



DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

DEPARTMENT OF VETERANS AFFAIRS

Leasing Procedures Used to
Acquire VA's Wilmington
Health Care Center

North Carolina

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Executive Summary

Why the OIG Did This Review

The OIG initiated this review of the Wilmington Health Care Center (HCC) in response to a request from Congressman Walter B. Jones. The Congressman requested the OIG review whether selecting the Wilmington airport site was in the best interest of the taxpayer. He also requested the OIG review the offers to develop the Wilmington HCC to determine whether VA officials used the appropriate procedures when making the final award determination.

In March 2013, the Wilmington HCC located in Wilmington, North Carolina, began providing care to veterans. The HCC provides several services including primary care, women's health, radiology, and mental health services.

What the OIG Found

The OIG determined that the selection of the Wilmington airport site to build the Wilmington HCC was not in the taxpayer's best interest. VA's Office of Construction and Facilities Management (CFM) changed its requirements from an option to purchase to an option to lease; paid more than the appraised value for the lease of the land; and used a two-step process that CFM officials later identified as having a major weakness. These actions occurred because CFM leadership lacked effective oversight of the Wilmington HCC lease. As a result, VA used a process that added time to the lease procurement and will pay about \$2.35 million more than the fair market rent over the 20-year lease.

Because CFM was unable to provide the OIG information on all the offers for the Wilmington HCC, the OIG was unable to determine whether CFM used the appropriate procedures during the selection and award process. According to CFM's Price Negotiation Memo, CFM received 14 offers to construct the Wilmington HCC. Despite repeated requests, CFM provided the OIG two offers: the Wilmington Veterans Clinic, LLC, offer and the Summit Smith Healthcare Facilities offer. The OIG could not verify that CFM received 14 offers as it asserted in the Price Negotiation Memo. The procedures of the selection and award process are designed to ensure that the award is given to the best offer; so, without the other offers to review, the OIG was unable to determine whether CFM used the appropriate procedures to procure the Wilmington HCC.

This inability to provide offers occurred because, at the time the Wilmington HCC lease was awarded, CFM leadership had not established effective procedures to ensure required documents were maintained. Specifically, CFM did not have formal standard operating procedures to maintain lease documentation. CFM officials stated they maintained their lease documentation on a network hard drive and in file cabinets. According to a previous contracting officer, not only were the Wilmington HCC lease documents maintained in this way, but they were also

maintained on compact discs. However, CFM leadership was not able to explain why, despite maintaining the lease documentation in multiple ways, they could not provide all the offers for the Wilmington HCC lease. In addition, CFM leadership did not have an effective policy and procedure for transferring lease documentation when contracting officers transferred responsibility for a lease.

In summary, the OIG was unable to review all the offers for the Wilmington HCC. The contracting process is designed to award a contract to the best offer; so, without all the offers, the OIG could not determine whether procedures were followed so that the \$69 million lease CFM awarded was the best offer for the Wilmington HCC.

What the OIG Recommended

CFM established and implemented several key policies and procedures since the award of the Wilmington HCC lease; this negated the need for the OIG to make specific recommendations addressing certain conditions reported on. Notably, CFM:

- Established a policy office and made progress in issuing formalized policies and procedures.
- Finalized its handbook by adopting the General Services Administration's desk guide and incorporating a VA supplement, including oversight procedures for CFM's leasing process.
- Issued official policy and procedures related to the use of the two-step process.
- Implemented new policies and procedures for maintaining lease documentation and a procedure to help ensure lease documentation was properly transferred between CFM personnel.

While CFM developed a procedure to transfer documentation, CFM did not formalize a policy to require that CFM personnel use the procedure. The OIG recommended that the Executive Director for Construction and Facilities Management establish and disseminate a formal policy for transferring contract files when transferring responsibilities to a different contracting officer.

Management Comments

The Principal Executive Director, Office of Acquisition, Logistics, and Construction, concurred with the OIG recommendation. The Principal Executive Director's corrective action plan is responsive to the recommendation. The OIG will monitor the implementation of the planned action and will close the recommendation when the OIG receives sufficient evidence demonstrating the planned action has been completed.



LARRY M. REINKEMEYER
Assistant Inspector General
for Audits and Evaluations

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Abbreviations

CFM	Office of Construction and Facilities Management
FBO	FedBizOpps
HCC	Health Care Center
NARA	National Archives and Records Administration
OIG	Office of Inspector General
VA	Department of Veterans Affairs



Introduction

Objective

The OIG conducted this review in response to a request made by Congressman Walter B. Jones. The Congressman requested the OIG review whether selecting the Wilmington airport site was in the best interest of the taxpayer. The Congressman also requested the OIG review the offers to develop the Wilmington Health Care Center (HCC) to determine whether VA officials used the appropriate procedures when making the final award determination.

Wilmington Health Care Center

In November 2004, VA received Congressional approval to lease space for the Wilmington HCC in Wilmington, North Carolina. In January 2009, VA's Office of Construction and Facilities Management (CFM) entered into a 20-year, approximately \$6.3 million assignable option to lease¹ with the New Hanover County Airport Authority for land on which to have the Wilmington HCC built. In March 2011, CFM awarded a 20-year, approximately \$69 million lease to Summit Smith to design, construct, operate, and maintain the Wilmington HCC.

In March 2013, two years after the award to Summit Smith, the approximately 81,000 square feet Wilmington HCC began providing care to veterans. The HCC provides services, including primary care, women's health, radiology, dental, physical therapy, occupational therapy, mental health, cardiology, dermatology, infectious disease, and urology.



Figure 1: *The Wilmington Health Care Center*
(Source: U.S. Department of Veterans Affairs website, February 8, 2018.)

¹ An assignable option is an option to purchase a site that the government will assign to the successful offeror. The offeror shall purchase the site from the owner and construct a building for the purpose of leasing it to the government. The option obtained by the government will cover a specific site at a pre-negotiated purchase price.

VA Office of Construction and Facilities Management

VA's CFM, headquartered in Washington D.C., is responsible for the planning, design, and construction of all construction projects greater than \$10 million. In addition, CFM acquires real property for use by VA through the purchase of land and buildings, as well as long-term lease acquisitions. Below is a chronology of events related to the acquisition and development of the Wilmington HCC.

Step One: Site Selection

- In September 2006, CFM placed an advertisement in the Wilmington local paper and FedBizOpps (FBO)² for an assignable option to purchase land on which the Wilmington HCC would be constructed.
- From September 2006 through February 2007, according to the Price Negotiation Memo, eight offers were received, and the five qualified sites were rated and ranked against a set of evaluation factors. CFM disqualified the Wilmington Airport site because it only offered a ground lease.
- CFM identified a site to purchase, and the landowner was advised their property was selected. However, the landowner would not sell the site unless they could be the developer. CFM could not come to an agreement with the landowner and therefore ended negotiations.
- In February 2007, CFM re-advertised in FBO, but this time CFM stated it would also accept an assignable option to lease land on which to construct the Wilmington HCC.
- From February 2007 through January 2009, according to the Price Negotiation Memo, eight qualified sites were rated and ranked against a set of evaluation factors. CFM selected a site, but that site was not viable due to the amount of wetlands. CFM then selected the Wilmington airport site.
- In January 2009, CFM entered into a 20-year assignable option to lease with the New Hanover County Airport Authority for land on the Wilmington airport site.³ CFM agreed on compensation of about \$6.3 million for a 20-year lease for the Wilmington airport site.

Step Two: Developer Selection

- In January 2009, CFM advertised in FBO for a contractor to build the Wilmington HCC, which VA would then lease for 20 years.

² Federal Business Opportunities, also known as FedBizOpps or FBO, is a free web-based portal that allows vendors to review federal procurement opportunities over \$25,000.

³ New Hanover County Contract #09-0162.

- In March 2009, CFM issued a solicitation for a contractor to design, construct, operate, and maintain the Wilmington HCC, which VA would then lease for 20 years. CFM provided the OIG with copies of offers from two entities that responded to this solicitation: Wilmington Veterans Clinic, LLC, and Summit Smith.
- In March 2010, CFM awarded a 20-year lease to Wilmington Veterans Clinic, LLC, to design, construct, operate, and maintain the Wilmington HCC on the Wilmington airport site.
- In October 2010, CFM terminated the lease for default because Wilmington Veterans Clinic, LLC, failed to provide an executed loan agreement in an amount sufficient to perform the terms of the lease.
- In March 2011, CFM entered into a 20-year lease agreement with Summit Smith to design, construct, operate, and maintain the Wilmington HCC.⁴ In total, VA would pay Summit Smith about \$69 million over the 20-year lease.

⁴ VA101-183-565-02-06.

Results and Recommendations

Finding 1: Wilmington Property Selection Was Not in the Best Interest of the Taxpayer

The OIG determined the selection of the Wilmington airport site to build the Wilmington HCC was not in the taxpayer's best interest. CFM changed its requirements from an option to purchase to an option to lease; paid more than the appraised value for the lease of the land; and used a two-step process that CFM officials later identified as having a major weakness. These actions occurred because CFM leadership lacked effective oversight of the Wilmington HCC lease. Further, CFM leadership did not have finalized leasing policies in place and did not require approvals or justifications for the Wilmington HCC lease. As a result, VA used a process that added time to the lease procurement and will pay about \$2.35 million more than the appraised fair market rent of the land over the 20-year lease period.

Changing Requirement

In CFM's original advertisement for a Wilmington HCC site, it advertised for an assignable option to purchase. This would have allowed VA to control the site on which it would have the Wilmington HCC built until CFM selected a developer. The developer would then be able to purchase the land on which to construct the HCC. However, after failing to reach an agreement to purchase a site for the HCC, CFM re-advertised. At this point, CFM changed the original advertisement requirement from not only an option to purchase, to being willing to accept an assignable option to ground lease sites, if deemed beneficial to VA.⁵

According to the Price Negotiation Memo, CFM received eight offers from the original advertisement. CFM disqualified the Wilmington airport site because it only offered a ground lease. After CFM re-advertised and changed its requirement, CFM selected and awarded a 20-year assignable option to ground lease for the Wilmington airport site. Based on the OIG's review of the Price Negotiation Memo and the re-advertisement, it appears this requirement change may only have benefited the Wilmington airport site, as it was the only one of the original offerors that had offered a ground lease. The OIG attempted to obtain information from CFM regarding the change in requirements for the Wilmington HCC site. In a meeting with the Associate Executive Director, he stated he believed CFM had documentation to support the decision to change the requirements. He also stated that CFM had multiple discussions during the selection process regarding the site and directed his staff to provide the documentation. CFM officials attributed the requirement change to the Wilmington airport site landowner being unwilling to sell the property but being willing to undertake a long-term ground lease. However,

⁵ A ground lease, often called a land lease, is a lease of land only. A ground lease separates ownership of the land from ownership of a building and improvements constructed on the land.

CFM officials could not provide documentation regarding CFM's decision to change the requirements for the land from an assignable option to purchase to an assignable option to lease.

Appraisal Value

Federal regulation⁶ requires agencies to acquire leases on the most favorable basis to the federal government at charges consistent with prevailing market rates. Prevailing market rate means rates similar to the rates generally available to consumers in competitive areas for the same services. In April 2008, CFM received an appraisal of the Wilmington airport site. According to the appraisal, the fair market rent for the site was \$198,292 per year or about \$4 million over 20 years. The appraiser included an escalation factor over the 20-year lease period in the appraised value.

In January 2009, CFM's contracting officer entered into a 20-year ground lease for the Wilmington airport site at about \$217,691 for the first year, with a 3.75 percent annual escalation over the lease period. Over the 20-year lease, the land cost for the HCC will have more than doubled to about \$438,141 in the final year of the lease. In total, VA would pay about \$6.3 million to lease the land. Figure 2 shows the annual projected land lease cost over the 20-year lease. By CFM's contracting officer entering into a lease with significantly higher costs than the prevailing market rate, CFM failed to comply with federal regulation, and VA will pay about \$2.35 million more than the appraised fair market rent for the land over the 20-year lease.

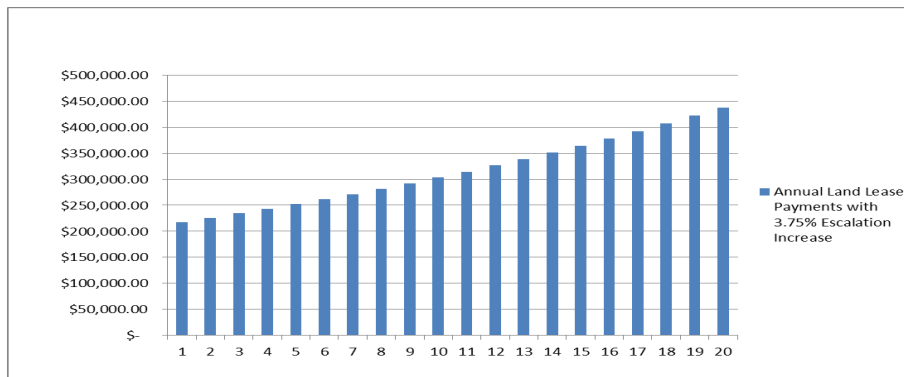


Figure 2. Annual Projected Land Lease Cost Over 20-Year Lease
(Source: VA OIG calculation of Wilmington HCC projected yearly lease of the land payments.)

Leasing Process

CFM used a two-step process, which CFM officials later identified as having a major weakness, to lease the Wilmington HCC. According to CFM, it used its draft handbook, a design guide,⁷ and a fact sheet as criteria for using the two-step process. However, CFM's draft handbook did

⁶ Section 102-73.55, Title 41, Code of Federal Regulations.

⁷ Lease Based Outpatient Clinic Design Guide, May 2009.

not identify any policy regarding the two-step process. The design guide was dated May 2009, about three years after the original September 2006 Wilmington site solicitation. The fact sheet supplied to the OIG was unsigned and dated October 2012, more than six years after the original September 2006 Wilmington site solicitation. While the design guide and the fact sheet did describe the two-step process, they did not describe when to use this process. As described in the fact sheet, a typical two-step process involves:

- **Selecting the Site:** CFM selects a site. Then, CFM negotiates with the landowner to establish a purchase price for the land.
- **Selecting the Developer:** CFM selects a developer to design, build, operate, and maintain the clinic on the land that CFM selected in step 1. The developer that CFM selected then purchases the land at the price CFM negotiated with the landowner.

CFM followed a two-step process, but in this case, agreed to lease instead of purchase the land. The Wilmington HCC two-step process:

- **Selecting the Site:** CFM selected the Wilmington airport site. However, instead of negotiating a purchase price for the Wilmington airport site, CFM negotiated with the landowner and established the price for a 20-year lease of the land. According to CFM officials, they negotiated a lease because the Wilmington airport site owner was not willing to sell the land.
- **Selecting the Developer:** CFM selected Summit Smith as the developer. Summit Smith then had to take over the assignable option to lease that CFM negotiated with the New Hanover County Airport Authority. Summit Smith had to accept the terms and conditions of the lease that CFM agreed to, including the length of the lease and the annual lease payments. Upon the conclusion of the lease agreement, Summit Smith will need to relinquish the building to the New Hanover County Airport Authority.

Two-Step Process Added Time to the Leasing Process

CFM officials stated that the primary reason they defaulted to the two-step process was to control the location of the land and ensure facilities were placed in ideal locations to serve veterans. However, after the Wilmington lease award, CFM self-identified a major weakness with the two-step process. Specifically, the process added time to the lease procurement, and CFM officials reported they no longer prefer to use the two-step process when acquiring leases.

According to CFM officials, the two-step process added time to the acquisition of leases, as it required CFM to complete its due diligence on the preferred site and then negotiate an agreement with the site owner. However, if during VA's due diligence the site was revealed to be unsuitable for VA's intended use, or if negotiations fell through, VA would have to restart the entire process and find a new site.

For example, step one of the two-step process was to obtain land for the Wilmington HCC lease. According to the Price Negotiation Memo, CFM began performing due diligence of the offers it received for the Wilmington HCC site in September 2006 and identified a preferred site to purchase. However, according to the Price Negotiation Memo, CFM ultimately determined the preferred site was not in the best interest of the government and terminated negotiations. It then took CFM until February 2007, five months after the original advertisement, to re-advertise. CFM did not award the agreement for the land until January 2009. Thus, it took CFM approximately 28 months to complete the first step of selecting a site for the Wilmington HCC.

CFM Lacked Finalized Leasing Policy

CFM lacked a finalized leasing policy. According to CFM personnel, they used a draft VA Lease Handbook as their guidance to execute leases. The handbook was designed to provide step-by-step procedures for acquiring leasehold interests in real property and to be an instructional manual for the real property leasing process. However, the handbook was in draft during the Wilmington HCC project. According to the Associate Executive Director, finalizing the handbook had been perpetually delayed. Because the handbook was in draft, CFM personnel did not have finalized policy and procedures in place to better ensure that CFM acquired leases properly. The delay in finalizing the draft handbook reflects a lack of oversight from CFM leadership.

CFM Lacked Written Leasing Policy

According to the Associate Executive Director, CFM also had several unwritten policies that personnel implemented to execute a lease. He also asserted that the work CFM performed was unique. By relying on unwritten policy, CFM personnel may not have had the necessary guidance to better ensure leases were executed and documented properly.

Approvals and Justification Not Required

In addition, according to CFM officials, no approvals were required for the use of the two-step lease process. CFM also did not require personnel to justify their use of the two-step process. Therefore, the two-step process used to acquire the \$69 million Wilmington HCC lease did not require any approval or justification.

While the Office of Asset Enterprise Management and the Office of General Counsel conducted reviews and provided concurrence for the construction lease with Summit Smith, CFM did not provide the OIG any evidence that a review of the Wilmington airport site agreement occurred before it was awarded. A pre-award review of the land agreement may have identified that the Wilmington airport site would ultimately cost CFM about \$2.35 million more than fair market rent over the 20-year lease. While Summit Smith did assume responsibility for CFM's

Wilmington airport site agreement, VA will ultimately pay the about \$2.35 million more than fair market rent to Summit Smith based on the agreement with Summit Smith.

Actions Taken Since Wilmington HCC Lease Award

Since award of the Wilmington HCC lease, CFM established a policy office and finalized its handbook by adopting the General Services Administration's desk guide and incorporating a VA supplement, which included oversight procedures for CFM's leasing process. CFM also issued official policy and procedures for the two-step process. Therefore, the OIG did not make recommendations on those issues.

Conclusion

VA will pay an additional \$2.35 million more than the appraised fair market rent over the life of the 20-year lease for the Wilmington HCC. In addition, by using the two-step process to lease the Wilmington HCC land, VA used a process that added time to the lease procurement.

Finding 2: CFM Could Not Provide All Required Documentation Related to the Award for the Development of the Wilmington Health Care Center

CFM reported to the OIG that they received 14 offers for consideration to design, construct, operate, and maintain the Wilmington HCC. However, they were only able to provide the OIG documentation to support two of the offers. As CFM could not provide all the offers for the development of the Wilmington HCC, the OIG was unable to determine whether CFM used the appropriate procedures during the selection and award process. The lack of documentation occurred because at the time the Wilmington HCC lease was awarded, CFM leadership had not established effective procedures to ensure required documents were maintained. Without all the offers to review, the OIG cannot determine whether appropriate procedures were used such that the \$69 million lease CFM awarded was the best offer.

CFM Unable to Provide Offers

According to the Price Negotiation Memo, CFM received 14 offers to design, construct, operate, and maintain the Wilmington HCC. However, despite the OIG's requests that CFM provide all the offers submitted for the Wilmington HCC, CFM only provided the OIG two of the 14 offers CFM asserted it received. The National Archives and Records Administration (NARA) required VA to retain both the successful and the unsuccessful bids for six years and three months after the lease final payment. As the Wilmington HCC 20-year lease is still active, the Wilmington HCC lease contract file should contain all the offers as required by NARA. CFM's contracting officers were responsible for the contract file and should have ensured the required documentation was maintained to comply with NARA requirements.

The OIG made at least eight requests for copies of the offers between October 2016 and January 2018. In December 2017, the OIG met with CFM officials, including the Director of Real Property Services, the realty specialist, and one of the former contracting officers, to inquire about the Wilmington HCC offers.⁸ According to the Director, CFM had the offers for the Wilmington HCC. The realty specialist and former contracting officer did not object to the Director's statement. However, in January 2018, the Acting Deputy Director, Office of Real Property, responded that CFM performed an extensive search for any remaining offers and project files and that they were unable to locate the other 12 offers referenced in the Price Negotiation Memo.

⁸ The positions noted are the individuals' positions during the time of the Wilmington HCC lease.

CFM reported its search included:

- leasing project file cabinets within the office,
- files of retired employees,
- VA's network drive,
- emails, and
- an offsite storage facility.

The OIG could not verify that CFM received 14 offers to construct the Wilmington HCC, as it asserted in the Price Negotiation Memo. The two offers CFM provided to the OIG for the Wilmington HCC lease were from Wilmington Veterans Clinic, LLC, and Summit Smith. In March 2010, CFM's contracting officer awarded the lease to Wilmington Veterans Clinic, LLC, but in October 2010, terminated the lease for default because Wilmington Veterans Clinic, LLC, failed to provide an executed loan agreement in an amount sufficient to perform the terms of the lease. In March 2011, CFM's contracting officer awarded the lease to Summit Smith.

The procedures of the selection and award process are designed to ensure that the award is given to the best offeror. Without having all the offers for review, the OIG was unable to compare Summit Smith's offer to the other offers CFM reported it received. Therefore, the OIG was unable to determine whether CFM used appropriate procedures for the Wilmington HCC lease procurement.

Why This Occurred

CFM did not have a formal standard operating procedure in place to maintain lease documentation. A standard operating procedure could have helped ensure CFM preserved records containing adequate and proper documentation of its decisions, procedures, and essential transactions while complying with the NARA requirement for maintaining documents in its contract file. At the time of the Wilmington HCC lease, CFM officials stated that their unwritten process for maintaining lease documentation was to save the documents on a network hard drive and in file cabinets. According to one of the previous contracting officers, they maintained the Wilmington HCC lease documentation not only on the network hard drive and in file cabinets, but also on compact discs submitted by offerors. However, CFM leadership was not able to explain why, despite maintaining the lease documentation in multiple ways, they could only locate two of the 14 offers CFM reportedly received.

At the time of the Wilmington HCC lease, CFM leadership did not have an effective policy or procedure for transferring contract files when contracting officers transferred responsibility. An effective transfer policy or procedure could have helped ensure the contracting officers receiving a contract file were able to identify and record any missing documents. The contracting officers should have ensured the contract file contained all the required documentation, and CFM

leadership should have established effective policy or procedures for contracting officers' transferring of the contract file.

CFM Did Not Provide Additional Wilmington Lease Documents

CFM was also unable to provide the following procurement documentation related to the Wilmington HCC lease:

- Acquisition Schedule
- Cost Benefit Analysis
- February 2007 newspaper re-advertisement
- Market surveys for each parcel of land considered
- Technical and price proposals for all offers

Actions Taken Since Wilmington HCC Lease Award

Since the Wilmington HCC lease began, CFM implemented new policies and procedures for maintaining lease documentation in VA's electronic contract management system. Therefore, the OIG did not make recommendations for CFM to establish controls to ensure retention of lease documentation. CFM also implemented a procedure to help ensure lease documentation was properly transferred between CFM personnel. However, CFM did not formalize a policy to require CFM personnel use the procedure. Therefore, the OIG did not make a recommendation for CFM to develop a procedure to ensure lease documentation was properly transferred but did include a recommendation that policy be established and disseminated for transferring documentation when responsibilities are transferred to a different contracting officer.

Conclusion

CFM officials could not provide all the offers they reportedly received for the lease. Therefore, the OIG could not determine whether procedures were followed so that the \$69 million lease CFM awarded for the Wilmington HCC was the best offer. CFM's inability to provide the OIG requested documentation represents a potential risk of fraud. Therefore, the OIG's Office of Audits and Evaluations referred this lease to the OIG's Office of Investigations for review.

Recommendation 1

1. The OIG recommended the Executive Director for Construction and Facilities Management establish and disseminate a formal policy for transferring contract files when transferring responsibilities to a different contracting officer.

Management Comments and OIG Response

The Principal Executive Director, Office of Acquisition, Logistics, and Construction, concurred with the OIG recommendation. The Principal Executive Director reported that CFM will implement a policy that specifically focuses on the requirement for the contract file to be complete, prior to transfer of responsibilities between CFM contracting officers. CFM's target date for issuance of the policy is October 15, 2018. The Principal Executive Director's corrective action plan is responsive to the recommendation. The OIG will monitor the implementation of the planned action and will close the recommendation when the OIG receives sufficient evidence demonstrating the planned action has been completed.

Appendix A: Scope and Methodology

Scope

The OIG conducted its review from October 2016 through July 2018. The review's focus was to evaluate whether selecting the specific property owned by New Hanover County Airport Authority was in the best interest of taxpayers. The review also focused on the offers for developing the Wilmington HCC to determine whether VA officials used appropriate procedures when making the final award determination for the Wilmington HCC.

Methodology

The OIG obtained and reviewed various source documentation, such as the VA's solicitations for the site and for the construction of the Wilmington HCC; offers from the Wilmington Veterans Clinic, LLC, and Summit Smith to construct the Wilmington HCC; the Price Negotiation Memo; Wilmington airport site land lease agreement; Wilmington HCC lease agreement; and property appraisals. The OIG also interviewed CFM staff, the Wilmington International Airport - Airport Director, and the President of Summit Smith Healthcare Facilities. The OIG also researched an applicable VA directive, handbooks, and federal laws and regulations.

Fraud Assessment

The OIG exercised due diligence in staying alert to any fraud indicators by taking actions such as:

- Developing a fraud indicator checklist.
- Discussing certain information with the OIG's Office of Investigations due to CFM's inability to provide requested documentation.

Based on its review, the Office of Audits and Evaluations made a potential fraud referral to the Office of Investigations.

Data Reliability

While performing this review, the OIG did not use computer-processed data to support its findings, conclusions, or recommendations.

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: Management Comments

Department of Veterans Affairs Memorandum

Date: August 10, 2018

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

Subj: Office of Inspector General (OIG) Draft Report: Leasing Procedures Used to Acquire VA's Wilmington Health Care Center (VIEWS 00084774)

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

1. The Office of Acquisition, Logistics, and Construction (OALC) has completed its review of the draft report. OALC concurs with the single recommendation and provides our action plan and proposed target date for completion below:

RECOMMENDATION 1: The OIG recommended the Executive Director for Construction and Facilities Management establish and disseminate a formal policy for transferring contract files when transferring responsibilities to a different contracting officer.

OALC response: Concur. The Office of Construction and Facilities Management will implement a policy that specifically focuses on the requirement for the contract file to be complete, prior to transfer of responsibilities between CFM Contracting Officers. CFM's target date for issuance of this policy is October 15, 2018.

2. We appreciate the opportunity to review the recommendation and to provide our response. Should you have any questions, please contact Melanie Griffin, Management Analysis Officer, at (202) 461-6626 or melanie.griffin@va.gov.

(Original signed by:)

Karen L. Brazell

For accessibility, the original format of this appendix has been modified to comply with Section 508 of the Rehabilitation Act of 1973, as amended.

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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