

**STATEMENT OF
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BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
U.S. HOUSE OF REPRESENTATIVES**

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Good afternoon, Chairman Coffman, Ranking Member Kuster, and distinguished members of the Subcommittee. I appreciate the opportunity to discuss the progress that the Department of Veterans Affairs (VA) is making towards transforming procurement and supply chain operations leading to improved business outcomes that benefit our Nation's Veterans, and taxpayers. I am joined today by Mr. Rick Lemmon, the Acting Chief Procurement and Logistics Officer for the Veterans Health Administration (VHA).

VA recognizes that persistent challenges exist in delivering business solutions that satisfy Veterans needs while simultaneously complying with the vast body of laws and regulations that govern Federal acquisitions. VA is committed to: continuous improvement of our procurement practices and procedures; leveraging our buying power to achieve cost avoidances; improving our management information systems to support improved decision making; improving acquisition workforce competencies; and executing our acquisition mission in an integrated manner that establishes clear lines of authority and holds people accountable for mission outcomes.

To that end, the Department has made steady and significant progress over the past 5 years, but admittedly, there is more work to be done, as reflected in the recent Government Accountability Office (GAO) report titled, "Veterans Affairs Contracting: Improvement in Policies and Processes Could Yield Cost Savings and Efficiency". VA agrees with the conclusions in the report, and we are pleased to report that in most

cases, VA already has strategies in place that align with GAO's recommendations. For example, the Department initiative to streamline internal acquisition policy and procedures to clearly delineate what is required by law and regulation from what are business process requirements. This deliberate separation of policy from procedure will create a more agile management environment that can respond more quickly to stakeholder and customer needs.

Other examples of the Department's focus on improving acquisition across the enterprise include enhanced training for members of the acquisition team, including both acquisition professionals and the customers they support; process improvements to improve visibility over acquisition workforce training, certifications, and warrants; and improvements in VA's contract writing system to improve visibility of contract actions across the entire acquisition life cycle from requirements generation to contract closeout. The Department is implementing a 5 year acquisition information technology systems modernization plan that is replacing legacy, proprietary systems technology with world-class, agile, and user-friendly capabilities that will be simpler and cheaper to sustain, and will also support rapid response to changing customer requirements thereby improving customer satisfaction.

Significantly, under the leadership of Secretary McDonald, VA has evolved a new management culture that embraces: industry best practices such as continuous process improvement using LEAN principles; an overarching leadership philosophy, which values employee creativity and diversity and fosters decision making that relies less on bureaucratic rules in deference to "guiding principles" that focus attention and energy squarely on Veteran needs and hold people accountable for individual and enterprise business outcomes. -

Apart from improvements that are focused on developing a professional contracting workforce, VA has focused heavily on establishing an acquisition

management framework to provide a disciplined, repeatable process for managing programs throughout the acquisition lifecycle. Similar to the approach used by the Department of Defense (DoD), implementation of a Acquisition Program Management Framework (APMF) will complement and support the Department's efforts to integrate business functions more effectively to achieve enterprise outcomes and results. Specifically, the APMF will help drive desired business outcomes and firmly establish accountability for acquisition programs as a component of VA's overarching "Managing for Results" process.

Key tenets of VA's approach to acquisition service delivery include the centralization of policy and workforce development functions, and decentralized execution. Centralization of acquisition policy and workforce development allows the Department to implement a standardized acquisition system and adapt the system to quickly adapt to changes. A recent example of this is the Supreme Court ruling in the case *Kingdomware Technologies, Inc. v. United States*. As a result of the ruling, contracting in the Department has fundamentally changed. Due to continuous efforts to improve integration across VA's acquisition community, the Department was able to rapidly revise numerous internal acquisition policies and procedures to ensure full compliance with the law. In addition, our award winning VA Acquisition Academy was able to quickly develop and deliver targeted training for both contracting professionals and internal customers to ensure rapid implementation of the Court's ruling. Through central management of the enterprise acquisition policy framework, VA adapted to the ruling with minimal impact to critical timely acquisitions.

The agility of VA's acquisition and supply chain communities to adjust to both regulatory requirements and mission challenges continues to improve as VA evolves through the MyVA transformation agenda which is focused on optimizing Veteran outcomes and customer experience, effective stewardship of resources, operational efficiency, and employee satisfaction. Transformation of VHA's supply chain is one of the "MyVA Breakthrough Initiatives". This initiative is focused on establishing an

enterprise-wide medical-surgical supply chain that leverages VA's scale to drive both effectiveness of acquisitions (leveraging VA's buying power to achieve best possible pricing) and system efficiencies resulting in lower operating costs.

This initiative is a comprehensive approach consistent with the Commission on Care's intent to improve the effectiveness and efficiency of VHA's supply chain and is already driving much needed improvements in data visibility and quality, synchronization of technology deployments, standardization, contract compliance, and training. Already in fiscal (FY) 2016, VHA supply-chain transformation efforts have yielded in excess of \$75 million in cost avoidance. VHA has also developed a 2 year supply-chain transformation stabilization and standardization plan that will establish a common operational environment to inform investment decisions beyond FY 2018. The Department believes that it is prudent to avoid significant technology investments beyond those currently in the pipeline until such time that a mature supply-chain baseline is established, upon which future incremental IT investment decisions can be based. This is especially important given VA's Financial Management Business Transformation initiative and emerging plans for a new Digital Healthcare Platform (DHP), both of which will impact legacy and contemporary supply-chain systems and interfaces, as well as influence system-improvement alternatives and investment decisions over the next 2 to 5 years. Supply-chain system improvements must be integrated and synchronized with enterprise financial and health care system enhancements to achieve efficiencies in service delivery and support analysis of integrated data to meet VA's current and future needs.

One of the Commission on Care report's recommendations that the Department does not believe is prudent at this time is the following. Specifically, the Commission suggested establishment of a Chief Supply Chain Officer (CSCO) and realignment of all procurement and logistics operations under the CSCO executive position. This isolated recommendation would not adequately address underlying management challenges associated with organizational complexity and the need to improve integration

processes impacting the supply chain. The Department believes that realignment of VHA's supply-chain structure, including roles and responsibilities of the various VA Central Office staff offices, health networks, and medical facilities, should derive from and be integrated with the transformation of the overall VHA health care organization structure. The intent of the Commission is being met by addressing alignment issues as the supply-chain breakthrough initiative evolves and is synchronized with the Department's overarching strategies to transform VHA through the MyVA initiative.

The Secretary, senior leaders, managers, and members of the acquisition and supply chain communities across the Department are keenly aware of the key business drivers fueling the MyVA Transformation. For members of the acquisition and supply chain communities, these compel us to continuously improve business processes and procedures to overcome long-standing system deficiencies; improve program execution, oversight and accountability; improve business outcomes; provide sound stewardship over resources generously provided by Congress and the American people; and be accountable to our stakeholders. We are tackling the many challenges that confront us in a transparent manner as mandated by the tenets of the MyVA transformation initiative. As stated by the Secretary, VA cannot accomplish the ongoing transformation through MyVA or recommendations from the Commission on Care without critical legislative changes. VA has aggressively pursued these needed changes with Congress. Many of these proposals are vital to maintaining our ability to purchase community care and best serve our Veterans. One of the Secretary's top legislative priorities concerns Provider Agreements, which enable delivery of necessary care for Veterans through the fullest complement of non-VA providers. VA purchased care authorities must be clarified and modernized. The future of these authorities will have a direct impact on the workload of VA's acquisition workforce. VA and its provider partners who use provider agreements are facing continuing uncertainty, so expeditious action is necessary. VA transmitted the VA Purchased Health Care Streamlining and Modernization Act to Congress on May 1, 2015. We strongly support its passage.

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