

VA Office of Inspector General

O F F I C E O F A U D I T



Department of Veterans Affairs

*Audit of FLITE Program
Management's Implementation of
Lessons Learned*

09-01467-216
September 16, 2009

ACRONYMS AND ABBREVIATIONS

BNTI	Budgeting and Near Term Issues
BPA	Blanket Purchase Agreement
CAI	Center for Acquisition Innovation
CoreFLS	Core Financial and Logistics System
COTR	Contracting Officers' Technical Representatives
DW	Data Warehouse
EVMS	Earned Value Management System
FAR	Federal Acquisition Regulation
FFRDC	Federally Funded Research and Development Center
FLITE	Financial and Logistics Integrated Technology Enterprise
FMS	Financial Management System
FSS	Federal Supply Schedule
IFAS	Integrated Financial Accounting System
IFCAP	Integrated Funds Distribution, Control Point Activity, Accounting and Procurement
ITLB	Information Technology Leadership Board
IT PMO	Information Technology Program Management Office
MQAS	Management Quality Assurance Service
OI&T	Office of Information and Technology
OM	Office of Management
OMB	Office of Management and Budget
PDO	Program Director's Office
PLTI	Programming and Long Term Issues
QASP	Quality Assurance Surveillance Plan
SAM	Strategic Asset Management
SEI	Software Engineering Institute (operated by Carnegie Mellon University)
SMP	Staffing Management Plan

To Report Suspected Wrongdoing in VA Programs and Operations

Telephone: 1-800-488-8244 between 8:30AM and 4:00PM Eastern Time,

Monday through Friday, excluding Federal holidays

E-mail: vaoighotline@va.gov

TABLE OF CONTENTS

Introduction	1
Results and Recommendations	2
Finding FLITE Program Managers Need to Take Additional Steps to Improve Program Oversight	2
Appendix A. Scope and Methodology.....	14
Appendix B. Background	15
Appendix C. Sample of Lessons Learned	19
Appendix D. Monetary Benefits in Accordance with IG Act Amendments	22
Appendix E. Agency Comments	23
Appendix F. OIG Contact and Staff Acknowledgments.....	32
Appendix G. Report Distribution.....	33



Report Highlights: Audit of FLITE Program Management's Implementation of Lessons Learned

Why We Did This Audit

This audit examined if VA was effectively managing the development of the Financial and Logistics Integrated Technology Enterprise (FLITE) program. VA began developing the FLITE program, after the Core Financial and Logistics System (CoreFLS) initiative failed in September 2005, to address a longstanding need for an integrated financial management system. FLITE is needed to provide timely and accurate financial, logistics, budget, and asset management information and is expected to resolve VA's material weaknesses in the financial management system by integrating systems and reducing intensive manual accounting processes. Accordingly, this audit assessed FLITE program managers' use of CoreFLS lessons learned in the development of the FLITE program.

What We Found

FLITE program managers have not fully incorporated CoreFLS lessons learned into the development of FLITE. Although FLITE program managers have taken steps toward integrating the CoreFLS lessons learned into the FLITE's development, we identified deficiencies similar to those found with CoreFLS. Critical FLITE program functions were not fully staffed, non-FLITE expenditures were funded through the FLITE program, and contract awards did not comply with competition requirements. This occurred because FLITE program managers have not implemented a systematic and structured

process for monitoring the status of actions taken to address the lessons learned. They also were not taking actions to ensure that the lessons learned were completed or adequately resolved problems. Without management's attention to address the issues identified, the program faces an increased likelihood that mistakes made during CoreFLS will reoccur and prevent the successful implementation of FLITE.

What We Recommend

We recommend FLITE program managers develop and establish more robust management and oversight controls in the FLITE program.

Agency Response

The Assistant Secretaries for Information and Technology and Management; and the Executive Director, Office of Acquisition, Logistics, and Construction generally agreed with our findings and recommendations and have either completed actions or provided acceptable implementation plans. The Assistant Secretaries also agreed with monetary benefits of \$1.2 million. We will follow up until all proposed actions have been completed. (See Appendix E for the full text of management's comments.)

(original signed by:)

BELINDA J. FINN
Assistant Inspector General
for Audits and Evaluations

INTRODUCTION

Objective

The audit assessed whether FLITE program managers have incorporated lessons learned from the CoreFLS program into the development of the FLITE program to increase the probability of a successful implementation of FLITE. Appendix A describes the scope and methodology used to answer the audit objective.

Overview of VA's FLITE Initiative

The FLITE program is a collaborative effort between the Offices of Management (OM) and Information and Technology (OI&T). It is scheduled to be deployed during the first quarter of fiscal year 2014 at an estimated cost of approximately \$609 million. FLITE—an integrated financial and logistical enterprise system replacing VA's existing financial and asset management systems—consists of three primary components: (1) the Integrated Financial Accounting System (IFAS) component, (2) the Strategic Asset Management (SAM) component, and (3) the Data Warehouse (DW) component.

Roles and Responsibilities

The FLITE Program Director (an OM asset) is responsible for defining business requirements and the desired end state for FLITE. Working with the Program Director, the Information Technology (IT) Program Manager (an OI&T asset) is responsible for translating the business requirements into a cost effective solution. The IT Program Manager is also responsible for planning and delivering the IT solution.

Numerous oversight boards provide governance to the FLITE program. The FLITE Oversight Board (made up of senior managers from across VA) is responsible for adjudicating FLITE program issues not resolvable at the Program Director level and making decisions on matters concerning business requirements, policies, and standards. The Budgeting and Near Term Issues (BNTI) Board provides risk and budget oversight as well as addressing near term issues. The Programming and Long Term Issues (PLTI) Board evaluates business cases and priorities including how projects support VA's IT infrastructure and adhere to information security standards. All issues that are not resolved at the BNTI and PLTI level are handled by the Information Technology Leadership Board (ITLB). Issues that cannot be resolved by the ITLB are elevated to the VA Executive Board. Finally, all IT matters that remain unresolved are ultimately the responsibility of the Strategic Management Council. Appendix B provides a detailed discussion on the background of the FLITE program.

RESULTS AND RECOMMENDATIONS

Finding **FLITE Program Managers Need to Take Additional Steps to Improve Program Oversight**

Summary

Financial and Logistics Integrated Technology Enterprise (FLITE) program managers have not fully incorporated Core Financial and Logistics System (CoreFLS) lessons learned into the development of FLITE: program managers need to take additional steps to improve program oversight. This occurred because FLITE program managers have not implemented management controls needed to ensure that effective and efficient monitoring of the lessons learned takes place. As a result, issues similar to those found during the implementation of CoreFLS have already occurred within the FLITE program. In addition, by not implementing the necessary management controls, FLITE program managers will increase the probability of the recurrence of mistakes encountered during CoreFLS, which could adversely impact the successful implementation of FLITE.

Effective Management Controls Needed

Although FLITE program managers have taken steps toward integrating the CoreFLS lessons learned into the development of FLITE, additional steps must be taken to establish a more disciplined approach for monitoring the lessons learned to improve oversight of and accountability for VA's implementation of FLITE. Program managers developed an aggregated list of 141 lessons learned by consolidating the findings contained in CoreFLS reports published by Carnegie Mellon's Software Engineering Institute (SEI), the Office of Inspector General (OIG), and VA's Management Quality Assurance Service (MQAS). Program managers reduced the total number of lessons learned to 103 by consolidating duplicate findings and grouping them into functional areas such as acquisition management, organizational change management, program management, systems engineering, and training. In addition, FLITE program managers identified the officials responsible for addressing the lessons learned, the actions required to mitigate risks associated with the lessons learned, and the key FLITE documents that address the deficiencies identified in the lessons learned.

However, FLITE program managers had not developed and implemented the management controls needed to ensure that the lessons learned had been adequately addressed or developed a systematic and structured process for monitoring the status of actions taken to address CoreFLS

lessons learned. For example, program managers had not developed written procedures to guide them on how to monitor and manage the lessons learned to include when and how to elevate an issue that has not been adequately addressed. Moreover, program managers were not validating that actions taken to address the lessons learned had actually been completed or that the actions adequately addressed the lessons learned.

As a result, the following deficiencies (similar to those found during the deployment of CoreFLS) have already occurred within the FLITE program and acquisition management areas:

- FLITE staffing needs were not being met.
- Task orders funded under the FLITE program were not FLITE-related.
- Contract awards did not comply with competition requirements.
- Earned value management system (EVMS) requirements were not included in a FLITE contract.
- A service contract did not have a quality assurance surveillance plan (QASP).
- Contract files were missing essential documentation.

***FLITE Program
Understaffed***

Critical FLITE program functions were not adequately staffed. The FLITE program was understaffed by at least 20 employees in such key areas as the Information Technology Program Management Office (IT PMO), the Strategic Asset Management (SAM) project team, acquisition support, and program developers. This occurred because VA officials have not placed sufficient emphasis on ensuring FLITE staffing needs are met. A lack of adequate staffing will jeopardize the successful implementation of FLITE.

VA asked SEI to conduct an independent technical assessment of the failed CoreFLS project. SEI's technical assessment determined that one of the deficiencies that undermined the success of the CoreFLS initiative was that staffing as a whole did not have sufficient resources and expertise to oversee a program of that magnitude.

In response to SEI's observation that CoreFLS resources were insufficient, FLITE program managers implemented the following improvements to their systems development process:

- FLITE has a dedicated program director and staff; an IT program manager and staff; and a dedicated contracting staff.
- Separate project offices were established and staffed to develop SAM and the Integrated Financial Accounting System (IFAS) components of FLITE.
- FLITE program managers established a dedicated training coordinator position.
- VA's Systems Quality Assurance Service is helping the FLITE planning efforts by reviewing FLITE planning documents for the program managers.

In addition, FLITE program managers developed a Staffing Management Plan (SMP) to address the organizations; relationships; roles and responsibilities; and personnel needed to support the FLITE program. The methodology used to develop the SMP was based on the resource requirements of the various VA organizational entities having specific support responsibilities for the FLITE program. We compared the staffing levels included in the SMP with current staffing levels to identify several key program areas that were understaffed. We also discussed staffing shortages with FLITE program managers. At the time of our audit, the FLITE program was understaffed by at least 20 employees in such key areas as IT program management, the SAM project team, acquisition support, and Integrated Funds Distribution Control Point Activity Accounting and Procurement (IFCAP) system programmers. Moreover, some staffing shortfalls have existed for nearly two years. For example, although the IT PMO was formally established in July 2007, it remains understaffed by six positions as of July 14, 2009.

FLITE program management also acknowledged that a significant number of additional staff resources are necessary to develop the IFCAP replacement portion of the project. These resources are critical to the success of the integration effort needed. At the time of our audit, FLITE officials were developing an estimate of the number of IFCAP programmers required to complete the project. Therefore, we were unable to include staffing needs for IFCAP software programming in our analysis.

The table below summarizes the program areas with staffing shortages based on information included in the SMP and actual staffing levels provided by the program management office.

Table 1

Planned Versus Actual Staffing for 2009			
VA FLITE Component	Planned Staffing	Actual Staffing	Staffing Shortage
IT PMO	9	3	6
SAM Team	15	5	10
Acquisition Support	12	8	4
IFCAP Programmers	Unknown	0	Unknown
Totals	36	16	20

In a meeting held on April 15, 2009, the FLITE Oversight Board noted that the lack of staffing resources continues to put FLITE at risk regarding the management of inherently governmental responsibilities. The Board stated that unless the IT PMO positions are filled immediately, the program will be at considerable risk. Further, the members of the Board agreed that the limited number of IFCAP programmers and OI&T resources available poses a significant risk that must be addressed. As of July 14, 2009, staffing needs remain unaddressed. In addition, during the FLITE Oversight Board meeting held on June 19, 2009, the FLITE program director made the following statements:

There are insufficient personnel to effectively perform inherently governmental activities and this is beginning to impact the staff's ability to perform activities required to maintain program progress. If not addressed quickly, this resource problem could adversely affect program cost and schedule.

In an effort to mitigate the risks associated with insufficient staffing within the FLITE IT PMO, staff from the FLITE Program Director's Office (PDO) have assumed COTR responsibilities and other key tasks such as overseeing the FLITE risk management program. Assumption of these activities is preventing FLITE PDO staff from completing other

critical business and programmatic tasks such as developing business requirements for the data warehouse.

While FLITE program managers have taken steps to address these staffing deficiencies, it is essential that VA fully address all staffing deficiencies identified during our audit. Until the staffing deficiencies are resolved, the same types of deficiencies experienced during the implementation of CoreFLS could also jeopardize the successful implementation of FLITE.

**Purchases Made
Under FLITE
Contracts Not
FLITE-Related**

One of the CoreFLS lessons learned was that some task orders attributed to CoreFLS were not actually related to CoreFLS. FLITE program management personnel addressed this lesson learned by stating that contracting officers will ensure that work performed under FLITE contracts and task orders will be for FLITE related activities. However, FLITE program officials used fiscal year (FY) 2008 FLITE funds to purchase technical support services and software license renewals unrelated to the FLITE program. In both cases, contracting officers were exercising option years to retain software maintenance and support services for software originally acquired for the Bay Pines VA Medical Center (Bay Pines) under the CoreFLS program. The purchase requests for both of these task orders stated that the task orders needed to be executed using FY 2008 FLITE funds. The total cost for the two task orders discussed below was approximately \$3.7 million.

- Dynamed software was originally purchased for Bay Pines under the CoreFLS program and the facility has continued to use the software since that time. A contracting officer awarded a task order costing \$1.2 million to exercise the current option year on July 21, 2008. The determination and finding document for exercising the option year for the Dynamed software states:

*The software ... is used to support the medical facilities at Bay Pines Medical Center, Florida ...
The maintenance and upgrades to this proprietary software (are) integral to the Bay Pines Facility.*

Furthermore, the FLITE acquisition strategy states Maximo software will be the application used for the program rather than Dynamed. Dynamed was originally purchased for the Bay Pines facility to support the CoreFLS program and it has remained in

use since that time. However, it is not currently, and is not expected to be, part of the FLITE program.

- A contracting officer awarded a task order costing \$2.5 million on July 21, 2008, to continue Oracle technical support services through the fifth option year at Bay Pines. The task order includes such applications as Activity Based Management, Internet Developer Suite, Oracle Financials, and Sales Analyzers. Although, the FLITE program will use Oracle, FLITE personnel have not overseen the implementation of any FLITE related Oracle applications at Bay Pines. Thus, these purchases should not be purchased with funds targeted for the FLITE program.

By not monitoring task orders more closely to ensure that the work to be performed was FLITE related, program officials incurred costs totaling approximately \$3.7 million that could have been spent for FLITE activities.

**Competition
Requirements Not
Met**

One of the deficiencies that hindered the success of CoreFLS was that contracting officers noncompetitively awarded task orders to support the development of CoreFLS. In response, FLITE program management addressed this lesson learned by stating that contracting officers would execute competitively awarded contracts that support program goals. However, contracting officers supporting the FLITE program did not always meet the competition requirements contained in the Federal Acquisition Regulation (FAR). For example:

A contracting officer awarded a task order valued at over \$21 million (base period plus four option years) for program and project management services against a Federally Funded Research and Development Center (FFRDC) contract sponsored by the Internal Revenue Service (IRS) without first obtaining a required determination and finding. FAR Subpart 17.504 allows a non-sponsoring agency to use a FFRDC under the authority of the Economy Act as long as the contracting officer approves a determination and finding prepared by the requestor before placing the order.¹ The determination and finding must state

¹A non-sponsoring agency is any organization that funds work to be performed by the FFRDC but is not a party to the sponsoring agreement. The executive agency managing, administering, and monitoring the use of the FFRDC is the sponsoring agency.

that the use of an interagency acquisition is in the best interest of the government and that the supplies or services cannot be obtained as conveniently or economically by contracting directly with a private source. Although the task order was awarded on September 29, 2006, the contracting officer did not sign the determination and finding until October 11, 2006.

In addition, the contracting officer did not justify the decision to limit competition. FAR Subpart 35.017-3 also requires that the contracting officer comply with the competition requirements included in FAR Part 6. FAR Subpart 6.302 identifies the circumstances allowing limited competition, while FAR Subpart 6.303 explains the written justification requirements contracting officers must follow when awarding contracts with limited competition.

A contracting officer did not meet the competition requirement to consider at least four Federal Supply Schedule (FSS) contractors when he established a blanket purchase agreement (BPA) under a FSS contract for a facilitator to assist in the development of solicitations supporting the FLITE program. The task order had a guaranteed minimum value of \$20,000 and a maximum value of \$325,000 over the 4-year life of the contract. FAR Subpart 8.405-2(c)(3) requires contracting officers to consider at least four schedule contractors when establishing a BPA. FAR Subpart 8.405-6 identifies the circumstances that permit contracting officers to restrict competition between FSS contractors. It also explains the written justification requirements. Although the contracting officer only considered three schedule contractors, he did not prepare a written justification that explained why the competition requirements were not met.

***Earned Value
Management
System and
Quality Assurance
Requirements Not
Met***

The CoreFLS initiative also suffered from a lack of firm deliverables being included in the task orders awarded to the contractor. As part of their analysis of CoreFLS lessons learned, FLITE program managers identified EVMS and QASPs as tools to be used to manage contractors' performance and to ensure that deliverables were adequate and timely.

EVMS is an integrated cost, schedule, and measurement system that helps program and project managers perform essential oversight duties. VA Directive 6061 (VA Earned Value Management System) states that

VA must demonstrate the use of a compliant EVMS for both government and contractor costs incurred by development work on major IT projects. The Directive also states that contracting officers must insert EVMS requirements and FAR language (contract clauses) into solicitations, contracts, and statements of work for all new development work starting after December 30, 2005. However, a contracting officer did not include EVMS requirements in the statement of work associated with the task order costing over \$21 million for program and project management services discussed above in the competition section of this report.

The contracting officer also did not ensure that a QASP was prepared for the program and project management services task order. FAR Subpart 46.103 states that, for service contracts, contracting officers are responsible for obtaining QASPs from the activities requesting the services. A QASP is needed because it provides the foundation for a comprehensive and systematic method of monitoring contractor performance and the standards against which surveillance efforts can be measured. The lack of a QASP subjects the Government to greater risk that the contractor may not perform the requested services in accordance with the terms of the contract.

**Contract Files
Missing Essential
Documentation**

Contracting officers need to improve their contract file maintenance. One of the CoreFLS lessons learned focused on internal controls over monitoring, tracking, and documenting acquisitions related to the program. FAR Subparts 4.801 through 4.803 provide guidance on establishing and maintaining contract files. In general, a contract file documents the basis for the acquisition and award, the assignment of contract administration duties, and any subsequent actions taken by the contracting officer.

The documentation included in the contract files must provide a complete history that demonstrates the basis for informed decisions at each step in the acquisition process. Some of the documents that should be included in the contracting officers' contract files are acquisition planning and pre-solicitation documents; justifications and approvals; a listing of the sources solicited; a government estimate of price; a copy of the solicitation; copies of each offer or quotation; and the signed contract.

In addition to the contracting officers' contract files, designated contracting officers' technical representatives (COTRs) maintain

contract files as well. Under the authority of VA Acquisition Regulation Subpart 801.603, the COTR is authorized to perform the duties of the contracting officer as delegated by the contracting officer. These duties, and the related documentation, may include approval of progress reports, invoice reviews for payment, ensuring security requirements are met, contract modification recommendations, and acceptance or rejection of contract supplies or services.

The VA contracting activities supporting FLITE are using both a contract file contents checklist and a COTR contract file checklist process; however, during our audit we found the following contract file deficiencies:

- Original contract and award documents were completely missing from the contract files related to the purchases of Oracle, Dynamed, and Maximo software licenses.
- The request for proposal and the independent Government cost estimate were missing from the contract file related to the task order for program and project management support that was awarded against the IRS-sponsored FFRDC contract.

In addition, the COTR contract files were not routinely reviewed by management or the contracting officer to ensure they were correctly maintained and that the contract was being monitored appropriately. Center for Acquisition Innovation (CAI)–Austin, TX personnel indicated that in the future COTR files would be reviewed on a regular basis but they did not have a written policy covering this procedure.

Although various controls over contract file maintenance are in place, they are only adequate if monitored to ensure compliance. Inadequate internal controls over contract file maintenance impacted the integrity of monitoring, tracking, and documenting FLITE program acquisitions.

**Corrective Actions
Taken**

The contracting issues we identified were related to contracts awarded by contracting officers working at the VA Central Office. On October 1, 2007, CAI-Austin, TX, became VA's dedicated acquisition center for FLITE and its contracting officers have corrected many of the deficiencies we identified. For example, on September 29, 2008, a CAI-Austin, TX, contracting officer addressed the competition and QASP requirements that were lacking in the task order awarded against the FFRDC contract by awarding a new contract. In addition, on August 11, 2009, the FLITE program management office published the

FLITE Program Measurement Earned Value Management Plan, which provides guidance on how to incorporate EVMS processes and applications throughout the FLITE program life cycle. Despite these timely corrective actions, FLITE program managers must remain vigilant so that these types of deficiencies do not occur in future FLITE-related contracts and task orders.

Conclusion

FLITE program managers have not fully incorporated CoreFLS lessons learned into the development of FLITE. Although FLITE program managers have taken important steps toward integrating the CoreFLS lessons learned into the development of FLITE, additional steps must be taken to improve program oversight because lessons learned have the potential to impact all phases of FLITE. By not ensuring that adequate actions have been taken, FLITE program managers increase the likelihood of the recurrence of the CoreFLS mistakes during the implementation of FLITE. In contrast, by implementing more stringent management controls, FLITE program managers will increase the probability of FLITE's success, while reducing the risk of the FLITE program not meeting cost, schedule, and performance goals.

Recommendations

We recommend the Assistant Secretary for Information and Technology:

1. Develop written procedures to guide program managers on how to monitor and manage lessons learned to include criteria covering when and how to elevate issues that have not been adequately addressed to senior VA leadership and procedures for validating whether the actions taken adequately addressed the lessons learned.
2. Expedite actions to ensure the FLITE program is adequately staffed, to include performing an independent staffing assessment.
3. Establish management controls to ensure FLITE funds are not used to make purchases using contracts and task orders for goods and services that are not FLITE related.

We recommend the Assistant Secretary for Management:

4. Develop written procedures to guide program managers on how to monitor and manage lessons learned to include criteria covering when and how to elevate issues that have not been adequately addressed to senior VA leadership and procedures for validating whether the actions taken adequately addressed the lessons learned.

5. Expedite actions to ensure the FLITE program is adequately staffed, to include performing an independent staffing assessment.
6. Establish management controls to ensure FLITE funds are not used to make purchases using contracts and task orders for goods and services that are not FLITE related.

We recommend the Executive Director, Office of Acquisition, Logistics, and Construction:

7. Expedite actions to ensure the FLITE program is adequately staffed, to include performing an independent staffing assessment.
8. Establish management controls to ensure EVMS is included in future FLITE acquisitions.
9. Establish management controls to ensure contracting officers adhere to FAR competition requirements when acquiring goods and services in the future for FLITE.
10. Establish management controls to ensure contracting officers obtain QASPs for all future service contracts awarded to support the FLITE initiative.
11. Establish a more robust methodology for monitoring acquisitions awarded for the FLITE program to ensure: contract files include sufficient documentation, EVMS requirements are met, adequate competition is obtained, and QASPs are in place for all service contracts.

**Management
Comments**

The Assistant Secretaries for Information and Technology and Management; and the Executive Director, Office of Acquisition, Logistics, and Construction generally agreed with our findings and recommendations and provided acceptable implementation plans. In addition, the Assistant Secretaries agreed with monetary benefits of \$1.2 million.

On August 18, 2009, the FLITE PDO published detailed written procedures to guide program managers on how to monitor and manage lessons learned. The Assistant Secretary for Information and Technology has given the Office of Programs, Plans, and Controls (part of OI&T's Office of Enterprise Development) the responsibility of monitoring FLITE funding activities. In addition, the FLITE PDO will task a support contractor with reviewing all FLITE expenditures to ensure FLITE funds

are not used to purchase goods and services unrelated to FLITE. The FLITE PDO expects to award the support contractor's task order by September 22, 2009. The FLITE PDO has arranged for an independent assessment of its staffing plan to be completed by September 15, 2009, and the Assistant Secretaries for Information and Technology and Management have initiated actions to address their staffing shortfalls (required resources are expected to be hired by October 31, 2009).

Similarly, the Executive Director for the Office of Acquisition, Logistics, and Construction has initiated actions to address its staffing shortfalls. The Executive Director anticipates having additional contract specialists hired by December 31, 2009. The Executive Director agreed with the intent that additional management controls are necessary to ensure EVMS requirements are included in future FLITE acquisitions and has required FLITE contracting officers to use Integrated Product Teams (IPTs) to ensure EVMS requirements are appropriately addressed in future FLITE contracts. In addition, the FLITE PDO published the FLITE Program Measurement Earned Value Management Plan on August 11, 2009, which provides detailed guidance on how EVMS requirements will be executed in the FLITE program.

The Executive Director partially agreed that there is a systemic problem with contracting officers not complying with FAR competition requirements. The Executive Director has established the requirement that IPTs and contract review boards will be used to ensure that FAR competition requirements are met, which meets the intent of our recommendation. The Executive Director has also established adequate management controls to ensure that QASPs are obtained for all future service contracts and acquisitions awarded for the FLITE program are appropriately monitored.

OIG Comments

The Assistant Secretaries for Information and Technology and Management; and the Executive Director, for the Office of Acquisition, Logistics, and Construction took appropriate corrective actions to implement recommendations 1, 3, 4, 8, 9, 10, and 11. Therefore, we consider these recommendations closed. In addition, planned corrective actions for recommendations 2, 5, 6 and 7 are responsive to our concerns. (Appendix E contains the full text of their comments.)

Appendix A Scope and Methodology

Scope

To determine whether FLITE program managers have incorporated lessons learned from the CoreFLS program into the development of the FLITE program, we used a non-statistical sample of 35 lessons learned. (See Appendix C for the sample of lessons learned.) Our universe consisted of 103 CoreFLS lessons learned. To achieve a representative mix of lessons learned, we selected items from each of the functional areas covered by the lessons learned: acquisition, organizational change management, program management, systems engineering, and training. We considered the following factors when selecting our sample:

- Criticality to a successful implementation of FLITE.
- Applicability given the current phase of the FLITE program.

Methodology

To evaluate whether FLITE program managers have effectively incorporated CoreFLS lessons learned into the FLITE initiative, we interviewed FLITE program and project managers along with key senior officials (including contracting officers and COTRs) who were responsible for addressing the lessons learned. We analyzed critical project documents to include plans for program governance, program management, communications, concept of operations, organizational change management, quality management, risk management, staffing, and stakeholders' analyses. Similarly, we analyzed acquisition plans and documentation included in FLITE-related contract files. Finally, we evaluated whether actions taken adequately addressed the CoreFLS lessons learned.

Reliability of Computer- Processed Data

To address our audit objective, we did not rely on computer-processed data. Accordingly, we did not assess the reliability of computer-processed data.

Compliance with Government Audit Standards

We conducted our audit work from February through September 2009. Our assessment of internal controls focused on those controls relating to our audit objective. We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B Background

History of FLITE

VA's need for an integrated financial management system has existed for years. In 1998, VA began developing CoreFLS, an integrated financial and asset management system, in an attempt to create a single system that integrated the numerous financial and asset management systems used by VA. Despite spending more than \$249 million on the CoreFLS effort, VA discontinued the initiative in 2004 after pilot tests indicated that the system failed due to significant project management weaknesses.

VA began work on the FLITE initiative after CoreFLS failed in September 2005. Because of the need to address material weakness in VA's financial management system functionality, FLITE has become a highly visible project that is needed to help report on and manage the department's multi-billion dollar assets. Moreover, the Office of Management and Budget (OMB) designated FLITE as a high risk project. High risk projects are those projects requiring special attention from oversight authorities such as OMB and the Government Accountability Office—they also require the highest level of agency management attention.

FLITE Objectives

FLITE is a multi-year, integrated financial and logistical enterprise system being developed to replace VA's various existing financial and asset management systems. The objectives of the FLITE program, a collaboration of the Office of Management (OM) and the Office of Information and Technology (OI&T), are to:

- Integrate and standardize financial and asset management data and processes across all VA offices.
- Provide management access to timely and accurate asset, budget, financial, and logistics information on VA-wide operations, programs, and projects.
- Establish an advanced technology environment that provides VA with the greatest capability coupled with an extended life cycle.

Key Components

FLITE has three primary components:

- IFAS: A system designed to standardize business processes and modernize the IT environment supporting financial management.
- SAM: The system of record for all VA assets.

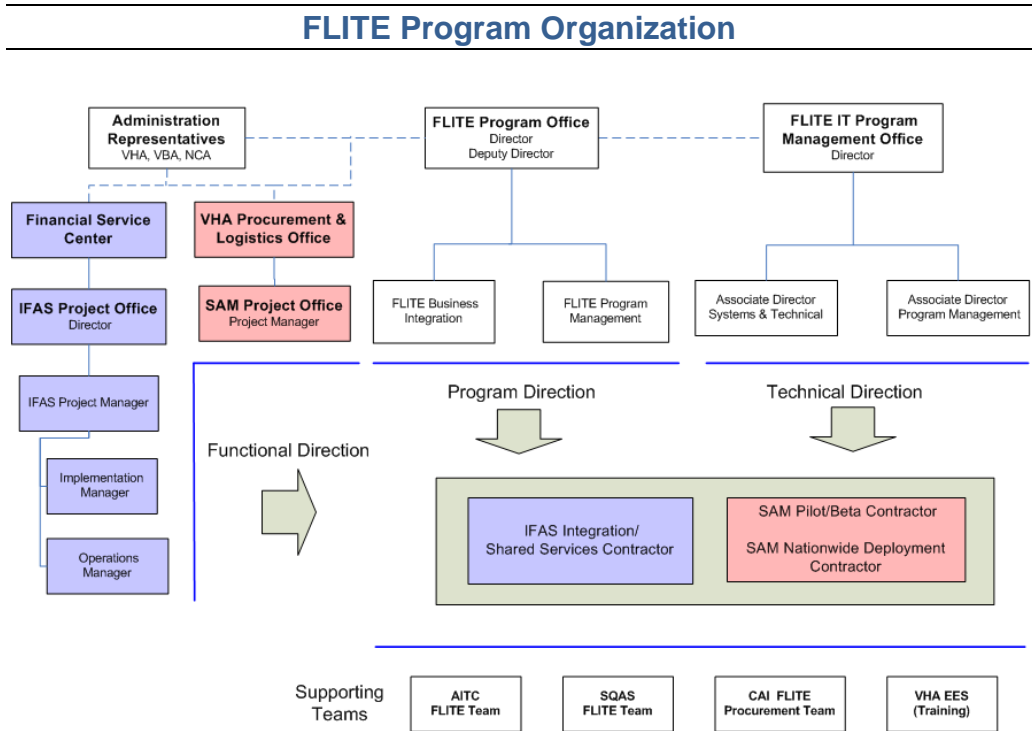
- DW: The data source to be used for financial and logistical analysis and reporting.

**Organizational
Structure**

The FLITE program is co-sponsored by the Assistant Secretary for Management and the Assistant Secretary for Information and Technology. Accordingly, two offices are primarily responsible for the successful definition, development, integration, testing, fielding and maintenance of the FLITE program. The FLITE PDO (under the jurisdiction of OM) is responsible for the business requirements and processes and the FLITE IT PMO (under the jurisdiction of OI&T) is responsible for the technical solution.

The FLITE PDO has overall authority and responsibility for the FLITE program planning and execution. The central role of the PDO is to provide executive leadership, direction, and expertise in project planning, design, procurement, testing, implementation, and integration of the financial and asset management systems. The FLITE IT PMO provides technical planning, acquisition, integration, and delivery of the IT solution within the established functional, cost, and schedule baseline. The IFAS Project Office is responsible for the accounting management component and will provide direction and management for upgrading and replacing the current Financial Management System (FMS) and IFCAP systems. The SAM Project Office is responsible for the asset management component and will provide a centralized repository of all physical and IT assets, supply inventories, and related work management in a single system accessible throughout the department.

The figure below shows the organizational structure of the FLITE Program.



Development and Implementation

FLITE program managers are using a multi-year, phased approach for the development, deployment, integration, and implementation of the three components of FLITE. Program managers plan on completing deployment in FY 2014. Upon full deployment, FLITE will replace the following VA legacy systems:

- FMS.
- Components of the IFCAP System.
- Automated Equipment Management Systems/Medical Equipment Reporting System.
- National Cemetery Administration Maintenance Management System.
- Generic Inventory Package.
- Prosthetic Inventory Package.
- Capital Asset Inventory.

CoreFLS Lessons Learned

Reports published by three organizations provided a collection of 141 lessons learned that are being used by the FLITE program managers as they develop FLITE:

- Following the failed CoreFLS pilot tests, VA asked SEI to provide an independent technical assessment of the CoreFLS program. In June 2004, SEI reported that CoreFLS experienced significant technical and functional problems, including security weaknesses, usability issues, and an inability to perform essential financial management functions. SEI also identified problems related to acquisition management, program management, and system engineering.²
- In August 2004, OIG published a report that included an evaluation of the CoreFLS deployment. The audit team identified numerous critical issues that contributed to the CoreFLS failure such as project management and security weaknesses, inaccurate data issues, inadequate training, improper acquisition procedures, and an inability to monitor fiscal operations.³
- Because of the high visibility of the CoreFLS failure, VA asked MQAS to review expenditures made to CoreFLS. In August 2007, MQAS published a summary report of their findings. The MQAS reviews primarily identified significant contract administration issues resulting from poor administrative internal controls.⁴

The aggregated list of 141 lessons learned included 80 lessons learned from SEI, 22 from OIG, and 39 from MQAS. FLITE program managers subsequently reduced the total number of lessons learned to 103 by eliminating duplicate findings.

²Carnegie Mellon Software Engineering Institute, *Report of the Independent Technical Assessment on the Department of Veterans Affairs CoreFLS Program* (June 2004).

³VA Office of Inspector General, *Issues at VA Medical Center Bay Pines, Florida and Procurement and Deployment of the Core Financial and Logistics System* (Report No. 04-01371-177, August 11, 2004).

⁴VA Management Quality Assurance Service, *VA Lessons Learned: Findings and Recommendations Summary from CoreFLS Reviews* (Report No. 07-04-SAD-002, August 1, 2007).

Appendix C Sample of Lessons Learned Reviewed by OIG

Legend: SE=Systems Engineering, ACQ = Acquisition, OCM = Organizational Change Management, PM=Program Management, and TR = Training

Item	Lessons Learned	Category
1	The commercial off-the-shelf integration risks do not appear to have been adequately identified.	SE
2	An effective model and understanding of the VA's "as-is" business processes - the what, the who, and the how of each administration within the VA and headquarters - does not exist. In particular, the end-to-end flow of transactions was not captured. Of critical importance, the similarities and differences and the reasons for the differences across VISNs, hospitals, benefit offices, and cemeteries are unknown. These are critical to systems engineering.	SE
3	The CoreFLS chart of accounts was assembled by merging information from two legacy systems: FMS and IFCAP (each known to have material weaknesses).	SE
4	VA is unable to consistently produce accurate VA data. None of the internal or external audits have been done on CoreFLS, even though CoreFLS is the "system of record" for Bay Pines and the other installed sites.	SE
5	The contractor developed statement of work and cost estimates were accepted by VA without independent evaluation of need or reasonableness.	ACQ
6	Lack of background investigations for contractors increased VA's risk that computer systems and sensitive data could have been compromised.	ACQ
7	The project was competitively awarded based on one task order.	ACQ
8	Contract is a firm fixed price. However, it is being executed more like a level of effort contract. The contract lacked firm deliverables for functionality and quality attributes, and instead required progress reports and documents of minimal value to the VA.	ACQ
9	Task orders did not have identifiable deliverables.	ACQ
10	Contract task orders were not generally assigned a price per deliverable. FAR suggests items or services be separately identified by line item.	ACQ
11	There was no process in place to keep contractors from being paid due to unsatisfactory deliverables.	ACQ
12	Task orders and modifications were routinely awarded and funded by VA without sufficient justification and required documentation.	ACQ
13	Task orders attributed to the CoreFLS contract were not CoreFLS related.	ACQ

Sample of Lessons Learned Reviewed by OIG

Item	Lessons Learned	Category
14	There was lack of COTR review of deliverables for acceptance.	ACQ
15	Invoices entirely or partially lacked COTR approval of the supporting timesheets. The invoices were paid in their entirety however; the contractor signed the timesheets, not the COTR.	ACQ
16	Invoices were found where someone other than the delegated COTR approved the invoices for payment.	ACQ
17	Task orders where the delegated COTR letter was either missing or not properly signed.	ACQ
18	Unauthorized contractor employees were working on task orders.	ACQ
19	Contractor travel costs were not adequately monitored or reviewed for compliance with task order provisions and Federal Travel Regulations.	ACQ
20	Poor internal procedures existed to monitor, track, and document contractor expenses including travel.	ACQ
21	Professional fees could not be verified due to missing or unsigned timesheets.	ACQ
22	The contract suffered from firm delivery dates with incentive dates for an ill-defined product. This not only drove premature deployment of a nonworking system, but allowed the integration contractor to collect an incentive bonus for on-time delivery of a system that cannot be made to work effectively without rebuilding its foundations.	ACQ
23	Transition, both change management and deployment, had numerous flaws to the point where it is tempting to consider CoreFLS as an exemplary case study in how not to do technology transition.	OCM
24	CoreFLS failed to engage the dedication of VA employees to their core mission to aid in transition.	OCM
25	CoreFLS's financial management problems resulted from inadequately characterizing, analyzing, and documenting the differences between the VA's legacy systems and processes and the assumed business model within the CoreFLS implementation. This was compounded by the failure to effectively communicate these differences and their implications with all of the affected stakeholder groups. This resulted not only in a poor accounting structure, but also suboptimal architectural and design tradeoffs. It also contributed to seriously underestimating the required deployment and change management approaches. As a result, users are often trying to use CoreFLS as they would the legacy system.	OCM

Sample of Lessons Learned Reviewed by OIG

Item	Lessons Learned	Category
26	CoreFLS required both management and technical oversight by VA. The staff as a whole did not have sufficient resource and expertise to oversee a program of this magnitude.	PM
27	Cost, schedule and risk implications are integral to all tradeoffs regarding the technical system and any business process changes including all transition issues.	PM
28	Independent government cost estimates appear to agree with contractor estimates to the penny. There is little evidence of a robust, rigorous procurement or contracting policies, processes or procedures. Without clear direction, the procurement process is at best inadequate and has resulted in a contract that has little control over the contractor.	PM
29	No effective contingency plan to protect CoreFLS assets and functionality existed. VA may not be able to recover CoreFLS operational capability in a timely, orderly manner or perform essential functions during an emergency or other event that may disrupt normal operations.	PM
30	With no overarching task for the program, and without an effective enterprise architecture as a framework, there was no clear roadmap for where the program needs to proceed. Individual tasks are disjointed and may or may not reflect progress toward implementing the system as a whole. The lack of concrete deliverables that provide value to the VA and contribute to the implementation of CoreFLS meant that the task orders were possibly simply maintaining the "status quo".	PM
31	Poor administrative internal controls existed, such as a lack of standard operating procedures (SOPs) for monitoring, tracking, and documenting the contract-related aspects of the project.	PM
32	The CoreFLS Program Management Office and the Office of Acquisition and Logistics (Now known as the Office of Acquisition, Logistics, and Construction) did not identify SOPs to document requirements and how documentation was to be tracked and maintained.	PM
33	Initially, the VA sought out an independent advisor for CoreFLS to provide advice and assist with the implementation of the system. As time went on, the advisor, the contractor, also became the integrator. This created an inherent conflict of interest.	PM
34	There was a lack of resources to complete the administrative tasks of running the project.	PM
35	There was a lack of training in COTR duties and responsibilities.	TR

Appendix D Monetary Benefits in Accordance with IG Act Amendments

Recommendation	Explanation of Benefits	Better Use of Funds
3	Establish management controls to ensure FLITE funds are only used for FLITE related contracts and task orders.	\$1,200,000
	Total	\$1,200,000

Appendix E Agency Comments

**Department of
Veterans Affairs**

Memorandum

Date: **SEP 01 2009**

From: Director, FLITE Program Office (046)

Subj: Draft Report: Audit of Financial and Logistics Integrated Technology Enterprise (FLITE) Program Management's Implementation of Lessons Learned (Project No. 2009-01467-R6-0065)

To: Director, Office of Inspector General (OIG) Dallas Audit Operations Division (52DA)

1. The Assistant Secretary for Management and the Assistant Secretary for Information and Technology have reviewed the draft OIG report on the Audit of Financial and Logistics Integrated Technology Enterprise (FLITE) Program Management's Implementation of Lessons Learned and provide the following responses to the recommendations:

Recommendations to the Assistant Secretary for Information and Technology:

Recommendation 1: Develop written procedures to guide program managers on how to monitor and manage lessons learned to include criteria covering when and how to elevate issues that have not been adequately addressed to senior VA leadership and procedures for validating whether the actions taken adequately addressed the lessons learned.

Concur. Staff from the Office of Information and Technology (OI&T) participate in the administration of FLITE lessons learned in the following two ways:

a. Managing

OI&T has assigned lessons-learned owners from the FLITE Information Technology Project Management Office (IT PMO) for all CoreFLS (Core Financial and Logistics System) lessons learned that relate to FLITE systems integration, systems engineering, Earned Value Management and other areas that fall within the scope of OI&T management. The FLITE IT PMO owner is responsible for developing an action plan for the management of the lesson and ensuring that the plan is implemented, monitored and assessed.

b. Monitoring and Escalating

A minimum of one representative from the FLITE IT PMO serves on the FLITE Lessons Learned Team. Members of the team are responsible for monitoring lessons learned and escalating those for which the actions taken have not produced the targeted results.

Page 2

Subject: Audit of Financial and Logistics Integrated Technology Enterprise (FLITE)
Program Management's Implementation of Lessons Learned (Project No. 2009-01467-
R6-0065)

The *FLITE Lessons Learned Procedures* (Attachment 1) includes a detailed explanation of the roles and responsibilities of all staff who are involved in managing and monitoring FLITE lessons learned. In addition, the document describes the procedures in place to escalate lessons learned that are not being managed effectively and the metrics that are being used to evaluate them.

Recommendation 2: Expedite actions to ensure the FLITE Program is adequately staffed, to include performing an independent staffing assessment.

Concur. The OI&T staffing level was increased from 9 to 16 by Mr. Roger Baker, Assistant Secretary for Information and Technology, on July 23 2009. OI&T had five resources onboard as of August 14, 2009; one position is being actively recruited, and three selections were made. At CIO direction of the CIO, the 10 additional positions will be filled by reassigning existing OI&T Office of Enterprise Development (OED) staff and recruiting resources from the Technology Acquisition Center in New Jersey. The 10 additional resources are anticipated to be onboard by October 31, 2009, following coordination and transition from their current organizations. The FLITE Program has requested that MITRE perform an independent staffing assessment of the FLITE Program Director's Office (PDO), the FLITE IT PMO, and the Center for Acquisition staffing levels. The assessment is anticipated to be completed on September 15, 2009, and will be made available upon review.

Recommendation 3: Establish management controls to ensure FLITE funds are not used to make purchases using contracts and task orders for goods and services that are not FLITE related.

Concur with establishing management controls to ensure FLITE funds are not used to make purchases that are not FLITE related. The funding activities referenced in the draft OIG report were for two specific acquisitions: DynaMed and Oracle software. DynaMed is being used as the inventory management system at the Bay Pines VAMC. It was initially funded by the FLITE Program through September 2009, but will not be funded by FLITE dollars beyond this point.

The continuation of the contract for Oracle was determined to be in the best interest of the FLITE Program until a final commercial off-the-shelf (COTS) solution is selected for the Integrated Financial Accounting System (IFAS) project. Should Oracle be the final COTS solution for IFAS, there are potential cost savings by maintaining the current software maintenance contract. FLITE funds will not be used for funding Oracle licenses beyond September 2009, when the evaluation of IFAS will be complete and the COTS solution will be known. The Oracle licenses will either be parlayed into a larger contract (if Oracle is a part of the selected IFAS solution) or ceased (if Oracle is not part of the larger IFAS solution).

Page 3

Subject: Audit of Financial and Logistics Integrated Technology Enterprise (FLITE)
Program Management's Implementation of Lessons Learned (Project No. 2009-01467-
R6-0065)

Additionally, within OED, an enterprise office called Programs, Plans and Controls (PP&C) has been established to ensure funding policies are followed as well as levy internal controls on funding activities.

Recommendations to the Assistant Secretary for Management:

Recommendation 4: Develop written procedures to guide program managers on how to monitor and manage lessons learned to include criteria covering when and how to elevate issues that have not been adequately address to senior VA leadership and procedures for validating whether the actions taken adequately addressed the lessons learned.

Concur. The FLITE Program Office developed written procedures to guide program managers on how to monitor and manage lessons learned. The *FLITE Lessons Learned Procedures, dated August 18, 2009* (Attachment 1) includes a detailed explanation of the roles and responsibilities of all staff who are involved in managing and monitoring FLITE lessons learned. In addition, the document describes the procedures in place to escalate lessons learned that are not being managed effectively and the metrics that are being used to evaluate them.

The FLITE PDO participates in the administration of FLITE lessons learned by:

a. Managing

All CoreFLS lessons learned that relate to FLITE program management, organizational change management and acquisition have been assigned to the lessons learned owner from the FLITE PDO. The owner is responsible for developing an action plan for the management of the lesson and ensuring that the plan is implemented.

b. Monitoring and Escalating

A member of the FLITE PDO serves as the lead on the FLITE Lessons Learned Team. Members of the team and representatives from all components of the FLITE Program are responsible for monitoring lessons learned and escalating those for which the actions taken have not produced the targeted results.

The *FLITE Lessons Learned Procedures* includes a detailed explanation of the roles and responsibilities of all staff who are involved in managing and monitoring FLITE lessons learned. In addition, the document describes the procedures in place to escalate lessons learned that are not being managed effectively and the metrics that are being used for evaluation.

Page 4

Subject: Audit of Financial and Logistics Integrated Technology Enterprise (FLITE)
Program Management's Implementation of Lessons Learned (Project No. 2009-01467-
R6-0065)

Recommendation 5: Expedite actions to ensure the FLITE Program is adequately staffed, to include performing an independent staffing assessment.

Concur; the FLITE PDO expedited actions to ensure it was staffed as planned during fiscal years (FY) 2008 and 2009. We reached the target staff level of 13 in the third quarter FY 2009 as scheduled. We incurred a recent vacancy in the FLITE PDO when a staff member took a promotion with the Department of the Army. The vacancy will be filled by reassignment; the nominee is expected to enter on duty on August 31, approximately 30 days after the vacancy occurred. The FLITE PDO has asked MITRE to perform an independent staffing assessment of the FLITE PDO staffing plan. We anticipate the assessment to be completed on September 15, 2009; it will be made available upon review.

Recommendation 6: Establish management controls to ensure FLITE funds are not used to make purchases using contracts and task orders for goods and services that are not FLITE related.

We concur with establishing management controls to ensure FLITE funds are not used to make purchases that are not FLITE related. Within OED, an enterprise office -- Programs, Plans and Controls -- has been established to ensure funding policies are followed and to levy internal controls on funding activities. The funding activities referenced in the draft OIG report were related to software maintenance and support services for DynaMed and Oracle. While DynaMed will not be used for the FLITE Program, the continuation of the contract for Oracle was determined to be in the best interest of the FLITE Program until a final COTS solution is selected for the Integrated Financial Accounting System (IFAS) project. Should Oracle be the final COTS solution for IFAS, there will be potential cost savings by maintaining the current software maintenance contract. FLITE funds will not be used for either contract in FY 2009. Lastly, the FLITE PDO will include a review of all FLITE expenditures in the MITRE task order for FY 2010 to ensure internal controls are in place and that they effectively preclude the use of FLITE funds for goods or services that are not FLITE related. This task order is projected for award on September 22, 2009.

Page 5

Subject: Audit of Financial and Logistics Integrated Technology Enterprise (FLITE)
Program Management's Implementation of Lessons Learned (Project No. 2009-01467-
R6-0065)

2. The responses from the Executive Director of the Office of Acquisition, Logistics,
and Construction (OALC) are attached. Any questions regarding this submission,
please contact me at (202) 461-1201.



Leslie E. Abbott

Attachment

**Department of
Veterans Affairs**

Memorandum

Date: **AUG 31 2009**

From: Executive Director, Office of Acquisition, Logistics, and Construction (OALC)

Subj: Audit of Financial and Logistics Integrated Technology Enterprise (FLITE) Program Management's Implementation of Lessons Learned (Project No. 2009-01467-R6-0065) (WebCIMS No. 437548)

To: Director, OIG Dallas Audit Operations Division (52DA)

1. The Office of Acquisition, Logistics, and Construction (OALC) has reviewed the Audit of Financial and Logistics Integrated Technology Enterprise (FLITE) Program Management's Implementation of Lessons Learned and provides the following response to the report recommendations as follows:

Recommendation 7. Expedite actions to ensure the FLITE program is staffed, to include performing an independent staffing assessment.

OALC Response: OALC concurs with the need for bringing on additional 1102 staff to provide contracting support for the FLITE Program as rapidly as possible. The Center for Acquisition Innovation (CAI) – Austin has twelve positions authorized to support FLITE Program acquisitions; eight positions are currently filled. Administrative support is being provided by two contractors. CAI – Austin has had a continuous recruitment effort during the past year. However, it is widely recognized there is a government-wide shortage of contract specialists. This situation has made it extremely difficult to fill the remaining four positions.

Notwithstanding, we are aggressively moving to hire additional contract specialists. Current efforts to step-up recruiting include the posting of an open, continuous announcement for contract specialists with relocation incentives and the planned scheduling of job fairs in Austin and San Antonio in September 2009. Results from these efforts will be used to fill four contract specialist positions at the target GS-13 grade level to support the FLITE Program. The selection process is expected to be completed by December 31, 2009. Additionally, we continue to monitor our existing resources and workload levels with an eye towards reassigning other contract specialist(s), as necessary, to fill out the team. Authorized staffing will increase in fiscal year 2010 by two positions. These two positions will be filled using the existing certification, if there are a sufficient number of qualified candidates to select.

To augment the immediate personnel shortfall, we have detailed a procurement analyst from the Acquisition Resources Service to serve as a cost analyst for the Integrated Financial Accounting System (IFAS) acquisition. We are also having two resources from the Office of Inspector General (OIG), Office of Contract Review, assisting in the IFAS proposal evaluation process.

Page 2

Subject: Audit of Financial and Logistics Integrated Technology Enterprise (FLITE) Program Management's Implementation of Lessons Learned (WebCIMS 437548)

It is also important to note that the FLITE Program Office has requested an independent staffing assessment of the Office of Management staffing plan to determine if projected staffing levels are sufficient. This assessment will also consider the need for additional contracting resources to support the FLITE Program. The assessment is expected to be completed by September 7, 2009. Depending on the results of this assessment of the Office of Management's staffing plan, additional resources may be committed to FLITE on expedited basis.

Recommendation 8. Establish management controls to ensure Earned Value Management System (EVMS) is included in future FLITE acquisitions.

OALC Response: OALC concurs with the intent that additional management controls are necessary to ensure EVMS requirements are included in future FLITE acquisitions as the draft OIG report recommended. The EVMS requirement was appropriately included in the contract vehicle awarded for the Strategic Asset Management (SAM) Pilot project and also in the Request for Proposal for the IFAS acquisition (yet to be awarded) as both are considered major information technology (IT) development requirements. The \$21M task order with MITRE Corporation, referenced on page 9 of the draft audit report, was not an IT development requirement. Rather the MITRE task order was for Federally Funded Research & Development Center (FFRDC) support to the FLITE Program. Therefore, EVMS was not required for the task order awarded to MITRE Corporation.

OALC believes its requirement to use an Integrated Product Team (IPT) approach to satisfy our complex IT acquisitions described in Information Letter 049-07-11, dated August 30, 2007, is sufficient to ensure EVMS requirements are appropriately addressed in future FLITE projects. The IPT process successfully ensured EVMS was included in both the SAM and IFAS acquisitions.

Recommendation 9. Establish management controls to ensure contracting officers adhere to FAR competition requirements when acquiring goods and services in the future for FLITE.

OALC Response: OALC concurs in part that there is a systemic problem with contracting officers not complying FAR competition requirements that would warrant establishment of additional management controls. The OIG draft audit report cited only two instances where contracting officers did not fully comply with FAR requirements.

Page 3

Subject: Audit of Financial and Logistics Integrated Technology Enterprise (FLITE) Program Management's Implementation of Lessons Learned (WebCIMS 437548)

The first instance, described on pages 7 and 8, involved the award of a task order against an existing Indefinite Delivery/Indefinite Quantity (ID/IQ) contract to MITRE Corporation for FFRDC support. We contend that a sole source justification under FAR 6.302 for this action was not required since FAR 6.001(f) exempts orders placed against task order and delivery order contracts entered into pursuant to FAR Subpart 16.5. As a task order against the existing Internal Revenue Service ID/IQ contract, the ordering requirements in FAR 16.505 applied.

The second instance, cited on page 8 of the draft audit report, involved the placement of a Blanket Purchase Agreement under a General Services Administration Federal Supply Schedule for facilitator services. We agree the contracting officer should have included a fourth source in the competition as required by FAR 8.405-6, instead of only three sources that were solicited. We further agree that the contract file did not adequately document the explanation of why only three sources were solicited. We again contend our existing internal processes are sufficient to prevent future occurrences. The two existing internal processes that will prevent future oversight in this area include the use of IPTs described in Information Letter 049-07-11, and our Contract Review Board policy which mandates internal reviews to ensure compliance with regulatory requirements. This internal review also includes a review by an attorney from OGC, should the dollar value of the proposed action warrant or the contracting staff makes a specific request. Compliance with one or both of these processes will allow for a final verification that FAR competition requirements are being met prior to release of a solicitation and award of a contract vehicle.

Recommendation 10. Establish management controls to ensure contracting officers obtain QASPs for all future service contracts awarded to support the FLITE initiative.

OALC Response: OALC concurs with the finding that the contracting officer for the project management services task order did not ensure a Quality Assurance Surveillance Plan (QASP) was prepared to monitor the contractor's performance as required by FAR 46.103. We believe the use of IPT's required by Information Letter 049-07-11, and strict adherence to our internal review policy has prevented other such occurrences since October 2007. The need for a surveillance plan is an integral part of the planning process that is considered by the IPT during the planning phase of the procurement. Our internal review policy for solicitations and contract documents also serves as a final check that appropriate surveillance methods will be employed to ensure VA can verify the adequacy of the services provided by a contractor.

Page 4

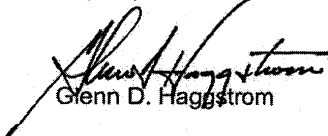
Subject: Audit of Financial and Logistics Integrated Technology Enterprise (FLITE)
Program Management's Implementation of Lessons Learned (WebCIMS 437548)

It is also noted that CAI – Austin has a specific tab on its contract file contents checklist for a QASP. This tab serves as an additional reminder for the contract specialist to consider the need of an appropriate surveillance plan on all service acquisitions. Documentation associated with the QASP for all service contract vehicles will always be included in the contract file under tab 23.

Recommendation 11. Establish a more robust methodology for monitoring acquisitions awarded for the FLITE program to ensure: contract files include sufficient documentation, EVMS requirements are met, adequate competition is obtained, and QASPs are in place for all service contracts.

OALC Response: OALC concurs with the need to have a robust methodology to monitor its acquisition process from cradle to grave. The issues identified in the draft IG audit report were issues that occurred before October 2007. The contract vehicles awarded to support the FLITE Program since that time appear to be in full compliance with FAR and VA Acquisition Regulation requirements. As discussed in the responses for items 8 – 10 above, we believe the significant contributing factors for this improvement include use of a teaming approach being achieved through the IPT process, having a dedicated staff to support FLITE acquisitions from development of requirements through contract award, and adherence to our internal review policy. Furthermore, use of CAI – Austin's internal contract file contents checklist has ensured that all FLITE contract vehicles are being adequately documented from the inception of requirements to administration. OALC will further consider the need to perform an additional independent review of FLITE related contracts as the situation warrants.

2. Should you have any questions regarding this submission, please contact Mr. C. Ford Heard, Executive Director, Center for Acquisition Innovation, at (202) 461-6877.


Glenn D. Haggstrom

Appendix F OIG Contact and Staff Acknowledgments

OIG Contact	Mario Carbone, (214) 253-3301
-------------	-------------------------------

Acknowledgments	William Bailey Chau Bui Theresa Cinciripini Angela Holt John Houston Michael Jacobs Jehri Lawson
-----------------	--

Appendix G Report Distribution

VA Distribution

Office of the Secretary
Veterans Health Administration
Veterans Benefits Administration
National Cemetery Administration
Assistant Secretaries
Office of General Counsel
FLITE Program Director's Office

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 will be available in the near future on the OIG's Web site at <http://www.va.gov/oig/publications/reports-list.asp>. This report will remain on the OIG Web site for at least 2 fiscal years after it is issued.