



Department of Veterans Affairs Office of Inspector General

Review of Allegations of Improper Contract Awards to Watkins Sinclair, LLC

To Report Suspected Wrongdoing in VA Programs and Operations:

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Executive Summary

Introduction

An anonymous complaint was received by the Office of Inspector General (OIG) Hotline Division alleging that the Veterans Integrated Services Network (VISN) 7 awarded several inappropriate contract awards to Watkins Sinclair, LLC (Watkins Sinclair). The complainant stated that the consultants who worked with Watkins Sinclair were retired VA executives who were awarded improper sole-source awards.

Results

Watkins Sinclair is listed as a small business that specializes in strategic planning, strategy alignment, and leadership development services. It was founded as a partnership between Stan Sinclair, who is a retired Department of Veterans Affairs (VA) executive, and Watkins, Meegan, Drury & Company, LLC. Based on Stan Sinclair's status as a veteran, Watkins Sinclair has self-certified that it meets the requirements of a veteran-owned small business (VOSB).

We requested from the OIG Data Analysis Division all payments made to Watkins Sinclair in Fiscal Year (FY) 2008 through June 2009. We also requested from VA's Office of Acquisition and Logistics, Center for Acquisition Innovation, all contracts and purchase orders awarded to Watkins Sinclair by VA during this same time period. Based on the information we received from these offices, we identified seven contracts with 13 associated task orders, and 11 purchase orders that were awarded to Watkins Sinclair during this time period.

Three of the seven contracts, including one associated task order, and one of the 11 purchase orders were awarded sole-source based on Watkins Sinclair's status as a VOSB. Two of the remaining five contracts, which included one associated task order, and one of the ten remaining purchase orders, were awarded using competitive procedures. Two purchase orders were at or below the micro purchase threshold of \$3,000. These awards complied with applicable laws and regulations and were not subject to further review. None of these awards were from VISN 7.

We reviewed the remaining two contracts, one of which had 11 associated task orders, and the remaining 7 purchase orders to determine whether the awards were in compliance with applicable laws and regulations. We specifically focused on any awards from VISN 7, as the initial allegation was regarding the VISN 7 office.

We only identified one purchase order that was awarded to Watkins Sinclair from VISN 7. The purchase order was awarded on a sole-source basis with the justification that Watkins Sinclair was the only responsible source that could perform the work of the purchase order. There was no documentation to show that any market research had been conducted to determine whether Watkins Sinclair was the only contractor skilled to perform the work of the purchase order. Therefore, this justification for the sole-source award was not appropriate.

We found that the sole-source justification – only one responsible source could perform the work – was not supported by other documentation. The documentation showed that the need for the sole-source award may have been due to urgency because the Charleston, SC VA Medical Center (VAMC) was preparing for a review of their HR office by the VA Office of Oversight and Effectiveness and had just lost their HR manager. However, even if this was the reason for the award, the file does not support that adequate research was conducted to make a timely award through competition or from a vendor with an existing Federal Supply Schedule contract.

We identified a contract for Executive Consulting and Coaching Services (Coaching Services), which had the highest monetary value of all the contracts and purchase orders reviewed. These multiple award indefinite delivery indefinite quantity (IDIQ) contracts were awarded to four vendors by the Veterans Health Administration (VHA) Workforce Management and Consulting Office in July 2008. Of the 17 task orders issued against these contracts from July 2008 through June 2009, 11 task orders were awarded to Watkins Sinclair.

We found that the award of 8 of the 11 task orders did not comply with the Federal Acquisition Regulation (FAR) Part 16 requirement that all awardees be given fair opportunity for the task orders. Six of the task orders did not provide adequate documentation to show the reasoning for award to Watkins Sinclair instead of the other awardees to the contract. Although the remaining two task orders were a logical follow-on or an extension to two of the six task orders, because the award of the original task orders did not comply with the terms of the FAR or the multiple award contract provisions, it goes to follow that the two task orders that were awarded as a logical follow-on and an extension were not in compliance. In addition, we found that three of the task orders were awarded for purposes that were outside of the scope of the initial IDIQ contract. The contract was for the purpose of coaching new employees within VHA. However, two task orders were awarded for the purpose of assisting offices within VHA with strategic planning on providing veterans healthcare and the third task order was for the purpose of facilitating a Program Review meeting for one of VA's War-Related Illness and Injury Study Centers. Because the requirements for the three task orders were

outside the scope of the original contract, they should have been solicited and awarded as new procurements, not against the multiple award contracts.

We found that six of the remaining seven awards to Watkins Sinclair did not comply with the FAR because the documentation was not adequate to support the justification for the sole-source awards, which was that Watkins Sinclair was the only responsible source to perform the work and that the need for the services was urgent. The six awards included one contract and five purchase orders. The awards were for the purposes of providing financial management consulting, providing training to management, and presenting at leadership and training conferences.

For five of the awards, although each of the justifications for these awards stated that Watkins Sinclair was the only responsible source to complete the work, the documentation did not show that market research was conducted to determine whether there were other vendors that could have performed the work. Regardless of whether Watkins Sinclair was competent to complete the work, a sole-source award based on the justification that Watkins Sinclair was the only responsible source was not appropriate without evidence that other contractors were considered or evaluated.

For one of the awards, the justification used was that the need for the services was urgent. However, the evidence was insufficient to justify a sole-source award rather than competing the award or conducting market research to determine whether other vendors were available to perform the work.

Regarding the sole-source awards to Watkins Sinclair based on their VOSB status, we found that two contracts and one purchase order did not include FAR Clause 52.219-14. FAR Clause 52.219-14 is required in all contracts expected to exceed \$100,000 that are awarded as small business set-asides and states that for contracts for services, at least 50 percent of the cost of contract performance incurred for personnel shall be expended for employees of the small business concern. VA Acquisition Regulation (VAAR) Clause 852.219-11, which became effective December 2009, is now required for contracts awarded based on a contractor's VOSB status. This clause requires that at least 50 percent of the cost of contract performance incurred for personnel shall be spent for employees of the concern or employees of other eligible veteran-owned small business concerns. The Clause is required in all contracts regardless of value.

Recommendations

We recommend that the Under Secretary for Health:

1. Take action to ensure program contracting officers comply with the provisions of 41 U.S.C. § 253(c) and FAR Part 6.302 when awarding contracts and purchase orders using other than full and open competition by providing adequate justification and reasoning for the award.
2. Take action to ensure program contracting officers comply with the provisions of FAR Part 16.5 (Indefinite-Delivery Contracts) when awarding task orders against any Indefinite-Delivery contracts to ensure that awardees are given a fair opportunity for a task order award and the requirements for task orders are within the scope of the Indefinite-Delivery contract.
3. Issue policy requiring all program contracting officers to provide written justification in the contract file in accordance with FAR Part 6.3 when procuring supplies or services using other than full and open competition, and FAR Part 16.505 when awarding a task order associated with an Indefinite-Delivery multiple award contract.
4. Take action to ensure that contracting officers comply with the VAAR by including VAAR Clause 852.219-10 or 852.219-11 in all contracts regardless of the monetary value, that are awarded to service-disabled veteran-owned small businesses or veteran owned small businesses due to a small business set-aside.

VA's Under Secretary for Health's Comments:

VA's Under Secretary for Health concurred with three of the four recommendations and has or plans to implement appropriate corrective actions. The Under Secretary for Health did not concur with Recommendation 3, which was for VHA to issue policy requiring all program contracting officers to provide written justification in the contract file in accordance with FAR Part 6.3 when procuring supplies or services using other than full and open competition, and FAR Part 16.505 when awarding a task order associated with an Indefinite-Delivery multiple award contract. The Under Secretary for Health stated that the FAR already provides guidance on the necessary actions to take when using other than full and open competition and when awarding task orders associated with an Indefinite-Delivery multiple award contract. The Under Secretary for Health stated that VHA would provide refresher training to acquisition workforce on actions that need to be taken in these situations and the workforce would be held

accountable to these standards through appropriate performance measures. We believe that this response meets the intent of the recommendation and the planned corrective actions adequately address our concern.

We find that the corrective actions implement our recommendations and should resolve the deficiencies identified in our review.

(original signed by:)

MAUREEN REGAN
Counselor to the Inspector
General

INTRODUCTION

Purpose

In response to an anonymous Hotline complaint, the Office of Inspector General (OIG) conducted a review of Department of Veterans Affairs (VA) contracts awarded to Watkins Sinclair, LLC (Watkins Sinclair). The complainant alleged that there were several recently retired VA Senior Executive Service (SES) employees who now consult with Watkins Sinclair, including Stan Sinclair. The complainant alleged that Watkins Sinclair was awarded contracts for the services of these consultants on an inappropriate sole-source basis. Although the allegations related to Veterans Integrated Services Network (VISN) 7, we reviewed all contracts and purchase orders that VA awarded to Watkins Sinclair in Fiscal Year (FY) 2008 and through June of FY 2009.

Background

According to its website, Watkins Sinclair specializes in strategic planning, strategy alignment, and leadership development services for clients in both the public and private sectors. Watkins Sinclair was founded in partnership between Stan Sinclair and Watkins, Meegan, Drury & Company, LLC (Watkins Meegan). According to its website, Watkins Meegan provides financial advisory services to include audits, reviews and compilations; tax services; risk services; advisory services; and forensic accounting. Watkins Meegan ranks in the top 15 regional accounting firms and the top 75 firms in the country. Based on Stan Sinclair's status as a veteran, Watkins Sinclair has self-represented to VA's Center for Veterans Enterprise (CVE) that it is a veteran-owned small business (VOSB). As Watkins Sinclair is a partnership between Stan Sinclair and Watkins Meegan, which is a large corporation, we requested that CVE verify whether Watkins Sinclair meets the requirements of a VOSB based on this definition. The issue will not be addressed further in this report.

We requested from the OIG Data Analysis Division any payments made to Watkins Sinclair in FY 2008 and through June 2009. We also requested from VA's Office of Acquisition and Logistics, Center for Acquisition Innovation, all contracts and task orders, and purchase orders they had of record between VA and Watkins Sinclair that were in effect for FY 2008 through June 2009. From the information we received from these two offices, we were able to identify seven contracts awarded to Watkins Sinclair, 13 task orders issued against these contracts, and 11 purchase orders that were not issued against an existing contract. (See the tables in Appendices A and B that show the detail of the contracts and associated task orders, and the purchase orders.) None of the contracts or task orders were issued against Watkins Sinclair's Federal Supply Schedule contract

that was awarded by the General Services Administration in July 2009. Three of the seven contracts and one of the 11 purchase orders reviewed were sole-source awards to Watkins Sinclair based on their VOSB status. One of these contracts had an associated task order. As Watkins Sinclair has self-certified that they meet the requirements of a VOSB and are listed in the vetbiz.gov database as a VOSB, these three contracts and the purchase order will not be discussed further. Contracting Officers are authorized under Public Law 109-461 to make sole-source awards valued at \$5 million or less to VOSBs listed in the vetbiz.gov database.

Two of the purchase orders were awarded for amounts that were at or below the micro-purchase threshold of \$3,000. Purchases at or below the micro-purchase threshold can be awarded without competitive procedures. These purchase orders will not be discussed further.

We also identified two contracts (one with an associated task order), and one purchase order that were awarded based on full and open competition. These procurements will not be discussed further in this report.

After the exclusion of the contracts and purchase orders noted above, our review focused on the remaining two contracts, one of which had 11 associated task orders, and seven remaining purchase orders to determine whether the awards to Watkins Sinclair complied with the applicable procurement laws and regulations.

Contracts Awarded to Watkins Sinclair

One of the two remaining contracts was awarded by VA's Tennessee Valley Healthcare System for the purpose of obtaining financial consulting services. The monetary value of the contract was \$37,520. The contract was awarded on a sole source basis with the justification that Watkins Sinclair was the only responsible source who could complete the work due to their unique qualifications.

The remaining contract was awarded by the Veterans Health Administration's (VHA's) Workforce Management and Consulting Office. The contract, named the Executive Consulting and Coaching Services Contract (Coaching Services Contract), was an Indefinite Delivery Indefinite Quantity (IDIQ) contract that was awarded in July 2008. The purpose of the contract was to provide coaching services for new SES employees. Watkins Sinclair was one of four vendors competitively awarded a contract to provide these services. The period of performance was a base year plus four renewable option years. The total value of the task order awards for the period July 2008 (the date of award) to June 2009 was \$820,863. Watkins Sinclair received 11 of the 17 task orders issued against the contracts. The task orders to Watkins Sinclair had a monetary value of \$705,382, which is 86% of the total value of the awards for this time period. The

remainder of the task orders were awarded to the three vendors as follows: one of the vendors was awarded two task orders, which included a task order for travel; the second vendor was awarded three task orders, which included one for travel; and the third vendor was awarded one task order for travel.

Purchase Orders Awarded

Only one of the seven purchase orders was awarded by a VISN 7 program office. The purchase order was for the purpose of providing consulting services for prior audit review at the Charleston VA Medical Center (VAMC). It was awarded on a sole-source basis with justification that Watkins Sinclair was the only one responsible source to perform the work and no other supplies or services would satisfy the agency's requirements. The monetary value of the purchase order according to the documentation was \$22,911, which included travel expenses.

Another one of the purchase orders was awarded on a sole-source basis due to an urgent need. The documentation shows that a financial operations consultant was required for the Mountain Home, TN VAMC because the previous Chief Financial Officer had been transferred. The monetary value of this purchase order was \$10,200 and the period of performance was August 11, 2008, through August 29, 2008.

The remaining five purchase orders were awarded on a sole source basis with the justification that Watkins Sinclair was the only responsible source that could perform the work. The purchase orders were for the purposes of: (1) serving as faculty for a leadership conference, (2) acting as a consultant for a VHA conference, (3) presenting at a training workshop, (4) providing leadership and mentoring training to employees at the VISN 17 Leadership Development Institute, and (5) presenting on conflict management and leadership to the VISN 17-18 Nurse Manager Leadership Academy. The total monetary value of these five purchase orders was \$41,274.

Scope and Methodology

To assess the allegation, we reviewed seven contracts (with 13 associated task orders) and 11 purchase orders, with supporting documentation, that were awarded to Watkins Sinclair in FY 2008 and through June 2009. We interviewed a Human Resources (HR) manager within VISN 7 for information regarding the purchase order awarded to Watkins Sinclair by VISN 7. Regarding the Coaching Services Contract, we interviewed the Director of VHA's Workforce Planning and Performance, an official with VHA's Office of Public Health and Environmental Hazards (OPHEH), and the Supervisory Contracting Officer for the contracting office that was responsible for the contract.

RESULTS AND CONCLUSIONS

Issue 1: Whether the sole source awards to Watkins Sinclair complied with the Competition in Contracting Act and Federal Acquisition Regulations.

Findings

a. Purchase Order Awarded by the VISN 7 Program Office – The complainant alleged inappropriate awards to Watkins Sinclair by VISN 7 contracting offices. We identified one purchase order awarded to Watkins Sinclair by VISN 7 during the relevant time period for our review. The Purchase Order was valued at \$22,911.

We spoke with a VISN 7 HR Manager who told us that in March 2008, the Charleston VAMC HR office was reviewed by the VA Office of Oversight and Effectiveness, Office of the Deputy Assistant Secretary for Human Resources Management. The outcome of the review was that the Charleston VAMC HR office was not in compliance with its ability to provide HR services according to legal authority.

The Charleston VAMC hired an HR manager in May 2008 to bring the office into compliance and to prepare for the review again in April 2009. However, by March 2009, the HR manager was no longer available to provide the services. Therefore, the Charleston VAMC needed an immediate assessment of their HR office because the follow-up review by the Office of Oversight and Effectiveness was scheduled for the next month.

To determine whether the Charleston VAMC was prepared for the April 2009 review, the VISN 7 Human Resources Management Office decided to contract with Watkins Sinclair to provide advice on the state of the office. The VISN 7 Human Resources Management Office worked with the VISN 7 contracting office to obtain advice on their contracting options. As the need for the services of Watkins Sinclair was urgent, the contracting office was in agreement that the VISN 7 HR office could sole-source the award to Watkins Sinclair. Watkins Sinclair was known to the VISN 7 HR office because they had provided work to another VISN. No other contractor was considered for this purchase order award.

The Statement of Work states that the purpose of the purchase order was for HR consulting support for VISN 7 and the Ralph H. Johnson Medical Center (Charleston VAMC). The Statement of Work further stated that Watkins Sinclair proposed the following tasks to accomplish the support desired by VHA: (a)

Obtain and review the prior year HR audit of the Charleston VAMC, (b) travel to the Charleston VAMC for a one week on-site assessment to determine if the VAMC was meeting audit requirements and fully implementing responses, (c) travel to the Charleston VAMC for a second one week site visit to work with the VHA liaison to prepare for the upcoming audit, and (d) prepare a summary report of all findings and submit for review.

The written justification for this sole source purchase order states that only one responsible source and no other supplies or services would satisfy the agency's requirements. The justification further states that emergency auditing consulting support services were needed by the HR office. It stated that Watkins Sinclair was fully knowledgeable in what was needed for the consult and audit review and they were willing to do the job in the time-frame that was essential for the VISN to accomplish their goals.

The Competition in Contracting Act states that with certain exceptions, an executive agency in conducting a procurement for property or services shall obtain full and open competition through the use of competitive procedures in accordance with the requirements of 41 U.S.C. §§ 251 *et seq.* and the Federal Acquisition Regulation (FAR). 41 U.S.C. § 253(a)(1).

One exception to the use of competitive procedures is if the services needed by the executive agency are available from only one responsible source and no other type of property or services will satisfy the needs of the executive agency. 41 U.S.C. § 253(c)(1); FAR Part 6.302-1. Another exception is that the executive agency's need for the property or services is of such an unusual and compelling urgency that the Government would be seriously injured unless the executive agency is permitted to limit the number of sources from which it solicits bids or proposals. 41 U.S.C. § 253(c)(2); FAR Part 6.302-2.

The justification used for the sole-source award, that Watkins Sinclair was the only responsible source who could perform the work, is not supported by the documentation. The documentation and the information received suggest that the need for the sole-source award was due to urgency. The written justification states that “[t]here is insufficient time to compete this procurement action and have competitors’ products evaluated for acceptability since it would adversely impact on the workload.” Further, the VISN 7 HR manager told us that they needed a consultant immediately to prepare the Charleston VAMC’s HR office for the review from the VA Office of Oversight and Effectiveness that was to occur in one month since the Charleston VAMC HR manager was no longer available. Although the need for the consultant may have been urgency, the justification used was that Watkins Sinclair was the only responsible source to perform the work.

Further, the documentation does not support the justification used for the sole-source award that Watkins Sinclair was the only responsible source who could perform the work. There is no evidence in the documentation to show that there was no other vendor that could have provided HR consultation to the Charleston VAMC or that VISN 7 did any market research to attempt to identify another vendor that could perform the work. The purchasing agent should have ensured that the official justification used for a sole-source award was substantiated by the documentation in the file.

b. Coaching Services Contract – The Coaching Services Contract was awarded as an IDIQ contract by the request of VHA’s Workforce Management and Consulting Office. The Coaching Services Contract was a multiple award contract awarded to four vendors.

An IDIQ contract is defined in the FAR as one that “provides for an indefinite quantity, within stated limits, of supplies or services during a fixed period. The Government places orders for individual requirements.” FAR Part 16.504(a). The awarded contracts stated that for each task order associated with the contract, the Contracting Officer shall give every awardee a fair opportunity to be considered for a delivery-order or task-order exceeding \$3,000 unless the award met one of these statutory exceptions:

- (1) The agency need for the supplies or services is so urgent that providing a fair opportunity would result in unacceptable delays
- (2) Only one awardee is capable of providing the supplies or services required at the level of quality required because the supplies or services ordered are unique or highly specialized
- (3) The order must be issued on a sole-source basis in the interest of economy and efficiency because it is a logical follow-on to an order already issued under the contract, provided that all awardees were given a fair opportunity to be considered for the original order
- (4) It is necessary to place an order to satisfy a minimum guarantee
- (5) Price.

The contract also stated that if none of the above exceptions applied, selection would be based upon matters such as past performance, including quality, timeliness and cost control; potential impact on other orders placed with the contractor; minimum order requirements; the amount of time contractors needed to make informed business decisions on whether to respond to potential orders; and price.

This language in the contract mirrors the language in the FAR for the process for awarding task orders on a multiple award contract with the exception that in the

FAR, price is not an exception to providing each awardee a fair opportunity to be considered for a task order. *See* FAR Part 16.505.

We identified 11 task orders that were awarded to Watkins Sinclair under the multiple award contract from July 2008 (the date of the award of the contract) through June 2009.¹ Only one of the task orders was competed among the four contractors (Task Order 11).

Of the remaining 10 task orders, only one task order (Task Order 2) included appropriate justification for the selection of Watkins Sinclair. This task order was for the development of training materials for VA Human Resources practitioners. The Statement of Work in the task order stated that the vendor needed to have expertise in Government Title 5 and Title 38 human resources laws. The documentation states that after review of all the awardees, Watkins Sinclair had documented they had expertise in both Title 5 and Title 38 human resources laws. Only one other vendor had documentation of Federal human resources expertise, but that expertise did not include Title 38. Therefore, Watkins Sinclair was selected for this task order. We found that the documentation provided adequate justification for awarding the task order to Watkins Sinclair.

Another task order (Task Order 5) was below \$3,000 and, under the terms of the contract, did not require justification for not giving each awardee a fair opportunity.

For the remaining eight task orders, we did not find adequate justification in the documentation for the award to Watkins Sinclair. The specifics for these task orders are discussed below.

Task Orders 1 and 6

Task Order 1 was awarded on July 14, 2008, for the purpose of providing coaching services to new SES VHA employees at a Coaching Network Face-to-Face meeting in Salt Lake City, UT, on August 14-15, 2008. Although documentation in the contract file states that this task order was awarded without giving a fair opportunity to all awardees due to urgency, the nature of the urgency was not defined. In addition, the record shows that the program office had one month from the date the task order was awarded to the date of the face-to-face meeting conference, which is inconsistent with the assertion that the need for services was so urgent as to justify not giving the other contracts a fair opportunity

¹ For identification purposes of these task orders within this report, we have numbered the task orders as Task Order 1 through 11 in chronological order of the date the task order was awarded.

to compete for the task order. Therefore, we found that the justification for not giving a fair opportunity to all awardees for Task Order 1 was not adequate.

The Director of Workforce Planning and Performance told us that Watkins Sinclair was chosen for this task order because Watkins Sinclair had VA retirees who would perform the work. However, this is not reflected in the contract file and is inconsistent with the justification in the file, which was urgency. Even assuming this was accurate, the other vendors should have had the opportunity to be considered for the award. We found no evidence that retired VA employees were the only source available to meet the requirements of the task order.

Task Order 6 was awarded to add more face-to-face coaching meetings to Task Order 1. Watkins Sinclair was selected as the contractor for this task order because they had previously performed the work in Task Order 1. It appears that the justification for the award to Watkins Sinclair without giving the other vendors the opportunity was that it was considered a logical follow-on to Task Order 1. Regardless of whether it was a logical follow-on, the award was inappropriate because a logical follow-on can only be awarded provided that all awardees were given a fair opportunity to be considered for the original order. FAR Part 16.505(b)(2)(iii). A logical follow-on is not an appropriate justification in this case because the other awardees were not given a fair opportunity to be considered for original task order (Task Order 1).

Task Orders 3 and 8

Task Order 3 was awarded on August 13, 2008, for the purpose of obtaining a consultant to the Deputy Under Secretary for Health to determine how VA should deliver healthcare to veterans in the future. The documentation states that all awardees were not given a fair opportunity for this award due to urgency. However, the urgency is not explained in the documentation. The Director of Workforce Planning and Performance told us that there was not a lengthy planning process for this task order and he was directed by management that this task order award needed to be put in place. Of the four vendors, Watkins Sinclair was selected for this task order because of their expertise in the VA healthcare model. The Statement of Work indicates that the contractor was needed at a Senior Management Conference on August 25-28, 2008. The evidence, including the timing of the award, suggests that the urgent need was created due to lack of appropriate planning.

Executive agencies are prohibited from entering into a contract for services using procedures other than competitive procedures on the basis of the lack of advance planning. 41 U.S.C. § 253(f)(4)(A). We concluded that Task Order 3 was awarded inappropriately to Watkins Sinclair because the urgency that was the

basis for the justification for not providing all awardees a fair opportunity was due to inadequate planning for the procurement. Task Order 8 was awarded to extend Task Order 3 for two more months. An additional 160 hours were added to complete the scope listed on the original order at the pre-negotiated rates. The original task order was to end on December 15, 2008 and Task Order 8 extended that task order through February 14, 2009. According to the documentation, the extension was pursuant to FAR Clause 52.217-8 (Option to Extend Services), which was included in the initial contract. As Watkins Sinclair was the original contractor for Task Order 3, they were selected as the contractor for Task Order 8 as well.

The option to extend services pursuant to FAR Clause 52.217-8 pertains to the actual contract and not the individual task orders associated with the contract. Therefore, it was not appropriate to use this FAR Clause to extend Task Order 3. Further, because we found that Task Order 3 was awarded inappropriately, the extension to Task Order 3, provided by Task Order 8, was also inappropriate.

Task Order 4

Task Order 4 was awarded to have HR consultants experienced with VHA operations to plan a series of strategic planning and leadership development meetings with VA's OPHEH senior staff and assist with OPHEH's strategic plan. We spoke with an official within that office who told us that his office was made aware of the Coaching Services contract that was in place with the Workforce Management and Consulting Office and decided to use that contract as the mechanism to award the task order to Watkins Sinclair. In addition, OPHEH had done business with Watkins Sinclair in the past, which is the reason they were selected to perform the work of the task order.

Although the OPHEH official stated that Watkins Sinclair was selected based on past performance, the documentation within the contract file does not indicate that all awardees were given a fair opportunity for the award and does not give the justification for the selection of Watkins Sinclair. Therefore, based on the lack of justification in the file for the selection of Watkins Sinclair, we find that Task Order 4 was not awarded in accordance with the terms of the multiple award contract or the FAR. As discussed in Section 3 below, we also found that the work requested for Task Order 4 was outside the scope of the Coaching Services contract.

Task Order 7

Task Order 7 was awarded for the purpose of providing a consultant to the Director of Workforce Planning and Performance to assist his office with a

contract they had in place with IBM. The contract with IBM was to perform a benchmark study for VHA succession planning programs. Areas of focus for the contract included employee recruitment and retention, leadership and workforce development, knowledge transfer, performance management, workforce planning, and diversity. The e-mail documentation included in the task order file shows that the Workforce Management and Consulting Office requested the services of Watkins Sinclair for this project with the justification that the selection was based on Watkins Sinclair's previous performance and demonstrated experience working with the VHA Succession Programs. The contracting officer asked the Director in an e-mail whether there was a reason another awardee could not be utilized for the task order, as that awardee had not received a task order under the contract. In his response, the Director did not give a reason why the other awardee could not be selected for this task order, but stated that he suspected more work would be forthcoming where he could utilize the other awardees.

Because the Director could not identify a reasonable justification consistent with the criteria found in the contract and in FAR Part 16.505 why Watkins Sinclair was preferable to the other awardees to perform this contract, we concluded that there was not adequate justification for the selection of Watkins Sinclair for this task order. Previous experience working with VHA succession programs did not meet the exceptions to the requirement that all awardees be given equal opportunity. In addition, there is no indication that the other awardees were asked for proposals or that their past performance was reviewed to determine whether they could have performed the work of this task order. Watkins Sinclair was selected for this task order without the consideration of the abilities of the other awardees.

Task Orders 9 and 10

Task Order 9 was awarded for the purpose of obtaining consultation services and assistance for the Office of Patient Care Services Senior Leadership Retreat, at the Airlie Center, in Warrenton, VA, on December 9-10, 2008. The contractor would develop a detailed plan and review existing plans, facilitate the two-day retreat, and provide follow-up support. Task Order 10 was awarded in conjunction with the Office of Compliance and Business Integrity (CBI) and the Workforce Management and Consulting Office. The purpose of this task order was for the contractor to attend a project kick-off meeting and conduct planning, develop position descriptions and other related documents, attend monthly CBI meetings, provide general HR consulting support, and project management.

The documentation for Task Orders 9 and 10 was completely lacking and did not show whether all awardees were provided a fair opportunity to compete for the task orders and, if not, why not. The documentation also did not include an

exception to the fair opportunity process, which is required by FAR Part 16.505(b)(5). This FAR provision states that the contracting officer shall document in the contract file the basis for using an exception to the fair opportunity process. We concluded that these task orders also violate the terms and conditions of the contract and FAR requirements due to the lack of documentation.

c. Other Sole-Source Awards – There were seven other sole-source awards to Watkins Sinclair in FY 2008 and through June 2009: one contract and six purchase orders. The contract and five of the purchase orders were awarded based on the justification that Watkins Sinclair was the only responsible source that could complete the required work. One purchase order was awarded based on the justification that the need for the services was urgent. We concluded that the contract and five of these purchase orders were not awarded in accordance with the Competition in Contracting Act and the FAR.

The contract was to obtain the services of a financial consultant. The Statement of Work required that the consultant have significant financial management experience at a highly responsible level in a comparable healthcare environment, demonstrating financial management skills. The written justification for the sole source award stated that the vendor needed to have experience with VA financial systems as well as experience in the management of a Fiscal Service at a VHA healthcare facility. Watkins Sinclair was chosen because the consultant they provided to provide the services worked previously in VISN 9 as a Chief Financial Officer (CFO) and was familiar with facility financial operations and the specifics of operations within VISN 9. There is no evidence in the contract file showing that market research was conducted to support a finding that the required services were available from only one responsible source and that no other type of service would satisfy the need of the agency as required under 41 U.S.C. § 235 (c)(1) and FAR Part 6.302-1.

A purchase order was awarded by the Tennessee Valley Healthcare System for the purpose of securing a consultant who had executive level experience within VA to provide problem focused training to key middle managers in VHA and Veterans Benefits Administration (VBA) involved in coordinating the Compensation and Pension program for veterans. The sole-source justification stated that Watkins Sinclair was the only company that “boasted” all the required experience, in-depth knowledge of VHA and VBA, and the comprehensive understanding of the inter-working relationships of the two administrations that was necessary to address the needs of the request. There was no evidence in the contract file that this market research was conducted to justify a sole-source award as required by the previously cited law and regulation.

The above-mentioned contract and purchase order's Statements of Work both required contractors that had experience within VA. Although Watkins Sinclair has experience within VA, the contracting offices should either have conducted market research or engaged in competition to determine whether there were any other contractors that could provide the required services. There is no evidence to show that Watkins Sinclair is the only contractor that has VA financial experience or knowledge of VHA and VBA programs and was the only contractor that could perform the work. In addition, we question whether the requirements in the Statements of Work – that the contractors have VA experience – were overly restrictive, as there is no indication that another contractor with executive level experience could have performed the work required. Therefore, the justification provided for these two awards – that Watkins Sinclair was the only responsible source to provide the services – does not support these sole-source procurements.

There were four other purchase orders awarded sole-source to Watkins Sinclair based on the justification that Watkins Sinclair was the only responsible source who could supply the services. These purchase orders were all awarded by VA's Employee Education Services (EES) and were for the purpose of providing training at various workshops and seminars. The value of the purchase orders ranged from \$5,270 to \$9,450. We concluded that three of the four sole-source awards were made without adequate justification. We also believe the requirements were overly restrictive and written for the purpose of justifying the sole-source awards.

The three purchase orders that we found lacking adequate justification required the contractor to have been a junior grade employee within VA and have progressed to a VA Central Office level official to be able to educate others on how to obtain a VA leadership position by gaining experience from within the organization. EES determined Stan Sinclair had these specific skills. It was noted in the written justification that no market research was conducted, as other potential offerors did not possess the required experience working at VA and serving as a VA educator. The justification further stated that while numerous other consultants offered leadership development training, the combination of experience as a VA senior executive and a VA trainer were unique to Stan Sinclair and there were no other apparent actions that could be performed by the VISN or EES to broaden the range of competition for the particular acquisition. Two of these purchase orders were for the same annual conference – one for FY 2008 and the other for FY 2009. The justification for FY 2009 also stated that Watkins Sinclair was selected based on their past performance at the FY 2008 conference, as they received high ratings from the participants. The third purchase order also included justification based on Watkins Sinclair's past performance at the FY 2008 conference.

The justification for these three purchase orders shows that no market research was conducted to determine whether there were any other vendors that possessed the requisite skills necessary to perform the work. There is no evidence that Watkins Sinclair (specifically Stan Sinclair) is the only VA executive that has knowledge of the different offices in VA and who rose to a leadership position at VA by beginning his career at VA. Therefore, the justification provided for these three awards, that Watkins Sinclair is the only responsible source to provide the service, does not support the selection of Watkins Sinclair on a sole-source basis because no comparisons were made to other vendors and market research was not conducted.

The last of the four purchase orders was for the purpose of obtaining a presenter for a face-to-face training workshop. The sole-source justification states that market research was conducted of three different vendors. Watkins Sinclair was chosen because it met all requirements of the Statement of Work whereas the other vendors did not. Because there is evidence that the contracting office assessed the skills of various vendors and found that no other vendor met the requirements of the purchase order, we found that the justification showed compliance with the Competition in Contracting Act and the FAR.

There was only one purchase order that was awarded on a sole-source basis with the justification that the need for the services was urgent. An executive agency may use procedures other than competitive procedures when the executive agency's need for the property or services is of such an unusual and compelling urgency that the Government would be seriously injured unless the executive agency is permitted to limit the number of sources from which it solicits bids or proposals. 41 U.S.C. § 253(c)(2); FAR Part 6.302-2.

The purpose of this purchase order was to obtain a financial consultant for the Mountain Home, TN VAMC. The previous CFO left the VAMC in July 2008. When the acting CFO reviewed the financial statements, it was found that there was a huge deficit. The VAMC management decided to hire a consultant to review the financial statements and recommend changes to correct the deficit. The purchase order award was signed on August 5, 2008 for services to begin August 11, 2008, through August 29, 2008. Although there was a need to resolve the issue, there was insufficient evidence to support the sole-source award to Watkins-Sinclair on the basis of urgency as there was no evidence that the problem had to be resolved by a date certain. In addition, there was no evidence of any market research to determine whether other vendors, e.g., Federal Supply Schedule contractors, could have performed the work in a timely manner.

Conclusion

We found that contracting entities in VHA made sole-source awards to Watkins Sinclair that did not comply with the requirements for competition required by the Competition in Contracting Act and applicable FAR provisions.

Issue 2: Whether the sole-source contracts awarded to Watkins Sinclair due to their status as a Veteran Owned Small Business included the appropriate FAR clauses.

Findings

Although the sole-source awards to Watkins Sinclair based on their status as a VOSB were appropriate, we found that two of the three contracts and the one purchase order did not include FAR Clause 52.219-14 in the contract language and the purchase order documentation.

For contracts awarded as a small business set-aside, FAR Clause 52.219-14(b)(1) must be included in the contract if the contract is expected to exceed \$100,000. FAR Part 19.508(e). The Clause states that when a contract is awarded as a small business set-aside, the contractor agrees that in the case of a contract for services, in performance of the contract, at least 50 percent of the cost of contract performance incurred for personnel shall be expended for employees of the small business concern.

In addition, in December 2009, the VA Office of Acquisition and Logistics implemented new regulations that impact contracts awarded pursuant to 38 U.S.C. § 8127(c) – awards based on a contractor’s VOSB status. VA Acquisition Regulation (VAAR) Part 819.7009 requires VAAR Clauses 852.219-10 and 852.219-11 to be included in contracts awarded to Service-disabled VOSBs (SDVOSBs) and VOSBs as set-asides. Regarding contracts awarded to VOSBs as set-asides, VAAR Clause 852.219-11(c)(1) states that for contracts for services, a VOSB agrees that at least 50 percent of the cost of personnel for contract performance will be spent for employees of the concern or employees of other eligible VOSB concerns.

Conclusion

Although the sole source awards were authorized under the provisions of 38 U.S.C. § 8127 based on Watkins Sinclair’s VOSB status, the contracts and purchase order did not include FAR Clause 52.219-14. This clause is required when a contract or purchase order is awarded as a small business set-aside and the

cost of the contract is expected to exceed \$100,000. Because contracts and purchase orders awarded pursuant to 38 U.S.C. § 8127(c) are awarded in part based on the contractor's small business status, the contracting officers should have included FAR Clause 52.219-14 in these contracts. In addition, as the VAAR has implemented new requirements for contracts awarded based on a contractor's VOSB status, all contracts, regardless of monetary value, that are awarded as a SDVOSB or VOSB set-aside must include VAAR Clause 852.219-10 or 852.219-11, whichever is applicable.

Issue 3: Whether the task orders awarded against the Coaching Services Contract were within the scope of the contract.

Findings

We identified three task orders issued against the Coaching Services contract in which the statement of work was outside the scope of the contract. Orders placed against any contract are required to be within the scope of the contract, issued within the period of performance, and be within the maximum value of the contract. FAR Part 16.505(a)(2).

The Coaching Services contract was awarded for the purpose of providing coaching to new SES employees. The contract's Statement of Work specifically states that the contractor shall transfer knowledge and provide coaching to those newly hired to executive positions, mid level manager positions and technical career fields such as finance, acquisition and human resources. The Director of Workforce Planning and Performance told us the Coaching Services contract was initiated because there were numerous SES employees that were transferring out of VHA and the new SES employees who were replacing them needed coaching. The intent of this contract was to provide that coaching when it was necessary.

Task Order 3 was for the purpose of obtaining a consultant to the Deputy Under Secretary for Health for Operations and Management for strategic planning on providing healthcare to veterans in the future. Task Order 4 was in place to assist OPHEH with strategic planning. Task Order 11 was for the purpose of facilitating a Program Review meeting for one of VA's War-Related Illness and Injury Study Centers. None of these task orders was within the scope of the original contract because the services required did not relate to providing coaching to newly hired employees as defined in the Statement of Work. The Director of Workforce Planning and Performance told us that Task Order 3 related to the original contract because Watkins Sinclair would be providing consultation to SES employees.

However, these were not the intended new employees for whom services were to be provided under the original contract.

These task orders should have been original contract awards and followed the procedures found in FAR Part 6 for Full and Open Competition or awards using Other than Full and Open Competition. Based on our discussions with the Director of Workforce Planning and Performance, the official within OPHEH, and the supervisory contracting officer, it appears that these task orders were awarded as part of the Coaching Services Contract because this avenue provided an easier mechanism in which to enter into a contract award without the need to compete the contract. Although issuing task orders against the original contract provided an easy mechanism for an award, the task orders must be within the scope of the original contract for the task orders to be in compliance with the FAR.

Conclusion

Because the requirements for Task Orders 3, 4, and 11 were outside the scope of the Coaching Services contract, they were awarded improperly. The task orders should have been subject to full and open competition in accordance with FAR Part 6 or, if there was adequate justification, they could have been awarded using Other than Full and Open Competition pursuant to FAR Part 6.

Recommendations

We recommend that VHA's Chief Procurement and Logistics Officer:

1. Take action to ensure program contracting officers comply with the provisions of 41 U.S.C. § 253(c) and FAR Part 6.302 when awarding contracts and purchase orders using other than full and open competition by providing adequate justification and reasoning for the award.
2. Take action to ensure program contracting officers comply with the provisions of FAR Part 16.5 (Indefinite-Delivery Contracts) when awarding task orders against any Indefinite-Delivery contracts to ensure that awardees are given a fair opportunity for a task order award and the requirements for task orders are within the scope of the Indefinite-Delivery contract.
3. Issue policy requiring all program contracting officers to provide written justification in the contract file in accordance with FAR Part 6.3 when procuring supplies or services using other than full and open competition, and FAR Part 16.505 when awarding a task order associated with an Indefinite-Delivery multiple award contract.

4. Take action to ensure that contracting officers comply with the VAAR by including VAAR Clause 852.219-10 or 852.219-11 in all contracts regardless of the monetary value, that are awarded to service-disabled veteran-owned small businesses or veteran owned small businesses due to a small business set-aside.

Appendix A

Table of Contracts and Associated Task Orders

Contract	Facility Responsible for Contract	Monetary Value per Contract	Type of Contract	Sole Source/ Competed	Associated Task Order(s)
VA101-C88015 (Executive Consultation and Coaching Services Contract)	Workforce Management and Consulting Office	\$705,381.54	Indefinite Quantity (Multiple Award)	Competed	101-C88017 101-C88018 101-C88023 101-C88025 101-C88028 101-C88033 101-C90005 101-C90006 101-C97018 101-C97043 101-C97099
VA245-P-0105 (Human Resources Management Consultant)	Martinsburg, WV VAMC	\$59,904.00	Indefinite Delivery	Sole Source (VOSB)	
VA249-P-0262 (Financial Consultant)	Tennessee Valley Healthcare System	\$37,520.05	Definitive	Sole Source (Only responsible source)	
VA245-P-0005 (Human Resources Consultant)	Washington, DC VAMC	\$85,310.00	Indefinite Delivery	Competed	688-C80081
V200P0041 (Consultant to VALU/NT&EO Director)	Employee Education Services	\$184,500.00	Firm Fixed Price	Sole Source (VOSB)	
VA101(049A3)-P-0330 (Implementation of the Leadership Coaching Program)	VBA – Employee Development and Training Office	\$225,408.42	Definitive	Sole Source (VOSB)	101-J97151
VA741-P-0038 (Advisory Services for Strategic Planning)	VHA Chief Business Office	\$63,999.55	Definitive	Competed	
Total		\$1,362,023.56			

Appendix B

Table of Purchase Orders

Purchase Order	Purpose	Facility Responsible	Monetary Value per Purchase Order	Sole Source/Competed
613-C80114	Facilitate training for Senior Management Staff – November 26-28, 2007	Martinsburg, WV VAMC	\$17,633.68	Sole Source (VOSB)
621-C80914	Financial operations consultant	Mountainhome, TN VAMC	\$10,200.00	Sole Source (Urgent need)
741-C82000	Strategic planning services to VHA's Chief Business Office	VHA Chief Business Office	\$38,771.00	Competed
777-C87214	Faculty for the VISN 17 Leadership Development Institute – April 4, 2008	Employee Education Services	\$3,725.00	Sole Source (Only responsible source)
509-C95452	Consulting services for audit review	Charleston, SC VAMC	\$22,911.00	Sole Source (Only responsible source)
626-C90465	Consultant for 2009 conference	Tennessee Valley Healthcare System	\$17,703.99	Sole Source (Only responsible source)
777-C81422	Face-to-face training workshop – September 11, 2008	Employee Education Services	\$9,450.00	Sole Source (Only responsible source)
777-C97159	Presenter at an all-day workshop – March 11, 2009	Employee Education Services	\$2,500.00	Sole Source (below micro-purchase threshold)
777-C97170	Leadership and mentoring training to employees at VISN 17 Leadership Development Institute	Employee Education Services	\$5,125.00	Sole Source (Only responsible source)

Purchase Order	Purpose	Facility Responsible	Monetary Value per Purchase Order	Sole Source/Competed
777-C97318	Presenter for Nurse Manager Leadership Academy for VISN 17-18 – July 29, 2009	Employee Education Services	\$5,270.00	Sole Source (Only responsible source)
777-C97360	Presenter at GN “Leadership Styles” seminar – June 2, 2009	Employee Education Services	\$3,000.00	Sole Source (At micro-purchase threshold)
Total			\$136,289.67	

Management Comments

Department of Veterans Affairs

Memorandum

Date: **MAY 19 2010**

From: Under Secretary for Health (10)

Subj: **OIG Draft Report, Review of Allegations of Improper Contract Awards to Watkins Sinclair, LLC, (VAIQ 7003981)**

To: Counselor to the Inspector General (50C)

1. I have reviewed the draft report and concur with three of the four recommendations. I ask that the Office of Inspector General (OIG) consider comments about recommendation three. Attached is the Veterans Health Administration's (VHA) corrective action plan for the report's recommendations.

2. VHA concurs with the report's recommendation to:

- **Ensure program contracting officers comply with the provisions of 41 U.S.C. § 253(c) and Federal Acquisition Regulations (FAR) Part 6.302 when awarding contracts and purchase orders using other than full and open competition by providing adequate justification and reasoning for the award.** VHA's Procurement and Logistics Office (P&LO) will provide refresher training on the importance of adequate documentation when using other than full and open competition award mechanisms. In addition, P&LO National Compliance Director will work with the Service Area Organization (SAO) and Network Contracting Activity Quality Assurance/Compliance staff to audit procurement files for compliance with FAR.
- **Ensure program contracting officers comply with the provisions of FAR Part 16.5 (Indefinite-Delivery Contracts) when awarding task orders against any Indefinite-Delivery contracts.** VHA's P&LO will provide refresher training on the proper application of FAR Part 16.5. SAOs will certify to VHA's P&LO when training is completed.
- **Ensure that contracting officers comply with the FAR by including FAR Clause 52.219-14 in all contracts awarded to veteran-owned small businesses or service-disabled veteran owned small businesses due to a small business set-aside.** VHA's P&LO will provide refresher training on the applicability of FAR 52.219-14 in procurements that exceed \$100K. SAOs will certify to VHA's P&LO when training is completed.

3. VHA does not concur with the report's recommendation to **issue policy requiring all program contracting officers to provide written justification in the contract file when procuring supplies or services using other than full and open competition, when awarding a task order associated with an Indefinite-Delivery multiple award contract.** VHA disagrees with this recommendation because the FAR (Part 6.3 and 16.505) provides clear guidance on what actions need to be taken with regards to these situations. Instead of issuing additional policy, VHA will provide refresher training to acquisition workforce on actions that need to be taken in these situations, and the workforce will be held accountable to these standards through appropriate performance measures.

4. Thank you for the opportunity to review the draft report. A complete action plan addressing the report's recommendations is attached. If you have any questions, please contact Linda H. Lutes, Director, Management Review Service (10B5) at (202) 461-7014.



Robert A. Petzel, M.D.

Attachment

**VETERANS HEALTH ADMINISTRATION (VHA)
Action Plan**

OIG Draft Report, Review of Allegations of Improper Contract Awards to Watkins Sinclair, LLC, (VAIQ 7003981)

Date of Draft Report: May 2010

Recommendations/ Actions	Status	Completion Date
-------------------------------------	---------------	----------------------------

Recommendation 1. **OIG recommended that VHA's Chief Procurement and Logistic Officer take actions to ensure program contracting officers comply with the provisions of 41 U.S.C. § 253(c) and FAR Part 6.302 when awarding contracts and purchase orders using other than full and open competition by providing adequate justification and reasoning for the award.**

VHA Comments

Concur

1. Refresher training will be provided to VHA's acquisition workforce on the importance of adequate documentation when awarding contracts and purchase orders using other than full and open competition. Focus will be on the proper application of Federal Acquisition Regulations (FAR) Part 6 for procurement actions that exceed \$100K and FAR Part 13 for those actions that are below \$100K.
2. VHA Procurement and Logistics Office (P&LO) National Quality Assurance (QA) Director in conjunction with Service Area Organization (SAO) training staff will develop training for implementation at the Network Contracting Activity.
3. SAOs will certify to VHA's P&LO when training is completed. Training records will be submitted via VHA's P&LO SharePoint.
4. P&LO National Compliance Director in conjunction with SAO and Network Contracting Activity QA/Compliance staff will audit procurement files for compliance with applicable FAR regulations.

In process

September 30, 2010

Recommendation 2. OIG recommended that VHA's Chief Procurement and Logistics Officer take action to ensure program contracting officers comply with the provisions of FAR Part 16.5 (Indefinite-Delivery Contracts) when awarding task orders against any Indefinite-Delivery contracts to ensure that awardees are given a fair opportunity for a task order award and the requirements for task orders are within the scope of the Indefinite-Delivery contract.

VHA Comments

Concur

1. Refresher training will be provided to VHA's acquisition workforce on the proper application of FAR Part 16.5.
2. VHA P&LO National Quality Assurance QA Director in conjunction with SAO training staff will develop training for implementation at the Network Contracting Activity.
3. SAOs will certify to VHA's P&LO when training is completed. Training records will be submitted via VHA's P&LO SharePoint.
4. VHA P&LO National Compliance Director in conjunction with SAO and Network Contracting Activity QA/Compliance staff will audit procurement files for compliance with applicable FAR regulations.

In process

September 30, 2010

Recommendation 3. OIG recommended that VHA's Chief Procurement and Logistics Officer issue policy requiring all program contracting officers to provide written justification in the contract file in accordance with FAR Part 6.3 when procuring supplies or services using other than full and open competition, and FAR Part 16.505 when awarding a task order associated with an Indefinite-Delivery multiple award contract.

VHA Comments

Non-concur

VHA disagrees that a policy needs to be issued as FAR provides clear guidance on what actions should be taken concerning FAR Part 6.3 and FAR Part 16.505. VHA's acquisition workforce will be provided refresher training and will be held accountable for compliance with all FAR through appropriate performance standards.

In process

September 30, 2010

Recommendation 4. **OIG recommended that VHA's Chief Procurement and Logistics Officer take action to ensure that contracting officers comply with the FAR by including FAR Clause 52.219-14 in all contracts awarded to veteran-owned small businesses or service-disabled veteran owned small businesses due to a small business set-aside.**

VHA Comments

Concur

1. Refresher training will be provided to VHA's acquisition workforce on the applicability of FAR 52.219-14 in procurement actions that exceed \$100K.
2. VHA's P&LO National QA Director in conjunction with SAO training staff will develop training for implementation at the Network Contracting Activity.
3. SAOs will certify to VHA's P&LO when training is completed. Training records will be submitted via VHA's P&LO SharePoint.
4. VHA's P&LO National Compliance Director in conjunction with SAO and Network Contracting Activity QA/Compliance staff will audit procurement files for compliance with applicable FAR regulations.

In process

September 30, 2010

Veterans Health Administration
May 2010

**Department of
Veterans Affairs**

Memorandum

Date: JUN 25 2010
From: Under Secretary for Health (10)
Subj: Office of Inspector General (OIG) Draft Report, Review of Allegations of Improper Contract Awards to Watkins Sinclair, LLC (VAIQ 7003981)
To: Counselor to the Inspector General (50C)

1. I have reviewed the draft report concerning the need to revise Veterans Health Administration's (VHA) previously submitted response to Recommendation 4 to include changes required by the Veterans Affairs Acquisition Regulation (VAAR) related to contracts involving Veteran-owned small businesses (VOSB).

2. Based on the information provided, we understand that VAAR 819-7009 requires that the VAAR Clause 852.219-11 be placed in solicitations and contracts for acquisitions based on a contractor's VOSB status. The clause includes language that the VOSB agrees that for contracts for services, at least 50 percent of the cost of personnel for contract performance will be spent for employees of the small business concern or employees of other eligible VOSBs. Because the VAAR does not have a minimum amount of the cost of the contract in order for this contract clause to apply, this clause is required for all contracts entered into based on VOSB status, even those under \$100,000.

3. The attached action plan addresses these matters. We understand that this new Recommendation 4 substitutes for the previous Recommendation 4, so the revised action plan provides a response to the new Recommendation 4. The action plan specifies the action VHA has taken to ensure contracting officers comply with the VAAR by including VAAR Clause 852.219-10 or 852.219-11.

4. Thank you for the opportunity to revise the response in accordance with the new Recommendation 4. If you have questions, please contact Linda H. Lutes, Director, Management Review Service (10B5) at (202) 461-7014.


Robert A. Petzel, M.D.

Attachment

In addition, P&LO Quality Assurance (QA) National Compliance Directors in conjunction with SAO and Network Contracting Activity QA and Compliance staff will audit procurement files to ensure continued compliance. Additionally, Network Contracting Activity training officers will provide refresher training as needed.

In process

Documentation to
be submitted NLT
than July 15, 2010

Veterans Health Administration
June 2010

Appendix D

OIG Contact and Staff Acknowledgments

OIG Contact	Maureen Regan
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Acknowledgments	Marsha O'Mara
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Report Distribution

VA Distribution

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