

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Department of Veterans Affairs

*Audit of
VA's Technology
Acquisition Center
Contract Operations*

September 27, 2013
12-02387-343

ACRONYMS AND ABBREVIATIONS

eCMS	Electronic Contract Management System
FAR	Federal Acquisition Regulation
IDIQ	Indefinite Delivery/Indefinite Quantity
IOP	Integrated Oversight Process
IT	Information Technology
OIG	Office of Inspector General
TAC	Technology Acquisition Center
VA	Veterans Affairs

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Report Highlights: Audit of VA's Technology Acquisition Center Contract Operations

Why We Did This Audit

From October 2010 through June 2012, the Technology Acquisition Center (TAC) awarded approximately 1,200 Information Technology (IT) services contracts valued at approximately \$5.2 billion. We conducted this audit to determine whether the TAC awards and administers IT services contracts in accordance with the Federal Acquisition Regulation (FAR) and VA policy.

What We Found

We found no significant issues with 61 of 79 statistically selected IT services contracts. However, the TAC awarded 18 contracts that did not meet FAR competition requirements. This occurred because the TAC did not adequately justify using an exception to FAR competition requirements to award four of six task orders under two Indefinite Delivery/Indefinite Quantity (IDIQ) contracts valued at approximately \$143.1 million. We extended our review to include an additional 72 task orders awarded under these contracts. The TAC used the same FAR exception for 16 of the 72 task orders valued at approximately \$146.6 million.

In addition, the TAC did not follow FAR requirements before awarding 14 Interagency Acquisitions valued at approximately \$254 million without demonstrating IT services could not be obtained as conveniently or economically by contracting directly with a commercial source. This occurred because VA's Integrated Oversight Process reviews did not prevent the TAC's noncompliance with

FAR requirements. We project the TAC missed an opportunity to save approximately \$57.9 million by not competing IDIQ task orders. We also project the TAC could have saved approximately \$50.8 million by competing contracts among commercial sources instead of awarding Interagency Acquisitions.

What We Recommended

We made three recommendations to the Principal Executive Director for the Office of Acquisition, Logistics, and Construction to ensure that IDIQ task order awards and Interagency Acquisitions comply with FAR competition requirements.

Agency Comments

The Principal Executive Director for the Office of Acquisition, Logistics, and Construction concurred with the recommendations and provided an acceptable action plan.

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

LINDA A. HALLIDAY
Assistant Inspector General
for Audits and Evaluations

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INTRODUCTION

- Objective** The VA Office of Inspector General (OIG) conducted this audit to determine whether the Technology Acquisition Center (TAC) awarded and administered information technology (IT) services contracts in accordance with Federal Acquisition Regulation (FAR) and VA policy.
- Technology Acquisition Center** Established in March 2009, the TAC provides acquisition and management expertise to support VA's IT initiatives and programs. The TAC's primary customer is VA's Office of Information and Technology. From October 2010 through June 2012, the TAC awarded and administered approximately 1,200 contracts for IT services with a reported value of approximately \$5.2 billion.
- Importance of Competition in Federal Acquisitions** The FAR requires agencies to compete all contracts unless the acquisition qualifies for an exception authorized by the FAR. According to the General Accountability Office, competition is a critical tool for agencies to achieve the best possible return on investment for taxpayers. According to the General Accountability Office, competitively awarded contracts save taxpayers money, improve contractor performance, discourage fraud, and promote accountability.
- IDIQ Contracts** An Indefinite Delivery/Indefinite Quantity (IDIQ) contract is one in which the contractor agrees to supply whatever quantity an agency orders, within stated limits, and during a fixed period. Once awarded, an agency may issue task orders against the IDIQ contract for specific goods or services as requirements arise. Under multiple-award IDIQ contracts, an agency is required to provide each contractor a fair opportunity to compete for any task order exceeding \$3,000, except under a FAR exception.
- Interagency Acquisitions** An Interagency Acquisition is the process an agency may use to obtain goods and services through another agency. An agency can accomplish this by directly purchasing goods and services from the other agency's existing contract(s). In addition, an agency can use the other agency's personnel to plan, award, and administer contracts on its behalf. FAR Subpart 17.5 requires an agency to demonstrate goods and services cannot be obtained conveniently or economically from a private source before using an Interagency Acquisition.
- Other Information** The following appendixes provide additional information.
- Appendix A provides pertinent background information.
 - Appendix B provides details on our scope and methodology.
 - Appendix C provides details on our statistical sampling methodology.

RESULTS AND RECOMMENDATIONS

Finding **VA Did Not Leverage Competition When Contracting for IT Services**

In general, the TAC adequately managed contracting processes for IT services contracts in accordance with the FAR and VA policy. We found no significant issues with contracting processes supporting 61 of 79 IT services contracts awarded during our review period of October 1, 2010, through June 30, 2012. For these 61 contracts, the TAC adequately:

- Prepared and published bid solicitations on the approved Government Web site, which included required deliverables and anticipated milestones
- Evaluated contractor offers in accordance with factors specified in the solicitation, such as technical approaches, proposed cost, and past performance
- Awarded contracts consistent with the results of the technical evaluation of offers and adequately documented award decisions
- Performed contract administration duties after contract award in accordance with FAR requirements

However, the TAC awarded 18 contracts that did not meet FAR competition requirements. The TAC did not adequately demonstrate the necessity to use an exception to FAR competition requirements to non-competitively award four of six statistically selected task orders. The four task orders were awarded under two multiple-award IDIQ contracts with a value of approximately \$143.1 million.

Based on these results, we extended our evaluation of the task orders awarded under these IDIQ contracts, and determined the TAC used the same exception to non-competitively award 16 additional task orders with a value of approximately \$146.6 million. In addition, the TAC awarded 14 Interagency Acquisitions with a total value of approximately \$254 million without demonstrating IT services could not be obtained as conveniently or economically by contracting directly with a commercial source.

This occurred because VA's Integrated Oversight Process (IOP) reviews did not identify or prevent the TAC's noncompliance with the FAR requirements concerning competing task orders and using Interagency Acquisitions. VA implemented IOP reviews as an oversight process to build quality during the contracting process. The TAC conducted IOP reviews on the 4 IDIQ task orders in our sample and the additional 16 reviewed task orders. However, the IOP reviews of the 20 task orders did not identify whether the

justification the TAC relied upon supported using an exception to FAR competition requirements, or whether there was insufficient time to compete these task orders. In addition, IOP reviews of the 14 Interagency Acquisitions did not identify or prevent using Interagency Acquisitions without demonstrating the IT services could not be acquired as economically or conveniently using commercial sources.

The TAC's noncompliance with FAR requirements likely resulted in higher acquisition costs. We found the TAC missed an opportunity to compete 20 task orders. Based on the 20 task orders' value of approximately \$289.7 million, we estimate the TAC could have saved 20 percent in acquisition costs or approximately \$57.9 million. In addition, we found the TAC missed an opportunity to compete contracts among commercial sources instead of awarding 14 Interagency Acquisitions. Based on the 14 Interagency Acquisitions' value of approximately \$254 million, we estimate the TAC could have saved 20 percent in acquisition costs or approximately \$50.8 million.

Missed Opportunities to Competitively Award IDIQ Task Orders

The TAC did not adequately demonstrate the necessity to use an exception to FAR competition requirements to non-competitively award four of six statistically selected task orders. Our audit identified four of six IDIQ task orders issued non-competitively under two multiple-award IDIQ contracts with a value of approximately \$143.1 million. Based on our audit results, we extended our evaluation of the task orders awarded under these IDIQ contracts to include 72 additional task orders. Of the 72 task orders, the TAC used the same exception to non-competitively award 16 task orders with a value of approximately \$146.6 million. Our analysis also indicates the TAC had sufficient time to compete these task orders before the end of FY 2011.

IDIQ Task Order Requirements

An IDIQ contract is one in which the contractor agrees to supply whatever quantity an agency orders, within stated limits, and during a fixed period. However, an agency is under no obligation to acquire more than the contract's guaranteed minimum. Agencies can award IDIQ contracts to a single contractor, or to multiple contractors through one solicitation. Under multiple-award IDIQ contracts, agencies are required to provide each contractor a fair opportunity to compete for any task order with a value of \$3,000 or more unless the acquisition qualifies for an exception in the FAR.

Using Exceptions to Competitively Award

When using an exception, an agency must document the supporting rationale demonstrating the acquisition qualifies for using the exception. FAR Subpart 16.505 provides the following exceptions to competing task orders with a value of \$3,000 or more:

- When the order is necessary to satisfy the guaranteed minimum order amount.

- The need for the goods or services is so urgent that providing a fair opportunity would result in unacceptable delays.
- Only one awardee is capable of providing the unique or highly specialized goods or services at the required level of quality.
- The order must be issued on a non-competitive basis in the interest of economy and efficiency because it is a logical follow-on to an order already issued under the contract.
- A statute expressly authorizes or requires that the purchase be made from a specified source.

Awarding of IDIQ Contracts

On June 24, 2011, the TAC competitively awarded a multiple-award IDIQ contract to five contractors to support the Veterans Relationship Management Program. The contract is intended to support on-demand access to VA services and benefits through multi-communication methods, such as the telephone, Web sites, email, and social media. The TAC awarded this as a 5-year IDIQ contract that included a guaranteed minimum order for each contractor of \$50,000. On the same day this IDIQ contract was awarded, the TAC also awarded a non-competitive task order to each of the five contract holders totaling approximately \$35.8 million.

The TAC competitively awarded another multiple-award IDIQ contract to 15 contractors to support the Transformation Twenty-One Total Technology Enterprise contract on June 30, 2011. This contract is intended to provide systems and software engineering solutions needed to integrate VA systems, networks, or other IT services, to meet mission requirements. The TAC awarded this as a 5-year IDIQ contract with a \$50,000 guaranteed minimum order for each contractor. Within 60 days of awarding this IDIQ contract, the TAC awarded one non-competitive task order to each of the 15 contract holders totaling approximately \$254 million.

Exceptions Not Adequately Justified

TAC officials stated it was necessary to non-competitively award a task order to each of the 20 contractors, under the 2 multiple-award IDIQ contracts identified above, before the end of FY 2011 to satisfy the required guaranteed minimum order of \$50,000. Under FAR 16.505, if an agency uses an exception to competition requirements for IDIQ task orders; it must include a written justification that includes supporting rationale. However, written justifications for the 20 task orders only stated that the task orders were issued to satisfy the guaranteed minimum order, and did not document the rationale of why these task orders qualified for this exception to FAR competition requirements. The TAC needed to better document the reason for using an exception to competition to award 20 task orders valued at approximately \$289.7 million to satisfy a cumulative \$1 million guaranteed minimum order.

Sufficient Time to Compete the Task Orders in FY 2011

Office of Acquisition Operations officials stated that there was insufficient time to compete these task orders between June 30 and September 30, 2011. However, we maintain that the TAC could have competed these task orders successfully during the last 90 days of FY 2011. In fact, the TAC required an average of fewer than 54 days to compete and award 104 task orders between July 2011 and April 2013 under the two IDIQ contracts. In addition, the TAC required an average of about 58 days to compete and award task orders initiated during the first 6 months after the award of the IDIQ contracts. Therefore, the TAC could have awarded the 20 task orders using competitive procedures during the last 90 days of FY 2011.

Integrated Oversight Process

In June 2009, VA issued IL 001AL-09-02, *Integrated Oversight Process*. The IOP requires each contracting activity to commit the time and resources needed to conduct contract reviews, holds Contracting Officers responsible for building quality into the acquisition process, and prevents violations of laws and regulations. Regardless of the type and estimated value, the process requires some form of independent review of all acquisitions, which at a minimum would involve a peer or second-level review. As the contract value increases, the policy requires more formal review procedures involving a Contract Review Team or Contract Review Board.

IOP reviews did not identify or question whether the justification the TAC relied upon supported using an exception to FAR competition requirements. The IOP requires a team composed of acquisition and legal professionals to review non-competitive acquisitions with an anticipated value of \$500,000 or more for compliance with the FAR and VA policy. While contracting files contained documentation of IOP reviews of the 20 task orders, the reviews did not identify or question the TAC's use of an exception to the competition requirements in the FAR. In addition, IOP reviews did not question whether sufficient time existed for the TAC to have competed these task orders.

Estimated Cost Savings

The TAC's use of an exception to FAR competition requirements likely resulted in higher acquisition costs. To estimate a savings rate from using competitive rather than non-competitive procedures we analyzed Government-wide studies and VA contracting actions identified during the audit. Our analysis disclosed that using competitive rather than non-competitive procedures to award contracts may result in an estimated average savings rate of 20 percent. The Executive Director for the Office of Acquisition Operations and other senior TAC officials agreed our estimated savings rate of 20 percent was reasonable.

We found the TAC missed an opportunity to compete 20 task orders. Based on the 20 task orders' value of approximately \$289.7 million, we estimate the TAC could have saved 20 percent in acquisition costs or approximately \$57.9 million.

***Awarding
Interagency
Acquisitions
Did Not Fully
Comply With
FAR
Requirements***

The TAC awarded 14 of 19 sampled Interagency Acquisitions with a total value of approximately \$254 million without demonstrating the IT services could not be obtained as conveniently or economically by contracting directly with a commercial source. FAR Subpart 17.502-2 states agency determinations must show the supplies or services cannot be obtained conveniently or economically by contracting directly with a private (commercial) source.

***Inadequate
Acquisition
Planning***

The TAC did not require VA program offices to demonstrate it was more convenient or economical to use another agency instead of a commercial source to acquire IT services. Instead, the TAC relied on unsupported program offices' representations that market research justified using Interagency Acquisitions. Program office representatives could not provide documentation supporting market research, or other required acquisition planning, as required by the FAR. One TAC official acknowledged the TAC awarded Interagency Acquisitions to satisfy VA program offices' preferences to use a specific agency.

***Ineffective
Integrated
Oversight
Process***

IOP reviews did not identify or prevent the TAC's use of Interagency Acquisitions without first demonstrating the IT services could not be acquired as economically or conveniently using commercial sources. The IOP requires a team to review acquisitions using an Interagency Acquisitions under the authority of the Economy Act for compliance with the FAR and VA policy. The 14 Interagency Acquisitions in our sample were established under the Economy Act and, therefore, were subject to IOP review requirements. However, IOP reviews of the 14 Interagency Acquisitions did not identify or prevent the lack of compliance with FAR requirements. IOP reviews of the 14 Interagency Acquisitions could have assisted the TAC in complying with FAR restrictions on the use of Interagency Acquisitions.

Table 1 lists the Interagency Acquisitions the TAC used to acquire IT services to accommodate program offices' preferences.

Table 1

Inappropriately Awarded Interagency Acquisitions		
Servicing Agency	Contract Number	Order Value (in millions)
Department of the Navy, Space and Naval Warfare Systems Command	VA118-10-IA-0001-040	\$12.0
	VA118-10-IA-0001-045	\$19.3
	VA118-10-IA-0001-031	\$24.4
	VA118-11-IA-N-0002	\$35.0
	VA118-10-IA-0001-037	\$36.2
	VA118-10-IA-0001-027	\$45.9
	VA118-10-IA-0001-041	\$47.8
	VA118-10-IA-0001-050	\$11.4
Subtotal for Department of the Navy, Space and Naval Warfare Systems Command		\$232
Department of Defense	VA118-11-IA-0003	\$0
	VA118-11-IA-0003-002	\$0.675
Subtotal Department of Defense		\$0.675
National Archives and Records Administration	VA118-10-IA-0002-003	\$0.025
Department of Labor	VA118-11-IA-0004-001-01	\$0.543
United States Army Medical Research Acquisition Activity	VA118-11-IA-X-0024	\$20.7
Office of Personnel Management	VA118-12-IA-X-0021	\$0
Rounding Adjustment		\$0.1
Total		\$254

Source: *OIG-created table using TAC contract files*

Note: The two zero value items in this table represent the awarding of an initial IA, which is similar to an IDIQ contract.

Estimated Savings

The Executive Director for the Office of Acquisition Operations agreed with our analysis that 20 percent was a reasonable savings benchmark to expect from a competitive rather than a non-competitive contracting process. We found the TAC missed an opportunity to compete contracts among commercial sources instead of awarding the 14 Interagency Acquisitions. Based on the 14 Interagency Acquisitions' value of approximately

\$254 million, we estimate the TAC could have saved 20 percent in acquisition costs or approximately \$50.8 million.

Conclusion

Senior VA acquisition officials need to ensure the TAC's acquisition activities comply with FAR competition requirements, and the TAC does not unnecessarily miss opportunities to gain the benefits of competition. If the TAC had conducted a more rigorous IOP review of the 20 task orders and 14 Interagency Acquisitions, the acquisition and legal professionals conducting the review could have enabled the TAC to comply with FAR requirements. The TAC's inadequate justification for using a FAR exception to non-competitively award task orders limited the benefits VA could have gained from full and open competition. In addition, the TAC's inadequate justification for using Interagency Acquisitions similarly limited the benefits VA could have gained from competing contracts among commercial sources. If conducted as envisioned, VA's IOP reviews should hold Contracting Officers responsible for building quality into the acquisition process and prevents violations of laws and regulations.

Recommendations

1. We recommended the Principal Executive Director, Office of Acquisition, Logistics, and Construction ensure that contracting activities can adequately justify the use of exceptions to competition requirements in the Federal Acquisition Regulation when awarding Indefinite/Delivery Indefinite Quantity task orders.
2. We recommended the Principal Executive Director for the Office of Acquisition, Logistics, and Construction require contracting activities to ensure program offices adequately document that goods and services cannot be acquired as conveniently or economically from a commercial source before awarding Interagency Acquisitions.
3. We recommended the Principal Executive Director for the Office of Acquisition, Logistics, and Construction build work steps into the Integrated Oversight Process to hold contracting officers accountable for preventing violations of Federal Acquisition Regulation competition requirements.

**Management
Comments
and OIG
Response**

The Principal Executive Director for the Office of Acquisition, Logistics, and Construction concurred with the recommendations. An acceptable action plan was provided for Recommendation 1. Recommendation 2 was requested to be closed; we considered their request and closed it. OALC also concurred with Recommendation 3 and requested its closure based on actions already taken. However, the new OALC policy does not include building work steps into the Integrated Oversight Process to hold contracting officers accountable for preventing violations of Federal Acquisition Regulation competition requirements. Accordingly, this recommendation will remain open.

Appendix A Background

Office of Acquisition, Logistics, and Construction

The Office of Acquisition, Logistics, and Construction is responsible for directing the acquisition, logistics, construction, and leasing functions within the Department of Veterans Affairs. The Principal Executive Director, Office of Acquisition, Logistics, and Construction is also the Chief Acquisition Officer for VA. As part of this organization, the Office of Acquisition Operations manages the activities of the TAC, the Strategic Acquisition Center, the Acquisition Business Service, and the Customer Advocacy Service.

Technology Acquisition Center

Established in March 2009, the TAC provides dedicated acquisition support for life cycle management of enterprise-wide IT solutions for the Office of Information and Technology. The TAC has locations in Eatontown, NJ, and Austin, TX. From October 1, 2010, through June 30, 2012, the TAC awarded and administered approximately 1,200 contracts for IT services with a reported value of approximately \$5.2 billion.

Competition Requirements

An agency is generally required to perform acquisition planning and conduct market research to promote and provide for:

- The acquisition of commercial items to the maximum extent practicable
- Full and open competition unless an exception is otherwise authorized by law
- The selection of the type of contract, such as an IDIQ or an IA

The Competition in Contracting Act of 1984 requires an agency to obtain full and open competition through the use of competitive procedures in its procurement activities unless otherwise authorized by law. Using full and open competition to award contracts means that all responsible sources, or prospective contractors that meet certain criteria, are permitted to submit proposals.

IDIQ Contracts

Task order and delivery order contracting have long been a part of the Federal acquisition system. It has also been the subject of scrutiny by the Congress, Government Accountability Office, and Inspectors General. IDIQ contracting has been criticized for poor implementation; abuse; and trading of competition, integrity, and transparency for speed and efficiency. The IDIQ process was intended for day-to-day contracting, as a tool for reform, and to increase commercial-like procurement practices. Use of IDIQ contracting grew significantly with passage of the Federal Acquisition Streamlining Act of 1994.

An agency may use an IDIQ contract when it cannot predetermine, above a specified minimum, the precise quantity of goods or services that will be required during the term of the contract. While IDIQ contracts can be single

award (one contractor), the Federal Acquisition Streamlining Act of 1994 encourages agencies to make multiple awards (multiple contractors) covering the same scope of work under a single solicitation. Under a multiple-award IDIQ contract, an agency uses streamlined procedures to compete the orders among all contract holders.

Once awarded, an agency can place a task order for specific goods or services in accordance with the terms of the IDIQ contract whenever requirements arise. Thus, an agency can obtain needed goods or services without creating a new contract each time. The guaranteed minimum in an IDIQ contract is expressed as either the number of units or dollar value. Under this type of contract, an agency is under no obligation to use the contractor for more than the guaranteed minimum.

**Competing
Multiple-Award
IDIQ Task
Orders**

Fair opportunity, under the Federal Acquisition Streamlining Act of 1994, requires agencies acquiring goods and services under a multiple-award IDIQ contract to give every contract holder an equal opportunity to compete for each task order of \$3,000 or more. An agency must document the reasons for issuing task orders under multiple-award IDIQ contracts using an exception to the fair opportunity process in writing and approve the use of the exceptions at levels that vary according to the dollar value of the acquisition.

**Interagency
Acquisition**

An Interagency Acquisition describes the process by which one agency (the requesting agency) uses the contracts and/or contracting services of another agency (the servicing agency) to obtain goods and services. Interagency Acquisitions are commonly conducted through indefinite-delivery contracts, such as task- and delivery-order contracts. The indefinite-delivery contracts used most frequently to support Interagency Acquisitions are Federal Supply Schedules contracts and multi-agency contracts. The Economy Act, section 1535, title 31, United States Code, provides general authority to undertake Interagency Acquisitions and FAR Subpart 17.5 provides Government-wide regulations for Interagency Acquisitions.

There are two types of Interagency Acquisitions. A “direct acquisition” is a type of Interagency Acquisition where the requesting agency places an order directly against the servicing agency’s indefinite-delivery contract. The servicing agency manages the contract but does not participate in the placement or administration of an order. An “assisted acquisition” is a type of Interagency Acquisition where the servicing agency and requesting agency enter into a written agreement following which the servicing agency performs acquisition activities on the requesting agency’s behalf, such as the awarding of a contract, task order, or delivery order.

Prior to using an Interagency Acquisition, an agency must perform acquisition planning and conduct market research to determine whether goods and services suitable to the agency’s needs cannot be obtained

conveniently or economically from a commercial source. An agency must also demonstrate the Interagency Acquisition represents the best procurement approach, is cost effective, and will result in using agency funds in accordance with congressionally mandated limits. Agencies cannot use Interagency Acquisitions to avoid full and open competition when planning an acquisition.

Appendix B Scope and Methodology

This audit focused on IT services contracts awarded by the TAC from October 1, 2010, through June 30, 2012. We performed audit work from August 2012 through August 2013 at VA Central Office in Washington, DC, and TAC field sites in Eatontown, NJ, and Austin, TX. We tested management controls to ensure TAC acquisition staff plan, award, and administer contracts in accordance with the requirements in the FAR, Office of Management and Budget guidance, and VA policy.

Our methodology included reviewing applicable laws, regulations, and Office of Management and Budget and VA guidance. In addition, we interviewed Office of Acquisition Operations management at VA Central Office in Washington, DC, and TAC field sites in Eatontown, NJ, and Austin, TX, to determine applicable VA policies and Office of Acquisition Operations standard operating procedures. We also interviewed System Administrators of the Enterprise Acquisition Systems Service and Federal Procurement Data System.

We statistically selected a sample of 79 IT services contracts awarded by the TAC from October 1, 2010, through June 30, 2012. We traced the sample to supporting documentation to verify the awarded contracts were supported by sufficient acquisition planning, proper solicitation efforts, adequate evaluation of contractor submitted proposals, and the administration of the awarded contract. We also verified oversight of contractor performance and that contract modifications were necessary to complete existing contracts.

To evaluate the Veterans Relationship Management and the Transformation Twenty-One Total Technology IDIQ contracts' average elapsed days, we sequentially selected 104 task orders across both contracts that were awarded using competitive procedures. We compared the date the TAC published the request for proposal with the award date for each task order, computed the total elapsed days, and divided that total by the 104 task orders.

Data Reliability

To test the reliability of the data, we interviewed VA officials and staff responsible for maintaining Electronic Contract Management System (eCMS), and reconciled the contract information in eCMS to contract information reported in the Federal Procurement Data System. We performed basic checks, such as checking for missing information and duplicate records. We also traced more than 100 contracting actions recorded in eCMS to supporting hard-copy documents. We believe the computer-generated data in eCMS are sufficiently reliable to accomplish the audit objectives.

**Government
Standards**

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

To determine the effectiveness of management controls, we sampled IT services contracts awarded by the TAC.

Population

TAC awarded 1,182 contracts from October 1, 2010, through June 30, 2012, with a total reported value of approximately \$5.2 billion. Of the 1,182 contracts, the TAC awarded 1,076 contracts to contractors that had a total reported value of approximately \$4.7 billion. The remaining 106 contracts were Interagency Acquisitions awarded to other agencies. These contracts had a total reported value of approximately \$500 million.

Sampling Design

We stratified the universe of contracts into 12 groups based on information contained in contracting databases, TAC locations, and contract dollar amounts. We designed the sampling plan to ensure selecting a sample of contracts from all contracting databases, locations, and a range of contract dollar amounts. In total, the sample included 79 contracts awarded from October 1, 2010, through June 30, 2012, with a total reported value of \$1.1 billion. The sample is about 7 percent of the awarded contracts and approximately 21 percent of the total reported contract value.

Weights

We calculated estimates in this report using weighted sample data. We computed sampling weights by taking the product of the inverse of the probabilities of selection at each stage of sampling.

Projections and Margins of Error

We used WesVar software to calculate the weighted population estimates and associated sampling errors. WesVar employs replication methodology to calculate margins of error and confidence intervals that correctly account for the complexity of the sample design. The margins of error and confidence intervals are indicators of the precision of the estimates. If we repeated this audit with multiple samples, the confidence intervals would differ for each sample, but would include the true population value 90 percent of the time.

Table 2 provides the estimates associated with incorrectly awarded task orders and Interagency Acquisitions. We used the conservative lower limit of the 90 percent confidence interval for the estimate to account for the wide variance in the margin of error. We projected the TAC did not compete at least 20 task orders and missed an opportunity to save approximately \$57.9 million in acquisition costs. In addition, we estimated the TAC incorrectly awarded at least 14 Interagency Acquisitions and missed an opportunity to save approximately \$50.8 million in acquisition costs.

Table 2

Summary of Estimates, Margins of Error, and Potential Savings					
Type of Exception	Estimate	Margin of Error	90 Percent Confidence Interval		Sample Size
			Lower Limit	Upper Limit	
Incorrectly Awarded IDIQ Task Orders	73	59	20	132	60
Value of IDIQ Task Orders	\$610.9 million	\$779.1 million	\$289.7 million	\$1.4 billion	60
Incorrectly Awarded Interagency Acquisitions	78	18	14	96	19
Value of Interagency Acquisitions	\$428.8 million	\$208.3 million	\$254 million	\$637.1 million	19

Source: VA OIG statistical analysis of incorrectly awarded task orders and Interagency Acquisitions

Note: True lower limit cannot be less than known errors identified by the audit.

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

Recommendation	Explanation of Benefits	Better Use of Funds	Questioned Costs
1	Strengthening procedures to ensure IDIQ task order awards comply with FAR should result in better use of funds.	\$0	\$57.9 million
2	Strengthening procedures to ensure Interagency Acquisitions comply with FAR should result in better use of funds.	\$0	\$50.8 million
Total		\$0	\$108.7 million

Appendix E Principal Executive Director for the Office of Acquisition, Logistics, and Construction Comments

Department of Veterans Affairs

Memorandum

Date: September 23, 2013

From: Principal Executive Director, Office of Acquisition, Logistics, and Construction (003)

Subj: OIG Draft Report: Audit of VA's Technology Acquisition Center Contracting Operations (VAIQ 7395623)

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

1. The Assistant Inspector General for Audits and Evaluations requested comments on the findings and recommendations in the draft report, "Audit of VA's Technology Acquisition Center (TAC) Contracting Operations," to determine whether the TAC awards and administers information technology (IT) services contracts in accordance with the Federal Acquisition Regulation (FAR) and VA policy.
2. The Office of Acquisition, Logistics, and Construction (OALC) has completed its review of the draft report. OALC concurs with each of the three recommendations and provides the following comments.
 - a. **Recommendation 1:** We recommend the Principal Executive Director, Office of Acquisition, Logistics, and Construction ensure that contracting activities can adequately justify the use of exceptions to competition requirements in Federal Acquisition Regulation (FAR) when awarding Indefinite/Delivery Indefinite Quantity task orders.

OALC Response: Concur. OALC agrees that exceptions to the FAR must be properly articulated. While OALC contends that the task orders were properly awarded and compliant with the FAR, inadequate documentation will be addressed. Corrective action shall include: (1) issuance of an executive memorandum to all Office of Acquisition Operations (OAO) organizations emphasizing documentation requirements; (2) discussions among senior leaders about the audit report, findings, and the need for substantive documentation; and (3) assessment of OAO's Acquisition Life Cycle Desk Book to determine if narrative addressing documentation needs revising. **Estimated completion date: November 29, 2013.**

- b. **Recommendation 2:** We recommend the Principal Executive Director, Office of Acquisition, Logistics, and Construction require contracting activities to ensure program offices adequately document that goods and services cannot be acquired as conveniently or economically from

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Subject: OIG Draft Report: Audit of VA's Technology Acquisition Center Contracting Operations (VAIQ 7395623)

a commercial source before awarding Interagency Acquisitions.

OALC Response: Concur. Contracting officers must ensure that program offices adequately document and support the need for entering into an interagency agreement (IA). OALC now requires program offices to submit a business case to support the need for an IA. The attached VA Procurement Policy Memorandum (PPM) 2013-06, "Interagency Acquisitions (IAs), Guidance, and Procedures," was revised to ensure program offices adequately document that goods and services cannot be acquired as conveniently or economically from a commercial source. Specifically, Paragraph 5 (General Guidance), Paragraph 6 (Types of Interagency Acquisitions), and Paragraph 8 (Preparation and Review Process) were expanded and provide additional clarifying guidance and requirements.

Based upon the attached documentation, OALC requests closure of this recommendation.

- c. **Recommendation 3:** We recommend the Principal Executive Director, Office of Acquisition, Logistics, and Construction build in steps into the Integrated Oversight Process to hold contracting officers accountable for preventing violations of Federal Acquisition Regulation competition requirements.

OALC Response: Concur: The recently published PPM 2013-06 requires a single point of contact in the program office to warehouse and maintain all documents required under the IA and the contracting officer to obtain additional approvals and Office of General Counsel review. The accumulation of documentation of all procurement actions, including IAs, in the electronic contract management system improves the Integrated Oversight Process assessment of compliance with FAR competition requirements to include support for FAR exceptions. (See Attachment.*)

- 4. Should you have any questions regarding this submission, please contact Shana Love Holmon, OALC Executive Assistant, at (202) 632-4606, or shana.love-holmon@va.gov.



Glenn D. Haggstrom

Attachment



7395623 Attachment
ppm201306 IAAs.pdf

*Attachment not included in this report as it is publicly available.

Appendix F Office of Inspector General Contact and Staff Acknowledgments

OIG Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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Acknowledgments	Timothy Crowe, Director Dennis Capps Debra Cato Charles Chiarenza Hope Favreau Lee Giesbrecht Johnny McCray Thomas McPherson Mark Mullery Brandon Parrinello Nelvy Viguera Butler
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