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VA ACQUISITION MANAGEMENT

Actions Needed to Improve Program Oversight and Acquisition Outcomes

Statement of Shelby S. Oakley, Director,
Contracting and National Security Acquisitions

GAO Highlights

Highlights of [GAO-22-106220](#), a testimony before the Subcommittee on Oversight and Investigations and Subcommittee on Technology Modernization, Committee on Veterans' Affairs, House of Representatives

Why GAO Did This Study

Over the past 10 years, VA's total contract obligations increased substantially, rising 89 percent. In fiscal year 2021, VA obligated about \$38 billion for goods and services. Program growth and VA's efforts to modernize its systems partly drove the increase. GAO added VA's acquisition management to its High-Risk List in 2019 due to numerous challenges to efficiently purchasing goods and services, including medical supplies.

This statement discusses VA's major acquisitions and broader acquisition management challenges, its efforts to address them, and implications for improving VA's overall acquisition management. This statement is largely based on information from [GAO-22-105195](#) and preliminary observations from ongoing work on VA's oversight and management of its acquisition workforce.

To perform the ongoing work, GAO reviewed VA documentation, surveyed the acquisition workforce, and interviewed officials. Information about the scope and methodology of prior work on which this statement is based can be found in those products.

What GAO Recommends

GAO has made numerous recommendations to VA aimed at improving its acquisition management. While VA has addressed many of them, VA still needs to develop a comprehensive supply chain management strategy, among other things. GAO will make additional recommendations, as appropriate, based on ongoing work.

View [GAO-22-106220](#). For more information, contact Shelby S. Oakley at (202) 512-4841 or oakleys@gao.gov.

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Actions Needed to Improve Program Oversight and Acquisition Outcomes

What GAO Found

For over a decade, the Department of Veterans Affairs (VA) has worked to implement a framework for managing how it purchases goods and services, GAO found that VA has not used the current framework, in place since 2017, for its major acquisitions. This framework includes features—such as phases, key documents, and identified decision authorities—that could provide standardized management and oversight of VA's major acquisitions.

However, most of VA's major acquisition programs that GAO reviewed use program-specific approaches that vary widely in robustness. These approaches make it challenging for VA to provide uniform oversight for acquisitions and consistently identify opportunities to improve acquisition outcomes. For example, VA has not yet:

- addressed critical testing issues or developed performance measures for its costly Electronic Health Records Modernization program.
- determined which approach to take in implementing its Medical Surgical Prime Vendor program, a program intended to get critical supplies to the medical centers.

VA plans to implement a new framework that includes features and processes similar to those of the current one. However, GAO found VA is not well-positioned to successfully implement the new framework because it has yet to address existing challenges, such as identifying major acquisition programs subject to increased oversight within the new framework. If VA takes steps to address this and other challenges prior to implementing the new framework, the agency will be better positioned to achieve improvements in its management of major acquisitions.

Further, GAO added VA to the High-Risk List in 2019, noting that VA needs to address long-standing acquisition management challenges. VA made some progress, such as updating its acquisition regulations and developing a high-risk corrective action plan. However, VA leadership has yet to develop an approach for monitoring and demonstrating real progress in addressing long-standing challenges.

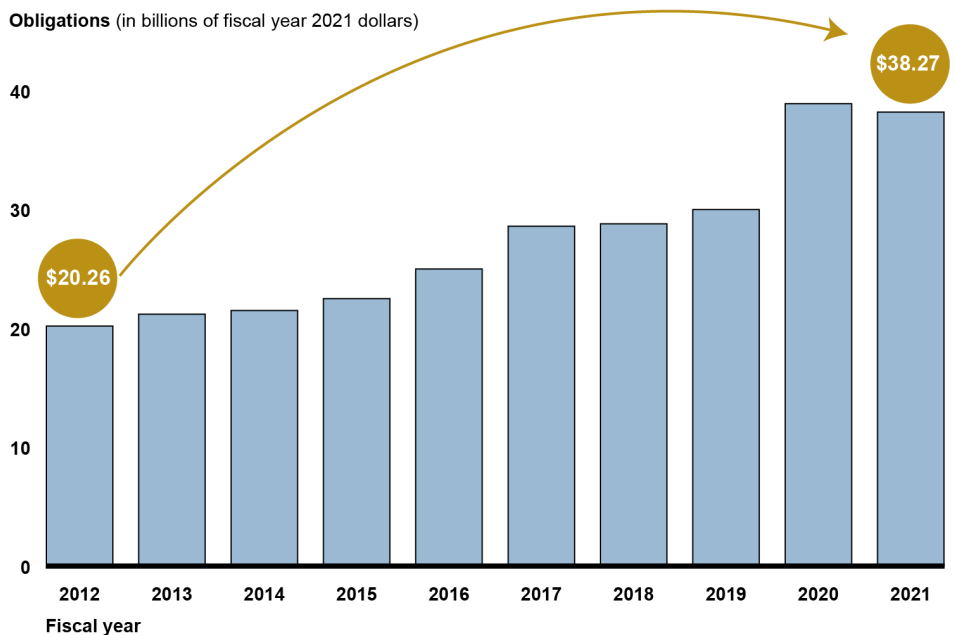
Additionally, GAO identified VA acquisition workforce issues as high risk, such as inadequate training and contracting officer workload challenges. VA acknowledged these challenges in its high-risk corrective action plan. Preliminary results from GAO's ongoing work indicates that VA does not have comprehensive data to accurately track the totality and characteristics of its acquisition workforce. Moreover, this work shows VA lacks clear documentation of roles and responsibilities for some acquisition workforce leaders. GAO is continuing its review in this area and will issue its report in the fall of 2022.

Chairmen Pappas and Mrvan, Ranking Members Mann and Rosendale, and Members of the Subcommittees:

Thank you for having me here today to discuss our work on the Department of Veterans Affairs' (VA) acquisition management challenges. VA relies upon its acquisition programs to provide many capabilities and services that are essential to provide health care and other benefits to veterans and their families. While acquisition management may seem like a purely administrative process, it has a direct effect on the quality of health care veterans receive.

The maturity of VA's acquisition function, including VA's ability to oversee and manage its major acquisitions, however, has not kept pace with its significant increase in acquisition spending. Over the last 10 years, VA's contract obligations have increased by 89 percent, reaching over \$38 billion in fiscal year 2021 (see fig. 1). This increase was driven in part by key program growth and efforts to modernize several critical VA systems.

Figure 1: Department of Veterans Affairs (VA) Contract Obligations Growth, Fiscal Years 2012 through 2021



Source: VA obligation data from the Federal Procurement Data System. | GAO-22-106220

We added VA's acquisition management to GAO's High-Risk List in 2019 due to numerous challenges to efficiently purchasing goods and services, including medical supplies.¹

My statement today primarily highlights our recent work on VA's management of its major acquisitions. This testimony also provides a discussion of themes from our most recent VA high-risk update, actions VA has taken since that update, and preliminary observations from our ongoing work on VA's oversight and management of the acquisition workforce.

To perform the ongoing work, we reviewed VA documentation, surveyed the acquisition workforce, and interviewed officials. Information about the scope and methodology of prior work on which this statement is based can be found in those products.²

We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

For over a decade, VA has been working to develop and implement a framework for managing how it purchases goods and services. However, we found that VA has not used the current framework, in place since 2017, to manage its major acquisitions.³ This framework includes features—such as phases, key documents, and identified decision authorities—that are in line with leading acquisition practices and could provide for more standardized management and oversight of VA's major acquisitions. We have issued numerous reports on several of VA's most

¹*High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*, [GAO-19-157SP](#) (Washington, D.C.: Mar. 6, 2019).

²See GAO, *VA Acquisition Management: Action Needed to Ensure Success of New Oversight Framework*, [GAO-22-105195](#) (Washington, D.C.: August 11, 2022) and GAO, *High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas*, [GAO-21-119SP](#) (Washington, D.C.: Mar. 2, 2021) and [GAO-19-157S](#). A complete list of the related GAO reports is provided at the end of this report.

³For more information on how these major acquisitions were identified, see [GAO-22-105195](#).

costly and mission-critical acquisition programs that were experiencing cost overruns and schedule delays. None of these programs was following VA's 2017 acquisition framework, but rather used program-specific approaches that varied widely in robustness—making it a challenge for VA to provide uniform oversight for acquisitions and consistently identify opportunities to improve acquisition outcomes.⁴ The following examples illustrate some of the specific challenges we identified:

- VA's Electronic Health Records Modernization is a program intended to broadly support the provision of health care for VHA's 9 million annual patients. The program has faced challenges resolving critical issues identified during testing. We expressed concern in February 2021 that as the department moved forward with deploying the system at new locations, testing would likely identify issues that would need to be addressed to ensure that the system performs as intended.⁵ Further, in February 2022, we reported that the department had yet to establish performance measures and goals to ensure data quality in the new system.⁶ These issues, among others, contributed to VA's July 2022 decision to delay the rollout of EHRM at additional medical centers while VA works to address issues including system and data quality concerns.
- VA's Defense Medical Logistics Standard Support system is intended to replace many of VA's aging, disparate legacy supply chain systems and provide more powerful analysis and reporting capabilities, among other things, according to VA officials. This system is expected to cost \$2.2 billion over 15 years. The program office has been working to deploy this system since the VA Secretary approved the acquisition in March 2019. The VA Office of Inspector General found in November 2021 that the office responsible for this program skipped steps that would have been required by VA's existing acquisition framework. As

⁴VA stated that certain programs were exempt from the acquisition framework. See [GAO-22-105195](#).

⁵GAO, *Electronic Health Records: VA Has Made Progress in Preparing for New System, but Subsequent Test Findings Will Need to Be Addressed*, [GAO-21-224](#) (Washington, D.C.: Feb. 11, 2021). Accordingly, we recommended that VA postpone deployment of the new EHR system in new locations until any critical and high severity test findings are closed.

⁶GAO, *Electronic Health Records: VA Needs to Address Data Management Challenges for New System*, [GAO-22-103718](#) (Washington, D.C.: Feb. 1, 2022). We recommended that VA establish and use performance measures and goals to ensure the quality of migrated data.

a result, the system did not meet many key user requirements. Currently, this platform is operational at a single medical center, and VA is reassessing the future of this program.

- VA has experienced significant delays and challenges fully implementing its Medical Surgical Prime Vendor (MSPV) program, which is intended to provide an efficient and cost-effective way to get critical supplies to medical centers. In 2017, we reported that VA's initial implementation of MSPV was flawed, as it lacked an overarching strategy, stable leadership, and medical center buy-in, among other issues. Since 2017, VA has pursued four different versions of this program, but none have fully achieved VA's goals. According to program officials, as of August 2022, VA is again revising its approach to this program.
- Despite having a governance structure that we found was generally in line with leading project management practices, VA's Financial Management and Business Transformation program, which will implement a new integrated financial and acquisition management system, has experienced challenges. We reported in March 2021 that the program did not fully or substantially meet all characteristics for ensuring a reliable cost estimate and integrated master schedule.⁷ Reliable cost and schedule estimates provide a road map for project execution and are critical elements to delivering large-scale IT systems. Without a process resulting in reliable estimates, VA management likely would not have the information necessary for informed decision-making.

While VA is planning to implement a new acquisition management framework, we expressed concerns last month that VA is not well-positioned to successfully do so because it has yet to address some of the same challenges that hindered implementation of the 2017 framework.⁸ These challenges include identifying programs subject to the increased oversight within the new framework, assessing acquisition workforce needs, and ensuring framework compliance. If VA takes steps to address these and other challenges prior to implementing the new framework, VA will be better positioned to provide uniform oversight for its acquisitions. In turn, if this new framework is effectively implemented, it could have a more meaningful impact on programs at VA. Further, implementation of the new framework could make available important

⁷GAO, Veterans Affairs: *Ongoing Financial Management System Modernization Program Would Benefit from Improved Cost and Schedule Estimating*, [GAO-21-227](#) (Washington, D.C.: Mar. 24, 2021).

⁸[GAO-22-105195](#).

information that VA and Congress may use to make decisions on these complex and expensive acquisition programs.

Implementing an effective acquisition framework is one of several challenges VA faces. Other challenges, such as managing the acquisition workforce and contracting officer workload, using outdated acquisition policies and strategies, and ineffective supply chain management led us to add VA acquisition management to the High-Risk List in 2019. VA made some progress, such as by updating its acquisition regulations and by initiating efforts to develop a supply chain management strategy. However, VA still needs to develop an approach for monitoring and demonstrating real progress in addressing the root causes of its long-standing challenges.

In March 2021, after the release of our last high-risk update, VA issued a corrective action plan to address these challenges and updated that plan as recently as July 2022. Our preliminary analysis of the July 2022 corrective action plan found that VA has identified specific root causes for its acquisition management challenges, but it is still working to develop performance goals and metrics to track progress resolving these root causes. According to the updated plan, VA developed an Acquisition Management Program to focus on agency collaboration in addressing its acquisition management challenges and using accurate and quality data to make decisions, among other things. VA identified implementation of its acquisition framework as an essential part of acquisition modernization in its corrective action plan, and successful implementation of the framework will be key to executing the plan effectively.

Additionally our prior work identified VA acquisition workforce issues as high risk. This includes inadequate training and contracting officer workload challenges, which VA also acknowledges in its high-risk corrective plan. Agencies like VA rely on a workforce of talented and trained individuals who can plan, manage, and oversee acquisitions. Our preliminary observations from our ongoing work indicate that VA does not have comprehensive data to accurately track the totality and characteristics of its acquisition workforce. In addition, VA lacks clear documentation for some management roles and responsibilities in its acquisition workforce. We plan to complete and issue a report about VA's acquisition workforce in the fall of 2022.

In conclusion, rigorous oversight and management of VA's major acquisitions are essential to ensuring that VA meets its goals, makes good use of limited resources, and ultimately meets the needs of our

nation's veterans. Since 2017, VA has tried to fully implement an acquisition framework, but was not successful. Failure to successfully implement a framework could undermine both VA's and Congress's efforts to hold leaders and programs accountable and improve acquisition outcomes. Until VA addresses its fundamental acquisition management challenges that have led to its high-risk designation, it is likely that VA will continue to struggle to make real progress managing acquisitions and providing consistent high-quality health care and other benefits to veterans.

Chairmen Pappas, and Mrvan Ranking Members Mann and Rosendale, and Members of the Subcommittees, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

GAO Contact and Staff Acknowledgments

If you or your staff have any questions about this testimony, please contact Shelby S. Oakley, Director, Contracting and National Security Acquisitions, at (202) 512-4841 or OakleyS@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this testimony are Julie Clark, Assistant Director; Teague Lyons, Assistant Director; Gina Flacco, Analyst-in-Charge; and Dinah Girma. Also contributing were Mark Bird, Rose Brister, Lorraine Ettaro, Min-Hei (Michelle) Kim, Michael LaForge, Robin Wilson, and Ann Tynan.

Related GAO Products

VA Acquisition Management: Action Needed to Ensure Success of New Oversight Framework, [GAO-22-105195](#). Washington, D.C.: August 11, 2022.

VA Financial Management System: Additional Actions Needed to Help Ensure Success of Future Deployments, [GAO-22-105059](#). Washington, D.C.: March 24, 2022.

Electronic Health Records: VA Needs to Address Data Management Challenges for New System, [GAO-22-103718](#). Washington, D.C.: February 1, 2022.

Veterans Community Care Program: VA Should Strengthen Its Ability to Identify Ineligible Health Care Providers, [GAO-22-103850](#). Washington, D.C.: December 17, 2021.

VA Acquisition Management: Fundamental Challenges Could Hinder Supply Chain Modernization Efforts if Not Addressed. [GAO-22-105483](#). Washington, D.C.: November 18, 2021.

Veterans Affairs: Systems Modernization, Cybersecurity, and IT Management Issues Need to Be Addressed, [GAO-21-105304](#). Washington, D.C.: July 1, 2021.

VA Acquisition Management: Comprehensive Supply Chain Management Strategy Key to Address Existing Challenges. [GAO-21-445T](#). Washington, D.C.: March 24, 2021.

Veterans Affairs: Ongoing Financial Management System Modernization Program Would Benefit from Improved Cost and Schedule Estimating, [GAO-21-227](#). Washington, D.C.: March 24, 2021.

VA Disability Exams: Better Planning Needed as Use of Contracted Examiners Continues to Grow, [GAO-21-444T](#). Washington, D.C.: March 23, 2021.

High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas. [GAO-21-119SP](#). Washington, D.C.: March 2, 2021.

Related GAO Products

Electronic Health Records: VA Has Made Progress in Preparing for New System, but Subsequent Test Findings Will Need to Be Addressed. [GAO-21-224](#). Washington, D.C.: February 11, 2021.

VA Acquisition Management: Actions Needed to Improve Management of Medical-Surgical Prime Vendor Program and Inform Future Decisions. [GAO-20-487](#). Washington, D.C.: September 30, 2020.

VA Acquisition Management: Steps Needed to Ensure Healthcare Federal Supply Schedules Remain Useful. [GAO-20-132](#). Washington, D.C.: January 9, 2020.

VA Disability Exams: Improved Performance Analysis and Training Oversight Needed for Contracted Exams, [GAO-19-13](#). Washington, D.C.: Oct. 12, 2018.

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