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(U) Management Advisory: Concerns Regarding the Defense Health Agency's Second Bridge Contract for Technology Lifecycle Support Services

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DEPARTMENT OF WAR
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September 4, 2026

MEMORANDUM FOR UNDER SECRETARY OF WAR FOR ACQUISITION AND SUSTAINMENT
DIRECTOR, DEFENSE HEALTH AGENCY

SUBJECT: (U) Management Advisory: Concerns Regarding the Defense Health Agency's
Second Bridge Contract for Technology Lifecycle Support Services
(Report No. DOWIG-2026-120)

(U) This final management advisory provides the results of the DoW Office of Inspector General's "Audit of the Defense Health Agency's Processes for Developing Contract Requirements Packages to Achieve Cost Efficiencies" (Project No. D2026-D000AX-0064.001). We are providing this report for information and use. Management took action sufficient to address the recommendations in this report, and we consider the recommendations closed.

(U) We appreciate the cooperation and assistance received during the audit. If you have any questions or would like to meet to discuss the management advisory, please contact me at [REDACTED]

Carmen J. Malone
Assistant Inspector General for Audit
Acquisition, Contracting, and Sustainment

cc:

Department of War Department of Government Efficiency Office

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(U) Executive Summary

(U) On March 2, 2026, the DoW OIG announced Project No. D2026-D000AX-0064.000, “Audit of the DoD’s Processes for Developing Contract Requirements Packages to Achieve Cost Efficiencies.” The audit supports the DoW’s efforts related to Executive Order 14222, “Implementing the President’s ‘Department of Government Efficiency’ Cost Efficiency Initiative. The objective of the audit is to assess the effectiveness of the DoW’s processes for developing contract requirements packages for information technology, management, and advisory services contracts to achieve cost efficiencies.

(U) On April 2, 2026, the DoW’s Department of Government Efficiency (DOGE) Office requested that the DoW OIG review the Defense Health Agency’s (DHA) contract requirements package for comprehensive Technology Lifecycle Support (TLS) for the Technology Support Branch within the Solution Delivery Division. We reviewed the contract requirements package and supporting documentation to evaluate whether the DHA structured its TLS contract requirements to meet mission needs in a cost-effective manner and to obtain the best value for the DoW.

(U) Our review identified concerns with the DHA’s plan to award a second sole source bridge contract to fulfill the TLS requirement.¹ Bridge contracts limit competition, restrict the DoW’s ability to lower costs, reduce opportunities for innovation, and increase reliance on a single vendor.

¹ (U) A bridge contract is an extension to an existing contract or a new short-term contract awarded to the current contractor to prevent a gap in services while the Government works to award a follow-on contract.

(U) TLS Services Contract Requirements Referral and Our Analysis

(U) TLS Services Contract Requirements and the DoW's DOGE Office's Concerns

(U) The DHA requires comprehensive TLS services to provide ongoing technical support to several of its program offices in various key domains. To avoid a lapse in coverage that would disrupt critical services within the Military Health System, DHA personnel stated that they must issue a second bridge contract to continue essential information technology services while they complete the formal acquisition process for the long-term follow-on contract.

(~~CUI~~) The proposed bridge contract is a [REDACTED] information technology services contract intended to ensure that more than 40 mission-critical and health care-related information technology systems used across the Military Health System remain secure, fully supported, and operational. The contract would also sustain [REDACTED] technical personnel who the DHA considers essential to meeting its operational needs.

(U) The DoW's DOGE Office raised concerns with the DHA's TLS contract requirements, questioning whether some of the work included in the contract requirements could be considered inherently governmental.² The DoW's DOGE Office personnel also expressed concerns about the DHA's plan to pursue a second consecutive bridge contract, continuing an expensive contract effort.

(U) DoW OIG Analysis of TLS Services Contract Requirements

(U) The DHA's performance work statement did not assign duties to the contractor that are inherently governmental; however, it included tasks that are closely associated with inherently governmental functions, such as budget development, planning activities, and analysis that may be used to inform policy decisions.³ Although these tasks may be contracted out, it requires heightened oversight and consideration for potential insourcing, and agencies are required to reduce reliance on contractors for these functions to the maximum extent practicable.⁴ The DHA provided supplemental documentation showing that it has sufficient internal controls and an adequate number of Government personnel to ensure that contractors do not perform inherently governmental functions. Therefore, we determined that the Government would retain full decision-making authority and that contracting these services is permissible.

² (U) According to the DoW's "Handbook of Contract Function Checklists for Services Acquisitions," May 2018 (DoW Handbook), an inherently governmental function is one that has been determined to be, through statute or otherwise, a function that must be performed by Government personnel, either civilian or military, and that may not be performed by a contractor.

³ (U) According to the DoW Handbook, a closely associated with inherently governmental function is a task that approaches being inherently governmental because of the nature of the task, how the contractor performs it, or the manner in which the Government administers contract performance.

⁴ (U) DoW Handbook.

(U) The TLS work supports mission-essential functions and a longstanding mission requirement for the DHA. According to DoW guidance, recurring and long-term work represents critical functions that should be evaluated for insourcing to ensure the Government has sufficient internal capability to maintain control over functions that are essential to its mission and operations.⁵ Therefore, we recommend that the DHA Director consider insourcing TLS services to reduce operational risks associated with contractor dependence, including the risk of contractor default.

(~~CUI~~) In September 2023, the DHA awarded the original 2-year, \$100 million TLS services contract as a sole source award. To meet its ongoing needs for TLS services, the DHA later awarded the first 12-month bridge contract in September 2025 for \$42.7 million and now plans to award a [REDACTED] bridge contract. Bridge contracts are usually awarded without competition, which limits the Government's ability to obtain more cost-effective offers or new innovative solutions from other vendors.

(U) The DHA Chief Technology Officer issued a March 2025 white paper emphasizing the need to balance in-house management with contractor support to effectively maintain control, improve scheduling and oversight, and ensure accountability. The DHA's TLS Resource Optimization Plan also stated that by May 2025, certain key project management tasks should shift to in-house staff, with the goal of strengthening oversight, reducing costs, and preserving institutional knowledge.

(U) By controlling the official project schedule or backlog, the DHA expected several benefits highlighted in the Chief Technology Officer's March 2025 white paper, including:

- (U) increasing Government staff knowledge of key systems, which helps with contractor transitions;
- (U) ensuring Government project officers fully understand project needs, which reduces contractor-dependency risk that can increase costs and limit flexibility during contract negotiations; and
- (U) reducing the risk of overreliance on a single contractor, which can be problematic if the contractor loses staff, underperforms, or the contract ends.

(U) Given these goals, we are concerned about the DHA's plan to award a second sole source bridge contract. This approach does not fully support the DHA's efforts to strengthen Government oversight, nor does it take advantage of competition, which could lower costs or expand opportunities for innovation. Therefore, we recommend that the Under Secretary of War for Acquisition and Sustainment coordinate with the DHA Director to determine whether issuing a second bridge contract for TLS services represents the best value to the DoW and, if not, direct the DHA to pursue an alternate acquisition strategy, as appropriate.

⁵ (U) DoW Handbook.

(U) Conclusion

(U) The DHA's plan to award a second sole source bridge contract for TLS services is not consistent with DoW policies that encourage competition, require sound acquisition planning, and promote reducing risks associated with contractor dependence. Although the TLS requirement is mission-essential and does not include inherently governmental duties, continuing to rely on a single vendor could restrict the DoW's ability to obtain cost-effective solutions, benefit from innovative approaches, and ensure long-term operational stability. Alternate approaches, such as insourcing certain functions or pursuing a competitive procurement, may better support the DHA's mission needs and strengthen the DoW's ability to protect its resources.

(U) Recommendations, Management Comments, and Our Response

(U) Recommendation 1

(U) We recommend that the Director, Defense Health Agency, consider insourcing Technology Lifecycle Support services to reduce operational risks associated with contractor dependence, including the risk of contractor default.

(U) Defense Health Agency Comments

(U) The DHA Director agreed with the recommendation. The Director stated that the recommendation aligned with ongoing DHA efforts to implement Federal management policy as well as shift key oversight and management functions from contractors to Government personnel. The Director also referenced the DHA Chief Technology Officer's white paper which evaluated how to achieve mission goals cost-effectively using the right mix of Government and contractor personnel. However, the Director stated that ongoing hiring limitations and the need for highly specialized technical expertise requires the DHA to continue relying on contractor support in the near term to sustain its large portfolio of mission-critical systems and platforms. The Director outlined an action plan to address the recommendation, stating that the DHA will review all contracted TLS functions before each option year and develop transition plans for any functions appropriate for insourcing, based on mission risk and available resources.

(U) Our Response

(U) Comments from the Director addressed the specifics of the recommendation. We commend the DHA for taking action to develop a strategy for insourcing functions when internal capabilities and resources are available. We consider Recommendation 1 closed.

(U) Recommendation 2

(U) We recommend that the Under Secretary of War for Acquisition and Sustainment coordinate with the Director, Defense Health Agency, to determine whether issuing a second bridge contract for Technology Lifecycle Support services represents the best value to the DoW and, if not, direct the Defense Health Agency to pursue an alternate acquisition strategy, as appropriate.

(U) Under Secretary of War for Acquisition and Sustainment Comments

(U) The Defense Pricing, Contracting, and Acquisition Policy Principal Director, responding for the Under Secretary of War for Acquisition and Sustainment, partially agreed with the recommendation. The Principal Director agreed to coordinate with the DHA to review the TLS acquisition strategy; however, the Principal Director stated that the DHA Component Acquisition Executive will ultimately determine the appropriate acquisition strategy.

(U) Defense Health Agency Comments

(U) The DHA Director agreed with the recommendation, acknowledging that bridge contracts are a short-term measure. The Director agreed to use the second bridge contract for the minimum period needed to complete the TLS follow-on acquisition to prevent a lapse in TLS services, which would create unacceptable risks to patient care and military readiness, because the DHA cannot replace essential contractor personnel without a high-risk transition period.

(~~CUI~~) The Director outlined an action plan to address the recommendation stating that the DHA plans [REDACTED], with the intent of speeding up award timelines, expanding vendor competition, reducing operational and pricing risks, and eliminating future dependence on bridge contracts.

(~~CUI~~) The Director stated that the DHA Component Acquisition Executive has approved both the new acquisition strategy and the second bridge contract [REDACTED], to maintain continuity from the expiration of the current bridge contract until the incoming TLS contractor is in place and begins performing the services. Additionally, the Director stated that on July 9, 2026, the Office of the Under Secretary of War for Acquisition and Sustainment formally agreed with the DHA's acquisition plan, confirming alignment with Federal best-value principles.

(U) Our Response

(~~CUI~~) Comments from the Directors addressed the specifics of the recommendation. We commend the DHA for taking action to pursue a competitive acquisition [REDACTED] for the TLS follow-on requirement. We consider Recommendation 2 closed.

(U) Management Comments

(U) Defense Health Agency



DEFENSE HEALTH AGENCY
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FALLS CHURCH, VIRGINIA 22042-5101

Jul 24, 2026

MEMORANDUM FOR DEPARTMENT OF WAR INSPECTOR GENERAL

SUBJECT: Director, Defense Health Agency, Response to Department of War Office of Inspector General Draft Report, "Management Advisory: Concerns Regarding Defense Health Agency's Second Bridge Contract for Technology Lifecycle Support Services"(Project Number D2026-D000AX-0064.001)

The Director, Defense Health agency (DHA), concurs with the Department of Defense Inspector General (DoDIG) draft report as written and welcomes the opportunity to submit these management responses.

RECOMMENDATION # 1 "We recommend that the Director, Defense Health Agency, consider insourcing Technology Lifecycle Support services to reduce operational risks associated with contractor dependence, including the risk of contractor default."

RESPONSE: The DHA concurs with the recommendation to consider additional insourcing of Technology Lifecycle Support (TLS) functions, where feasible and mission appropriate. This recommendation aligns with the broader goals of Executive Order 14240 to drive efficiency and best value in federal spending. The DHA has proactively assessed this issue through internal planning efforts, including the Chief Technology Officer's white paper "Strengthening Oversight and Efficiency: The Case for Government-Led Project Scheduling and Backlog Management and the TLS Resource Optimization Initiative", dated March 21, 2025, (found at TAB B) which evaluates the optimal mix of government and contractor personnel to achieve mission goals cost-effectively.

The DHA's actions are not merely a response to this report, but rather a proactive implementation of high-level federal management policy. Consistent with this strategic direction, DHA has already initiated key portions of the TLS Resource Optimization Initiative to strengthen government oversight by integrating critical contractor-supported functions directly into the federal civilian workforce. Given current Government hiring constraints which influence billet availability, coupled with the time required to recruit, hire, and onboard qualified Government personnel with those highly specialized skills, DHA must continue to augment with contractor personnel for non-inherently governmental technical functions in the near term to accomplish its mission. The TLS supports a large portfolio of mission-critical systems and platforms requiring highly specialized technical skills in areas such as enterprise architecture, cybersecurity implementation, platform sustainment, cloud engineering, DevSecOps, data integration, and health IT interoperability. A lapse in TLS services would immediately disrupt the 54 mission-critical IT systems that directly support healthcare delivery across the Military Health System, creating an unacceptable risk to patient care and military readiness.

(U) Defense Health Agency (cont'd)

The DHA is recommending closure of recommendation 1. The DHA will continue to evaluate opportunities to insource appropriate oversight and management functions while augmenting with contractor support for specialized technical services necessary to sustain operational continuity.

Action Plan

Prior to each option year exercised under the follow-on TLS V2.0 contract, DHA will assess all contract functions and develop a transition plan for those suitable for insourcing, balancing mission risk with available personnel and funding resources.

RECOMMENDATION # 2 “We recommend that the Under Secretary of War for Acquisition and Sustainment coordinate with the Director, Defense Health Agency, to determine whether issuing a second bridge contract for Technology Lifecycle Support services represents the best value to the DoW and, if not, direct the Defense Health Agency to pursue an alternate acquisition strategy, as appropriate.”

RESPONSE: The DHA concurs with the recommendation and acknowledges that bridge contracts are not a long-term acquisition solution. The second bridge contract will be executed for the minimum period of performance required to complete the TLS V2.0 follow-on acquisition, in accordance with the formal acquisition plan milestones, and solely to prevent a lapse in support of the 54 mission-critical Military Health System IT platforms that TLS supports. A lapse in TLS services would immediately disrupt these 54 mission-critical IT systems that directly support healthcare delivery across the Military Health System, creating an unacceptable risk to patient care and military readiness. The essential technical personnel supported by this contract cannot be replaced without a significantly high-risk transition period.

Action Plan

To ensure an accelerated procurement and to maximize competition, DHA is pursuing an alternate acquisition strategy for the TLS V2.0 follow-on requirement [REDACTED]

[REDACTED] This approach is specifically chosen to expedite the award of a new, competitive contract while ensuring broad access to qualified vendors. The new acquisition strategy will mitigate the operational, pricing, and contractor-dependence risks associated with continued bridge reliance. [REDACTED]

[REDACTED] While DHA had already initiated competitive procurement actions prior to the OIG's audit management advisory report, [REDACTED] as a streamlined acquisition approach serves as our primary corrective acquisition strategy and action to eliminate future bridge reliance and expand competition across the vendor pool.

The second bridge contract, [REDACTED], serves as a strictly defined continuity vehicle designed to support the time between current bridge expiration (September 16, 2026), the recomplete target award date [REDACTED], and a critical transition period [REDACTED] for the incoming TLS V2.0 contractor. The DHA determined that

(U) Defense Health Agency (cont'd)

the [REDACTED] incoming transition period is critical to maintain continuity of services and avoid unacceptable operational risk to supported systems and users. The DHA's transition strategy balances risk mitigation with competitive speed.

The DHA Component Acquisition Executive (CAE) has approved both the follow-on acquisition strategy for TLS V2.0, as well as the second bridge contract [REDACTED], in accordance with the rationale and justifications provided above.

On July 9, 2026, DHA coordinated with the Office of the Under Secretary of War for Acquisition and Sustainment (OUSW(A&S)) to ensure both the second bridge contract and the competitive follow-on strategy strictly adhere to federal best-value principles. The OUSW(A&S) formally concurred with the aforementioned action plan and fully supports the DHA CAE's execution of these actions, with no outstanding concerns or issues remaining. The DHA is recommending closure of recommendation 2.

The DHA values the Inspector General's advisory and the opportunity to submit these management responses. The agency remains steadfast in its commitment to robust Government oversight, risk reduction, and competitive contracting in a manner that directly supports uninterrupted health care delivery, military readiness, and the strategic objectives of the Department of War.

The point of contact is [REDACTED], Strategic Advisor to the Deputy Component Acquisition Executive, Assistant Director for Research, Development, and Acquisition, Defense Health Agency, [REDACTED].

[REDACTED]
DARIN VIA
Vice Admiral, Medical Corps, United States Navy
Director, Defense Health Agency

Attachments:
As stated

(U) Under Secretary of War for Acquisition and Sustainment



ACQUISITION
AND SUSTAINMENT

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3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

MEMORANDUM FOR INSPECTOR GENERAL OF THE DEPARTMENT OF WAR

SUBJECT: Response to DoW Office of Inspector General Draft Management Advisory Audit of the Defense Health Agency's Processes for Developing Contract Requirements Packages to Achieve Cost Efficiencies (Project No. D2026-D000AX-0064.001)

As requested, I am providing a response to recommendation 2 of the subject report.

RECOMMENDATION 2: The Department of War (DoW) Office of Inspector General recommends that the Under Secretary of War for Acquisition and Sustainment (USW(A&S)) coordinate with the Director, Defense Health Agency (DHA), to determine whether issuing a second bridge contract for Technology Lifecycle Support (TLS) services represents the best value to the DoW and, if not, direct DHA to pursue an alternate acquisition strategy, as appropriate.

RESPONSE: Partially concur. Defense Pricing, Contracting, and Acquisition Policy (DPCAP) will coordinate with DHA to review the TLS acquisition strategy, including whether a second bridge contract represents the best value to the Department. The DPCAP memorandum, "Approval of Changes to the Decision Authorities of DoD Components for Acquisition of Services," dated June 21, 2016, designates the DHA Component Acquisition Executive (CAE) as the decision authority for services acquisitions valued below \$1 billion, therefore the DHA CAE will determine the appropriate acquisition strategy.

Consistent with the USW(A&S) June 23, 2023, memorandum, "Implementation of the Department of Government Efficiency Cost Efficiency Initiative," concerns regarding prospective contracts are to be resolved through the applicable Component chain of command, including the Service or Component Acquisition Executive (SAE/CAE), and elevated to the Component Head as necessary for resolution.

Please contact [REDACTED], at [REDACTED]
[REDACTED], if additional information is required.

TENAGLIA.JOHN.M [REDACTED]

John M. Tenaglia
Principal Director,
Defense Pricing, Contracting, and
Acquisition Policy

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U.S. DEPARTMENT OF WAR

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