



Testimony

Before the Subcommittee on Oversight and Investigations and Subcommittee on Technology Modernization, Committee on Veterans' Affairs, House of Representatives

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VA ACQUISITION MANAGEMENT

Fundamental Challenges Could Hinder Supply Chain Modernization Efforts If Not Addressed

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

GAO@100 Highlights

Highlights of [GAO-22-105483](#), 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

GAO's prior work shows that VA has long faced challenges in achieving efficient acquisitions. Further, VA faced supply chain challenges during the early stages of the COVID-19 pandemic, as GAO testified in [June 2020](#), [September 2020](#), and [March 2021](#).

This statement discusses VA's supply chain 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 reports and testimony statements issued from 2017-2021 and preliminary observations from ongoing work. The ongoing work includes reviews focused on VA's management of major acquisitions and its acquisition workforce, on which GAO plans to issue reports in summer 2022.

To perform the ongoing work, GAO reviewed VA documentation and interviewed VA 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 made 51 recommendations since 2015 to improve acquisition management at VA. VA agreed with those recommendations and has implemented 29 of them. VA has yet to fully implement four priority recommendations including one to develop a comprehensive supply chain management strategy.

View [GAO-22-105483](#). For more information, contact Shelby S. Oakley at (202) 512-4841 or oakleys@gao.gov.

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What GAO Found

VA has one of the most significant acquisition functions in the federal government, with over \$34 billion obligated in fiscal year 2021. GAO added the Department of Veterans Affairs' (VA) acquisition management to its High-Risk List in 2019 due to long-standing acquisition management challenges, including purchases of goods and services, particularly medical supplies. For example, VA's Medical-Surgical Prime Vendor (MSPV) program is the VA medical centers' primary source for medical supplies. In 2017, GAO reported that VA's initial implementation of the current version of MSPV was flawed. It lacked an overarching strategy, stable leadership, and medical center buy-in. Consequently, despite some improvements, the program has yet to fully meet medical centers' needs for medical supplies.

Additionally, during 2019 and 2020, the Veterans Health Administration piloted the Defense Logistics Agency's version of MSPV and decided to expand it VA-wide. However, it did not evaluate whether the pilot was scalable, as GAO recommended in September 2020. A legal challenge has led to further delays, during which the medical centers continue to face the shortcomings of the current version of the program, including frequent backorders and other issues.

GAO's March 2021 High-Risk Update reported that VA has made limited progress addressing its acquisition management challenges. Since that time, VA has issued a high-risk action plan. While this plan identifies root causes of problems GAO identified in prior work, it lacks specifics. For example, the plan does not identify the scope of VA's supply chain and how existing programs and initiatives will be included in its overall supply chain modernization effort.

In March 2021, GAO made a recommendation that VA develop a comprehensive supply chain management strategy, given existing and continuing supply chain challenges that were highlighted by the COVID-19 pandemic. In response, VA has taken action and, according to the Chief Acquisition Officer, plans to complete a supply chain assessment by the end of 2022, which will inform its supply chain strategy.

While GAO recognizes that VA is taking action on supply chain issues, preliminary observations from its ongoing work underscore that VA has fundamental acquisition management challenges that, if not addressed, could undermine these supply chain efforts. For example, preliminary observations indicate that several of VA's key acquisition programs are not following VA's acquisition framework introduced in 2017—a situation confirmed by senior VA acquisition officials. A good acquisition framework, among other things, can help ensure that VA leaders have a structured process and the necessary information to make decisions at key points as it implements and executes a program. Such a framework also provides leaders with ways to monitor program outcomes and ensure accountability. GAO will be reporting on VA's current framework and actions it is taking to develop and implement a new framework and other actions related to acquisition oversight in the summer of 2022.

November 18, 2021

Chairmen Mrvan and Pappas, 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's struggles with acquisition management are well-known to these subcommittees—and frankly, to VA itself. Yet, the department faces a number of fundamental challenges as it implements efforts to improve. We added VA Acquisition Management to GAO's High-Risk list in 2019 based on findings that included long-standing supply chain management issues, but also a number of other broad, interrelated challenges. Since then, we conducted additional work that helped us continue to define some of these underlying challenges facing VA, including challenges highlighted by the COVID-19 pandemic. In the past 6 years, we made 51 recommendations and 22 remain open—and our ongoing work continues to identify new aspects of VA's challenges.¹

My statement today focuses on VA's supply chain and broader acquisition management challenges, its efforts to address them, and findings from our ongoing work that may have implications for improving VA's overall acquisition management.

My remarks today are based on our findings from past GAO reports and testimonies on VA acquisition management and its COVID-19 response, as well as preliminary observations from two ongoing reviews.² For our prior work, we reviewed VA policies, communications, briefings, key practices for organizational transformations based on prior work, and relevant legislation.³ We conducted interviews with VA officials responsible for Veterans Health Administration (VHA) and VA-wide procurement and logistics, program office managers, and supply chain

¹For a list of the open recommendations and VA's progress in addressing them, refer to appendix I.

²For a complete list of the GAO reports reviewed, see the related products identified at the end of this report.

³For more information about GAO's prior work on organizational transformations, see GAO, *Government Reorganization: Key Questions to Assess Agency Reform Efforts*, [GAO-18-427](#) (Washington, D.C.: June 13, 2018) and *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, [GAO-03-669](#) (Washington, D.C.: July 2, 2003).

managers, as well as other VA officials involved in acquisition management. More detailed information on our objectives, scope, and methodology for prior work can be found in the issued reports. We assessed VA's March 2021 GAO High-Risk List Action Plan and its July 2021 Report on Planned Actions to Address Certain High-Risk Areas of the Department of Veterans Affairs to determine the extent to which VA identified corrective actions, initiatives, performance metrics, and timelines for addressing its high-risk acquisition management areas of concern.⁴

As part of our ongoing work on VA's management of major acquisitions, we reviewed a 2017 acquisition framework policy developed by VA, as well as its accompanying guidebook. We also met with the Office of the Chief Acquisition Officer, as well as key VA personnel responsible for managing selected VA program offices. As part of our ongoing work on VA's acquisition workforce we collected data on VA's contracting officers, contracting officer representatives, and project and program managers. We also met with key VA acquisition personnel responsible for managing VA's acquisition workforce. We expect to issue reports on both of these ongoing reviews in summer 2022. We met with senior VA officials on November 8, 2021, to obtain agency views on the new observations discussed in this statement.

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.

⁴VA, Office of Acquisition, Logistics and Construction, VA Acquisition Management, GAO High Risk List Action Plan (Mar. 30, 2021); VA Report on Planned Actions to Address Certain High-Risk Areas of the Department of Veterans Affairs (July 2021). VA prepared the July 2021 report in response to section 7007 of the Johnny Isakson and David P. Roe, M.D. Veterans Health Care and Benefits Improvement Act of 2020, Pub. L. No. 116-315, 134 Stat. 4932 (2021). Our assessment of VA's corrective action plans are preliminary. We will publish our full assessment in our next high-risk update in early 2023.

VA's Fundamental Acquisition Management Challenges Could Hinder Supply Chain Modernization Efforts

We added VA to the High-Risk List in 2019 due to long-standing acquisition challenges and the significance of its acquisition function. Since then, VA has continued to face new challenges, some of which have been self-inflicted, such as not appropriately evaluating options before pursuing them. While VA has made progress in some high-risk areas of concern, it is struggling to address other areas, like clearly defining supply chain management in its action plan. VA has fundamental acquisition management challenges that, if not addressed, could undermine its supply chain and other efforts to improve.

VA's High-Risk Designation Was Based on Long-standing Acquisition Management Challenges

VA has one of the most significant acquisition functions in the federal government, both in obligations—which were over \$34 billion in fiscal year 2021—and number of contract actions. When we added VA's acquisition management to our High-Risk List in 2019, we identified seven specific areas of concern⁵:

- outdated acquisition regulations and policies;
- lack of an effective medical supplies procurement strategy;
- inadequate acquisition training;
- contracting officer workload challenges;
- lack of reliable data systems;
- limited contract oversight and incomplete contract file documentation; and
- leadership instability.

We identified these specific areas of concern based on our findings about VA's Medical-Surgical Prime Vendor (MSPV) program, execution of the Veterans First Program, and other reviews that identified specific issues

⁵See 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 *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*, [GAO-19-157SP](#) (Washington, D.C.: Mar. 6, 2019). The five criteria for removal are as follows: (1) leadership commitment which is demonstrated strong commitment and top leadership support; (2) capacity (i.e., people and resources) to resolve the risk(s); (3) a corrective action plan that defines the root cause and solutions and provides for substantially completing corrective measures, including steps necessary to implement solutions we recommended; (4) monitoring to validate the effectiveness and sustainability of corrective measures; and (5) demonstrated progress in implementing corrective measures and in resolving the high-risk area.

in VA contracting practices.⁶ For example, MSPV is intended to be the VA medical centers' primary source for medical supplies. VA's stated goals for recent iterations of the program included product standardization, cost avoidance, greater clinician involvement, and improved supply chain efficiency. Under this program, contractors—called prime vendors—deliver a wide range of supplies to VA medical centers on a recurring basis. However, we reported in November 2017 that VA's initial implementation of MSPV-Next Generation was flawed, and lacked an overarching strategy, stable leadership, and medical center buy-in, resulting in a program that had not met medical centers' needs.⁷ We made several recommendations, including a priority recommendation that remains unaddressed that VA develop an overarching medical supply strategy for the program. Since then, VA has struggled to chart a clear strategic direction for the program.

Since we added VA Acquisition Management to the High-Risk List, the department has continued to face challenges, some which have been self-inflicted. During 2019 and 2020, while VA was preparing to launch its latest version of MSPV—MSPV 2.0, which had been delayed by at least 9 months due in part to VA's acquisition approach—VHA also began a pilot for use of the Defense Logistics Agency's (DLA) MSPV program. VHA's plan was to determine whether DLA's MSPV provided a more economical and efficient means for obtaining medical and surgical supplies. In September 2020, we reported that VA had not identified criteria for evaluating the pilot, including whether it would be scalable to other medical centers.⁸ Nevertheless, in September 2020, VHA decided to

⁶The Veterans First program implements The Veterans Benefits, Health Care, and Information Technology Act of 2006, Pub. L. No. 109-461, § 502(a) (2006) (codified as amended at 38 U.S.C. § 8127). The act generally requires VA contracting officers to determine whether there is a reasonable expectation that two or more veteran-owned small businesses will submit offers for a particular good or service at a fair and reasonable price that offers best value to the government. If two or more such businesses are found, contracting officers must set aside the procurement for the veteran-owned small businesses. VA refers to this determination as the "VA Rule of Two." For our prior findings on VA's implementation of the Veterans First program, see GAO, *Veterans First Program: VA Needs to Address Implementation Challenges and Strengthen Oversight of Subcontracting Limitations*, [GAO-18-648](#) (Washington, D.C.: Sept. 24, 2018).

⁷GAO, *Veterans Affairs Contracting: Improvements in Buying Medical and Surgical Supplies Could Yield Cost Savings and Efficiency*, [GAO-18-34](#) (Washington, D.C.: Nov. 9, 2017).

⁸GAO, *VA Acquisition Management: Actions Needed to Improve Management of Medical-Surgical Prime Vendor Program and Inform Future Decisions*, [GAO-20-487](#) (Washington, D.C.: Sept. 30, 2020).

implement DLA's MSPV program across VA—before completing the pilot and assessing its results and while continuing to implement MSPV 2.0.

VA's decision to transition to DLA MSPV across the agency led to further delays. In response to VA's decision, vendors filed bid protests with the United States Court of Federal Claims.⁹ On July 30, 2021, the court issued an opinion that prohibited VA from continuing with its plans to transition to DLA MSPV. In the opinion, the court noted that VA proceeded with the transition despite serious concerns raised by VA contracting officials. In addition, DLA staff expressed hesitation about the feasibility of rolling out DLA MSPV to all of VA's Veterans Integrated Service Networks (VISN) on an accelerated timeline when the two agencies had yet to fully complete the transition for a single VISN.¹⁰ Further, the opinion stated that DLA and VA staff had raised concerns about hastily transitioning to DLA MSPV, including changing the scope of contracts awarded by DLA, without following competition requirements or notifying key vendors about potential changes in VA's MSPV program.

The court opinion did not forbid VA from revisiting the possibility of transitioning to DLA MSPV, and since the issuance of the court's opinion, VHA officials stated that they are once again exploring how they might use DLA MSPV in the future. In November 2021, VA officials stated that they are preparing a business case comparing a transition to DLA MSPV to continuing to develop VA's own MSPV program. To inform this major strategic decision, VA should consider taking steps to implement our prior recommendation that it develop a plan for assessing the results of its DLA MSPV pilot, including criteria for assessing success and scalability.

In the interim, VA officials say that they are extending the current version of MSPV, MSPV-Next Generation, to meet their medical supply needs. As a result, medical centers have had to continue to deal with inefficiencies of this current iteration of MSPV. For example, in September 2020, we reported that VA's execution of MSPV-Next Generation had led to

⁹Medline Indus., Inc v. United States, ___ Fed. Cl. ___, Nos. 21-1174, 21-1098, 2021 WL 3483429 (July 30, 2021).

¹⁰VHA's health care delivery system is organized regionally, around VISNs. VISNs manage regional markets that deliver health care, social services, and support services to veterans. Each VISN is responsible for overseeing medical centers within a defined geographic area. VISNs manage the day-to-day functions of medical centers within their networks through efforts such as periodic strategic, business, and financial planning meetings. As of October 2021, VA has 18 VISNs.

challenges obtaining medical supplies, even before the pandemic, such as frequent backorders.¹¹ In November 2021, VA officials stated that they are working on an interim version of MSPV-Next Generation, to begin in December 2021, in which they plan to try and improve oversight of their contracts and address some issues, such as prime vendor metrics. In September 2020, we recommended that VA develop processes to use transaction-level data to validate prime vendor performance on key program metrics, such as order completion rate. The extent to which VA will address previously-identified challenges or the original goals of the program, such as greater clinician involvement, as it determines its next steps for MSPV remains to be seen.

In addition to MSPV, in 2019, VA also began an effort to replace its legacy inventory system with a Department of Defense system—Defense Medical Logistics Standard Support (DMLSS). DMLSS 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.¹² In June 2021, we reported that VHA delayed its first rollout of the DMLSS system at a medical center from October 2019 to August 2020—almost a year later than planned. DMLSS was delayed due to challenges integrating it with VA’s legacy financial system and other factors, like the impact of COVID-19.¹³ Additionally, VA delayed rollout from late 2019 to 2021 at two additional sites where it had planned to implement DMLSS. We reported in March 2021 that, despite this delay, VA was exploring how it could accelerate full implementation across all medical centers by 2025, 2 years sooner than the original planned completion in 2027.¹⁴ VA officials told us in November 2021 that they are revisiting their plans to accelerate implementation in light of potential further impacts from COVID-19 on their ability to conduct training. In November 2021, officials also confirmed that they had not

¹¹[GAO-20-487](#).

¹²DMLSS provides other types of capabilities as well, such as facility management. VA plans to implement DMLSS for its medical and surgical supply chain management in the near term. In the future, VA plans to transition to DLA’s LogiCole, a system that provides similar functions to DMLSS, but on a more modern technology platform with some additional features. VA plans to begin implementing LogiCole starting in 2023, with plans for enterprise-wide implementation in 2027.

¹³GAO, *VA COVID-19 Procurements: Pandemic Underscores Urgent Need to Modernize Supply Chain*, [GAO-21-280](#) (Washington, D.C.: June 15, 2021).

¹⁴GAO, *VA Acquisition Management: Comprehensive Supply Chain Management Strategy Key to Address Existing Challenges*, [GAO-21-445T](#) (Washington, D.C.: Mar. 24, 2021).

obligated any of the \$100 million that Congress appropriated to VA in the American Rescue Plan Act of 2021 for supply chain modernization and were still considering their next steps.¹⁵ We previously reported in March 2021 that VA officials had said they intended to use the funds to accelerate the implementation of DMLSS.¹⁶

Over the past year and a half, VA also began new supply chain programs to respond to weaknesses exposed by the COVID-19 pandemic but has yet to answer key questions about their implementation, including how they will work in concert with VA's existing modernization efforts. For example, VHA began standing up Regional Readiness Centers (RRC) to act as central sources for the management and resupply of VA medical center personal protective equipment and other critical items. However, when I testified in March 2021, we raised key questions about the implementation timeline, overall cost, and integration with VA's other supply chain modernization efforts, such as whether the RRCs will affect VA's MSPV strategy.¹⁷ In November 2021, VA officials told us that there are two permanent RRCs and that they are in the process of identifying two remaining permanent sites that would serve the Midwest and South regions. They also stated that it was unlikely that they would reach full operational capability until early 2024, a delay from the 2023 date planned at the time of my March 2021 testimony.

VA is also pursuing participation in the DLA's Warstopper program. According to DLA, Warstopper supported the Department of Defense's COVID-19 response through contracts that commit manufacturers to provide quick-response production of critical supplies, such as ventilators. In addition, DLA officials stated that Warstopper gave DLA access to over 14,000 medical items whose availability was limited in the open market due to production limitations. While VA officials noted that they wanted to leverage DLA's capabilities, they did not explain how they would integrate the program with ongoing supply chain initiatives.

¹⁵American Rescue Plan Act of 2021, Pub. L. No. 117-2, § 8003, 135 Stat. 4, 112 (2021). The act provides that the \$100 million is to remain available until September 30, 2022.

¹⁶[GAO-21-445T](#).

¹⁷[GAO-21-445T](#).

VA Has Made Progress in Acquisition Management but Shortfalls Could Impact Continued Progress

VA has made progress in some high-risk areas but is struggling to address other areas, including clearly defining supply chain management in its high-risk action plan. In March 2021, we concluded that VA had partially met the leadership and capacity criteria for removal from the high-risk list. VA established a governance structure for high-risk issues and an Executive Steering Committee, which VA senior acquisition officials noted has a top priority to focus on the high-risk areas of concern. VA also provided training for the more challenging components of the Veterans First policy implementation and made Veterans First policy training mandatory.

In my March 2021 testimony, in recognition of the fact that VA's supply chain challenges are interconnected and go beyond individual programs, we recommended VA develop a comprehensive supply chain management strategy to address key questions that remained about VA's several interrelated yet disparate initiatives.¹⁸ In response to this priority recommendation, VA's Chief Acquisition Officer has noted that his office is leading an agency-wide supply chain assessment, which he hopes will be completed in 2022 and used to develop VA's supply chain strategy.

In March 2021, after the release of our last high risk update, VA issued a high-risk action plan to address the areas of concern and provided additional details about the plan in July 2021. While VA's plan identifies the need to modernize VA's supply chain and identifies specific root causes for its acquisition management challenges, the plan does not contain:

- an identification of the scope of VA's supply chain and how existing programs and initiatives will be included in its overall supply chain modernization effort;
- specific actions for how the initiatives in the action plan will be completed;
- target completion dates for specific actions within each initiative;
- performance metrics that will be used to demonstrate progress;
- in some cases, which position or what office is responsible and accountable for ensuring the initiatives are completed; or
- resources to complete the specific actions for initiatives identified in the plan.

¹⁸[GAO-21-445T](#).

In October 2021, VA officials stated that they are still in the process of developing measures and metrics, along with a performance monitoring approach for the action plan. VA officials stated that the metrics will be completed in January 2022, and the performance monitoring approach will be completed in March 2022. Our recent work in procurement policy also highlighted the need for VA to develop metrics to measure the outcomes of its procurement function. In our July 2021 report, we recommended that VA's Senior Procurement Executive collaborate with end users to develop performance metrics for its procurement organizations and use a balanced set of those metrics, such as quality of deliverables and end-user satisfaction, to manage the department's procurement organizations.¹⁹ VA concurred with these recommendations and is in the process of identifying actions needed to address them.

VA has made concrete progress in addressing our prior findings—in the past 6 years, we made 51 recommendations in this area, and 22 remain open.²⁰ However, the issues that make VA's acquisition management high-risk extend beyond its supply chain challenges, and much work remains to be done.

Shortcomings Identified in Ongoing Work Underscore the Need to Address Fundamental Acquisition Management Challenges

Our ongoing audit work has continued to surface new underlying challenges that contribute to VA's broader acquisition management woes. For example, in an ongoing review of VA's management of its major acquisitions, our preliminary observations indicate VA may not be using an enterprise-wide acquisition framework to guide decision-making. In 2017, VA introduced the Acquisition Program Management Framework (APMF), which required programs meeting certain criteria to proceed through specific decision events, where information and key artifacts are presented to designated agency officials at key points in a program's lifecycle so they can make informed decisions on whether and how to proceed. However, our preliminary observations indicate that several of VA's key programs are not using the APMF, and senior VA acquisition officials confirmed that adoption of the framework has been limited. For example, program officials from the Office of Community Care stated that

¹⁹GAO, *Federal Contracting, Senior Leaders Should Use Leading Companies' Key Practices to Improve Performance*, [GAO-21-491](#) (Washington, D.C.: July 27, 2021).

²⁰For a list of the open recommendations and VA's progress in addressing them, refer to appendix I.

they were not using APMF to manage program decision-making.²¹ In addition, the VA Office of Inspector General recently reported that DMLSS had not followed APMF, and did not validate the business requirements or confirm that identified risks and issues had been resolved prior to proceeding.²² A good acquisition framework, among other things, can help ensure that VA leaders have a structured process and the necessary information to make decisions at key points as it implements and executes a program. Such a framework also provides leaders with ways to monitor program outcomes and ensure accountability.

VA senior acquisition officials stated that they are working on a new acquisition framework that they plan to introduce by the end of this year and implement in 2022. As part of efforts to improve program governance and program risks, the Chief Acquisition Officer told us that he recently began conducting formal program management reviews that were otherwise not happening. While VA identified lessons learned about why its 2017 Acquisition Program Management Framework was not broadly adopted, it remains to be seen how the lessons learned will be incorporated into the development and rollout of the new acquisition framework, or what will happen to programs that are currently using a separate framework to manage IT acquisitions. Failure to implement a framework that is consistently followed could undermine both VA's and Congress's efforts to hold leaders and programs accountable. We will monitor VA's next steps while continuing our audit work, and plan to issue our report in summer 2022.

Likewise, we continue to identify challenges related to VA's acquisition workforce, which is one of the largest in the federal government. In our prior work about VA's acquisition workforce, we have identified workforce issues such as inadequate training and workload challenges. In our ongoing work, our preliminary observations show that verified data on

²¹VA established the Veterans Community Care Program (VCCP) in June 2019 in response to a VA MISSION Act of 2018 (VA MISSION Act) requirement to establish a permanent community care program. Pub. L. No. 115-182, tit. I, § 101, 132 Stat. 1393, 1395 (2018) (codified as amended at 38 U.S.C. § 1703). The VCCP consolidated and replaced many of VA's existing community care programs into one program aimed at providing care to veterans in need when it could not reasonably be delivered by providers at VA medical facilities. For more information, see GAO, *Veterans Community Care Program: Immediate Actions Needed to Ensure Health Providers Associated with Poor Quality Care Are Excluded*, GAO-21-71 (Washington, D.C.: Feb. 1, 2021).

²²Department of Veterans Affairs, Office of Inspector General, *DMLSS Supply Chain Management System Deployed with Operational Gaps That Risk National Delays*, #20-01324-215 (Washington, D.C.: Nov. 10, 2021).

VA's acquisition workforce are not centralized for enterprise-wide use, and accurate and reliable information is difficult to obtain. A well-equipped, efficient acquisition workforce is essential for effective acquisition management, and we plan to complete and issue a report about VA's acquisition workforce in 2022.

In conclusion, while VA has an urgent need to modernize its supply chain, and VA acquisition leaders have taken some actions that show they understand this urgency, VA will continue to struggle to make real progress—as it has with MSPV—until it addresses its fundamental acquisition management challenges and breaks its pattern of putting action ahead of strategy. Its High-Risk action plan is a good first step, but it remains incomplete. Even after VA finishes developing a complete, actionable plan, achieving progress will require buy-in from VA leadership and consistent, long-term efforts to actually follow through on the steps VA has outlined. Addressing such fundamental issues is difficult, but it is essential if VA is to position itself to provide consistent, high-quality health care for the veterans it serves daily and in times of crises.

Chairmen Mrvan and Pappas, 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 Teague Lyons, Assistant Director; Lisa Gardner, Assistant Director; Jocelyn Yin, Analyst-in-Charge; and Gina Flacco. Also contributing were Mark Bird, Rose Brister, Matthew T. Crosby, Lorraine Ettaro, Suellen Foth, Gina Hoover, Min-Hei (Michelle) Kim, Michael LaForge, Serena Lo, Zachary Sivo, Roxanna Sun, Ann Tynan, and Sarah Veale.

Appendix I: GAO Open Recommendations to the Department of Veterans Affairs as of October 2021

Table 1: Open Recommendations Made to the Department of Veterans Affairs (VA)

Recommendation	Action Needed
<p>1 In order to ensure that contracting officers have clear and effective policies as soon as possible, the Secretary of Veterans Affairs should direct the Office of Acquisition and Logistics (OAL) to identify measures to expedite the revision of the Veterans Affairs Acquisition Regulation, which has been ongoing for many years, and the issuance of the VA Acquisition Manual.</p> <p>Priority recommendation Source: GAO-16-810</p>	<p>VA concurred with this recommendation and has made progress in issuing its revised VA Acquisition Regulation, as well as the companion VA Acquisition Manual to ensure its workforce has clear and effective policies. As of October 2021, VA had issued 35 proposed or final rules, with six remaining to be published.</p>
<p>2 The Director of the Medical Surgical Prime Vendor-Next Generation (MSPV-NG) program office should, with input from the Strategic Acquisition Center (SAC), develop, document, and communicate to stakeholders an overarching strategy for the program, including how the program office will prioritize categories of supplies for future phases of requirement development and contracting.</p> <p>Priority recommendation Source: GAO-18-34</p>	<p>VA agreed with GAO's November 2017 recommendation. VA had planned to implement a new Medical Surgical Prime Vendor (MSPV) program, called MSPV 2.0, starting in 2020. It has also been piloting the Defense Logistics Agency's (DLA) MSPV program since 2019. However, as of August 2021, MSPV 2.0 is not yet operational, and VA's planned switch to the DLA MSPV program has been halted by a court order. As a result, there is substantial uncertainty in the path forward, and VA's strategy is unclear. To implement this recommendation, VA needs to develop an overarching strategy for its MSPV program that clearly explains its plans, once established, to users and other stakeholders.</p>
<p>3 The Director of the MSPV-NG program office should provide complete guidance to medical centers for matching equivalent supply items, which could include defining the roles of clinicians and local Clinical Product Review Committees.</p> <p>Source: GAO-18-34</p>	<p>VA agreed with GAO's November 2017 recommendation. VA implemented a tool—the Medical Product Data Bank's eZSAVE application—to improve the matching of equivalent supply items. In November 2018, VA reported that it holds monthly meetings with selected clinical and logistics staff to obtain their input on the matching process. In April 2019, VA began a pilot for this clinician review process, including input from national clinical program offices. While VA has resumed the rollout of this process following a pause during the pandemic, it does not plan to incorporate the results of this clinician review process in the list of available supplies until after MSPV 2.0 is implemented. However, as of August 2021, VA has not provided documentation showing how it defined the role of clinical staff, including Clinical Product Review Committees, in this process. Without documentary support, GAO cannot assess the extent of the clinical staff role in the matching process.</p>

**Appendix I: GAO Open Recommendations to
the Department of Veterans Affairs as of
October 2021**

Recommendation	Action Needed
<p>4 The Veteran’s Health Administration (VHA) Chief Procurement and Logistics Officer should use input from national clinical program offices to prioritize its MSPV-NG requirements development and standardization efforts beyond Phase 2 to focus on supply categories that offer the best opportunity for standardization and cost avoidance.</p> <p>Source: GAO-18-34</p>	<p>VA agreed with GAO’s November 2017 recommendation. VA’s planned MSPV 2.0 program includes engaging selected clinicians in its requirement development for a set list of products, known as Clinician-Driven Strategic Sourcing. However, as of August 2021, MSPV 2.0 is not yet operational, and VA has stated its intent to switch to a different MSPV program run by DLA, but this switch has been halted by a court order. Until VA resolves the uncertainty in its MSPV program and incorporates the results of the Clinician-Driven Strategic Sourcing process, it will not be able to achieve its goals of cost savings and improved clinical consistency.</p>
<p>5 The VHA Chief Procurement and Logistics Officer should direct Veterans Integrated Service Network (VISN) Network Contracting Offices to work with medical centers to identify any opportunities to more strategically purchase goods and services frequently purchased on an emergency basis. For example, offices could do this by analyzing existing data.</p> <p>Source: GAO-18-34</p>	<p>VA agreed with GAO’s November 2017 recommendation. In August 2019, senior VA acquisition officials agreed to conduct an analysis of VA spending to identify items that the department frequently purchases on an emergency basis and to develop plans to purchase those goods and services more strategically, such as by issuing a national contract or adding the items to the formulary as needed. However, as of August 2021, VA had not provided any evidence that it performed analyses of emergency procurements to inform plans for purchasing recurring items more strategically.</p>
<p>6 VHA Chief Procurement and Logistics Officer should analyze data on items that are frequently purchased on an emergency basis, determine whether such items are suitable to be added to the MSPV-NG formulary, and work with SAC to make any suitable items available via MSPV-NG.</p> <p>Source: GAO-18-34</p>	<p>VA agreed with GAO’s November 2017 recommendation. VA reported that it added thousands of items to the MSPV formulary from June 2018 through December 2018, some of which had previously been purchased on an emergency basis. VA also reported in June 2018 and updated in March 2020 that it is tracking items purchased on an emergency basis. However, as of August 2021, VA has not provided documentation showing whether and how this analysis informed its selection of which products to add to the formulary. Without documentary support, GAO cannot assess the extent to which items that VA added to the formulary were previously purchased on an emergency basis. If VA does not use analysis of emergency procurements to help inform which items should be added to the MSPV formulary, it will miss opportunities to avoid emergency procurements and increase efficiency.</p>

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Recommendation	Action Needed
<p>7 The Secretary of Veterans Affairs should ensure that VA's Director of the Office of Acquisition and Logistics, in consultation with VA's Office of Small and Disadvantaged Business Utilization, takes measures to ensure that VA contracting staff adhere to the requirements for documenting the required Vendor Information Pages searches in contract files.</p> <p>Source: GAO-18-648</p>	<p>VA concurred with this recommendation and is taking steps to implement it. In August 2020, VA reported that it was beginning a process to update its contracting system to automate the inclusion of documentation of Vendor Information Pages searches in contract files. VA is also now tracking compliance rates, and plans to provide GAO an update after it finishes taking steps to improve compliance.</p>
<p>8 The Secretary of Veterans Affairs should ensure that the Director of the Office of Acquisition and Logistics conducts a fraud risk assessment for the Veterans First program.</p> <p>Source: GAO-18-648</p>	<p>VA concurred with this recommendation and is taking steps to implement it. In August 2020, VA provided GAO with a draft fraud risk assessment, and also reported that it is developing measures to mitigate identified risks. As of September 2021, VA has yet to provide final versions of its fraud risk assessment or risk mitigation measures.</p>
<p>9 The Secretary of Veterans Affairs should ensure that the Director of the Office of Acquisition and Logistics directs the Risk Management and Compliance Service to share, through guidance, training, or other methods, subcontracting limitation risks and monitoring practices with contracting officers and their management.</p> <p>Source: GAO-18-648</p>	<p>VA concurred with this recommendation and is taking steps to implement it. In August 2020, VA provided draft lists of subcontracting limitations risks, as well as draft monitoring guidance and tools. After these items are finalized, VA plans to post them on a portal accessible to all VA contracting staff, but as of September 2021, has yet to provide a date by which it expects to take this step.</p>
<p>10 The Secretary of Veterans Affairs should ensure that the Associate Executive Director of VA's National Acquisition Center (NAC) assesses data on the participation of and items and services offered by veteran-owned small businesses in NAC's Federal Supply Schedule (FSS) program, in order to determine whether their program is meeting the needs of VHA contracting officers who use it given the Veterans First requirements they must meet.</p> <p>Source: GAO-20-132</p>	<p>VA concurred with this recommendation and is taking steps to implement it. In August 2020, VA reported that NAC conducted additional outreach to veteran-owned small businesses regarding FSS participation, and plans to conduct analysis of these businesses' participation in FSS. We requested additional documentation of these efforts and their results, but VA has yet to provide it. In July 2021, VA provided us with a report that identifies 209 veteran-owned and service-disabled veteran-owned small businesses that have been awarded contracts through the NAC's FSS program. However, VA has not yet demonstrated how it plans to assess the data on participation and items and services offered by these businesses, to help it determine whether the FSS program is meeting the needs of VHA contracting officers.</p>

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Recommendation	Action Needed
<p>11 The Secretary of Veterans Affairs should take steps to assess duplication between VA's FSS and MSPV programs, to determine if this duplication is necessary or if efficiencies can be gained.</p> <p>Priority Recommendation Source: GAO-20-132</p>	<p>VA concurred with this recommendation. To implement this recommendation, VA needs to complete its assessment of whether duplication across its VA FSS and MSPV programs is necessary and efficient. In February 2021, VA completed a report on its agency-wide Category Management efforts that it sees as an initial step in this process. In July 2021, VA officials stated that they are in the process of developing a VA-wide report that assesses duplication between VA's FSS and MSPV programs. In September 2021, VA reported that it determined the duplication between the programs to be minimal, but has not provided details on the methodology it used to determine this.</p>
<p>12 The Secretary of Veterans Affairs should ensure the Executive Director of the VHA's Office of Procurement and Logistics, as part of the VHA's ongoing efforts to establish and maintain supplier agreements for the MSPV 2.0 formulary, examines opportunities to reduce the number of items delivered via drop shipment to minimize less-preferred methods to purchase supplies.</p> <p>Source: GAO-20-487</p>	<p>VA concurred with this recommendation. In April 2021, VA stated that drop shipments are necessary in some circumstances, and that they are already rare under the MSPV program. However, as we reported in September 2020, logistics staff at medical centers consistently reported a number of challenges stemming from frequent MSPV drop shipments. To fully implement this recommendation, VA would need to explore opportunities to reduce drop shipments in the next iteration of its MSPV program.</p>
<p>13 The Secretary of Veterans Affairs should ensure the Executive Director of the VHA's Office of Procurement and Logistics, as part of the VHA's ongoing efforts to establish and maintain supplier agreements for the MSPV 2.0 formulary, examines opportunities to establish delivery time frame requirements for drop-shipped items.</p> <p>Source: GAO-20-487</p>	<p>VA concurred with this recommendation. In April 2021, VA stated that drop shipments are necessary in some circumstances, and that delivery timeframes will be tracked under the MSPV 2.0 program. To fully implement this recommendation, VA would need to explore opportunities to establish contractual terms setting delivery time frames for drop shipments.</p>
<p>14 The Secretary of Veterans Affairs should ensure the Executive Director of the VHA's Office of Procurement and Logistics automates aspects of the manual MSPV formulary management process where feasible, such as electronic transmittal of real-time updates to medical centers and prime vendors, to minimize ordering errors and delivery delays.</p> <p>Source: GAO-20-487</p>	<p>VA concurred with this recommendation and is taking steps to implement it. In April 2021, VA stated that its planned adoption of the DLA's MSPV program would allow VA to use automated formulary management processes already in place. However, as of August 2021, this transition is on hold due to litigation.</p>
<p>15 The Secretary of Veterans Affairs should ensure the Executive Director of the VHA's Office of Procurement and Logistics and the Strategic Acquisition Center develop processes to routinely use transaction-level data to validate prime vendor performance on key program metrics, such as order completion rate, and identify how this information will be used to oversee the prime vendors.</p> <p>Source: GAO-20-487</p>	<p>VA concurred with this recommendation and is taking steps to implement it. In April 2021, VA stated that it was developing a dashboard to track key transaction-level metrics under the MSPV 2.0 program. However, as of August 2021, MSPV 2.0 had not yet been implemented. To fully implement this recommendation, VA needs to include monitoring of transaction-level data in its implementation of MSPV 2.0 that will allow it to independently validate its prime vendors' self-reported performance metrics.</p>

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Recommendation	Action Needed
<p>16 The Secretary of Veterans Affairs should ensure the Executive Director of the VHA's Office of Procurement and Logistics develops a process for calculating accurate historical coverage and utilization data for the MSPV program, such as archiving monthly formulary snapshots, to increase visibility into medical center needs and issues over time.</p> <p>Source: GAO-20-487</p>	<p>VA concurred with this recommendation and stated that it had implemented it by archiving historical formulary snapshots. However, it has yet to provide documentation showing how these snapshots are used to calculate accurate historical coverage and utilization data. In order to fully implement this recommendation, VA needs to implement a process that uses accurate historical formulary data to provide management visibility into coverage and utilization trends over time.</p>
<p>17 The Secretary of Veterans Affairs should ensure the Executive Director of the VHA's Office of Procurement and Logistics develops a plan for assessing the results of the DLA MSPV pilot, including criteria for assessing pilot success and scalability, as well as performance metric targets, and use these criteria and metrics to inform the department's future decision on whether the program should be deployed to all medical centers.</p> <p>Source: GAO-20-487</p>	<p>VA concurred with this recommendation and in April 2021 stated that it was in the process of developing metrics for the DLA MSPV program to inform future decisions. As of August 2021, VA's wider implementation of DLA MSPV is on hold because of a court order. To fully implement this recommendation, VA needs to identify and put into use a set of metrics and criteria for success that would inform future decisions regarding wider rollout of DLA MSPV if it continues to pursue this path.</p>
<p>18 The Secretary of Veterans Affairs should ensure the Executive Director of the VHA's Office of Procurement and Logistics seeks input from stakeholders within the agency, such as the Office of Small and Disadvantaged Business Utilization and medical center staff, on operation of the DLA MSPV pilot to help inform any needed improvements as the pilot progresses.</p> <p>Source: GAO-20-487</p>	<p>VA concurred with this recommendation. In April 2021, VA stated that it is developing an internal communications plan for DLA MSPV program; as of August 2021, wider implementation of DLA MSPV is on hold because of a court order. To fully implement this recommendation, VA needs to seek substantive input and concurrence from key internal stakeholders before pursuing any future nationwide rollout of DLA MSPV.</p>
<p>19 The Secretary of Veterans Affairs should ensure the Executive Director of the VHA's Office of Procurement and Logistics works with the Office of Small and Disadvantaged Business Utilization to provide written guidance to VA logistics officials at facilities participating in the DLA MSPV pilot program on how to prioritize veteran-owned small businesses when purchases are made through the pilot program, to achieve VA's goal of providing opportunities for these firms to participate in the pilot program.</p> <p>Source: GAO-20-487</p>	<p>VA concurred with this recommendation. In April 2021, VA stated that it was in the process of drafting guidance for logistics officials at medical centers participating in the DLA MSPV program. To fully implement this recommendation, VA needs to issue guidance that provides clear instructions to medical center officials on issues such as application of VA's Veterans First preferences when ordering via DLA MSPV.</p>

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Recommendation	Action Needed
<p>20 The Secretary of Veterans Affairs should ensure the VHA Assistant Under Secretary for Health for Support develops a comprehensive supply chain management strategy that outlines how VHA's various supply chain initiatives are related to each other and to VA-wide initiatives. This strategy should link to VA's overall plans to address its broader acquisition management challenges and reflect key practices of organizational transformations, including an implementation plan with key milestones.</p> <p>Priority Recommendation Source: GAO-21-445T</p>	<p>VA officials expressed verbal agreement with this recommendation. To implement this recommendation, VA needs to develop a comprehensive supply chain management strategy that addresses the interrelationships between its various modernization efforts, and reflects key practices of organizational transformations, including an implementation plan with key milestones. In July 2021, VA stated that it expects to complete this plan by September 2021. However, an August 2021 court order halting planned changes in its MSPV program creates uncertainty that VA must resolve before it can produce a comprehensive strategy.</p>
<p>21 The Secretary of Veterans Affairs should ensure the VA Senior Procurement Executive collaborates with end users to develop performance metrics for procurement organizations.</p> <p>Source: GAO-21-491</p>	<p>When we confirm what actions the agency has taken in response to this recommendation, we will provide updated information.</p>
<p>22 The Secretary of Veterans Affairs should ensure the VA Senior Procurement Executive uses a balanced set of performance metrics to manage the department's procurement organizations, including outcome-oriented metrics to measure (a) cost savings/avoidance, (b) timeliness of deliveries, (c) quality of deliverables, and (d) end-user satisfaction.</p> <p>Source: GAO-21-491</p>	<p>When we confirm what actions the agency has taken in response to this recommendation, we will provide updated information.</p>

Source: GAO follow-up and communication with VA. | GAO-22-105483

Related GAO Products

Federal Contracting: Senior Leaders Should Use Leading Companies' Key Practices to Improve Performance. [GAO-21-491](#). Washington, D.C.: July 27, 2021.

VA COVID-19 Procurements: Pandemic Underscores Urgent Need to Modernize Supply Chain. [GAO-21-280](#). Washington, D.C.: June 15, 2021.

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

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.

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Related GAO Products

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