generally awarded for an initial five-year base period and can be extended up to five years, not to exceed 10 years. To maintain fair and reasonable pricing after the contract has been awarded, the GSA price reductions clause mandates lowering the FSS contract price based on price reductions given to negotiated tracking customers.

In the 16 proposals reviewed, the OIG determined that proposed tracking customers for 79 of 84 sampled items were suitable for the purpose of the GSA price reductions clause. The OIG verified that the vendors’ contracts with the proposed tracking customers provided with current item coverage were among the vendors’ largest customers and were comparable to the FSS in sales dollars or purchasing behavior.

Conclusion

The federal government spends billions of dollars a year on pharmaceutical items through VA’s FSS program. The OIG’s findings and recommendations in preaward reports help VA contracting officers reduce the cost of pharmaceutical items, saving taxpayers at least $24.7 million in FY 2025. This report does not propose recommendations that require VA’s response or action.

VA Management Comments

The executive director of the Office of Procurement concurred with the draft report and provided no additional comments. Appendix C provides the full text of the director’s response.

Appendix A: Estimated and Sustained Cost Savings from OIG Reports Provided in FY 2025

During fiscal year (FY) 2025, the VA Office of Inspector General (OIG) reviewed 16 proposals under Schedule 65 I B (*Drugs, Pharmaceuticals, & Hematology Related Products*) representing about $21 billion in estimated contract value—with 1,043 offered items, of which 84 items generally represented at least 75 percent of total government sales volume. The VA Federal Supply Schedule Program establishes regulations, policies, and procedures to help ensure the government receives the best prices for medical supplies and that vendors are following all the terms and conditions of their contracts.

The OIG's estimated cost savings of about $613.2 million for FY 2025 is the difference between vendor-offered prices and OIG-recommended prices, multiplied by historical quantities purchased by the FSS and then extrapolated for the term of a 10-year contract period for new contracts. VA's sustained cost savings are the estimated cost savings based on the final prices awarded by the VA contracting officer. Overall, VA sustained about $24.7 million of total estimated cost savings as of June 9, 2026, as a result of preaward reports the OIG issued in FY 2025 with lower-than-offered-price recommendations. That amount may ultimately be understated. Six contracts were still being negotiated, three of which had OIG-estimated cost savings associated with the proposal; without a final award, the total actual contract savings resulting from OIG recommendations are not yet known.

Table A.1 on the next page shows the proportion of OIG-recommended cost savings that contracting officers sustained as of June 9, 2026, for all examined proposals. One contract was not awarded; the parent company is taking on all products, resulting in the cancellation of the contract offer.

Table A.1. Cost Savings Data for Pharmaceutical Preaward Reports Issued to VA

Report number	Report issuance date	OIG's estimated cost savings	VA's sustained cost savings	Percentage of sustained cost savings	Date awarded
1	3/27/2025	$0	$0	0%	5/6/2025
2	3/12/2025	$4,043,100	Unknown	Unknown	In negotiation
3	9/22/2025	$0	$0	0%	5/6/2026
4	7/8/2025	$548,422,103	$14,082,428	3%	9/17/2025
5	1/23/2025	$7,942,304	$7,942,304	100%	9/8/2025
6	1/28/2025	$0	Unknown	Unknown	In negotiation
7	6/2/2025	$4,388,835	$583,146	13%	9/9/2025
8	6/6/2025	$0	Unknown	Unknown	In negotiation
9	9/25/2025	$0	Unknown	Unknown	In negotiation
10	1/22/2025	$2,795,783	$2,133,361	76%	5/22/2025
11	7/29/2025	$0	$0	0%	5/27/2026
12	8/15/2025	$0	$0	0%	No award
13	12/20/2024	$0	$0	0%	8/14/2025
14	3/18/2025	$16,680,545	Unknown	Unknown	In negotiation
15	9/23/2025	$28,965,524	Unknown	Unknown	In negotiation
16	3/18/2025	$0	$0	0%	9/9/2025
	Total	**$613,238,194**	**$24,741,239**	—	—

Source: VA OIG reports and VA National Acquisition Center contract files.

Note: Numbers may not sum due to rounding.

Appendix B: Scope and Methodology

Scope

The VA Office of Inspector General (OIG) conducted its work from January through August 2026 and focused on summarizing the information in prior OIG preaward reports provided to VA and presenting subsequent contract award data. The OIG team assessed relevant sources of information, including contracts obtained from VA's electronic contract management system and applicable fiscal year 2025 Federal Supply Schedule pharmaceutical preaward reports.

Methodology

The review team searched VA's electronic contract management system for the solicitations or modifications that were the subject of an OIG-prepared preaward report and obtained the resulting contract or modification. The team then summarized the data from the review reports and resulting contracts or modifications for presentation in this summary publication.

Data Reliability

The team did not obtain or rely on computer-processed data. The team also did not perform detailed fieldwork to verify the information in the reports issued to contracting officers and the resulting contracts because verification was not the purpose of this OIG report.

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*.[14]

[14] Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*, December 2020.

Appendix C: VA Management Comments

Department of Veterans Affairs Memorandum

Date: August 5, 2026

From: Executive Director, Office of Procurement (003A)

Subj: A Summary of OIG Preaward Contract Reports Issued in Fiscal Year 2025 on VA Federal Supply Schedule Pharmaceutical Proposals

To: Audit Operations Division (52D03)

1. The Office of Procurement (OOP) completed its review of the subject Draft Report and concur without comment.

The OIG removed point of contact information prior to publication.

(Original signed by)

Jeffery C. Neill

The text of VA's management comments is reprinted verbatim as received from the department. For accessibility, the original format of this appendix has been modified to comply with section 508 of the Rehabilitation Act of 1973, as amended.

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