

January 9, 2026

Larry Reinkemeyer,
Assistant Inspector General
Office of Audits and Evaluations
Office of Inspector General
U.S. Department of Veterans Affairs

Re: *Independent Audit Report of Pharma Logistics LLC's Billing Compliance*, issued
December 16, 2025

Dear Mr. Reinkemeyer:

This letter responds to the Department of Veterans Affairs Office of Inspector General's ("OIG") *Independent Audit Report of Pharma Logistics LLC's Billing Compliance* (the "Audit Report," or the "Report"), issued on December 16, 2025. The Report addressed VA Contract No. 36W79718D0002 (the "VA Contract," or the "Contract"), which was effective from October 8, 2018 to October 8, 2020. After reviewing the Audit Report, Pharma Logistics submits this response to clarify its performance and administration of the VA Contract. Pharma Logistics would like to thank the OIG for its willingness to engage with Pharma Logistics over the course of its audit and for allowing Pharma Logistics to provide this response.

The Audit Report concludes that "Pharma Logistics officials' assertion that it billed in accordance with the terms and conditions of its contract is fairly stated in all material respects through the team's audit completion date." Thus, the OIG concluded that Pharma Logistics substantially complied with its performance obligations under the VA Contract. Pharma Logistics agrees with this finding. The Audit Report further identifies that the Company successfully returned \$110.3 million in manufacturer credits to the VA, achieving substantial savings for both the federal government and the taxpayer. Pharma Logistics agrees with this finding as well. Pharma Logistics returned these credits to the VA through the process of working with local VA facilities to return expired or expiring pharmaceuticals to the manufacturer in compliance with the manufacturers' return policies. Each such return for a local VA facility was referred to as a "job," and the VA would receive manufacturer credits for these jobs up until the job was "closed," at which point in time no further credits would accrue to the VA.

Pharma Logistics strongly disagrees with the OIG's asserted finding that Pharma Logistics failed to properly apply approximately \$4.1 million in additional manufacturer credits for returned pharmaceuticals to VA accounts. The extensive documentation provided by Pharma Logistics to the OIG demonstrates that VA Contracting Officers directed Pharma Logistics to close jobs associated with \$3.6 million of the credits the Audit Report alleged that the Company improperly retained, in accordance with a process agreed upon by VA and Pharma Logistics, including through the October 2018 Contract Modification. Closure of these jobs, as directed by VA Contracting Officers, meant Pharma Logistics appropriately retained the relevant credits, as

permitted by the VA Contract. As of the submission of this response, Pharma Logistics awaits similar direction from VA Contracting Officers to close out the remaining 199 jobs that remain “open” under the VA Contract more than five years after the Contract expired in 2020.

The record reflects that Pharma Logistics and the VA agreed on a method of contract administration to the satisfaction of both parties, and while the OIG may ultimately disagree with the chosen method of administration, such disagreement does not support the OIG’s asserted findings regarding jobs closed pursuant to an agreed-upon process. A weakness identified by the OIG regarding the performance of the VA’s contracting process should not negatively reflect on Pharma Logistics’ contract performance, particularly given Pharma Logistics’ continued efforts to collaborate with VA Contracting Officers to close out jobs that remain open five years after the VA Contract’s expiration. Pharma Logistics and the VA and the OIG’s competing interpretations of the VA Contract arise from a divergence of expectations as to the respective rights and responsibilities of the parties and not from any failure of Pharma Logistics to meet its contractual, legal, or ethical obligations.

The remaining \$526,520 of the \$4.1 million in credits allegedly retained by Pharma Logistics relate to processing fees that Pharma Logistics has already refunded to the VA. The Audit Report questioned the adequacy of the documentation related to Pharma Logistics’ refund, but admits that the “discrepancy may stem from issues within the prime vendor’s records rather than from the contractor.” Pharma Logistics agrees with the OIG’s finding that Pharma Logistics is not responsible for this alleged discrepancy in documentation, and appreciates that the OIG did not dispute the factual basis of Pharma Logistics’ refund.

Pharma Logistics appreciates the opportunity to work with the VA, and is proud of the over \$110 million in credit returns that it helped generate on behalf of veterans and the American taxpayer.

Sincerely,

/s/ David A. Hargraves
David A. Hargraves
CEO
Pharma Logistics LLC