

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



Department of Veterans Affairs

*Review of
Alleged Mismanagement of
VA's Human Resources
and Administration
Contract Funds*

June 1, 2017
16-00327-209

ACRONYMS

FY	Fiscal Year
HCIP	Human Capital Investment Plan
HR&A	Human Resources and Administration
IAA	Inter-Agency Agreement
OAQ	Office of Acquisition Operations
OPM	Office of Personnel Management
PMP	Project Management Plan
SPOP	Strategic Planning and Organizational Performance
VA	Department of Veterans Affairs
VALU	VA Learning University

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Highlights: Review of Alleged Mismanagement of VA's HR&A Contract Funds

Why We Did This Review

In September 2015, the Office of Inspector General received an allegation that the Office of Human Resources and Administration's (HR&A) VA Learning University (VALU) management authorized vendor payment for a Dashboard Tool before receiving the deliverable. In addition, the complainant alleged HR&A provided a competitive advantage to a vendor by helping the vendor develop a performance work statement for a future contract to maintain the Dashboard Tool.

The Dashboard Tool is a web-based interface designed to organize and manage HR&A and VALU program data, such as performance metrics and training outcomes.

What We Found

We substantiated the allegation that VALU management authorized final payment in April 2015 for the Dashboard Tool that had not been delivered. We determined VALU did not accept the Dashboard Tool because it did not have the capability to operate the tool. Authorizing final payment before delivery did not allow VA to determine whether the Dashboard Tool conformed to applicable contract quality requirements.

The former Dean of VALU did not assign responsibility for identifying and procuring a hosting solution to any individual or office. The former Dean also did not take timely action to obtain about \$3,200 in funding to purchase a hosting solution.

As a result, HR&A was unable to use its estimated \$3.7 million investment in the

Dashboard Tool. As of March 2017, HR&A had not purchased a hosting solution on which to operate the Dashboard Tool. The Dashboard Tool remained in the possession of the vendor.

We did not substantiate the allegation that HR&A provided a competitive advantage to a vendor for a future contract to maintain the Dashboard Tool. We found that HR&A officials drafted a performance work statement for a Dashboard Tool maintenance contract. An Office of Acquisition Operations contracting officer appropriately refused to approve the performance work statement determining the contract was unnecessary because VALU officials could not demonstrate that they were in possession of the Dashboard Tool.

What We Recommended

We recommended the Acting Assistant Secretary for HR&A assign responsibility to assess hosting solution options for the Dashboard Tool, and evaluate funding a hosting solution needed to test and use its estimated \$3.7 million Dashboard Tool.

Agency Comments

The Acting Assistant Secretary for HR&A concurred with our recommendations. We consider Recommendation 1 closed and will follow up on the implementation of the remaining recommendation.

A handwritten signature in blue ink that reads "Larry M. Reinkemeyer".

LARRY M. REINKEMEYER
Assistant Inspector General
for Audits and Evaluations

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INTRODUCTION

Allegations

In September 2015, the Office of Inspector General received an allegation that the Office of Human Resources and Administration's (HR&A) VA Learning University (VALU) management authorized vendor payment for a Dashboard Tool before receiving the deliverable. In addition, the complainant alleged HR&A provided a competitive advantage to a vendor by helping the vendor develop a performance work statement for a future contract to maintain the Dashboard Tool.

HR&A and VALU

HR&A is responsible for the development, implementation, and management of VA's human capital management strategies, policies, and practices. HR&A administers Human Capital Investment Plan (HCIP) funds to operate the majority of its programs. The HCIP budget is made up of reimbursements from VA Administrations and Staff Offices. HR&A is divided into eight major program areas, which include VALU. Training to employees across all VA Administrations is provided by VALU. HR&A also operates the Strategic Planning and Organizational Performance (SPOP) Office, the Program Management Office, and the Budget and Risk Management Division to oversee issues such as strategic planning, program management, acquisition, and budget for HR&A programs. The FY 2016 budgets for HR&A and HCIP were about \$63.6 million and \$105.8 million respectively. In FY 2017, HR&A requested a budget of \$67.9 million, which no longer funded HCIP in FY 2017.

Dashboard Tool

The Dashboard Tool is a web-based interface designed to organize and manage VALU and HR&A program data, such as performance metrics and training outcomes, as well as to calculate return on investment for HR&A programs.

Inter-Agency Agreement With OPM

The Dashboard Tool was developed as part of a firm-fixed-price inter-agency agreement (IAA) HR&A had with the Office of Personnel Management (OPM). An IAA is a written agreement between two Federal agencies that specifies the goods to be furnished or tasks to be accomplished by the servicing agency (OPM) in support of the requesting agency (VA). The Dashboard Tool was one of several projects funded through the IAA. HR&A used a Project Management Plan (PMP) to monitor the quality, schedule, and costs of the IAA's deliverables, including the Dashboard Tool. According to HR&A's *HCIP Policy: OPM Inter-agency Agreement Deliverables Receipt Form (DRF) Guidance* issued on August 17, 2012, program offices must delegate a Government representative, such as an initiative coordinator, to understand the deliverables and requirements in the PMP and review OPM's deliverable receipt forms against the PMP before accepting the deliverable and authorizing vendor payment.

RESULTS AND RECOMMENDATIONS

Finding 1 VALU Authorized Vendor Payment Before It Received the Dashboard Tool

What We Found

We substantiated the allegation that HR&A's VALU management authorized vendor payment before receiving the Dashboard Tool. A VALU program manager reported they authorized OPM to make the final payment to the vendor in April 2015 for the Dashboard Tool because the vendor had developed the Dashboard Tool and had it ready for delivery. We determined VALU management did not accept the Dashboard Tool because it did not have the capability to operate the tool. According to Federal Acquisition Regulation 46.501,¹ "acceptance constitutes acknowledgment that the supplies or services conform with applicable contract quality and quantity requirements." We found that VALU was not able to determine if the Dashboard Tool complied with contract quality requirements because VALU did not have a server on which to host and operate the Dashboard Tool. We determined HR&A could not accept or operate the Dashboard Tool because of the following reasons:

- Responsibility was not assigned for finding a hosting solution
- Lack of timely action to obtain about \$3,200 funding for a hosting solution

As a result, HR&A was unable to use its estimated \$3.7 million investment in the Dashboard Tool. Despite making final payment to the vendor in April 2015, HR&A, as of March 2017, had not purchased a hosting solution on which to operate the Dashboard Tool, and the Dashboard Tool remained in the possession of the vendor. Furthermore, funding for a hosting solution on which to operate the Dashboard Tool was not included in HR&A's FY 2017 budget.

Responsibility Was Not Assigned for Finding a Hosting Solution

The former Dean of VALU did not assign responsibility for identifying and procuring a hosting solution to any individual or office. According to the Government Accountability Office's *Standards for Internal Control in the Federal Government*, agency management should establish an organizational structure, assign responsibility, and delegate authority. We determined VALU program managers were made aware during meetings with the vendor that VA was responsible for obtaining a hosting solution to support the Dashboard Tool in August 2012—about 32 months before the tool's scheduled delivery in April 2015. VALU officials, however, did not take action to obtain a hosting solution.

¹ Federal Acquisition Regulation 46.501, *General*.

Development of the Dashboard Tool was added to the PMP in June 2012, and was initially intended to capture only VALU data. In June 2013, VALU modified the IAA to expand the capacities of the Dashboard Tool to capture program data on all HR&A program offices in support of the SPOP Office's strategic planning effort. The former Dean of VALU approved modifications to the IAA's PMP in August 2014 that included language specifying VA was responsible for providing hardware, software, or hosting to make the Dashboard Tool operational. Despite the former Dean of VALU maintaining oversight of the IAA by approving modifications to the PMP, VALU program managers reported they believed the SPOP Office took ownership of finding a hosting solution once the scope of the Dashboard Tool was expanded beyond VALU.

HR&A officials were unable to provide any documentation to demonstrate VALU assigned responsibility for finding a hosting solution for the Dashboard Tool to the SPOP Office. We determined VALU retained oversight of the IAA and the Dashboard Tool throughout the period of performance because the former Dean of VALU approved modifications to the IAA, which included tasks related to the Dashboard Tool. In addition, we found the VALU initiative coordinator continued to sign deliverable receipt forms—authorizing OPM to pay the vendor for services and goods provided through the IAA, including the Dashboard Tool—throughout the IAA's period of performance.

In the absence of a formal assignment of responsibility, SPOP officials reported they assumed responsibility for finding a hosting solution and initiated efforts to do so in December 2014, only about four months before the Dashboard Tool was scheduled to be delivered in April 2015. The former Dean of VALU should have taken more timely action to assign responsibility to obtain a hosting solution for the Dashboard Tool to better position HR&A to accept and operate the Dashboard Tool upon its delivery.

***Lack of Timely
Action To
Obtain
Funding for a
Hosting
Solution***

In January 2015, the Office of Acquisition Operations (OAO) notified HR&A that its cut-off date for open market procurements like the hosting solution was March 13, 2015. The SPOP Office Director reported that about two months after VALU authorized vendor payment for the Dashboard Tool in April 2015, he submitted an Unfunded Requirement for about \$3,200 to purchase a hosting solution to the Principal Deputy Assistant Secretary for HR&A. An Unfunded Requirement is intended to track specific project requirements that exceed funding levels. The Principal Deputy Assistant Secretary approved the Unfunded Requirement on June 16, 2015. According to a Budget and Risk Management official, HR&A did not submit the Hosting Solution Acquisition Package to the OAO until August 2015.

Officials from the Project Management Office and SPOP reported that OAO did not have enough time to execute the acquisition package to purchase the hosting solution before the FY 2015 funding HR&A committed expired on

September 30, 2015. According to a Project Management Office official, it typically takes OAO about 120 days to execute a contract for HR&A. As a result of SPOP officials' lack of timely action to request funding and submit an acquisition package to OAO to purchase a hosting solution, the funds that HR&A committed expired before they could be used to purchase a hosting solution.

Lack of Funding

HR&A did not commit FY 2016 funds to purchase a hosting solution for the Dashboard Tool. According to Budget and Risk Management and SPOP officials, HR&A's HCIP budget was reduced by about \$77.8 million, from \$183.6 million to \$105.8 million, in FY 2016. In October 2016, the Budget and Risk Management Director reported that funding for a hosting solution was not included in HR&A's requested FY 2017 budget of about \$67.9 million. We concluded the estimated \$3.7 million HR&A spent on a Dashboard Tool it did not have the capacity to operate could have been better spent. HR&A needs to evaluate funding a hosting solution to use the investment it has already made in the Dashboard Tool.

Conclusion

HR&A would have been better positioned to accept and use the Dashboard Tool upon its completion in April 2015 if the former Dean of VALU assigned responsibility for identifying and obtaining funding for a hosting solution in a timely manner. As a result of HR&A's inability to obtain timely funding for an estimated \$3,200 hosting solution, it was unable to use its estimated \$3.7 million investment in the Dashboard Tool, and the funding committed by HR&A in FY 2015 for the hosting solution expired. As of March 2017, HR&A had not purchased a hosting solution and the Dashboard Tool remained inoperable and in the possession of the vendor.

Recommendations

1. We recommended the Acting Assistant Secretary for Human Resources and Administration assign responsibility to an office to assess hosting solution options for the Dashboard Tool.
2. We recommended the Acting Assistant Secretary for Human Resources and Administration evaluate funding a hosting solution needed to test and use its estimated \$3.7 million Dashboard Tool investment.

Management Comments

The Acting Assistant Secretary for Human Resources and Administration concurred with our recommendations. In response to Recommendation 1, the Acting Assistant Secretary reported that in February 2017, HR&A's Management, Planning, and Analysis was assigned the responsibility of assessing options for a hosting solution for the Dashboard Tool. In response to Recommendation 2, the Acting Assistant Secretary reported that once the cost of the hosting solution is determined, HR&A will evaluate the initial and long-term costs of operating the hosting solution and define any additional technical requirements.

OIG Response

The Acting Assistant Secretary for Human Resources and Administration's planned corrective actions are responsive. Based on corrective actions already implemented in response to Recommendation 1, we consider this recommendation closed. We will monitor HR&A's implementation of the remaining recommendation until all proposed actions are completed. Appendix C provides the full text of the Acting Assistant Secretary for Human Resources and Administration's comments.

Finding 2 HR&A Suspended Efforts To Award a Dashboard Tool Maintenance Contract

What We Found

We did not substantiate the allegation that HR&A provided a competitive advantage to a vendor for a future contract to maintain the Dashboard Tool. The complainant alleged that HR&A officials assisted a vendor in developing a performance work statement in an effort to help the vendor win a maintenance contract for the Dashboard Tool. We found that HR&A officials initially drafted and submitted a performance work statement to OAO in April 2015 for a Dashboard Tool maintenance contract. However, the contract was never solicited or awarded. An OAO contracting officer refused to approve the performance work statement, determining the contract was unnecessary because VALU officials could not demonstrate that they were in possession of the Dashboard Tool.

Without assurances that VALU was in possession of the Dashboard Tool, VA was at risk for procuring unneeded maintenance and training services. The Federal Acquisition Regulation, Subpart 1.602-2² requires contracting officers to safeguard the interests of the Federal Government. We determined OAO safeguarded VA's interests by requiring that HR&A take possession of the Dashboard Tool before it would approve a performance work statement that included maintenance for the Dashboard Tool. As of October 2016, we determined that HR&A had not renewed its efforts to obtain a Dashboard Tool maintenance contract.

Conclusion

We did not substantiate the allegation that HR&A provided a competitive advantage to a vendor for a future contract to maintain the Dashboard Tool. We determined OAO's contracting officer safeguarded VA's interests when they did not authorize proceeding with the planned Dashboard Tool maintenance contract because HR&A could not provide evidence that it possessed the Dashboard Tool. We made no recommendations related to this allegation.

² Federal Acquisition Regulation 1.602-2, *Responsibilities*.

Appendix A Scope and Methodology

Scope

We conducted our review from March 2016 through March 2017. We included in our scope HR&A's actions related to planning, monitoring, and approving payment for the Dashboard Tool through an IAA with OPM from December 2011 to April 2015. We also included in our scope HR&A's pre-award contract actions for a Dashboard Tool maintenance contract.

Methodology

To gain an understanding of applicable criteria concerning inter-agency acquisitions, we reviewed VA acquisition policy as well as the Federal Acquisition Regulation, and OMB's IAA guidance. We conducted a visit to VA Central Office and interviewed HR&A and VALU officials who were knowledgeable about the Dashboard Tool and the related IAA. To learn more about HR&A's budget, acquisition planning, and approval processes, we interviewed officials from the SPOP Office and the Budget and Risk Management Division. To assess the status of HR&A's acquisition plans for a Dashboard Tool maintenance contract, we interviewed officials from OAO, the SPOP Office, and the Project Management Office. To estimate the Dashboard Tool's costs and delivery schedule, we reviewed IAA-related documentation such as PMPs and deliverable receipt forms that we obtained from HR&A and OPM.

Data Reliability

We did not rely upon computer-processed data for this review.

Government Standards

We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

Appendix B Potential Monetary Benefits

Recommendation	Explanation of Benefits	Better Use of Funds (in millions)	Questioned Costs (in millions)
2	Evaluate funding to purchase a hosting solution needed to test and use the Dashboard Tool	\$3.7	\$0
Total		\$3.7	\$0

Appendix C Management Comments

Department of Veterans Affairs Memorandum

Date: April 11, 2017

From: Acting Assistant Secretary for Human Resources and Administration (006)

Subj: Draft Report: Review of Alleged Mismanagement of VA's Human Resources and Administration Contract Funds, Project Number 2016-00327-RI-0017

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

1. This is in response to the Office of Inspector General (OIG) Draft Report: Review of Alleged Mismanagement of VA's Human Resource and Administration Contract Funds, Project Number 2016-00327-RI-0017. The Office of Human Resources and Administration (HR&A) concurs with the report and provides the attached action plan to address Recommendations 1 and 2.

2. HR&A is committed to reinforcing accountability and existing policy regarding program management and procurement practices. Steps have been taken to reinforce existing policy through internal communications channels to ensure that staff is aware of the proper procedures for contract close-out. For example, HR&A developed a new HR&A Acquisition Primer website (currently being tested) which has a section on contract close-out.

3. If you have any questions or concerns, please contact Cynthia Manurs, Director, Budget and Risk Management, Human Resources and Administration, at (202) 461-5170, Cynthia.manurs@va.gov.

(original signed by:)

Pamela S. Mitchell

Attachments

For accessibility, the format of the original documents in this appendix has been modified to fit in this document.

HUMAN RESOURCES AND ADMINISTRATION (HR&A)
Action Plan

Office of Inspector General Draft Report: *Review of Alleged Mismanagement of VA's Human Resources and Administration Contract Funds*, Project Number 2016-00327-RI-0017

Date of Draft Report: March 24, 2017

Recommendations/ Actions	Status	Target Completion Date
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RECOMMENDATION 1: We recommended the Acting Assistant Secretary for Human Resources and Administration assign responsibility to an office to assess hosting solution options for the Dashboard Tool.

CONCUR: On February 21 2017, the Acting Assistant Secretary for Human Resources and Administration (HR&A) assigned the responsibility of assessing hosting solution options for the Dashboard Tool to Management, Planning, and Analysis (MP&A).

Status Completed	Target Completion Date February 2017
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RECOMMENDATION 2: We recommended the Acting Assistant Secretary for Human Resources and Administration evaluate funding a hosting solution needed to test and use its estimated \$3.7 million Dashboard Tool investment.

CONCUR: HR&A is committed to maximizing the return on investment for the entire HR&A portfolio of programs and stand-alone projects, to include the HR&A Dashboard Tool. Specifically, once a hosting solution is finalized, HR&A will evaluate the initial set up and follow-on annual operating costs, and will seek the best alternative for future investments as deemed appropriate. The following is HR&A's action plan for resolution:

Action	Target Completion Date	Status
Assign responsibility of assessing hosting solution options for the Dashboard Tool to MP&A	February 21, 2017	Complete
Action	Target Completion Date	Status
Initial meeting between MP&A and subject matter experts from Office of Information and Technology (OI&T) and the Technology Acquisition Center (TAC) to discuss HR&A's cloud services requirements and to discuss both short term and long term hosting solutions	March 8, 2017	Complete
Experts from MP&A, OI&T, and TAC reconvene to further discuss requirements of the hosting solution and to define any additional technical requirements	March 16, 2017 April 3, 2017	Complete
MP&A, OI&T, TAC, and representatives from Deloitte meet to perform an in depth technical discussion of the requirements of the hosting solution for the Dashboard Tool; Deloitte acknowledges that the deliverable will be provided upon request	April 2017	In process
Identify the most cost effective hosting solution that is in the best interest of the government	May 2017	In process

Appendix D **OIG Contact and Staff Acknowledgments**

Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
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Acknowledgments	Irene J. Barnett, Director Marco Chan Zachery Jensen Karen Myers David Orfalea
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Appendix E Report Distribution

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