

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Department of Veteran Affairs

*Review of
Acquisitions Supporting
the Veteran Employment
Services Office*

June 25, 2013
13-00644-231

ACRONYMS AND ABBREVIATIONS

FAR	Federal Acquisition Regulation
HR	Human Resources
HR&A	Office of Human Resources and Administration
IA	Interagency Agreement
OAO	Office of Acquisition Operations
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
SMG	Strategic Management Group
VA	Veterans Affairs
VBA	Veterans Benefits Administration
VESO	Veteran Employment Services Office

To Report Suspected Wrongdoing in VA Programs and Operations:

Telephone: 1-800-488-8244

E-Mail: vaoighotline@va.gov

(On the Web: www.va.gov/oig/hotline)



Report Highlights: Review of VA's Acquisitions Supporting the Veteran Employment Services Office

Why We Did This Review

We determined whether the Office of Human Resources and Administration (HR&A) had adequate controls to ensure its Veteran Employment Services Office (VESO) acquisitions were appropriate and justified. VESO's mission is to increase VA's veteran employment. Since VESO's spending on its acquisitions represents an estimated 86 percent of its FY 2012 spending and FY 2013 budget, the need for effective and recurring oversight is critical.

What We Found

We found that HR&A acquired excess services to support VESO operations when it expanded an interagency agreement (IA) with the Office of Personnel Management (OPM) to provide two employment call centers operating 24 hours a day, 7 days a week. These call centers had call volumes so low during a 13-month period that each call center employee handled an average of 2.4 calls per day.

HR&A funded its IA with OPM to develop and maintain VESO's veteran employment Web site, duplicating key components of existing HR&A and Veterans Benefits Administration employment Web sites. We also found that VESO, with approval from HR&A, awarded a \$4.4 million 1-year contract for human resources support services that duplicated VESO's own internal capabilities and contracted for certain inherently governmental functions. These acquisitions occurred because HR&A

did not require VESO to conduct a thorough analysis to justify the need for the services.

We estimated at least \$13.1 million will be spent through FY 2015 on excess call center capacity unless corrective action is taken. These funds, and the estimated \$4.4 million HR&A will spend on HR support services, could be better used to provide employment services to veterans with greater efficiency and accountability. Without improving its controls, HR&A has little assurance that VESO's acquisitions are justified, appropriately targeted, and will have the desired impact on veteran employment.

What We Recommended

We recommended HR&A improve its acquisition practices by assessing program needs against VA's capacities and capabilities and establishing program metrics.

Agency Comments

The Acting Assistant Secretary for Human Resources and Administration concurred with our findings and recommendations and believes they are likely to spend less than the projected \$4.4 million associated with HR support services. HR&A provided an appropriate action plan, which we will follow up on the implementation of corrective actions.

A handwritten signature in blue ink that reads "Linda A. Halliday".

LINDA A. HALLIDAY
Assistant Inspector General
for Audits and Evaluations

TABLE OF CONTENTS

Introduction.....	1
Results and Recommendations	2
Finding HR&A Needs To Strengthen Controls Over Acquiring Support Services	2
Recommendations	8
Appendix A Background	10
Appendix B Scope and Methodology.....	11
Appendix C Potential Monetary Benefits in Accordance With Inspector General Act Amendments	13
Appendix D Acting Assistant Secretary for Human Resources and Administration Comments	14
Appendix E Office of Inspector General Contact and Staff Acknowledgments.....	20
Appendix F Report Distribution	21

INTRODUCTION

Objective

We conducted this review to determine whether the Office of Human Resources and Administration (HR&A) had adequate controls to ensure that services acquired to support the Veteran Employment Services Office (VESO) in FYs 2012 and 2013 were appropriate and justified. We initiated our review in response to a complaint made through the VA Office of Inspector General (OIG) Hotline in October 2012. The complaint alleged VESO acquired unnecessary services to support VESO operations.

VESO Operations

As part of the Secretary's initiative to transform VA into a 21st century organization, VA's Human Capital Investment Plan was branded ADVANCE and launched in FY 2010 as an agency-wide effort to build and sustain VA's succession and workforce planning. HR&A manages the programs funded through ADVANCE, including VESO. Formerly the Veteran Employment Coordination Service, VESO was established in July 2011 with a new program mission to increase VA's veteran employment by recruiting, retaining, and reintegrating qualified veterans. VA's goal is to increase VA's veteran employment to 40 percent by FY 2014.

VESO Acquisitions

VESO acquisitions represent a significant portion of VESO's budget. VESO operations are supplemented through an interagency agreement (IA) with the Office of Personnel Management (OPM). The IA was initiated in September 2010 and has 4 option years with a total potential value of \$150 million. Under this IA, OPM has contracted Serco Services, Inc. (Serco) to provide veterans employment programs, including two veteran employment call centers and design of a veteran employment Web site. In FY 2012, VESO spent an estimated \$44.2 million, which included about \$39.9 million for acquisition costs. In FY 2013, VESO is budgeted to spend about \$35 million, which includes about \$27.9 million on acquisitions.

VESO's human resources (HR) services unit is augmented through a \$4.4 million VESO contract awarded in FY 2012 to R3 Government Solutions (R3). IA performance and costs are monitored by a VESO appointed initiative coordinator. HR&A's Strategic Management Group (SMG) coordinates and provides direction to initiative coordinators. The R3 HR support services contract is monitored by a VA contracting officer's representative.

Additional Information

The following appendixes provide additional information.

- Appendix A provides pertinent background information.
- Appendix B provides details on our scope and methodology.

RESULTS AND RECOMMENDATIONS

Finding **HR&A Needs to Strengthen Controls Over Acquiring Support Services**

We substantiated the allegation that HR&A acquired excess services to support VESO operations. Specifically, HR&A expanded the terms of VESO's IA with OPM in October 2012 to provide VESO with two veteran employment call centers operating 24 hours a day, 7 days a week (24/7). These call centers had call volumes so low during a 13-month period that call center employees each handled an average of 2.4 calls per day. HR&A also funded the IA to develop and maintain a veteran employment Web site for VESO, which duplicated key components of existing HR&A and Veterans Benefits Administration (VBA) veteran employment Web sites. We found that VESO, with approval from HR&A, awarded a \$4.4 million 1-year contract to acquire HR support services that duplicated VESO's own internal HR capabilities and contracted for certain inherently governmental functions.

These costly and excess acquisitions occurred because HR&A did not require VESO to conduct a thorough analysis to justify the need for the acquired support services. As a result, we estimate HR&A will spend at least \$13.1 million during FYs 2013 through 2015 on excess call center capacity unless action is taken to align call center capacity with veteran use and demand. These funds, along with the estimated \$4.4 million that will be spent on the HR support services contract in FY 2013, could be better used to provide veteran employment services with greater efficiency and accountability.

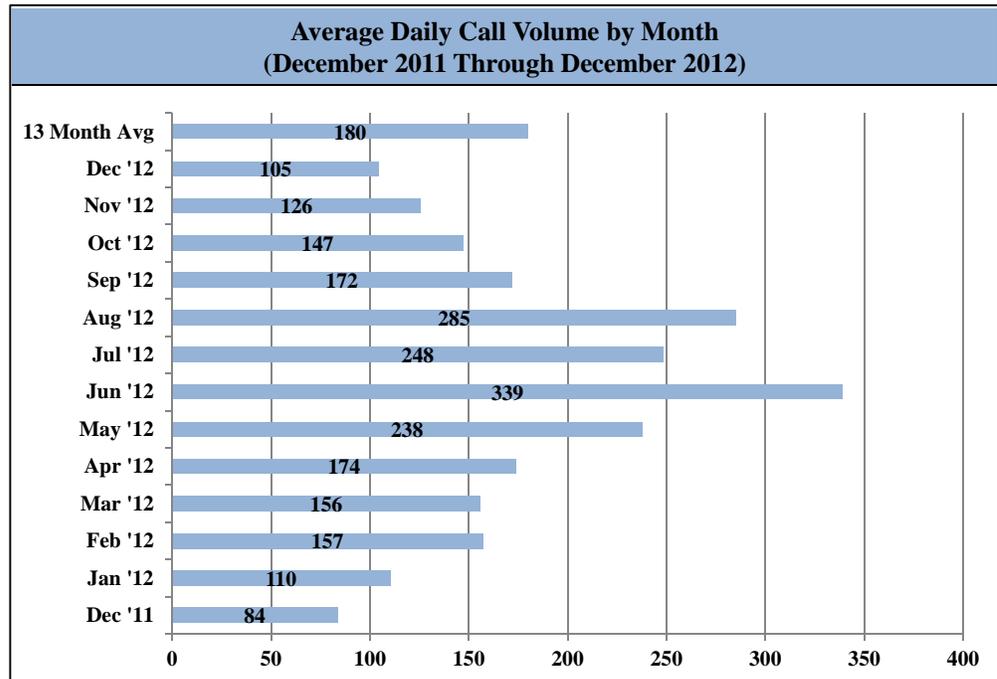
***Veteran Call
Volume
Over-Stated by
More Than
1,000 Percent***

We found that VESO's two veteran employment call centers had call volumes so low from December 2011 through December 2012 that call center employees each handled an average of 2.4 calls per day. HR&A's IA with OPM contracted Serco to provide VESO with these two veteran employment call centers. The two Serco employment call centers are located in Dumfries, VA, and Ebensburg, PA, and began operation in October 2011.

In October 2012, VESO expanded the hours of operation for these call centers to 24/7 based on contractor projections that the call centers would support an average of 2,189 calls per day. These call centers are staffed with more than 70 contract staff. VESO paid \$2.2 million from October through December 2012 to operate both call centers.

VESO expanded the call centers' hours of operation despite the fact that while average daily call volume increased from May to August 2012, calls peaked in June 2012 with an average of 339 calls per day. According to data provided by VESO, the call centers supported a total of 71,423 inbound and outbound calls from the beginning of December 2011 through December 2012, or an average of 180 calls per day. VESO's average daily call volume projections significantly overstated actual average daily calls by more than 1,000 percent or 1 call made or received for every 12 calls projected by VESO. Figure 1 details the call centers' average inbound and outbound calls per day as reported by VESO from the beginning of December 2011 through December 2012.

Figure 1

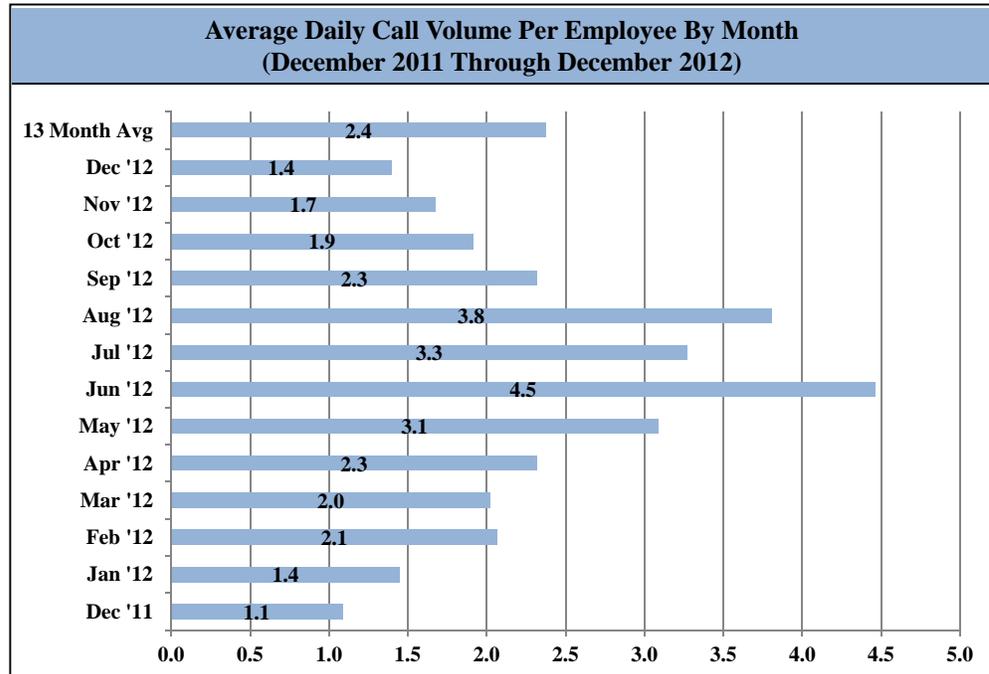


Source: OIG analysis of VESO-provided data

Our analysis of VESO-provided data determined inbound and outbound call volume was so low that individual call center staff handled an average 2.4 calls a day.

Figure 2 provides average daily calls per month handled by each Serco call center employee as reported by VESO from December 2011 through December 2012.

Figure 2



Source: *OIG analysis of VESO-provided data*

Reasons for Expansion of Call Center Services

The expansion of call center services occurred because HR&A did not require VESO to conduct a thorough analysis to justify the need for expanding Serco’s call center services. VESO also did not have performance metrics to assess veterans’ use of the call centers. As a result, Serco’s performance on providing services, such as call center coaching to veterans, was unmonitored. The U.S. Government Accountability Office’s *Standards for Internal Control in the Federal Government* states that management’s philosophy and operating style determines the degree of risk the agency is willing to take and its philosophy towards performance-based management. The establishment and review of performance measures provides management the control to compare actual performance with planned or expected results to identify significant differences.

Inadequate Analysis of Available Data

HR&A did not require VESO to analyze veteran use of and demand for call center services before the terms of the IA were changed to expand services to provide 24/7 call centers. VESO did not routinely request or receive complete call volume data or data on the length of calls from Serco. In fact, VESO had to specifically request the data we used for this report because it was not routinely provided to them. Without adequate call volume data to analyze, VESO’s decision to expand call center operations lacked a sufficient business case to justify the expansion. Analysis of call center volume data could have positioned VESO to take timely action to realign its call center

operations to better reflect actual veteran demand for services and to ensure a more effective use of funds.

*Lack of
Surveillance
Plan to Monitor
Serco
Performance*

VESO did not have a quality assurance surveillance plan to monitor contractor performance since FY 2010. According to the Office of Management and Budget's (OMB) *Interagency Acquisitions*, agencies receiving services through an IA should monitor contractor performance against a quality assurance surveillance plan. A quality assurance surveillance plan would allow VESO to determine whether the quality of Serco's services conform to contract requirements. To remedy its lack of a surveillance plan, VESO recently requested that Serco develop an oversight plan, which was submitted to VESO in draft form in April 2013. VESO's lack of a plan to monitor call center workload and performance resulted in VESO paying for services that were significantly underutilized with no known effect on veterans' employment outcomes.

*Lack of
Performance
Metrics*

VESO did not establish metrics or require Serco to routinely report data that would allow it to measure call center performance. Data related to call wait times, hang-ups, and the accuracy of information provided to veteran callers could be used to measure call center performance and determine to what extent call center services affect veteran employment outcomes.

*Results of
Expansion of
Call Center
Services*

Based on available data, VESO's call center capacity is excessive and call center operations are overstaffed by at least 50 percent. As a result, we estimate at least \$1.1 million of the \$2.2 million HR&A spends quarterly to operate VESO's call centers is unnecessary and could be better used to provide veteran employment services with greater efficiency and accountability. This equates to about \$13.1 million in unnecessary spending on call centers for FYs 2013 through 2015 if HR&A takes no corrective action to align call center capacity with veteran demand for services.

*Duplicative
Services of VA
Web Sites*

We found HR&A funded the IA with OPM for Serco to develop and maintain VESO's *VA for VETS* veteran employment Web site, which duplicated key components of existing HR&A and VBA veteran employment Web sites. According to SMG's Program Management Office Operations Guide, its program prioritization process ensures there is no duplication of effort across ADVANCE-funded programs. However, VESO's *VA for VETS* Web site included VA job listings, resume-writing assistance, and a military skills translator. These services duplicated key components of HR&A's ADVANCE-funded *MyCareer@VA* Web site. HR&A authorized ADVANCE-funding for *MyCareer@VA* and the *VA for VETS* Web sites, which were launched less than one month apart in October and November 2011, respectively.

VESO's *VA for VETS* Web site also duplicates components of VBA's *VetSuccess* Web site by offering VA jobs postings, resume-writing assistance, and a military skills translator. Federal Acquisition Regulation

(FAR) Part 7.105 requires that agencies, as part of the acquisition planning process, consider feasible acquisition alternatives including any related in-house efforts. Prior to a modification to the IA's funding level in April 2011, a VA reviewer cautioned against duplicating VBA's outreach programs.

Reasons for Web Site Duplications

VESO's acquisition planning process was inadequate. An effective planning process would have considered whether VESO could add features to other existing VA Web sites. VESO could not provide any documentation that developing additional capabilities onto existing VA veteran employment Web sites was considered before HR&A funded this IA with OPM.

Results of Web Site Duplications

VESO missed an opportunity to use existing VA resources to provide employment services to veterans, while better managing funds to meet the needs of our unemployed veterans. We could not determine the amount of funds that could be better used because of a modification to the IA. SMG approved a modification in October 2012 to the IA that allowed Serco to bundle the costs of several technology deliverables such as a case management system, the *VA for Vets* Web site, and a reporting platform into one firm-fixed-price contract price of about \$3.8 million.

R3 Contract Duplicated Internal Capacities and Some Work Requirements are Inherently Governmental Functions

The terms of VESO's HR support services contract with R3 duplicated VESO's internal HR capacity and the contract's statement of work shows the contractor is to support VESO to process classification actions. Although there is no easy definition of inherently governmental functions that can be applied to every circumstance, these types of support services are described in FAR Subpart 7.5 in a list of examples of functions considered inherently governmental or that will be treated as such. The examples in FAR Subpart 7.5 include the selection and non-selection of individuals for Federal Government employment, including the interviewing of individuals for employment and the approval of position descriptions and performance standards for Federal employees. The statement of work states the contractor will provide classification, staffing, and consulting services to assist VA/VESO in the classification of positions; the assessment and referral of veteran candidates for multiple occupations, locations, and grade levels; and the staffing support needed to assist VESO in the execution of veteran hiring events.

OMB's *Performance of Inherently Governmental and Critical Functions* (September 2011) requires agencies, as part of acquisition planning, to include in their contract files evidence that analysis was conducted to establish, at a minimum, that the functions to be contracted are not inherently governmental functions. This analysis should include an assessment of the function to be contracted against OMB's listing of inherently governmental functions. If the function is not listed by OMB as inherently governmental, further tests should be conducted to determine if the function is inherently governmental or closely associated with inherently governmental functions.

Given the close alignment of VESO's mission and these work requirements, we found that HR&A did not have adequate controls during acquisition planning, such as conducting required assessments to identify inherently governmental functions. This level of control must be carried out during acquisition planning when agencies rely on contractors to perform functions such as those described in the R3 contract statement of work.

In July 2012, HR&A approved five full-time equivalent staff for VESO's HR staffing unit shortly before the R3 contract was awarded. These full-time equivalent staff had an estimated annual salary and benefit cost of nearly \$570,000. FAR Part 7.105 requires that agencies consider feasible acquisition alternatives including any related in-house efforts before awarding contracts or IAs. A VESO employee told us the former VESO Director was informed prior to award that the terms of the R3 contract would substantially duplicate VESO's own HR capacity. We were not provided evidence that VESO's HR support services needs were assessed against HR&A's and VESO's internal HR capacities before the R3 contract was awarded.

Shortly after we started this review, VESO initiated action to terminate its contract with R3 after paying \$1.4 million through March 2013. In June 2013 termination costs were being negotiated with R3. Based upon FAR guidance for contracts terminated at the Government's convenience, termination costs could potentially equal the remaining value of this firm-fixed-price contract, which is \$3 million. In total, we estimate VESO may potentially spend up to \$4.4 million on the R3 contract. We are not offering a recommendation to terminate the contract because VA is proceeding with that action. However, we are offering a recommendation to develop requirements for the planning of future support service contracts to test and assess functions to be contracted to determine if the function is inherently governmental and require the statement of work to clearly outline what the contractor may or may not do, including details regarding who has the authority to make decisions.

Conclusion

Given that VESO's spending on its acquisitions represents an estimated 86 percent of its FY 2012 spending and FY 2013 budget, the need for effective and recurring oversight is critical to ensuring VESO meets its mission. By strengthening SMG's controls over acquisitions, HR&A can better leverage its internal capacity and acquisitions to support VESO's mission. Further, we concluded that given the lack of details supporting the R3 contract, information is blurred regarding what should be outsourced and what is inherently governmental. The statement of work lacks specific details to identify how the work requirements are different from inherently governmental functions, and the controls, such as tests and assessments recommended in OMB guidance, were not used during acquisition planning.

Recommendations

1. We recommended the Acting Assistant Secretary for Human Resources and Administration improve the development and management of ADVANCE-funded acquisitions by strengthening the Strategic Management Group's process to fully assess program offices' procurement requests against VA's existing internal capacities.
2. We recommended the Acting Assistant Secretary for Human Resources and Administration take immediate action to assess veteran demand for call center services and to modify the terms of its interagency agreement with the Office of Personnel Management to reflect an appropriate level of call center operations and related costs, including staffing resources.
3. We recommended the Acting Assistant Secretary for Human Resources and Administration modify the Veteran Employment Services Office's interagency agreement with the Office of Personnel Management to require routine data reports on call centers' performance that include call volume, length of calls, blocked calls, wait times, and the overall accuracy of information provided to callers.
4. We recommended the Acting Assistant Secretary for Human Resources and Administration develop a process to independently assess the performance of the Veteran Employment Services Office's employment call centers by establishing metrics such as call volume, call wait times, hang-ups, and accuracy of information.
5. We recommended the Acting Assistant Secretary for Human Resources and Administration develop policy that prohibits the approval of modifications to interagency agreement terms that combine the costs and terms of distinct deliverables into one deliverable.
6. We recommended the Acting Assistant Secretary for Human Resources and Administration develop requirements to test and assess functions to be contracted to determine if these functions are inherently governmental as part of the acquisition planning process for all future contracts awarded to support the Veteran Employment Services Office's operations and initiatives.

Management Comments

The Acting Assistant Secretary for Human Resources and Administration concurred with all six of our recommendations. The Acting Assistant Secretary advised us that VESO has started the process of establishing metrics and performance standards to better measure program quality and outcomes. VESO will provide increased oversight for call center operations from now through the end of the current period of performance. VESO will not use the interagency agreement format for its next contract. The Acting Assistant Secretary also reported VA will establish a change control process to require a detailed review of any changes to contract language that may affect the cost, schedule, or ability to monitor a contract. Also, VA is taking

steps to ensure services acquired are not inherently governmental functions. In addition, the Acting Assistant Secretary responded that HR&A is likely to spend less than the projected \$4.4 million associated with the contract for human resources support services.

OIG Response

HR&A's planned actions are responsive. We will monitor its progress and follow up on its implementation until all proposed actions are completed. Appendix D provides the full text of the Acting Assistant Secretary's comments.

Appendix A Background

Veteran Employment Activities

VESO is solely dedicated to attract, recruit, hire, and retain veterans. To that end, VESO's major initiatives include its veteran employment call centers and the *VA for Vets* employment Web site. VESO also operates a veteran mentoring program designed to assist veterans with their transition into VA jobs.

HR&A ADVANCE- Funded Acquisition Practices

HR&A established SMG to provide oversight, development, and performance monitoring of ADVANCE-funded program initiatives. SMG prioritizes the use of ADVANCE funds, including procurements and full-time equivalent staff, and monitors ADVANCE expenditures. VA's Office of Acquisition Operations (OAO) reviews the proposals for ADVANCE-funded IAs and contracts and must approve each procurement method. OAO must obtain a legal review for proposed ADVANCE-funded procurements, depending on the purpose and value of each procurement, from VA's Office of General Counsel. SMG and OAO are involved in the negotiations and modifications of IAs.

Applicable Criteria

The FAR and VA's acquisition policy are applicable criteria related to the development and monitoring of IAs and direct contracts. FAR Part 7 details steps agencies should take as part of acquisition planning. The purpose of acquisition planning is to ensure the Government meets its needs in the most effective, economical, and timely manner. Agencies must specify how an acquisition can help an agency accomplish its mission more efficiently and effectively. Agencies are also required to consider feasible acquisition alternatives, including any related in-house efforts.

- The Government Accountability Office's *Standards for Internal Control in the Federal Government* (November 1999) defines the minimum level of quality acceptable for internal control in Government and provides the basis against which internal control is to be evaluated.
- OMB's *Guidelines for Assessing the Acquisition Function* (May 2008) provides agencies with guidance on internal control requirements for acquisition functions. Furthermore, these guidelines also require agencies to integrate acquisition internal control assessments into an agency's existing control functions.
- OMB's *Interagency Acquisitions* (June 2008) details best practices and requirements related to IAs effective October 2008. This policy includes requirements such as monitoring contractor performance.
- OMB's *Performance of Inherently Governmental and Critical Functions* (September 2011) establishes policy for the Executive Branch on addressing the performance of inherently governmental functions and critical functions. The policy is intended to assist agencies in ensuring that only Federal employees perform work that is inherently governmental or otherwise needs to be reserved to the public sector.

Appendix B Scope and Methodology

Scope

We conducted our review work from December 2012 to May 2013. The scope of our review included VESO's IA with OPM and VESO's HR support services contract with R3 to determine if these acquisitions were appropriate and justified. The scope of our review included actions and spending related to these acquisitions from FY 2012 through the second quarter of FY 2013.

Methodology

We reviewed and analyzed SMG and VESO policies, including strategic planning documentation, performance measures, budget data, and personnel data. We assessed contractor duties and tasks to identify duplication of effort and excess capacity. We interviewed officials and staff from the Office of Human Resources and Management, VESO, SMG, OAO, and OPM to obtain information on VESO's internal capacity and contractor support. We interviewed VA officials about ADVANCE-funded initiatives and VESO's budget. We also interviewed VBA officials for information about its veteran employment initiatives.

To assess the capacity of VESO's workforce, we examined data from VA's Personnel and Accounting Integrated Data system and verified the data with VESO program managers. To assess the capabilities of VESO's workforce, we analyzed position descriptions and interviewed VESO personnel. Our estimate of the annual value of VESO's HR staffing unit's full-time equivalent staff is based on 2008 OMB guidance that annual benefits make up an additional 36.25 percent of federal employees' yearly base salary.

To assess the effectiveness of VA's controls over VESO-related procurements, we examined HR&A's and OAO's acquisition oversight process and controls. We contacted VA's OAO and requested a list of IAs made on behalf of VESO during our scope of review. We used this list to identify relevant VESO IAs and contracts, which we reviewed in VA's Electronic Contract Management System. We reviewed the official electronic contract files in this system to determine if the files contained key documentation required by FAR and VA policy to support VESO's IA with OPM and its HR support services contract with R3.

To calculate average daily call volume for VESO's two call centers by month, we divided total inbound and outbound calls by the number of days per month for December 2011 through December 2012. Our monthly average calls per day included all days for each month because the call volume data we received from VESO and used in our analysis included 24/7 call volume.

To calculate daily call center employee workload by month, we summed the total inbound and outbound calls by month, and then divided each monthly total by the number of days in that month. We then divided this average

daily call volume by the number of call center employees for that given month. We did these calculations for a 13-month period, December 2011 through December 2012, using VESO-provided data.

Data Reliability

To ensure that OAO's list of VESO-related acquisitions was complete, we conducted an independent search of VA's Electronic Contract Management System and discussed the list's accuracy with appropriate VA personnel. Based on this evaluation, we determined that OAO's data were sufficiently reliable for the purposes of our review. To assess the accuracy of reports from the Personnel and Accounting Integrated Data system on VESO's reported workforce size and selected employee salaries, we examined these data reports for missing fields and data and discussed any discrepancies with a VESO program manager and a Human Resources Information Service official. Based on this assessment, we determined the data from the Personnel and Accounting Integrated Data system to be sufficient for purposes of our review. VESO provided Serco call center data, which we determined was sufficiently reliable for the purposes of our review.

Government Standards

Our assessment of internal controls focused on those controls relating to our review objective. We conducted this review under the *Quality Standards for Inspection and Evaluation*, issued by the Council of the Inspectors General on Integrity and Efficiency in January 2012. Those standards require that the evidence supporting our findings, conclusions, and recommendations should be sufficient, competent, and relevant and should lead a reasonable person to sustain the findings, conclusions, and recommendations. We believe the evidence obtained provides a reasonable basis for our findings, conclusions, and recommendations based on our review objective.

Appendix C Potential Monetary Benefits in Accordance With Inspector General Act Amendments

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs
1	Improve SMG's management of ADVANCE-funded acquisitions by fully assessing procurement requests against VA's existing internal capacities and capabilities.	\$4.4 million (See Note 1)	\$0
2	Assess veteran demand for call center services and modify the terms of VESO's interagency agreement with OPM to reflect more appropriate call center operations and costs.	\$13.1 million (See Note 2)	\$0
Total		\$17.5 million	\$0

Note 1: The \$4.4 million represents the total contract value, which includes contract payments made (\$1.4 million) and potential termination fees (\$3 million). The Acting Assistant Secretary for Human Resources and Administration responded that HR&A is likely to spend less than the projected \$4.4 million associated with this acquisition.

Note 2: The \$13.1 million was calculated by multiplying the \$1.1 million in first quarter FY 2013 costs associated with the overstaffing of call centers by the remaining 11 quarters for FYs 2013 through 2015.

Appendix D Acting Assistant Secretary for Human Resources and Administration Comments

Department of Veterans Affairs

Memorandum

Date: June 17, 2013

From: Acting Assistant Secretary for Human Resources and Administration (006)

Subj: Draft Report, Review of Acquisitions Supporting the Veteran Employment Services Office Project Number 2013-00644-R1-0036

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

1. The draft report on the review of acquisitions supporting the Veteran Employment Services Office (VESO) found that the Office of Human Resources and Administration (HR&A) acquired excess services to support VESO operations; that HR&A funded its Interagency Agreement (IA) with OPM for VESO's website which duplicated key components of existing HR&A and Veterans Benefits Administration employment websites; and that HR&A awarded a \$4.4 million 1-year contract to acquire human resources support that duplicated VESO's internal capabilities and certain functions are inherently governmental functions. The review concluded that at least \$13.1 million will be spent through FY 2015 on excess call center capacity unless corrective action is taken. In addition, according to the report, HR&A has little assurance that VESO's acquisitions are justified, appropriately targeted, and will have the desired impact of increasing Veteran employment unless internal controls are improved.
2. The draft report made six recommendations for HR&A to improve its acquisitions practices by assessing program needs against VA's existing capacities and capabilities, as well as establishing metrics to measure program quality and outcomes. HR&A concurs with all six recommendations and VESO has already begun the process of establishing metrics and performance standards to better measure program quality and outcomes. Given that the program was officially established less than 3 years ago, VESO is in the process of establishing a solid foundation and baseline with which to measure program effectiveness and return on investment. The \$4.4 million human resources support contract cited in the report was ultimately terminated. Further actions related to that contract are being processed and audited by the Office of Acquisitions Operations (OAO) to ensure all legal guidelines are adhered to. I believe that ultimately, HR&A is likely to spend less than the projected \$4.4 million associated with this acquisition.

Page 2

Draft Report, Review of Acquisitions Supporting the Veteran Employment Services Office
Project Number 2013-00644-R1-0036

3. HR&A's comments and plans in response to the recommendations are included in the attachment. HR&A will undertake more frequent and more rigorous oversight and review of VESO's acquisitions to ensure the organization meets its mission to support our Nation's Veterans.
4. Thank you for the opportunity to review and respond to the draft report. If you have any questions, please contact Dennis May, Acting Director, VESO (006VE) at (202) 461-5063.



Rafael A. Torres

Attachment

Office of Human Resources & Administration (HR&A)

Draft Report, Review of Acquisitions Supporting the Veteran Employment Services Office Project Number 2013-00644-R1-0036

Recommendation 1: We recommend the Acting Assistant Secretary for Human Resources and Administration improve the development and management of ADVANCE-funded acquisitions by strengthening the Strategic Management Group's process to fully assess program offices' procurement requests against VA's existing internal capacities.

HRA Response

Concur

The Office of Human Resources and Administration (HRA) concurs with this recommendation. It should also be noted that HRA has a prioritization process to avoid duplication of efforts within HRA, but we do not have the capability enterprise-wide to identify duplication across the Department. HRA will continue to work to strengthen and improve its program planning process which includes the following 4 high-level phases:

- 1) Requirements Coordination Review - Acquisition artifacts development (Performance Work Statements (PWS), Independent Government Cost Estimates (IGCE), Market Research, etc.);
- 2) Independent Validation and Verification (IV&V) - Review of each artifact for completeness and conformity to acquisition strategy, duplication of effort, programmatic best practices, feasibility, and cost;
- 3) Prioritization – Weighted, scaled scoring of each project to strategy/priority; and
- 4) Development of baseline program budget and acquisition strategy.

In addition, HRA's Strategic Management Group (SMG) has been specifically tasked by the Acting Assistant Secretary to collect and analyze all relevant information relating to duplication of efforts, i.e. procurement requests against existing internal capacities.

Target Completion Date: October 1, 2013

Recommendation 2: We recommend the Acting Assistant Secretary for Human Resources and Administration take immediate action to assess veteran demand for call center services and modify the terms of its interagency agreement with the Office of Personnel Management to reflect an

appropriate level of call center operations and related costs, including staffing resources.

HRA Response

Concur

VESO contacted the Office of Personnel Management (OPM) to pursue the course of action outlined in this recommendation. OPM confirmed that an assessment of demand for call center services and a modification to the interagency agreement could be done, but likely at an additional cost to VA. Given this information, VESO will provide increased oversight for call center operations from now to the end of the period of performance. Moving forward, VESO has addressed this issue with the requirements for a new contract for these services. VESO will not utilize the interagency agreement format for this new contract. VESO will provide historical call and e-mail volume data in the solicitation so vendors can submit proposals with valid and accurate staffing levels.

Target Completion Date: September 30, 2013

Recommendation 3: We recommend the Acting Assistant Secretary for Human Resources and Administration modify the Veteran Employment Services Office's interagency agreement with the Office of Personnel Management to require routine data reports on call centers' performance that include call volume, length of calls, blocked calls, wait times, and the overall accuracy of information provided to callers.

HRA Response

Concur

VESO contacted the Office of Personnel Management (OPM) to pursue the course of action outlined in this recommendation. OPM confirmed that a modification to the interagency agreement could be done, but likely at an additional cost to VA. In addition, and according to OPM, because of the amount of time involved with the modification, VA may not see this in effect until the end of the period of performance (September 2013). Given this information, VESO will provide increased oversight for call center operations from now to the end of the period of performance. Moving forward, VESO has addressed this issue with the requirements for the upcoming recompetition of this contract. As noted above, VESO will not utilize the interagency agreement format for this new contract. Also, detailed reporting standards regarding call center performance are included in the requirements developed for the next contract.

Target Completion Date: October 1, 2013

Recommendation 4: We recommend the Acting Assistant Secretary for Human Resources and Administration develop a process to independently

assess the performance of the Veteran Employment Services Office's employment call centers by establishing metrics such as call volume, call wait times, hang-ups, and accuracy of information.

HRA Response

Concur

VESO is currently addressing this issue by including detailed reporting standards regarding call center performance in the requirements developed for the next contract. These reporting standards include defined metrics that VESO created independently, which will allow the Acting Assistant Secretary for Human Resources and Administration (HRA) to assess the performance of the VESO coaching call centers. VESO is also addressing the issue by requiring call center metrics be accessible through an enhanced reporting platform that will be made available to VESO and HRA leadership. A process is being developed that will allow VESO and HRA to independently review and assess call center performance on a regularly scheduled basis using the metrics required in the next contract and the metrics that will be available in the enhanced reporting platform.

Target Completion Date: October 1, 2013

Recommendation 5: We recommend the Acting Assistant Secretary for Human Resources and Administration develop policy that prohibits the approval of modifications to interagency agreement terms that combine the costs and terms of distinct deliverables into one deliverable.

HRA Response

Concur

HRA concurs with input from the Office of Acquisitions. Specifically, Paragraph H to Section 5 to VA PPM (2013-06) – Interagency Acquisitions (IAs), Guidance and Procedures states that “When establishing an interagency acquisition, a VA contracting official or program official is required to prepare the statement of work including specific requirements, tasks, deliverables, defined delivery dates, and performance metrics.” VA shall establish a requirements definition process that elaborates Performance Work Statement requirements to the lowest logical level of activities and deliverables. In this way, detailed requirements and deliverables can be provided in the Performance Work Statement. Such properly defined requirements provide the detail necessary to monitor contract performance and changes in scope, including the potential cost impacts related to contract changes. VA shall also establish a change control process that requires a detailed review of any changes to contract language that may affect the cost, schedule and ability to monitor the contract. In this way, the government will be better assured of paying a fair and reasonable price for contract changes and of receiving fair consideration for reductions in contract scope.

Target Completion Date: September 1, 2013

Recommendation 6: We recommend the Acting Assistant Secretary for Human Resources and Administration develop requirements to test and assess functions to be contracted to determine if these functions are inherently governmental as part of the acquisition planning process for all future contracts awarded to support the Veteran Employment Services Office's operations and initiatives.

HRA Response

Concur

VA routinely reviews FAR 7.5, in conjunction with OMB Circular A-76, to familiarize ourselves with functions that are inherently governmental services. VA is currently reviewing FY2013 acquisition packages for functions and activities that potentially violate rules against acquiring inherently governmental functions. Acquisition packages include templates for the development of requirements whereby the work required is compared against the list of inherently governmental functions, services closely related to inherently governmental functions, and critical functions as described in OFPP Policy Letter 11-01. For the FY2014 acquisition planning process, VA is expanding this review to include more specific checklists and language in Performance Work Statements that clearly place appropriate governmental direction and control over service contract requirements; while at the same time properly monitor contractor performance with objective performance measures. This combined direction, control and objective oversight will ensure that services acquired by the government will not include inherently governmental functions and will satisfy the government's mission need.

Target Completion Date: September 1, 2013

Appendix E Office of Inspector General Contact and Staff Acknowledgments

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

Acknowledgments	Nick Dahl, Director Irene J. Barnett Benjamin Howe Jenna Lamy Jennifer Leonard James McCarthy
-----------------	--

Appendix F Report Distribution

VA Distribution

Office of the Secretary
Veterans Health Administration
Veterans Benefits Administration
National Cemetery Administration
Assistant Secretaries
Office of General Counsel

Non-VA Distribution

House Committee on Veterans' Affairs
House Appropriations Subcommittee on Military Construction, Veterans
Affairs, and Related Agencies
House Committee on Oversight and Government Reform
Senate Committee on Veterans' Affairs
Senate Appropriations Subcommittee on Military Construction, Veterans
Affairs, and Related Agencies
Senate Committee on Homeland Security and Governmental Affairs
National Veterans Service Organizations
Government Accountability Office
Office of Management and Budget

This report is available on our Web site at www.va.gov/oig.