

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



# Department Veteran Affairs

*Audit of  
National Contract Awards  
at VA's National  
Acquisition Center*

September 2, 2011  
10-01744-265

## **ACRONYMS AND ABBREVIATIONS**

|      |  |
|------|--|
| CM   | Contract Management                                |
| CMOP | Consolidated Mail Outpatient Pharmacy              |
| CO   | Contracting Officer                                |
| eCMS | Electronic Contract Management System              |
| FAR  | Federal Acquisition Regulation                     |
| FSS  | Federal Supply Schedule                            |
| NAC  | National Acquisition Center                        |
| NCS  | National Contract Service                          |
| OAL  | Office of Acquisition and Logistics                |
| OALC | Office of Acquisition, Logistics, and Construction |
| OIG  | Office of Inspector General                        |
| PALT | Procurement Action Lead Times                      |
| VA   | Veterans Affairs                                   |

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# Report Highlights: Audit of National Contract Awards at VA's National Acquisition Center

## Why We Did This Audit

The Office of Inspector General assessed the adequacy of development, award, and oversight processes for national contracts awarded by the National Acquisition Center (NAC). We also assessed the extent to which the NAC's National Contract Service accurately used the Electronic Contract Management System (eCMS). Procurement activities represent a major management challenge in VA, and systemic weaknesses reduce the effectiveness of procurement oversight processes. We focused on NAC operations because it is the largest combined contracting activity in VA.

## What We Found

The Office of Acquisition and Logistics (OAL) needed to improve management and oversight controls to effectively monitor national contracts awarded by the NAC's National Contract Service. Generally, contract development and award actions for the National Contract Service were in accordance with Federal and VA Acquisition Regulations. However, NAC management did not ensure staff fully utilized VA's mandatory eCMS to develop and award national contracts.

OAL provided limited oversight to monitor eCMS compliance and ensure eCMS capabilities adequately supported NAC operations. Senior officials in the Office of Acquisition, Logistics, and Construction (OALC) and NAC officials impaired and diminished visibility of VA procurement actions by not ensuring compliance with the

mandatory use of eCMS. We also identified significant delays in the award of national contracts and found that adequate controls were not in place to monitor contract timeliness.

## What We Recommend

We recommend the Executive Director, OALC, establishes controls to monitor the use of eCMS and the timely completion of the eCMS upgrade and use performance requirements to hold contracting officers accountable for using the required system. The Executive Director also needs to implement guidance that establishes timeline standards and controls to monitor and ensure contracts are awarded timely.

## Agency Comments

The Executive Director for OALC agreed with our findings and recommendations and plans to complete all corrective actions by September 30, 2012. The planned actions are responsive to our concerns. We will follow up to assess the effectiveness of the corrective actions. Appendix D contains the full text of the Executive Director for OALC comments.

**BELINDA J. FINN**  
Assistant Inspector General  
for Audits and Evaluations

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## INTRODUCTION

### **Objective**

The Office of Inspector General (OIG) conducted this audit to assess the adequacy of contract development, award, and oversight processes for national contracts awarded by the National Acquisition Center (NAC).

### **Roles and Responsibilities**

The Office of Acquisition, Logistics, and Construction (OALC) is responsible for VA acquisition policy. OALC provides direct operational support to VA's administration and staff offices through its two major organizational components—the Office of Acquisition and Logistics (OAL) and the Office of Construction and Facilities Management. OAL is responsible for the acquisition of goods and services supporting VA's mission. The major organizational component of OAL is the NAC. The NAC solicits, awards, and administers VA's Federal Supply Schedule (FSS) and National Contract Service (NCS) programs.

### **National Contract Service**

NCS is responsible for awarding and administering national contracts. They also administer blanket purchase agreements, which are established under FSS contracts. National contracts provide standardization and drive better pricing terms and conditions for high usage items by providing firm requirements for a specific customer base. NCS is comprised of four branches: (1) Consolidated Mail Outpatient Pharmacy (CMOP), (2) High Tech Medical Equipment, (3) Medical/Surgical, and (4) Pharmaceutical. NCS awarded 240 national contracts with an estimated value of \$4.3 billion from October 1, 2009, through April 5, 2010.

### **Electronic Contract Management System**

The Electronic Contract Management System (eCMS) provides a centralized database for procurement actions and replaced a primarily manual and paper-based contract management operation used throughout VA. Using a web-based platform, it was designed to provide a fully integrated electronic acquisition platform that includes the seamless flow of information and data from all stakeholders and systems from initial requisitioning through closeout. The expected benefits of the system included the ability to reduce costs, integrate and standardize procurement processes, reduce workload, and improve communications. Additionally, the system creates management reports and improves the capability of consolidating requirements to support agency strategic sourcing decisions.

Appendix A provides background information, and Appendix B describes our scope and methodology in conducting this audit.

## RESULTS AND RECOMMENDATIONS

### Finding      National Contract Oversight Processes      Need Improvement

OAL needs to improve management controls to effectively monitor the NCS's national contract awards. Generally, contract development and award actions were in accordance with Federal and VA Acquisition Regulations. Although contracts in our sample were competitively bid, with the exception of two socioeconomic set asides, NAC management did not ensure staff fully utilized VA's eCMS to develop and award national contracts. OAL provided limited oversight to monitor eCMS compliance and ensure eCMS capabilities adequately supported NAC operations. When contract information is missing or not fully completed in eCMS, it limits OAL's and the NAC's ability to effectively monitor national contracts.

Further, NAC management did not ensure national contracts were awarded timely and that adequate controls were in place to monitor contract timeliness. We identified significant delays in the awards of national contracts that could prevent VA medical facilities from fully meeting VA's needs when procuring key medical supplies and services.

#### ***Enforce and Monitor Mandatory Use of eCMS***

OAL's Information Letter 049-07-06, dated June 15, 2007, required acquisition professionals who were trained and received eCMS production accounts to immediately accomplish all new procurement actions valued at \$25,000 or more within eCMS. It also recommended the official contract file, as defined in Federal Acquisition Regulation (FAR) 4.802 and 4.803, be maintained solely in eCMS.

Since eCMS is not fully utilized to develop and maintain national contracts at the NAC, VA cannot rely on the integrity of its procurement information to make acquisition decisions. We reviewed 30 national contracts with a total estimated value of \$2.4 billion awarded by the NCS from October 1, 2007, through March 31, 2010. For 6 (20 percent) of 30 contracts in our sample, valued at about \$50.3 million, contract information was not in eCMS. These contracts included acquisitions for high technical medical equipment, such as those used for magnetic resonance imaging, radiation therapy, diagnostic ultrasound, and nuclear imaging.

Our review of hard copy contract files showed that generally, contract development and award actions were in accordance with Federal and VA Acquisition Regulations. However, for 22 (73 percent) of 30 contracts, valued at about \$2.3 billion, documentation required by FAR was missing in eCMS. For example, eCMS did not include the solicitations, price

negotiation memorandums, and awarded signed contracts for all national contracts. Specifically, we found a national contract for pharmaceutical products, with an estimated value of \$19 million, that did not have all the required documentation in eCMS. eCMS was missing the acquisition plan, evidence of market research, and the determination of price reasonableness. Also, a medical and surgical national contract with an estimated value of \$99 million was missing documentation in eCMS including the solicitation and price negotiation memorandum.

OAL relies on a quarterly Procurement Action Lead Times (PALT) report, generated from eCMS, as a key performance measure for determining the percentage of contracts awarded timely. However, because the information in eCMS is missing or incomplete, the report does not provide an accurate representation of NAC's procurement process, status, or accomplishments. As a result, we concluded that OAL is making procurement and/or performance decisions based on incomplete data that impact diverse VA programs.

Contract data is entered and maintained by the contracting officers (COs) in the NAC's Contract Management (CM) system, which has 17 similar data fields as those in eCMS. However, eCMS is the mandated acquisition information system, though it only serves VA customers. Other federal customers purchasing from VA national contracts cannot access contract information available in eCMS. The CM system provides an Internet electronic catalog function that allows federal customers to access NAC contract data. The CM system only includes the contract data fields, but eCMS maintains contract data fields along with the FAR-required contract documentation.

OAL did not ensure eCMS capabilities adequately supported NAC operations, and although OAL mandated eCMS usage, it did not adequately ensure the required use of eCMS by effectively providing oversight to monitor eCMS compliance at the NAC. Non-compliance impairs and diminishes visibility of VA procurement actions. Further, it weakens the effectiveness of VA procurement oversight processes that rely on eCMS contract information.

Currently, eCMS lacks some of the functionality required to manage and provide contract information for the NAC and its customers. According to the NAC Executive Director, neither the CM system nor eCMS offers a complete acquisition solution; therefore, both systems are needed. Regardless, reports generated from eCMS, such as the PALT, cannot be relied upon when making procurement decisions because the information in eCMS, the mandatory system, is missing or incomplete. In addition, reliance upon two incompatible systems creates a duplication of effort resulting in an inefficient use of time and resources.

OAL is developing an upgrade to eCMS that includes integrating the functions available in the CM system into eCMS making the eCMS contract data available to other federal customers. The upgrade was delayed from its initial September 2010 completion date until August 2011. Even without the upgrade, NAC officials need to take immediate action to ensure compliance with eCMS requirements. Without senior leadership's attention to ensure eCMS usage and to capture VA procurement information in a reliable central database, VA will not achieve the improvement needed in acquisition service delivery from an enterprise-wide perspective.

***Timeliness of  
Awards Needs  
Improving***

Office of Management and Budget Circular A-123, "Management's Responsibility for Internal Controls," dated December 21, 2004, requires management to establish and maintain internal controls to achieve the objectives of efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. We determined OAL and NAC lacked an effective performance measure to monitor the timeliness of national contract awards. The NAC relied on CO's performance standards that require contracts to be awarded in 130 days. Additionally, NCS Associate Directors and COs may extend the award timelines based on the milestones provided in the acquisition plan. The measure for timeliness begins from the date NCS receives the procurement request to the date of the award.

The national contracts that we sampled were awarded between 55 and 1,143 days, an average of 422 days to make an award. We found 22 (73 percent) of 30 national contracts, valued at about \$2.4 billion, were not awarded in 130 days or by the extended timelines. According to the NCS Director, the timelines are frequently adjusted in response to factors outside the COs' control, such as vendor protests, awaiting a NAC Contract Review Board decision, and staff reassignments. In every instance identified in our sample where the contract award exceeded the timeliness goal, the NCS Director determined an acceptable reason for the delay existed. However, he did not provide documentation to justify his decisions, and we did not agree most staff reassignments were factors outside the control of NAC management.

According to the NCS Director, the reason that NCS was not timely in awarding 6 (27 percent) of 22 national contracts, valued at about \$16.8 million, was because the contracts were reassigned to other COs. Specifically, two radiation therapy contracts with estimated values of \$3 million and \$4.3 million exceeded timeliness standards by 918 and 464 days, respectively. This delay occurred because NCS suspended award processing when the current COs were reassigned to expedite the awards of other contracts due to expire. Staffing reassignments negatively impacted



award timeliness indicating NCS management did not effectively plan or prioritize its workload requirements.

OAL and NAC management did not establish timeliness standards and did not develop or implement guidance for awarding national contracts timely. Further, management did not ensure adequate controls were in place for monitoring contract timeliness. Instead, management evaluated award timeliness based on the CO's performance standards. After we reviewed CO performance appraisals and interviewed the NCS Director, we determined COs were not being held accountable for the untimely awarding of contracts in our sample. Because data in eCMS was also incomplete, contracting milestones in eCMS were not accurate and we could not identify where delays occurred in the contract award.

Establishing and providing guidance for timeliness standards would help the NAC properly monitor the performance of contract award actions, which would help ensure management's ability to effectively plan for changes in staffing and the workload. It is imperative that the NAC fully utilize the functionality of eCMS, including its contracting milestones to facilitate prioritizing and planning workload to gain visibility over procurement actions.

**Conclusion**

NAC management did not ensure staff fully utilized eCMS to develop and maintain national contracts. Although OAL mandated the use of eCMS, they provided limited oversight for properly monitoring compliance and ensuring eCMS capabilities adequately supported NAC operations. While NAC management stated eCMS does not provide all the functionality it needs, its use is still mandated. Therefore, the NAC should fully leverage the current functionality of eCMS, and acquisition information should be entered into eCMS. VA cannot achieve the transparency it needs to effectively manage its national acquisitions without consistently capturing acquisition information supporting national contracts in eCMS. Once the planned system upgrade is fully implemented, eCMS is expected to provide OAL management with the necessary acquisition data to make fully informed procurement decisions.

In addition, NAC management did not ensure national contracts were awarded timely. OAL management did not establish guidance or effectively monitor contract award timeliness. Untimely national contract awards increases the risk for unnecessary delays in the availability of medical products and services. Implementing and monitoring contract award timeliness standards will help ensure NAC customers do not experience unnecessary delays in receiving products or services and allow medical facilities to fully leverage VA's buying power when procuring key medical supplies and services.

- Recommendations**
1. We recommend the Executive Director for the Office of Acquisition, Logistics, and Construction establishes controls to monitor the use of the Electronic Contract Management System.
  2. We recommend the Executive Director for the Office of Acquisition, Logistics, and Construction establishes performance requirements to hold contracting officers accountable for utilizing the required system.
  3. We recommend the Executive Director for the Office of Acquisition, Logistics, and Construction establishes controls to monitor and ensure the timely completion of the Electronic Contract Management System upgrade, including the National Acquisition Center's Contract Management system functions to eliminate the duplication of effort in data entry.
  4. We recommend the Executive Director for the Office of Acquisition, Logistics, and Construction ensures the Office of Acquisition and Logistics implements guidance that establishes timeliness standards for awarding contracts.
  5. We recommend the Executive Director for the Office of Acquisition, Logistics, and Construction implements controls to monitor and ensure contracts are awarded timely.

**Management  
Comments and  
OIG Response**

The Executive Director of the OALC agreed with our findings and recommendations and plans to complete all corrective actions by September 30, 2012. NCS included eCMS performance measures in the fiscal year 2011 balanced scorecards. NAC management will continue to monitor and review monthly and quarterly reports and OALC's Offices of Policy and Risk Management will perform periodic reviews throughout the year in support of quality control management. NCS CO performance standards were revised in fiscal year 2011 and include metrics to address award timeliness. This action was implemented after we completed our field work, thus we did not assess its effectiveness in improving the accountability for timeliness of contract actions.

OALC plans to establish an Integrated Project Team to develop and implement a plan to migrate eCMS within the NAC's CM system. NAC will continue to support and provide assistance to OALC and VA's Information Technology staff to facilitate this initiative until completed.

Procurement Action Lead Times (PALT) were established within the OALC to monitor the timeliness of awarding contracts. NCS's balanced scorecard was updated to measure compliance with PALT and the average award times for NCS. However, the PALT tracks the standards from information in eCMS which is incomplete and therefore unreliable at the time of the audit. Until management enforces compliance for the mandatory use of eCMS,

OALC and NAC management cannot benefit from the full capabilities of the system including the ability to use reports generated by the system.

During the audit, the NAC relied on the CO's performance standards to evaluate contract award timeliness and management told us meetings were held to discuss contracts that exceeded the timeliness goal. OALC's response to our recommendation describes strategies to monitor timeliness. We noted that the contracts in our sample took an average of 422 days to award. Thus, we plan to follow up to assess the effectiveness of these strategies in future work.

## **Appendix A Background**

**VA Procurement** VA is one of the largest procurement and supply agencies of the Federal Government with annual expenditures of more than \$10.3 billion for supplies and services, including construction. Drugs, medical supplies and equipment, automated data processing equipment and services, and other critical patient care items must be procured and distributed to VA's health care facilities comprising the largest health care delivery system in the country. OAL is responsible to the VA Secretary for providing goods and services to support the mission of VA through the Assistant Secretary for Acquisition, Logistics, and Construction.

**Role of National Acquisition Center** The NAC was established in 1951 as a centralized contracting unit within OAL. It is OAL's major organizational component and manages the largest combined contracting activity within VA. It is responsible for supporting the health care requirements of VA and the needs of other Government agencies. The NAC awards high-volume contracts for recurring items used throughout the Federal health care system using primarily competitive negotiation. VA and other federal customers make purchases against these contracts by reviewing the NAC's Internet Contract Catalog Search database and placing delivery orders for products and services available in the awarded contracts. These purchases result in large quantity deliveries directly from the vendor to VA medical centers or other government facilities.

**Federal Supply Schedule and National Contract Service Program** The NAC solicits, awards, and administers VA's FSS and NCS programs. As of April 2010, the NAC was responsible for 2,058 contracts with a total estimated value of over \$37 billion. For this total, FSS had 1,662 awarded contracts with a total estimated value of over \$29 billion and NCS had 396 awarded contracts with a total estimated value of over \$7.9 billion. FSS is responsible for establishing multiple award schedule contracts that provide Federal agencies with a simplified process for obtaining commercial medical equipment, supplies, pharmaceuticals, and services.

NCS is responsible for national contracts and blanket purchase agreements, which are established under FSS contracts that support national standardization of procurement. These programs are open to VA medical centers, related facilities, and some State Veterans Homes. Most of these contracts and agreements include other Government agencies, such as the Department of Defense, Indian Health Service, and Bureau of Prisons. A majority of the solicitations for these contracts and agreements are competitive, best value procurements. The performance period for these contracts is normally 1 year with up to 4 option years.

**Prior Reviews** Procurement activities, which include oversight practices, are a major management challenge and a widespread weakness in VA that reduces the

effectiveness of VA procurement actions. VA assessments and VA OIG audits, reviews, and investigations have identified nationwide and systemic issues. Following are some examples:

- VA *A-123 Acquisition Assessment National Acquisition Center* (July 20, 2010) showed that the NAC was not consistently using eCMS to document contract actions as required. The NAC cannot achieve the expected benefits of eCMS without complete document files related to each action being entered into the system.
- VA OIG American Recovery and Reinvestment Act Oversight Advisory Report—*Non-Recurring Maintenance Contract Award Monitoring Processes*, Report No. 09-01814-97 (March 15, 2010), revealed that eCMS data reliability and system problems inhibited the ability of VA's OALC to effectively monitor Recovery Act procurements and to ensure non-recurring maintenance contract awards met Recovery Act requirements and accountability, efficiency, and transparency objectives. This issue also impacts the contracts awarded by the NAC's NCS. OALC needed to work with Veterans Health Administration COs to promote uniformity in the usage of eCMS, improve the completeness and accuracy of eCMS data, and increase awareness of eCMS problems that affect the reliability of eCMS information.
- VA OIG *Audit of Electronic Contract Management System*, Report No. 08-00921-181 (July 30, 2009), concluded that eCMS was not used effectively and procurement information in eCMS was incomplete. VA expends about \$10 billion annually on supplies and services, and reports generated by the system cannot be relied upon when making procurement management decisions. Until management enforces compliance for the mandatory use of the system, VA cannot benefit from the full capabilities of the system, including the ability to integrate and standardize procurement processes, reduce workload, and improve communications.
- VA OIG *Audit of Consolidated Mail Outpatient Pharmacy Contract Management*, Report No. 09-00026-143 (June 10, 2009), concluded that strong management controls over contract development and monitoring will help ensure VA obtains supplies and services cost-effectively. We also reported that strong management controls will reduce the risk of contract fraud, abuse, and mismanagement. During the audit, the National CMOP Office issued a memorandum of understanding for Pharmacy Benefit Management and OALC transferring the responsibility for CMOP's contracting activities and staff to the NAC, thereby, strengthening the oversight of the CMOP's contract activities.

## Appendix B Scope and Methodology

### Overview

The scope of the audit focused on key responsibilities in the development, award, and oversight process of national contracts awarded by the NCS from October 1, 2007, through March 31, 2010. The audit team identified 148 national contracts with an estimated value of \$7.2 billion from information contained in the NAC's CM system.

### Sampled National Contracts

We stratified the universe of national contracts by the four NCS branches. We placed the contracts in random number order for review. We reviewed 30 national contracts with an estimated value of \$2.4 billion. The table below illustrates the number of contracts reviewed in each NCS branch.

Table 1

| Total Number of National Contracts Reviewed |                     |                        |
|---|---------------------|------------------------|
| NCS Branch                                  | Number of Contracts | Contract Values        |
| CMOP  | 7                   | \$177,789,992          |
| High Tech Medical Equipment                 | 8                   | 1,170,696,128          |
| Medical/Surgical                            | 8                   | 961,790,438            |
| Pharmaceutical                              | 7                   | 98,588,348             |
| <b>Total</b>                                | <b>30</b>           | <b>\$2,408,864,906</b> |

Source: The NAC's CM data from October 1, 2007–March 31, 2010

### National Contract Review

Our work included reviewing applicable laws, regulations, and policies and interviewing OAL and NAC management and COs. We analyzed key documentation in the procurement process for acquisition planning, solicitation, negotiation, and contract award by reviewing the sampled hard copy contract files and electronic contract files in the eCMS.

Acquisition planning involved identifying requirements and developing a comprehensive statement of work clearly defining the requirements, deliverables, and performance measures. The solicitation identified the products, services, and contract terms released to the public for bid. Contract negotiation included reviewing bids, conducting price evaluations, and developing a price negotiation memorandum to ensure price reasonableness. The award process included announcing the award of a new contract and modifications to contract services or terms and conditions.

We also assessed the extent to which the NAC accurately used eCMS. In addition, we reviewed whether the national contracts in our sample duplicated any of the existing FSS contracts. We determined if the COs' warrants or authorization were appropriate for awarded contracts and if they met the established timelines.

We evaluated whether the NAC and NCS organization-level performance measures were adequate. Specifically, we evaluated if performance goals accurately defined the level of performance to be achieved and contained performance goals that were objective, quantifiable, and measurable. Also, we determined if established performance indicators were used to measure outputs, service levels, and outcomes.

***Fraud  
Assessment***

The audit team addressed the risk that fraud, abuse, and violations of legal and regulatory requirements could occur. We assessed the potential for fraud when:

- Contracts were not competitively bid.
- The statement of work was not adequate.
- The number of competitors was not adequate.
- Documentation of pre-award actions was not adequate.
- Analysis of cost realism and price reasonableness was not present.
- A review of the price negotiation memorandum was not evident.
- The same contractors were awarded a national and a FSS contract for the same product or services.

***Reliability of  
Computer-  
Processed  
Data***

We determined that the reliability of computer-generated data was sufficient for the purpose of the audit. We identified multiple sources of information and data that could be used as audit evidence. We compared the information from the NAC's CM system to eCMS, the Federal Procurement Data System-Next Generation, and contract files to determine if the data was accurate and reliable. Based on testing, we concluded that the information in eCMS was missing or incomplete, rendering it unreliable. After these tests and assessments, we concluded the data in the NAC's CM system was sufficiently reliable to be used in meeting the audit objectives.

***Compliance  
with  
Government  
Audit  
Standards***

We conducted audit work from March 2010 through June 2011. Our assessment of internal controls focused on those controls relating to the 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 C Statistical Sampling Methodology

### Introduction

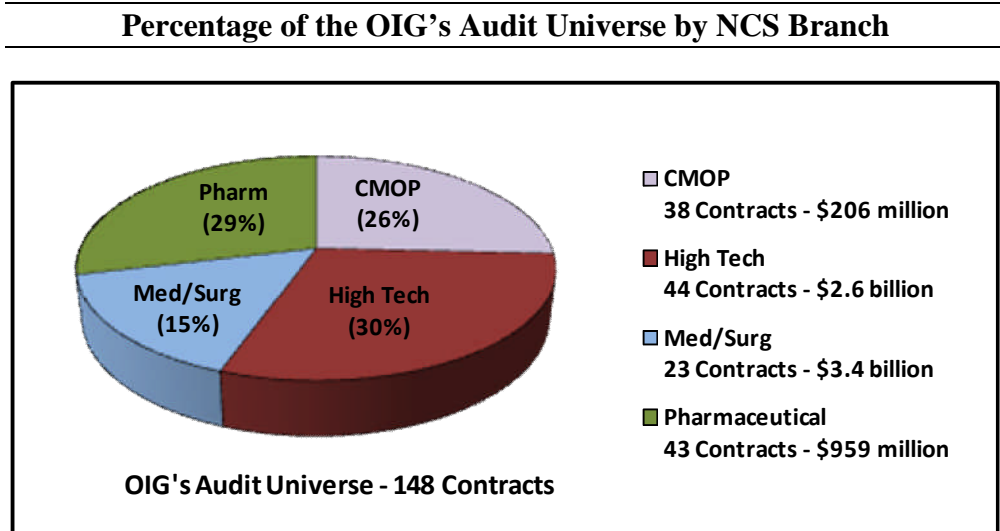
We selected a random sample of awarded and active NCS contracts to assess the adequacy of the contract development, award, and oversight processes for national contracts awarded at the NAC.

### Population

The contracts were identified using the NAC's CM system. The universe consisted of 298 national contracts awarded and active during the period October 1, 2007, through March 31, 2010. The universe included contracts, Basic Ordering Agreements, and Blanket Purchase Agreements.

We excluded Basic Ordering Agreements and Blanket Purchase Agreements from our audit universe because these were based on awarded FSS contracts and not national contracts. After the revision, our universe included 148 national contracts with an estimated value of \$7.2 billion.

### Figure



Source: The NAC's CM data from October 1, 2007–March 31, 2010

### Sample Design

Our statistician selected a stratified sample from each of the four NCS branches and used Random.org to place the contracts in random order in each of the four strata. The statistician then sorted the contracts into random order within each stratum.

The statistician determined the sample size of 30 NCS contracts based on an error rate of 15 percent, a confidence level of 90 percent, and a desired margin of error for the full sample of 10 percent.



**Table 2** **Contract Universe and OIG Sample**

| <b>NCS Branch</b>           | <b>Contracts in Universe</b> | <b>Contracts in Sample</b> | <b>Percentage of Universe Reviewed</b> | <b>Value of Contracts in Universe</b> |
|-----------------------------|------------------------------|----------------------------|--|---------------------------------------|
| CMOP                        | 38                           | 7                          | 18                                     | \$206,218,871                         |
| High Tech Medical Equipment | 44                           | 8                          | 18                                     | 2,569,802,059                         |
| Medical/Surgical            | 23                           | 8                          | 35                                     | 3,456,044,192                         |
| Pharmaceutical              | 43                           | 7                          | 16                                     | 958,846,714                           |
| <b>Total</b>                | <b>148</b>                   | <b>30</b>                  | <b>20</b>                              | <b>\$7,190,911,836</b>                |

Source: The NAC's CM data from October 1, 2007–March 31, 2010

## Appendix D Executive Director for Office of Acquisition, Logistics, and Construction Comments

### Department of Veterans Affairs

### Memorandum

**Date:** August 4, 2011

**From:** Executive Director, Office of Acquisition, Logistics, and Construction (001ALC)

**Subj:** OIG Draft Report, Audit of the National Contract Awards at VA's National Acquisition Center (Project No. 2010-01744-R4-0261, Issued June 15, 2011)

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

1. Office of Acquisition, Logistics, and Construction (OALC) has reviewed the draft report, Audit of the National Contract Awards at VA's National Acquisition Center (NAC), and concurs with OIG's recommendations to OALC.

2. If you have questions regarding this submission, please contact one of the following, Craig Robison, Executive Director, NAC, 708-786-5157 or Ruby B. Harvey, Director, Enterprise Acquisition Systems Services, 240-439-6539.



Glenn D. Haggstrom

Attachment

**OFFICE OF ACQUISITION, LOGISTICS, AND CONSTRUCTIONS (OALC)  
Action Plan**

**OIG Draft Report, Audit of the National Contract Awards at VA's National  
Acquisition Center (VAIQ7126287)**

**Date of Draft Report: June 15, 2011**

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| <b>Recommendations/Status</b> | <b>Actions</b> | <b>Completion Date</b> |
|-------------------------------|----------------|------------------------|
|-------------------------------|----------------|------------------------|

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**Recommendation 1. We recommend the Executive Director for the Office of Acquisition, Logistics, and Construction establishes controls to monitor the use of the Electronic Contract Management System.**

OALC Comments

Concur

National Contract Service, within NAC, implemented a strategy to address this issue:

- a. National Contract Service's balanced scorecard added the following measures and thresholds in its fiscal year (FY) 2011 update:
  - 1) All new procurements valued at the micro-purchase level (currently \$3,000) or more are accomplished in the Electronic Contract Management System (eCMS). (Threshold 90 percent)
  - 2) Fields are accurately completed in the data values tab of eCMS. (Threshold 90 percent)
  - 3) Required documents (Price Negotiation Memorandum, solicitation, etc.) are filed in eCMS. (Threshold 90 percent)
  - 4) Attachments in the eCMS briefcase are named in accordance with appropriate conventions. (Threshold 90 percent)
  - 5) All contracts with expiration date of 2010 or later are entered into eCMS. (Threshold 90 percent)

This is a work in progress. One contract is reviewed per contracting officer per quarter by the employee's supervisor for compliance with 1), 4), and 5) above. NAC formed a workgroup which is defining the requirements for 2) and 3). As soon as those requirements are published, elements 2) and 3) will also be reviewed. The target date for completion is FY 2011, Quarter 4.

- b. OALC also established eCMS data parameters and reporting mechanisms in support of data value completion and input requirements. Monthly reports are pulled and compared to identify compliance with eCMS data entry. NAC management will continue to monitor and review monthly and quarterly reports provided by the Service in addition to other outside reviews, audits, and findings. Continuous monitoring will be performed. Periodic review of the mechanisms in place will be performed and enhancements made, if necessary.

OALC Offices of Policy and Risk Management are responsible for establishing auditing controls in support of quality assurance/quality control management and perform periodic reviews throughout the year.

In Progress

September 30, 2011

**Recommendation 2. We recommend the Executive Director for the Office of Acquisition, Logistics, and Construction establishes performance requirements to hold contracting officers accountable for utilizing the required system.**

OALC Comments

Concur

OALC's Office of Policy is responsible for implementing performance requirements in support of accountability and standardized departmental practices. Performance standards were revised in FY 2011 for contracting officers within National Contract Service to include the entire balanced scorecard measures listed above in a critical element.

Timeliness of contract awards will be addressed in each contract specialist and manager's performance assessment. Overall rating will be affected by employee's accomplishment or lack of in this area. We will work with our Human Resource Management staff to ensure the appropriate rating is reflected and appropriate corrective actions, if required, are followed.

Completed

**Recommendation 3. We recommend the Executive Director for the Office of Acquisition, Logistics, and Construction establishes controls to monitor and ensure the timely completion of the Electronic Contract Management System upgrade, including the National Acquisition Center's Contract Management system functions to eliminate the duplication of effort in data entry.**

OALC Comments

Concur

NAC's Contract Management system may appear to be duplicative on the surface since both contain general award information; however NAC's Contract Management system contains

more intuitive information data and processes, which calculates sales, revenue, identifies delinquencies, etc., than the eCMS. OALC must comply with VA's Project Management Accountability System (PMAS) requirements; thus the process to migrate NAC's system within the eCMS requires establishment of an Integrated Project Team (IPT) to develop and implement the migration plan. OALC staff has been diligently working this initiative for the past 18 months. NAC continues to support and provide assistance to OALC and VA's Information Technology staff to facilitate this initiative to fruition. Anticipated completion is planned for September 2012.

In Progress

September 30, 2012

**Recommendation 4. We recommend the Executive Director for the Office of Acquisition, Logistics, and Construction ensures the Office of Acquisition and Logistics implements guidance that establishes timeliness standards for awarding contracts.**

OALC Comments

Concur

Procurement Action Lead Times (PALT) were established top down within the OALC. NAC's National Contract Service implemented three strategies to address this issue. These strategies were already in place at the time of the audit.

1. A monthly "quick pulse" report is forwarded through NAC's Executive Director to the office of the Deputy Assistant Secretary for Acquisition and Logistics. The report includes the number of contracts awarded and Blanket Purchase Agreements (BPA) established and whether they were awarded or established timely.
2. National Contract Service's balanced scorecard was updated to measure compliance with PALT and average time to award contracts for the Medical/Surgical Branch and Pharmaceutical Branch, two of the four Branches within National Contract Service. The Consolidated Mail Outpatient Pharmacy Branch was recently added to the Service and compliance with these two measures began in FY 2010, Quarter 2. In FY 2010 Quarter 4, these same two measures were added for the High Tech Medical Equipment (HTME) Branch, completing the process. The threshold for meeting PALT is currently set at 70 percent.
3. Performance standards for contracting officers within National Contract Service include an evaluation of awarding contracts or establishing BPAs in compliance with PALT under a critical element. This performance standard was in place at the time of the OIG audit. The National Contract Service was monitoring contract timeliness during the period of the audit. The Service's Task List, a report generated by each branch the 1st and 3rd Friday of each month, was provided to the OIG auditors for their review. The task list has a record of each procurement in progress for each branch of the service, including the date the action started, date completed and a narrative status report. This data is used for balanced scorecard reporting and also to generate a report for the

Assistant Directors, which lists each contracting officer and their compliance with meeting PALT (and other measures) and is used for the performance evaluation process. The balanced scorecard, performance standards, and PALT reports provided to the Assistant Directors, and other performance measures were shared with the OIG auditors at the time of the audit.

Completed

**Recommendation 5. We recommend the Executive Director for the Office of Acquisition, Logistics, and Construction implements controls to monitor and ensure contracts are awarded timely.**

OALC Comments

Concur

The eCMS contains award date data values for metric reporting. Under eCMS system, managers have the ability to monitor and measure contract award timeliness by viewing the milestones section within the contract file. Monitoring is accomplished on a monthly basis within each branch, with reports made to the Director of each NAC Service. Also each contract specialist has a performance metric contained in their performance plans that addresses contract awards and timeliness.

Since the audit was performed National Contract Service has begun to use eCMS fully and has learned to pull various reports to better monitor contract awards, accomplishments and to update milestones, when warranted.

Completed

## Appendix E **OIG Contact and Staff Acknowledgments**

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| OIG Contact | For more information about this report, please contact the Office of Inspector General at (202) 461-4720. |
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| Acknowledgments | Cherie Palmer, Director<br>Ronald Comtois<br>Kevin Gibbons<br>Lee Giesbrecht<br>Theresa Golson<br>Cynnde Nielsen<br>John Pawlik<br>Jennifer Roberts<br>Herman Woo<br>Ora Young |
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