

Good afternoon. This hearing will come to order.

I want to welcome everyone to today's hearing on VA procurement. As a preliminary matter, I would like to ask unanimous consent that Dr. Wenstrup, Chairman of the Subcommittee on Economic Opportunity, be permitted to join us today.

Hearing no objection, so ordered.

Over the years this Subcommittee has discussed countless problems in VA contracts. From unauthorized purchase card commitments and hospital construction overruns in the billions, to university affiliate contracts that take years to award, to televisions purchased for hundreds of thousands of dollars but never used, to a material financial statement weakness...these problems run the gamut. Today we will examine the root causes.

GAO has just completed an excellent, wide ranging report recommending changes to organization, policy, and process.

VA's procurement and logistics organization is very complex. There is overlap, redundancy, and confusion about who buys what. VA has a headquarters, run by Mr. Giddens, with four organizations awarding contracts. Most of them have multiple locations around the country. VHA's separate headquarters is the Procurement and Logistics Office, run by Mr. Lemmon. Below that are three regional offices. Two of them have centralized contracting offices attached. Below that are 18 Network Contracting Offices. Then there are the logistics and prosthetics organizations, with their own component offices.

The Choice Act Independent Assessment found widespread concern among VA employees about the proliferation of contracting organizations and their ability to perform.

The procurement rules are just as complex. VA has its own acquisition regulations supplementing the Federal Acquisition Regulation. They are badly out of date. G-A-O actually discovered there were two different versions simultaneously in force. Then there are many categories of policy, different at the VA and VHA levels. Some supersede and contradict each other. Cancelled policies are still being followed. Apparently VA does not even have a complete list of them. Companies doing business with V-A don't know what the rules are, and even the VA contracting officers get confused.

The Commission on Care recommends simplifying all this into one vertically integrated supply chain organization. The Independent Assessment recommended the same thing last year.

VA purports to accept the recommendation. But it rejects the—quote—structural solution—end quote, meaning reorganization. VA says MyVA is already solving these problems. It is not at all clear that is accurate.

Regarding MyVA, what's in it? Some new analytics tools and internal control improvements. Will they be enough to resolve the financial statement material weakness? We will know in a few months.

But the big item in MyVA is the new version of the Medical Surgical Prime Vendor contracts, or MSPV. This is an effort to pare down the number of different medical and surgical items that VHA medical centers use, and save money by buying them in bulk. It's a good idea. The concept—called standardization—is not new. But the implementation is not going well.

The reduction of items in the MSPV product catalog is huge, down from almost half-a-million items to about 8,000. Decisions about which items make the cut, and what doctors are allowed to use, affect veteran health care. VA is badly behind schedule in awarding the supplier contracts for these items.

VA has apparently resorted to issuing sole-source contracts for thousands of them. This undermines the goal of negotiating the best prices. These are very important contracts; VA estimates altogether they are worth more than four billion dollars.

I look forward to delving into these issues today. I now yield to Ranking Member Kuster for her opening remarks.