

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



# Department of Veterans Affairs

*Review of Alleged  
Contract Irregularities in  
the Office of Information  
and Technology*

October 13, 2011  
11-01708-02

## ACRONYMS AND ABBREVIATIONS

ASD	Office of Architecture, Strategy, and Design
IT	Information Technology
IV&V	Independent Verification and Validation
OIT	Office of Information and Technology
PMAS	Project Management Accountability System
PWS	Performance Work Statement

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# Report Highlights: Review of Alleged Contract Irregularities in VA's Office of Information and Technology

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## Why We Did This Review

The Office of Information and Technology (OIT) has contracted for in-depth technical reviews of VA's major information technology (IT) initiatives to ensure IT systems meet VA's Enterprise Architecture standards. We reviewed the validity of an allegation that OIT Office of Architecture, Strategy, and Design officials directed contractor personnel to prepare project management documents outside the scope of the task order.

## What We Found

We substantiated the allegation that OIT officials directed contractor personnel to prepare project management documents outside the scope of the task order. However, we found no evidence that contractor personnel actually followed through with this direction. Nonetheless, work the contractor performed did not meet the intent of the task order, which called for in-depth technical reviews of VA's major IT initiatives. This occurred primarily because of senior OIT officials' uncertainty regarding how OIT would accomplish technical reviews given the implementation of the Project Management Accountability System (PMAS) to improve its IT development success rate.

As a result, OIT incurred questionable contract costs of \$1,651,215 for an underutilized task order during the first and second option years. OIT can make better use of approximately \$785,840 of funds by

either exercising the third option year then using this contractor to perform required technical reviews, or by terminating the task order. In addition, because the contractor has not performed technical reviews of VA's major IT initiatives, we believe VA's IT programs and projects may be at an increased risk of noncompliance with VA's Enterprise Architecture standards.

## What We Recommend

We recommended the Assistant Secretary for Information and Technology decide whether the contractor will be used to conduct technical reviews of VA's major IT initiatives given PMAS implementation. We also recommended the Assistant Secretary take actions to terminate the task order if necessary, and initiate appropriate actions to oversee completion of the required technical reviews within OIT.

## Agency Comments

The Principal Deputy Assistant Secretary for Information and Technology agreed with our findings and recommendations. He plans to terminate the contract and complete all recommendations by December 30, 2011. The planned actions are responsive and we will assess and monitor the implementation of corrective actions.

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

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## INTRODUCTION

**Objective** We conducted this review to determine the validity of an allegation that Office of Information and Technology (OIT) officials directed contractor personnel to perform work outside the scope of a task order for in-depth technical reviews of VA's major information technology (IT) initiatives.

**Overview** The Office of Architecture, Strategy, and Design (ASD) is responsible for ensuring all VA IT systems meet the Department's Enterprise Architecture standards.<sup>1</sup> To achieve this objective, ASD has a requirement to perform in-depth technical reviews of system development, testing, certification, and implementation activities.

In FY 2008, OIT sought contractor support to meet this requirement due to a lack of sufficient in-house resources. On behalf of OIT, the General Services Administration awarded a labor-hour task order on October 21, 2008, for performance of the technical reviews. In a labor-hour contract, the Government acquired services at fixed hourly rates for direct hours of labor in categories specified in the contract. The task order included a base year period of performance along with 3 option years. The total ceiling price of the task order was approximately \$3 million. Modifications increased the ceiling price to approximately \$3.3 million. The task order required the contractor to perform technical reviews of major IT projects, independent verification and validation (IV&V), and specialized reviews such as operational tests. The contractor was also responsible for providing written reports on the results of its reviews of VA systems, including recommendations for bringing IT programs and projects in line with technical standards.

**Hotline Complaint** The VA Office of Inspector General received an anonymous allegation that ASD officials had directed contractor personnel to prepare outside the scope of the task order project management documents such as a project charter, a project plan, and a risk management plan.

Appendix A provides a detailed discussion of our scope and methodology. Appendix B outlines potential monetary benefits and Appendix C includes agency comments.

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<sup>1</sup>At the contract's start, the Enterprise Architecture Office was responsible for conducting technical reviews. This responsibility shifted to the Office of Architecture, Strategy, and Design as a result of reorganization of the Office of Information and Technology.

## RESULTS AND RECOMMENDATIONS

### **Allegation**      **Contractor Directed To Perform Out of Scope Work**

We substantiated the allegation that OIT officials directed contractor personnel to prepare project management documents outside the scope of the task order. However, we found no evidence that contractor personnel actually prepared these types of documents. Nonetheless, the contractor did not fulfill the task order's core purpose—to perform in-depth technical reviews of VA's major IT initiatives. This occurred primarily because of senior OIT officials' uncertainty regarding how OIT would accomplish the technical reviews given the implementation of the Project Management Accountability System (PMAS)—an initiative to improve its IT development success rate.

As a result, OIT incurred questioned costs of approximately \$1.7 million for a task order that was underutilized during the first and second option years. This amount could grow to approximately \$2.4 million if OIT exercises the third option year of the task order, but does not direct the contractor to perform the technical reviews as envisioned by OIT at the time it initially sought contractor support. In addition, because the contractor has not performed technical reviews of VA's major IT initiatives, we believe VA's IT programs and projects may be at increased risk of noncompliance with VA's Enterprise Architecture standards.

#### ***Task Order Requirements***

According to the task order's performance work statement (PWS), OIT sought contractor support to perform in-depth technical reviews of VA's major IT initiatives. The PWS required the contractor to provide personnel highly skilled and knowledgeable in testing and evaluating enterprise-level IT projects against technical standards and the Enterprise Architecture's Technical Reference Model—a repository of approved hardware and software, Government regulations, security standards, and industry best practices. Specific work included, but was not limited to, the following:

- Conduct technical reviews, including milestone reviews, of major IT development and operational projects in accordance with OIT's Technical Review Process.
- Conduct program management reviews of major programs.
- Conduct IV&V reviews of technical design and development projects, as well as reviews of operational systems and programs.

OIT expected the contractor to complete tasks to support the overall technical review process as well. For example, the PWS required the

contractor to create items such as standard operating procedures and white papers. The contractor also was responsible for developing criteria, checklists, and document standards to use in evaluating technical project documentation.

The PWS estimated the contractor would complete 20 in-depth technical reviews (milestone, program management, and specialized reviews) of IT initiatives during the base year of performance. In each of the option years, the contractor was projected to complete 25 in-depth technical reviews. The contractor also was responsible for providing written documentation to support the results of each of these reviews. ASD officials designated as VA Contract Project Managers (Primary and Alternate) were responsible for monitoring the contractor's performance and ensuring compliance with the PWS.

***Contractor Did Not Perform Out-of-Scope Work***

We substantiated the allegation that OIT officials directed contractor personnel to perform work outside the scope of the task order. An ASD official confirmed that he directed the complainant to prepare project management documents, which were outside of contract scope. However, we found no evidence that the contractor actually followed through with this direction.

***Task Order Intent Not Met in the Option Years***

After the base year period of performance, OIT officials directed the contractor to focus its efforts on performing tasks supporting PMAS and the Technical Reference Model. Consequently, the contractor did not fulfill the task order's primary purpose, which was to perform technical reviews of VA's major IT initiatives for the entire contract performance period. The contractor met the intent of the task order during the base year period of performance (FY 2009). During that year, the contractor completed 57 deliverables, consisting of 13 milestone reviews and 44 special Transformation 21 reviews—more than meeting VA expectations. OIT's Transformation 21 IT Work Group conducted an initial analysis of 282 of VA's IT development projects to support the President's vision for creating a 21<sup>st</sup> Century VA. The contractor's Transformation 21 reviews supported this effort.

However, OIT did not ensure that the contractor completed 25 in-depth technical reviews in each option year as projected. The contractor only completed four deliverables directly related to the performance of technical, program management, or special reviews during FY 2010. The deliverables consisted of a summary report for the Transformation 21 reviews and three IV&V reviews. Instead of performing the required in-depth technical reviews, at OIT's direction the contractor spent much of FY 2010 reviewing technical document templates and standards required for IT development projects and developing review checklists in preparation for PMAS

implementation. PMAS is a performance-based management discipline that provides frequent delivery of deployable IT system functionality.

The contractor also did not complete any technical reviews during FY 2011 as required. During this performance period, OIT had the contractor focus on maintaining the SharePoint Web site and performing various other services in support of the Technical Reference Model.

***Indecisiveness  
Resulted In An  
Underused  
Task Order***

Amid PMAS implementation and consequent changes in IT direction, OIT officials became uncertain how to proceed with the terms and intent of the IT technical review contract. On June 19, 2009 (about 8 months into the base year period of performance), the Secretary of Veterans Affairs announced the Department would begin implementing PMAS to improve its management of IT development projects. OIT officials did not know how to couple the PMAS incremental delivery process with the technical reviews previously performed under the traditional waterfall milestone methodology. OIT officials had already suspended all program and project reviews prior to PMAS implementation because, based on VA's history of IT project failures, they did not believe the review process was working. This caused a great deal of indecision on the part of OIT officials. The indecision resulted in OIT not performing technical reviews during the first and second option years of the task order while it continued with PMAS implementation.

Because OIT did not use the contractor to perform in-depth technical reviews of VA's major IT initiatives, it should have terminated the task order. Instead, OIT officials worked with a General Services Administration contracting officer to award the first option year of the contract. OIT allowed the task order to continue based on expectations that the contractor would eventually perform technical reviews as part of the new PMAS methodology. In the interim, during FY 2010, OIT officials shifted the contractor's efforts to preparing items such as evaluation criteria, document standards, and checklists for PMAS reviews.

In FY 2011, ASD officials shifted the contractor's focus from PMAS to supporting the Technical Reference Model; OIT senior leadership had directed all OIT staff and contractors to ensure VA's IT projects complied with the model. Accordingly, the contractor maintained the Technical Reference Model's SharePoint site, researched best practices, identified Technical Reference Model processes, and made presentations on how the model worked. According to OIT officials, the contractor was tasked with supporting the model because ASD did not have the resources needed to perform this critical function.

ASD's decision to continue using the contractor to perform work that did not meet the primary intent of the task order resulted in ineffective and inefficient use of contract resources. OIT incurred questionable costs of



approximately \$1.7 million for work performed during the first and second option years of a task order awarded chiefly for the performance of technical reviews of VA's major IT initiatives. However, the contractor only submitted four deliverables directly related to the completion of those reviews during that time period because of ASD's direction to focus instead on PMAS and the Technical Reference Model. This amount could grow to approximately \$2.4 million if OIT exercises the third option year of the task order.

In addition, senior OIT officials told us that no other organization within OIT was performing technical reviews of VA's major IT initiatives. As a result, we believe that VA's IT programs and projects may be at increased risk of noncompliance with VA's Enterprise Architecture standards.

The table summarizes the number of technical reviews completed by the contractor during each year of the task order.

**Table**

<b>Required Versus Completed Technical Reviews and Invoices Paid</b>			
	<b>Required Outputs</b>	<b>Completed Outputs</b>	<b>Paid Invoices</b>
Base Year–FY 2009	20	57	\$731,578
Option Year 1–FY 2010	25	4	\$816,949
Option Year 2–FY 2011	25	0	\$834,267 <sup>1</sup>
Option Year 3–FY 2012	25	To Be Determined	\$786,840 <sup>2</sup>
<b>Total</b>		<b>61</b>	<b>\$3,169,634</b>

Source: VA OIG Analysis

*Notes:*

<sup>1</sup>*Option Year 2 includes costs paid as of April 2011 plus potential costs for the rest of the fiscal year.*

<sup>2</sup>*Option Year 3 includes the potential award amount, which OIT could make better use of by either exercising then using this contractor to perform required technical reviews, or by terminating the task order.*

**Conclusion**

We substantiated the allegation that ASD officials directed contractor employees to perform work outside the scope of the task order for technical reviews of VA's major IT initiatives, but found no evidence that the contractor actually performed the work. Nonetheless, the work performed by the contractor did not meet the intent of the task order—to perform in-depth technical reviews of VA's major IT initiatives. OIT's uncertainty regarding how it would accomplish technical reviews given the implementation of

PMAS, coupled with ASD's expectation that the contractor would perform technical reviews as a part of PMAS, led to an ineffective and inefficient use of contract resources. As a result, OIT incurred questioned costs of approximately \$1.7 million for an underused task order for technical reviews of VA's major IT initiatives during the first and second option years. This amount could grow to approximately \$2.4 million if OIT exercises the third option year. In addition, because the contractor has not performed technical reviews of VA's major IT initiatives, VA's IT programs and projects may be at increased risk of not complying with VA's Enterprise Architecture standards for such things as hardware and software, security, and Government regulations.

- Recommendations**
1. We recommended the Assistant Secretary for Information and Technology determine how the Office of Information and Technology will conduct technical reviews of VA's major information technology initiatives in the future given Project Management Accountability System implementation and, if necessary, work with the General Services Administration to terminate the task order.
  2. We recommended the Assistant Secretary for Information and Technology establish an oversight mechanism to ensure the Office of Information and Technology completes the required number of technical reviews of VA's major information technology initiatives each fiscal year.

**Management  
Comments and  
OIG Response**

The Principal Deputy Assistant Secretary for Information and Technology, responding on the behalf of the Assistant Secretary, agreed with our findings and recommendations and provided acceptable implementation plans to our recommendations.

OIT will establish technical working groups under the recently created Architecture and Engineering Review Board to conduct the required technical reviews as part of OIT's milestone review process. OIT plans to have the technical review processes developed by December 30, 2011. OIT has also informed the contracting officer at the General Services Administration that it will not exercise any further option years on the task order. As a result, the task order will terminate on October 26, 2011.

Finally, the Assistant Secretary for Information and Technology has directed the Program Management Office for the Project Management Accountability System to begin coordinating milestone reviews of major IT initiatives by October 31, 2011. The milestone reviews will include technical reviews to validate that projects are aligned with VA's Enterprise Architecture, engineering design principles, security policies, and operational requirements.

Appendix C contains the full text of the comments received from the Principal Deputy Assistant Secretary for Information and Technology. We will continue to monitor the status of the corrective actions outlined and follow up on their implementation.

## Appendix A Scope and Methodology

### **Scope**

We conducted our review from March through August 2011. We focused our review on whether ASD officials directed the contractor to prepare project management documents, which were outside of the scope of a task order for in-depth technical reviews of VA's major IT initiatives. We also evaluated whether the work performed by the contractor adequately fulfilled the purpose of the task order.

### **Methodology**

To assess the validity of the allegation, we reviewed acquisition documentation such as the acquisition plan, the original task order and subsequent modifications, and the performance work statement. We interviewed the complainant, contractor personnel, and senior OIT officials to gain a better understanding of the task order requirements. We also interviewed General Services Administration and OIT personnel responsible for monitoring the contractor's performance and administering the task order.

To evaluate whether the work performed by the contractor adequately fulfilled the purpose of the task order, we reviewed the contractor's monthly reports and work products and compared them with the requirements of the task order and the contractor's invoices. We also interviewed OIT personnel responsible for overseeing the contractor and other senior level OIT officials to gain their perspectives on how OIT was using contractor personnel and resources.

### **Compliance With Government Inspection Standards**

We conducted our review in accordance with *Quality Standards for Inspection and Evaluation* published by the Council of Inspectors General on Integrity and Efficiency. These standards guide the conduct of all inspection work performed by Offices of Inspectors General. Accordingly, based on our review objective, we believe the evidence obtained provides a reasonable basis for our findings and conclusions.

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

We did not rely on computer-processed data to address the allegation.

**Appendix B Potential Monetary Benefits in Accordance With Inspector General Act Amendments**

<b>Recommendation</b>	<b>Explanation of Benefits</b>	<b>Better Use of Funds</b>	<b>Questioned Costs</b>
1	OIT incurred approximately \$1,651,215 in unneeded costs because it did not assess the continued need for contract services prior to exercising the first and second option years of the task order. OIT can make better use of \$786,840 of funds by either exercising the third option year then use the contractor to perform required technical reviews, or by terminating the task order.	\$786,840	\$1,651,215
	<b>Total</b>	<b>\$786,840</b>	<b>\$1,651,215</b>

## Appendix C Principal Deputy Assistant Secretary for Information and Technology Comments

### Department of Veterans Affairs

### Memorandum

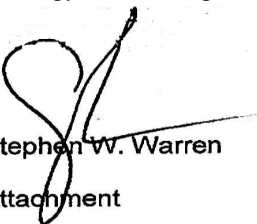
**Date:** September 26, 2011

**From:** Principal Deputy Assistant Secretary for Information and Technology (005A)

**Subj:** Draft Report, Review of Contract Irregularities in the Office of Information and Technology 2011-01708-R6-0125

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

1. The VA Office of Information and Technology (OI&T) acknowledges receipt of the Office of Inspector General's draft report and concur with recommendations. OI&T's response and target completion dates are attached.
2. Thank you for the opportunity to comment on your recommendations. If you have any questions, please contact Paul Tibbits, Deputy CIO for Architecture, Strategy, and Design at (202) 461-4419.



Stephen W. Warren  
Attachment

Attachment

**Principal Deputy Assistant Secretary's Comments to  
Office of Inspector General's Report**

The following Principal Deputy Assistant Secretary's comments are submitted in response to the recommendations in the Office of Inspector General's Draft Report:

**OIG Recommendations**

1. *We recommend that the Assistant Secretary for Information and Technology determine how OIT will conduct technical reviews of VA's major IT initiatives in the future given the Project Management Accountability System Implementation and if necessary, work with the General Services Administration to terminate the task order.*

Concur, first part of recommendation. Target Completion Date: 12/30/2011

*The technical review portion of the Milestone Reviews will be conducted by Technical Working Groups established under the newly formed Architecture and Engineering Review Board. The development of the processes for these reviews are planned for completion by end of first quarter fiscal year 2012.*

Concur, second part of recommendation. Target Completion Date: 10/26/2011

Architecture Strategy and Design has informed the Contracting Officer at GSA of its intent to not exercise further option years. The contract will end 10/26/2011.

2. *We recommend that the Assistant Secretary for Information and Technology establish an oversight mechanism to ensure OIT completes the required number of technical reviews of VA's major IT initiatives each fiscal year.*

Concur Target Completion Date: 10/31/2011

The Assistant Secretary for Information and Technology had directed the Product Development Office to implement a Project Management Accountability System Program Management Office. Among other duties, this PMO will be responsible for coordinating the Milestone Reviews of major IT initiatives. These Milestone Reviews will include technical reviews to determine alignment with the One VA Enterprise Architecture, engineering design principles, security policies and operational requirements.

## **Appendix D Office of Inspector General 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	Mario M. Carbone, Director Sherry L. Fincher Jehri Lawson Charanpreet Singh
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## **Appendix E Report Distribution**

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