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DEPARTMENT OF VETERANS AFFAIRS  
Office of Acquisition and Materiel Management  
National Acquisition Center  
P.O. Box 76  
Hines IL 60141

**COPY FOR YOUR  
INFORMATION**

January 9, 2001

In Reply Refer To: 90N

Dear FSS 65 IB Contractor:

I am writing to alert you to the possible diversion of products sold under your Federal Supply Schedule (FSS) contract. Based upon information and inquiries from some contractors and from the Indian Health Service (IHS) Regional Supply Service Center (RSSC), Ada, Oklahoma, we have reason to believe that large orders for drugs are being placed by tribal health care clinics, sometimes using a non-government pharmaceutical Prime Vendor (PPV) as an ordering intermediary, for resale or distribution to persons and entities not entitled to FSS pricing.

As you may know, a Tribal clinic authorized by P.L. 93-638 to order from Federal Supply Schedules is not permitted to resell FSS products without first obtaining the extraordinary approval of the General Services Administration (GSA) and, in the case of drugs, VA (because VA manages the pharmaceutical schedule for GSA.) (See GSA Order 4800.2E, para. 7.d. (5), copy enclosed.) Also, if your company elected to deliver and be paid through a Government PPV, your FSS contract does not require you to honor FSS orders placed through a private, non-government PPV. At your discretion, private agreements may be entered into to facilitate such ordering by eligible entities.

We suggest that you examine incoming direct orders and chargeback requests for unusually large quantities being requested by or delivered to an other Government agency activity, such as a tribal clinic. If you notice such unusual orders, we suggest that you ask the ordering activity to justify the quantity ordered in terms of its own Federal mission and patient base. Also, we recommend you scrutinize for possible diversion all tribal clinic orders placed through a non-Government PPV. Ordering activities may be asked for documentation to prove their contractual relationship with IHS. Recent experience has demonstrated even IHS-authorized clinics ordering drugs through an IHS RSSC may suddenly increase their ordering quantities to divert drugs to a profit-making tribal enterprise. Contractors noticing such large volume increases would be wise to inquire of IHS and the ordering activity what type of use is intended for the drugs. It is VA's position that no FSS contractor is required to fill an order (or that portion of an order) that investigational facts suggest will be diverted into the commercial market.

Please call me at (708) 786-5157 with any questions about your company's obligation to fill FSS orders or if you believe that FSS products already delivered by your company have been diverted.

Sincerely,

A handwritten signature in black ink, appearing to read "George T. Patterson".

George T. Patterson  
Executive Director

Enclosure