



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

Office of Audits and Evaluations

VETERANS HEALTH ADMINISTRATION

Summary of Fiscal Year 2025 Preaward Audits for Healthcare Resource Proposals from Affiliates



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Executive Summary

As part of ongoing oversight work to combat fraud, waste, and abuse, the VA Office of Inspector General (OIG) conducted 27 preaward audits of sole-source healthcare proposals in fiscal year (FY) 2025. This oversight work helps VA contracting officers negotiate fair and reasonable prices for the government and taxpayers before a contract is awarded. OIG reports help identify costs for VA-affiliated institutions such as colleges and schools of medicine, known as “affiliates,” to better support or revise their proposals. This summary report was deferred to FY 2026 to allow time for FY 2025 contracts to be negotiated and awarded so that the OIG could accurately report on the realized cost savings VA obtained based in part on the OIG’s preaward audits.

Healthcare resources for commercial services can be offered and sold competitively; however, under 38 U.S.C. § 8153(a)(3)(A), VA can procure healthcare resources from affiliates on a sole-source basis without regard to laws or regulations that require competition. VA Directive 1663, the policy on VA’s statutory buying authority for healthcare resources contracts, states that sole-source affiliate contracts for healthcare resource services that are not associated with a residency program must still demonstrate that the award would represent “the best value to the government.”¹ The *VHA Procurement Manual* further requires contracting officers in the Veterans Health Administration (VHA) to request an OIG review or audit for any sole-source healthcare proposal that has an anticipated annual value of at least \$750,000.² The preaward audits provide information for the contracting officers to use, but the outcome of any proposal is subject to negotiation.

The 27 preaward audits that the OIG completed in FY 2025 comprised 22 proposals with full-time-equivalent pricing and five proposals with per-procedure pricing.

“Full-time-equivalent,” or hourly, pricing means VA pays the affiliate based on the number of full-time staff needed for day-to-day clinical operations that cannot be performed with existing VA staff. “Per-procedure” pricing means VA pays affiliates for the procedure itself (such as a medical treatment or transplant), instead of a physician’s time.

What the Audits Found

Across the 27 preaward audits in FY 2025, the OIG identified over \$183.9 million in potential cost savings out of a combined estimated contract value of about \$488.4 million. As of June 2026, VA contracting officers had awarded 21 contracts and sustained about \$28.1 million

¹ VA Directive 1663, *Health Care Resources (HCR) Contracting—Buying Authority Under 38 U.S.C. § 8153*, July 30, 2025. VA Directive 1663 was updated in July 2025 during the OIG’s review; however, the revisions had no effect on the OIG’s findings.

² *VHA Procurement Manual*, part 873, para. 2.6 (effective May 1, 2025).

of the \$155.3 million in potential cost savings for those 21 contracts based, in part, on the OIG's audits. One proposal was not yet awarded, while the remaining five solicitations were canceled.

The 27 preaward audits are not published because they contain sensitive personal data of physicians and other clinical staff. To promote transparency, this report provides an overview of the OIG's findings and recommendations in three areas:

- **Unsupported costs underlying proposed hourly rates.** For all 22 proposals with full-time-equivalent pricing, the OIG determined the hourly rate prices offered to the government were higher than the supported amounts. The most common issue the OIG identified was unsupported provider salaries, while other frequent issues included unsupported administrative expenses and incentives. The OIG recommended obtaining lower prices than those offered for all 22 proposals.
- **Offered per-procedure prices.** The OIG reviewed five proposals with per-procedure pricing, and determined the prices offered were higher than the properly calculated Medicare rates according to the *VHA Procurement Manual*.³ The OIG recommended obtaining lower prices than offered for all five proposals.
- **Potential conflicts of interest.** The OIG reviewed potential conflicts of interest to safeguard against fraud and improper influence in VA's acquisition process. For 17 of the 27 proposals, the OIG found potential conflicts for VA staff who held faculty appointments at the affiliate institutions. The OIG recommended requesting an opinion from VA's Office of General Counsel as to whether these individuals would have had a financial interest in the respective proposals. By doing this, the OIG helps VA ensure that individuals with financial or institutional ties do not participate in procurement decisions.

This report made no recommendations that necessitated action or response by VA, as this report is a summary of unpublished audits already provided to VA. The executive director of the Office of Procurement concurred with the draft report with one technical comment, which has been addressed in this final report.



LARRY M. REINKEMEYER
Assistant Inspector General
for Audits and Evaluations

³ *VHA Procurement Manual*, part 873, attachment 3, "MSO [Medical Sharing Office]—HCR [Health-Care Resources] Pricing SOP [Standard Operating Procedure]," February 1, 2024.

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Abbreviations

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



Introduction

To support VA’s decision-making and help prevent fraud, waste, and abuse, the VA Office of Inspector General (OIG) audits preaward proposals that affiliates submit to VA. This oversight work aims to determine whether the prices in the proposals are supported by actual costs. Additionally, the audits provide information VA can use to negotiate better prices for the government and taxpayers before a contract is awarded in line with VA Directive 1663, the policy on VA’s statutory buying authority for healthcare resources contracts.⁴

In fiscal year (FY) 2025, the OIG completed 27 preaward audits of sole-source healthcare proposals: 22 that had full-time-equivalent pricing and five that had per-procedure pricing.

- “Full-time-equivalent,” or hourly, pricing means VA pays an amount based on the number of full-time staff needed to perform day-to-day clinical operations that cannot be performed with existing VA staff.
- “Per-procedure” pricing means VA pays for the procedure itself, instead of the physician’s time; VA pays affiliates to perform medical treatments such as transplants. These costs cover fees greater than the Medicare rate for inpatient hospital stays, physicians, and anesthesiologists; per diem rates; and organ acquisition.

VA Affiliates

Among the preaward audits the OIG conducts, the OIG evaluates sole-source proposals from VA-affiliated institutions, such as colleges and schools of medicine. This report refers to these institutions as “affiliates.”

One of VA’s missions, established in 38 U.S.C. § 7406 (as implemented by VA Directive 1400.09(2)), is to support education and training programs for students and residents in the healthcare professions.⁵ VA participates in the programs of 151 of the 159 schools of medicine accredited by the Liaison Committee on Medical Education, as well as 39 of the 42 Commission on Osteopathic College Accreditation medical schools. These medical school programs and more than 60 other health professions are represented by VA’s affiliations with over 1,500 academic institutions.

⁴ VA Directive 1663, *Health Care Resources (HCR) Contracting—Buying Authority Under 38 U.S.C. § 8153*, July 30, 2025. VA Directive 1663 was updated in July 2025 during the OIG’s review; however, the revisions had no effect on the OIG’s findings.

⁵ VA Directive 1400.09(2), *Education of Physicians and Dentists*, March 6, 2025.

Law and Policy for Awarding Sole-Source Contracts

Healthcare resources for commercial services—those offered and sold competitively under standard terms and conditions—are typically procured by the government using firm-fixed price contracts. However, VA has legal authority under 38 U.S.C. § 8153(a)(3)(A) to acquire healthcare resources, healthcare professionals, and medical procedures from affiliates through means other than full-and-open competition, such as sole-source procurement. In addition, VA Directive 1663 details VA policy that sole-source contracts—which typically are awarded for five years—“shall be the preferred method” for procuring healthcare services when the services “include duties relating to a health professions education program.” It also states that sole-source affiliate contracts for healthcare resource services that are not associated with a residency program must still demonstrate that the award would represent “the best value to the government.”⁶

OIG Oversight

According to the *VHA Procurement Manual* part 873, sole-source healthcare resource proposals valued at or above \$750,000 annually must be submitted to the OIG for a preaward pricing review. It also says the contracting officer may ask the OIG to help determine and validate the actual costs to the affiliated educational institution for other procurements. The directive adds that the OIG must examine supporting documents, accounting records, and any other data necessary to verify costs.

According to Federal Acquisition Regulation (FAR) 15.404-1 (2025), contracting officers are responsible for evaluating the reasonableness of offered prices through either certified cost and pricing data or cost and price analysis when certified cost or pricing data are not required. Likewise, FAR 15.402 (2025) requires contracting officers to purchase supplies and services from responsible sources at fair and reasonable prices. To establish the reasonableness of the offered price, contracting officers need to rely on data related to either prices, such as market data, or the costs incurred by the contractor.

For these sole-source procurements, market prices are not available because the affiliate does not generally offer physician services in the commercial market as it does to VA. Therefore, the OIG uses the affiliate’s cost elements for full-time-equivalent providers to determine recommended rates according to the FAR and Veterans Health Administration (VHA) pricing policy, as outlined in the *VHA Procurement Manual*.⁷

⁶ VA Directive 1663.

⁷ *VHA Procurement Manual*, part 873, attachment 3, “Health-Care Resources Specialized Procurement and Sharing Agreement under Title 38 U.S.C. § 8153 SOP [Standard Operating Procedure],” revision 11, February 1, 2024.

The OIG's preaward audits are not published because they contain sensitive personal data of physicians and other clinical staff. However, for transparency, this report summarizes the findings and effects of the OIG's 27 audits of sole-source healthcare resource proposals in FY 2025. OIG reports help identify costs that affiliates may need to better support or revise their proposals. Appendix A lists the 27 preaward audits and shows the OIG-recommended cost savings, as well as the savings VA contracting officers achieved as of June 2026.

Summary of FY 2025 Preaward Audits

The OIG identified over \$183.9 million in potential savings out of a combined estimated contract value of about \$488.4 million across the 27 sole-source healthcare proposals in FY 2025. This summary report was deferred to FY 2026 to allow time for contracts to be negotiated and awarded.

As of June 2026, VA contracting officers awarded contracts for 21 of the 27 proposals and sustained about \$28.1 million in cost savings based, in part, on the OIG's evaluations. An additional proposal—for which the OIG identified an opportunity for \$23.8 million in estimated cost savings—was still in negotiation. The remaining five solicitations were canceled.

Appendix A provides further details on all the cost savings the OIG identified. The OIG's findings from the 27 preaward audits comprise evaluations of

- proposed hourly rates and hourly rate calculations,
- proposals with per-procedure pricing, and
- potential conflicts of interest of VA providers.

As a summary report, this report makes no recommendations that necessitate action or response by VA.

What the OIG Did

Appendix B outlines the OIG's scope and methodology in summarizing the preaward audits for presentation in this publication. In completing the 27 preaward audits of sole-source healthcare proposals, the OIG team had three objectives:

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

The team discussed the documentation with affiliate representatives and VA contracting officers or contract specialists and evaluated the information in accordance with applicable law, VA and federal acquisition regulations, the Centers for Medicare & Medicaid Services' guidelines, and VA policy codified in directives and the *VHA Procurement Manual*.

Evaluation of Proposed Hourly Rates

Twenty-two of the 27 sole-source healthcare preaward audits in FY 2025 were for proposals with hourly rates. For each proposal with hourly rates, the team asked affiliates to provide documentation that supported the various cost elements, such as providers' salaries; fringe benefits (like retirement contributions, Social Security tax, and health insurance premiums); malpractice insurance premiums; continuing medical education costs; bonuses; and expenses associated with administering the contract. The team reviewed each affiliate's supporting documentation, which often included salary agreements, fringe benefit data from their accounting systems, insurance billing statements, training and bonus policies, and past expenses.

In all 22 audits that had only full-time-equivalent or hourly pricing, the OIG recommended that contracting officers obtain lower prices than those offered to the government. The OIG identified about \$150.1 million in total potential cost savings attributed to hourly rates and recommended lower rates for common issues—such as unsupported expenses or annual hours and administrative expenses. The *VHA Procurement Manual* says that costs should be supported, allowable, allocable, and reasonable.⁸ A proposal with unsupported rates is one in which the amounts listed are inconsistent with available data—for example, a proposal for the services of a medical professional at \$400 per hour, but documentation shows the person's actual rate is \$250 per hour.

The most common issue the OIG identified during FY 2025 was unsupported provider salaries, which were found in 12 of the 22 full-time-equivalent 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 the *VHA Procurement Manual*, salary adjustments (including supplemental compensation) should be included in a separate line item to be paid only when the affiliate provides evidence that the physician received the agreed-upon amount.⁹

Unsupported on-call expenses, fringe benefits, and malpractice insurance were among other common issues identified. Specifically, the OIG team identified unsupported on-call expenses in eight of the 22 full-time-equivalent or hourly rate proposals examined. On-call expenses are incurred when physicians are available outside normal work hours to handle urgent medical needs. As with bonuses, the *VHA Procurement Manual* excludes on-call amounts unless the provider is paid by the affiliated institution for the on-call duty.¹⁰ On-call duties were typically compensated as part of providers' base salaries, but the examined proposals frequently included

⁸ *VHA Procurement Manual*, part 873, attachment 3, para. 1.7.1 (February 1, 2024). Note, the cited reference was redesignated as *VHA Procurement Manual*, part 873.1 on May 1, 2025. While this change affected the paragraph citations, it did not affect the substance of the instructions.

⁹ *VHA Procurement Manual*, part 873, attachment 3, para. 1.8.1 (February 1, 2024).

¹⁰ *VHA Procurement Manual*, part 873, attachment 3, para. 1.8.2 (February 1, 2024).

a price for on-call hours above and beyond the amount for which the affiliate compensated its providers. Therefore, the proposed on-call amounts represented profit to the affiliates.

Evaluation of Hourly Rate Calculations

The number of annual hours used in the hourly rate calculation has a significant effect on its accuracy. The hourly rate is calculated by first multiplying the average weekly work hours by 52 to get the annual work hours, then dividing the total salary, benefits, and other costs by that annual work-hour amount. As table 1 shows, using a different amount for the annual work hours can cause the rate to vary significantly.

Table 1. Examples of Hourly Rates Based on Providers' Varying Work Hours

Provider	Total salary, benefits, and other costs	Average weekly work hours	Annual hours	Hourly rate
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 are rounded.

In nine of the 22 full-time-equivalent or hourly rate proposals the OIG examined in FY 2025, the affiliates' hourly rate calculations included fewer hours than the annual standard of 2,080 hours, which is based on a full-time (40-hour) work week and listed in the performance work statements. By using fewer hours, the accompanying hourly rate appeared higher than it should have been, which inflated the billable hourly rate charged to VA. In each case, affiliates did not provide sufficient support for using fewer than 2,080 annual hours in the calculation. Two affiliates said they did not track the total number of hours providers worked, which is crucial to accurately calculating and validating hourly rates. Where no data or reliable estimates were available, the OIG used the standard of 2,080 annual work hours with no allowance for paid time off in recommending what the hourly rate should be. However, if an affiliate tracked physicians' work hours, the OIG team used the actual hours worked and subtracted hours for paid time off as well as training.

Evaluation of Proposals with Per-Procedure Pricing

Five of the 27 sole-source healthcare preaward audits in FY 2025 were for proposals with per-procedure pricing. Under these proposals, each procedure has a set fee based on the Medicare price list using associated current procedural terminology codes as well as any procedure support costs. The OIG found that the affiliates offered

- rates higher than current Medicare rates;

- proposed current procedural terminology codes not in the Medicare schedule; and
- unsupported markups over Medicare rates, per diem, and administrative service fees.¹¹

The OIG recommended reimbursement rates that were 100 percent of current Medicare rates.

Evaluation of Potential Conflicts of Interest

VHA Directive 1660.03, *Conflict of Interest for Sharing of Health Care Resources*, notes that federal law prohibits any employee “from participating personally and substantially in a particular matter” in which the employee has a conflict of interest.¹² It defines a “criminal conflict of interest” as occurring

when an employee participates personally and substantially in a particular matter (for example, 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.

The OIG reviewed the 27 proposals for potential conflicts of interest to safeguard against fraud and improper influence in VA’s acquisition process. The OIG determined 17 of the proposals contained potential conflicts of interest for which the VHA contracting officer had not yet sought an Office of General Counsel opinion, as policy requires. The OIG notified the contracting officer about these issues. Among the remaining 10 proposals, the OIG did not identify potential conflicts of interest.

Table 2 summarizes the OIG’s findings on potential conflicts of interest during FY 2025. The number of occurrences does not add up to 17 because some proposals had two or more VA employees with conflicts. For every potential conflict identified, the OIG recommended that the contracting officer request an opinion from an Office of General Counsel deputy ethics official on whether these individuals would have a financial interest in the proposals the OIG examined.

Table 2. Occurrences of Potential Conflict of Interest

Employee affected	Occurrences in 17 proposals
Chief of staff	12

¹¹ *VHA Procurement Manual*, part 873, attachment 3, “MSO [Medical Sharing Office]—HCR [Health-Care Resources] Pricing SOP [Standard Operating Procedure],” February 1, 2024.

¹² VHA Directive 1660.03, *Conflict of Interest for Sharing of Health Care Resources*, September 13, 2021.

Employee affected	Occurrences in 17 proposals
Chief of services	10
Chief of surgery	3
Program manager	1
Technical or subject matter expert	1

Source: Summary of VA OIG preaward audits in FY 2025.

The potential conflicts of interest were for VA staff who may receive monetary benefits from holding faculty positions at an affiliate to supervise the affiliate’s student doctors, known as residents. VA staff such as a chief of staff or chief of services typically have oversight responsibility for approving requests for sole-source procurements from an affiliate; they are also typically identified as responsible for monitoring performance of the resulting contract. Thus, dual roles as a VA staff member and an affiliate’s faculty member may influence or appear to influence procurement decisions. However, when potential conflicts of interest exist, VHA Directive 1660.03 requires a written opinion from an Office of General Counsel deputy ethics official to determine whether a VA employee has a financial interest that would disqualify them from participating in the procurement process and the resulting contract. The process of alerting the contracting officers to these risks and recommending referrals for ethics determination helps VA ensure that individuals with financial or institutional ties do not participate in acquisition decisions, strengthening the integrity of negotiations and reducing the risk of improper influence.

Conclusion

As part of ongoing oversight work to combat fraud, waste, and abuse, the OIG conducts routine audits to identify areas of savings and instances where affiliate proposals are not fully supported. The OIG identified potential cost savings of more than \$183.9 million in the 27 sole-source healthcare resource proposals audited in FY 2025. After the OIG audits, VA awarded contracts for 21 of the 27 proposals and leveraged the OIG team’s work to sustain about \$28.1 million in cost savings to the government and taxpayers, as of June 2026. Additional savings might be sustained through one contract yet to be awarded. For the remaining five proposals, the cost savings is unknown because VA canceled those solicitations.

VA Management Comments

The executive director of the Office of Procurement concurred with the draft report with one technical comment. The full management comments are reprinted in appendix C.

OIG Response

The OIG incorporated revised language to address the Office of Procurement’s one technical comment.

Appendix A: OIG-Identified Cost Savings for Fiscal Year 2025 Preaward Audits

Table A.1 shows the over \$183.9 million in cost savings the VA Office of Inspector General (OIG) identified for the 21 contracts awarded as of June 2026. The estimated cost savings is the difference between the offered prices and the prices recommended by the OIG, demonstrating how OIG's audits advance independent oversight by identifying unsupported costs. VA's sustained cost savings are based on the final prices awarded by the contracting officer.

**Table A.1. OIG-Identified Cost Savings for Fiscal Year 2025
Preaward Audits for Awarded Contracts**

Report count	Date report issued	OIG's estimated cost savings	VA's sustained cost savings	Estimated cost savings realized	Date contract awarded
1	10/17/2024	\$1,099,650	\$952,291	86.6%	4/1/2025
2	11/21/2024	\$106,881	\$9,309	8.7%	5/1/2025
3	1/14/2025	\$249,973	\$128,232	51.3%	2/1/2025
4	3/3/2025	\$12,131,974	\$698,129	5.8%	12/1/2025
5*	3/10/2025	\$61,142,457	\$4,378,854	7.2%	1/9/2026
6	3/14/2025	\$7,443,464	\$465,463	6.3%	6/1/2025
7*	3/26/2025	\$5,099,671	\$4,492,331	88.1%	11/1/2025
8*	3/31/2025	\$2,930,543	\$1,031,679	35.2%	2/1/2026
9‡	3/31/2025	\$823,438	\$823,438	100.0%	11/1/2025
10	4/7/2025	\$8,622,743	\$7,849,132	91.0%	10/1/2025
11	4/9/2025	\$2,575,804	\$6	0.0%	8/20/2025
12	4/14/2025	\$224,418	\$224,418	100.0%	10/1/2025
13	4/15/2025	\$1,286,946	\$17,794	1.4%	9/1/2025
14§	5/6/2025	\$15,561	\$0	0.0%	2/1/2026
15	6/2/2025	\$1,116,267	\$535,623	48.0%	9/26/2025
16*	7/1/2025	\$1,805,383	\$713,308	39.5%	1/1/2026
17	7/7/2025	\$2,646,671	\$0	0.0%	7/29/2025
18*	7/10/2025	\$4,785,843	\$899,991	18.8%	4/1/2026

Report count	Date report issued	OIG's estimated cost savings	VA's sustained cost savings	Estimated cost savings realized	Date contract awarded
19	8/22/2025	\$23,298,960	\$4,673,488	20.1%	6/17/2026
20 [§]	9/11/2025	\$17,671,863	\$0	0.0%	4/2/2026
21 [‡]	9/12/2025	\$208,120	\$208,120	100.0%	1/15/2026
Total		\$155,286,629	\$28,101,604	18.1%	—

Source: OIG audits and Veterans Health Administration (VHA) contract files as of June 2026.

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

* The contracting officer and affiliate made changes or adjustments to the requirements while negotiating these proposals. However, the contracting officer sustained part of the OIG-recommended rates. Thus, the OIG adjusted its estimated cost savings based on the awarded requirements.

‡ The negotiation team achieved higher cost savings than the OIG-recommended rates; therefore, the OIG adjusted the sustained cost savings to the portion attributable to the OIG's estimated cost savings.

§ The contracting officer and affiliate made changes to the requirements during negotiations. The changes did not allow the OIG to fairly compare the awarded amounts with the proposed amounts that were audited.

Table A.2 shows the OIG-identified cost savings for one contract not yet awarded at the time of this review. The remaining five solicitations were canceled, so VA could not sustain cost savings from the OIG's recommendations, as shown in table A.3.

**Table A.2. OIG-Identified Cost Savings for the Fiscal Year 2025
Preaward Audit for the Contract Not Yet Awarded**

Report count	Date review issued	OIG's estimated cost savings	VA's sustained cost savings	Estimated cost savings realized
22	4/29/2025	\$23,841,005	N/A	N/A

Source: OIG audits and VHA contract files as of June 2026.

**Table A.3. OIG-Identified Cost Savings for Fiscal Year 2025
Preaward Audits for Solicitations Ultimately Canceled**

Report count	Date review issued	OIG's estimated cost savings	VA's sustained cost savings	Estimated cost savings realized
23	10/11/2024	\$1,071,713	N/A	N/A
24	12/11/2024	\$659,299	N/A	N/A
25	3/10/2025	\$1,288,190	N/A	N/A
26	5/9/2025	\$822,879	N/A	N/A
27	7/15/2025	\$940,300	N/A	N/A

Report count	Date review issued	OIG's estimated cost savings	VA's sustained cost savings	Estimated cost savings realized
Total		\$4,782,380	N/A	N/A

Source: OIG audits and VHA contract files as of June 2026.

Note: The reasons for cancellation included VA's switching to a competitive acquisition process (instead of sole source), electing not to pursue a contract with the affiliate, and hiring full-time employees, as well as significant scope changes and updated performance work statements.

Appendix B: Scope and Methodology

Scope

The VA Office of Inspector General (OIG) team conducted its work from March through June 2026 to summarize information in OIG preaward audits for fiscal year 2025 and present subsequent contract award data.

Methodology

The team assessed relevant sources of information, including contracts obtained from VA's Electronic Contract Management System and applicable fiscal year 2025 healthcare resource preaward reports. The team searched the Electronic Contract Management System for the solicitations with OIG-prepared preaward audit reports and obtained the resulting contracts, if available. If contract documents were not available in the Electronic Contract Management System, the team requested the applicable documents from the contracting officer or contract specialist.

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 information listed in the reports or the contracts because verification was not the focus of this summary 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*.¹³

¹³ 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 31, 2026

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

Subj: Draft Report, Summary of Fiscal Year 2025 Preaward Audits for Healthcare Resource Proposals from Affiliates (2026-01671-AE-0042)

To: Director, Healthcare Contracts and Special Projects (52D04), Office of Inspector General

1. Thank you for the opportunity to review and comment on the subject draft report. The report summarizes the pre-award and audits of sole-source healthcare proposals that the Veterans Affairs (VA) Office of Inspector General (OIG) conducted in fiscal year 2025. There were no recommendations or actions for the VA Office of Procurement (OOP) in this summary report.

2. Attached are OOP's technical comments for OIG's consideration. My office concurs with the draft report with the comment noted in the attachment. We welcome our continued partnership in improving healthcare affiliate contracts.

<i>The OIG removed point of contact information prior to publication.</i>

(Original signed by)

Jeffrey C. Neill

Attachment

Attachment

OOP Technical Comments

**Summary of Fiscal Year 2025 Preaward Audits for Healthcare Resource Proposals from Affiliates
(2026-01671-AE-0042)**

Comment 1

Draft location: Page 2, paragraph 1

Current language: Healthcare resources for commercial services—those offered and sold competitively under standard terms and conditions—are typically procured by the government using firm-fixed price contracts. However, VA has legal authority under 38 U.S.C. § 8153 (a)(3)(A) to acquire healthcare resources, healthcare professionals, and medical procedures from affiliates through means other than full-and-open competition, such as sole-source procurement. While there is no legal requirement that contracting officers provide written justification when using sole-source procedures for these purposes, VA Directive 1663 requires a written justification demonstrating that a sole-source award would represent “the best value to the government” in line with 41 U.S.C. § 3304(e).

Suggested edits: Remove “While there is no legal requirement that contracting officers provide written justification when using sole-source procedures for these purposes, VA Directive 1663 requires a written justification demonstrating that a sole-source award would represent “the best value to the government” in line with 41 U.S.C. § 3304(e).”

Why: VA Directive 1663, paragraph 1.a.(1) states, “For any HCR to be procured on a sole source basis other than with an affiliated institution pursuant to 38 U.S.C. § 8153(a)(3)(A) [emphasis added], a written justification shall be prepared that includes the information and approvals at the levels prescribed in 41 U.S.C. § 3304(e).” VA Directive 1663 contains no requirement that contracting officers prepare a written justification for using sole source procedures if awarding to an affiliate. Therefore, VA Office of Procurement (OOP) recommends removal of this sentence.

<i>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.</i>

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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