

**STATEMENT OF
FORD HEARD, ASSOCIATE DEPUTY ASSISTANT SECRETARY, OFFICE OF
ACQUISITION & LOGISTICS
DEPARTMENT OF VETERANS AFFAIRS (VA)
BEFORE THE
HOUSE COMMITTEE ON VETERANS' AFFAIRS,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
U.S. HOUSE OF REPRESENTATIVES**

July 21, 2015

Good afternoon, Chairman Coffman , Ranking Member Kuster, and Members of the Subcommittee. I appreciate the opportunity to address your concerns about the Department's Interagency Agreements and Federally Funded Research and Development Centers (FFRDC) contracting arrangements. I am joined today by Michele Foster, Associate Executive Director, Technology Acquisition Center and David Orso, Executive Director, Enterprise Program Management Office.

The Department of Veterans Affairs' main acquisition priority is to provide comprehensive, strategic acquisition support for VA's highly complex requirements, including Information Technology and medical systems which support our Veteran community. This support includes acquisition planning, requirements generation, procurement, and contract administration in connection with acquiring supplies, equipment and services required for the provision of benefits and medical care to our Nation's Veterans.

BACKGROUND

There are many acquisition tools the Department uses in acquiring goods and services in order to meet the many demands within the Department. Let me explain some of those today, specifically those that were the subject of a recent GAO report.

The first is an Interagency Acquisition, which is a procedure whereby one government agency obtains supplies or services through another government agency. There are essentially two types of Interagency Acquisitions that an agency can execute: The first of which is "Direct Acquisition," where the requesting agency places an order directly against the servicing agency's indefinite delivery contract. In this acquisition, the servicing agency manages the indefinite delivery contract, but does not participate in or administer the order. Some such servicing agencies that VA has worked with toward this end are GSA and the Department of the Navy. The second type of Interagency Acquisition is "Assisted Acquisition" whereby one agency requests the services from another agency to perform the acquisition activities on behalf of the requesting agency, such as awarding and administering a contract, task order, or delivery order. Assisted Acquisition benefits the requesting agency by providing a means to satisfy its requirements in a manner that is cost effective. VA use of Assisted Acquisitions continues to decline as it hires more acquisition personnel.

Interagency Acquisitions are accomplished through the use of Interagency Agreements (IAA). The decision to enter into an IAA is based on the information in the business case, which is the result of market research. These documents are reviewed by the contracting officer and Office of General Counsel attorney (when VA policy

requires legal review) to determine if the information presented supports entering into an IAA. There is also a separate category, known as 'Interagency Transactions,' which do not fall under the purview of Federal Acquisition Regulations (FAR) Subpart 17.5. Interagency Transactions are not Interagency Acquisitions, but are a financial transaction, consisting of interagency reimburseable work that is performed by federal employees or interagency activities where contracting is incidental to the purpose of the transaction. Generally speaking, the funds are transferred from one agency to another to perform work by Federal employees, whereas with assisted acquisitions, the servicing agency executes a contract and the work is performed by contractors.

The second is FFRDCs, which are independent entities sponsored and funded primarily by the United States Government to meet specific long-term scientific and technical needs that cannot be met as effectively by existing in-house or contractor resources. FFRDCs are managed by a parent organization in accordance with statutory and regulatory rules. An FFRDC provides high-quality research, systems engineering, and analytical work that is within the mission and purpose of its sponsorship and contracted scope. FFRDCs are prohibited from competing with any non-FFRDC concern in response to a Federal agency request for proposal for other than the operation of an FFRDC. The long-term strategic relationship between the Government and an FFRDC is encouraged to enable the FFRDC to develop and maintain in-depth knowledge of its sponsors' programs and operations, as well as to maintain continuity and currency in its special fields of expertise. VA co-sponsors an FFRDC with Internal Revenue Service through MITRE Corporation, which has five core competencies:

strategic management procurement; support and evaluations; program and project management ; technical management; and independent evaluations and audits.

To ensure proper management and oversight of the FFRDC usage, VA has established a multi-tiered executive level governance structure. The FFRDC Governance Plan provides guidelines and procedures for ensuring compliance the FAR. The Governance Plan applies to all administrations and staff offices within VA that seek to use the services of an FFRDC, and who are able to demonstrate that the requirement falls within the core competencies of the FFRDC and can justify that the primary work cannot be performed as effectively by existing in-house, not-for-profit, or for-profit contractor resources.

Through a series of acquisition and requirements based integrated process teams (IPTs) and senior level review boards, the governance structure provides execution level assessments as well as strategic level planning and oversight to ensure the proper use of FFRDC services are consistent with the FAR requirement as well as the VA's strategic goals. The Office of Acquisition Logistics & Construction OALC maintains primary responsibility for the acquisition oversight of FFRDC governance. This is accomplished through three bodies, the Acquisition Management Team (AMT), Acquisition Integrated Process Teams (AIPT), and Performance Management Team (PMT). The AMT, a forum led by OALC, whose responsibility is to develop a sound acquisition strategy for FFRDC use, and recommend appropriate contracting vehicles to support the FFRDC strategy with OGC support. The AIPT is the tactical level governance forum that reviews a potential task order's suitability for award to an FFRDC. Here, the internal requiring activity will present its case on why it is seeking to

award to an FFRDC, and the AIPT; composed of program, acquisition, and legal experts; will make a determination on whether that effort is appropriate in scope. The PMT checks on the progress of current FFRDC task orders throughout the year. The PMT assesses cost, schedule, and performance, to ensure the VA customer's needs are being met, and identify the need for any course corrections to ensure the Department's investment is returning benefits.

While OALC maintains Acquisition Decision Authority over the FFRDC governance process, it is supported by the Office of Policy and Planning (OPP) in executing the VA FFRDC requirement functions of the governance process. This responsibility falls to two governance councils; the FFRDC Executive Requirements Council (FERC), and the Strategic Management Team (SMT). The FERC is an executive council that seeks to align and integrate requirements for the FFRDC from across VA. The FERC is supported in its efforts by the SMT. The SMT's role is to gather requirements from across VA, align them with the Department's strategic requirements, and identify either points of integration or gaps for review and concurrence by the FERC. The FERC and SMT comprise representation from across the Department.

RECENT GAO REPORT ON VA CONTRACTUAL ARRANGEMENTS

The objective of the GAO review was to determine: (1) the extent to which VA used IAAs in fiscal years 2012 through 2014, (2) the effectiveness of VA's management of the award and oversight of its IAAs, (3) the extent to which VA used FFRDCs in fiscal

years 2012 through 2014, and (4) the effectiveness of VA's management of the contract award and oversight process for FFRDC support.

The Department considers these and all reviews, to include all findings and recommendations, to be of the utmost importance to the overall success of VA in meeting its mission. In its report, GAO highlighted five distinct areas that required consideration by the Department. Specifically, GAO recommended VA revise its policies (1) to improve the recording of Interagency Transaction data, and (2) to ensure interagency training reaches the full range of program and contracting officials. We concurred on both of these recommendations, and are currently in the process of revising our current financial and procurement policy to more clearly address recording procedures, as well as developing a robust training program designed to mitigate gaps in compliance with interagency procurement policy.

VA also established Procurement Policy Memorandum (PPM) 2013-06, Interagency Acquisitions Guidance and Procedures, which was issued on December 31, 2013. This policy provides guidance and procedures so that the benefits of Interagency Acquisitions are consistently achieved across the Department as required by FAR 17.5. As a result of the recent GAO audit, VA's PPM is currently under review and will be revised to clarify administrative requirements for IAA and provide clear guidance regarding reporting interagency transactions.

VA's Office of Acquisition and Logistics is also collaborating with the Office of Management and the Office of General Counsel to prepare a training presentation for the Acquisition workforce, the program offices, and all others involved with Interagency

Acquisitions with the purpose of providing clear understanding of interagency acquisitions and interagency transactions and how they are to be administered.

The comprehensive training will provide an overview of interagency acquisitions. The training will also address the process used to determine the appropriate type of interagency acquisition as a result of acquisition planning. Additionally, the training will address how the required interagency agreement, for assisted acquisitions, is coordinated and approved before the acquisition proceeds. An interagency agreement is not required for a direct acquisition. Finally, the training will focus on compliance-related issues to ensure associated contract files are properly established, maintained and reconciled.

In addressing FFRDCs, GAO presented three recommendations that it believed would provide consistency throughout VA. GAO recommended VA (3) develop a strategy to ensure Department-wide adherence to the governance plan, (4) improve supporting file documentation, and (5) re-assess its approach towards travel costs. We concur on all three recommendations. In particular, VA's Chief Acquisition Officer, Mr. Greg Giddens, has recently advised us of his intention to issue a memorandum to all Agency Heads of Contracting Activities, which reinforces that all FFRDC contract actions be reviewed according to the requirements of VA's governance plan. Additionally, based on the intent to continue to improve the management and oversight of the FFRDC within VA, the original Governance plan was recently updated to reinforce compliance with recent procedural changes. The Governance Plan now incorporates executive level oversight regardless of which FFRDC is used. This update centralizes

governance and contract execution across VA, ensuring consistency with implementation and documentation as it relates to governance.

CONCLUSION

Mr. Chairman, VA is focused on providing Veterans with high-quality products and services through appropriate contracting practices. As I have previously stated, we take the GAO findings seriously, agree with the recommendations, and believe that the efforts we have since taken, and those planned, more than sufficiently address the concerns of GAO and will noticeably improve our Interagency Acquisition and FFRDC processes, which in turn, will place us in an even better position to meet Veterans' needs.

Mr. Chairman and Members of the Committee, this concludes my statement. Thank you for the opportunity to testify before the Committee today. My colleagues and I would be happy to respond to any questions you may have.