# VA INFORMATION TECHNOLOGY CONTRACTING: CHALLENGES IN CONSOLIDATION OF COMPETITION AND CONFLICT OF INTEREST

## HEARING

BEFORE THE

## SUBCOMMITTEE ON TECHNOLOGY MODERNIZATION

OF THE

## COMMITTEE ON VETERANS' AFFAIRS

## U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTEENTH CONGRESS

FIRST SESSION

WEDNESDAY, MAY 24, 2023

**Serial No. 118–17**

Printed for the use of the Committee on Veterans' Affairs

Available via http://govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE

52–732 WASHINGTON : 2024

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# C O N T E N T S

**WEDNESDAY, MAY 24, 2023**

# VA INFORMATION TECHNOLOGY CONTRACTING: CHALLENGES IN CONSOLIDATION OF COMPETITION AND CONFLICT OF INTEREST

**WEDNESDAY, MAY 24, 2023**

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TECHNOLOGY MODERNIZATION,
COMMITTEE ON VETERANS' AFFAIRS,
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 8:05 a.m., in room 360, Cannon House Office Building, Hon. Matthew M. Rosendale, Sr.(chairman of the subcommittee) presiding.

Present: Representatives Rosendale, Mace, Self, and Cherfilus-McCormick.

## OPENING STATEMENT OF MATTHEW M. ROSENDALE, CHAIRMAN

Mr. ROSENDALE. Good morning. The subcommittee will come to order.

We are here today to discuss the underlying trends that make the Department of Veterans Affairs' information technology contracting so fraught with problems. To put it simply, the market is concentrating, spending is going up, and the number of companies receiving the contracts is going down.

The VA is not unique in this respect, but as one of the largest IT buyers in the Federal Government, it is a striking example of how the system operates. The system is marked by bureaucracy, regulatory capture, the revolving door, and impunity.

What you will not find in this system is much accountability. This is why IT projects meant to modernize how services are delivered to our veterans stumble again and again. They are rewarded with the change orders that enrich vendors, while squandering valuable and limited resources, because contracts are not specific enough to hold vendors accountable.

The same companies cycle through the agency year after year. Not only that, they merge and consolidate. That is becoming increasingly common. If they fail at one project, they simply reappear in another office with a different project. They compete with each other, but they tend to operate within a closed loop. They rarely face competition from outside the government sector, which is where the innovation is found that most people associate with technology.

To be sure, once in a while, a disrupter manages to find its way through the jungle of paperwork and achieve impressive results, many times only to be acquired by a larger firm, which eliminates competition and perpetuates the problems.

We should look around at the barriers that discourage new entrants or participants. One is the sheer complexity of government contracting. Another is the inability or unwillingness of agency officials to understand what the contractors are doing and to hold them to account. A third is the widespread practice of putting enormous multiyear contract vehicles in place that function as an approved bidders list. This enriches a well-placed view and shuts everyone else out.

The surefire consequence of this concentrating marketplace is a widespread organizational conflicts of interest. When the same few companies work in and even make decisions for all of the major organizations within the VA, there is no way to maintain fair dealing. Either the supplier base has to expand or some of these companies have to be barred from holding certain future contracts.

That is not my opinion. That is what the procurement laws say. It is the VA's responsibility to police the system, and it is this committee's oversight responsibility to make sure that that happens.

American veterans and taxpayers are rightfully outraged when they read about billions of dollars being paid out year after year with nothing to show for it, to an industry that always seems to be recession proof.

I appreciate our witnesses joining us today to help us better understand the situation.

With that, I will yield to the ranking member, Representative Cherfilus-McCormick, for her opening statement.

**OPENING STATEMENT OF SHEILA CHERFILUS-MCCORMICK, RANKING MEMBER**

Ms. CHERFILUS-MCCORMICK. Thank you so much, Chairman Rosendale.

The Technology Modernization Subcommittee conducted extensive oversight of VA modernization and IT contracting last Congress. A common thread identified was a fundamental lack of planning, budgeting, and adherence to contracting best practices by VA and its contracting centers.

The Government Accountability Office (GAO) has done an excellent job cataloging what has gone wrong in the past. VA acquisition management has been on the high-risk list since 2019.

I will be interested to hear from our witness today her opinion on how much progress has been made since their inclusion on that list.

GAO has also cataloged issues with competition for IT contracts, while VA's annual IT obligations have increased from 4.2 billion in 2017 to 6.5 billion in 2021 [sic]. The number of companies receiving those awards has decreased.

A current question last Congress but continues into this Congress is: Where are the checks and balances in VA's oversight of major IT acquisition? I still have not heard a good answer to this question. Whether it is benefits, financial management, supply chain, or healthcare record modernization, there is a lot of talk

about following a framework and accountability, but very little evidence.

As a result, I have cosponsored Ranking Member Takano's IT Modernization Improvement Act. This will require the VA to contract for independent verification and validation for these major IT programs. Veterans and VA employees should not have to continue to wait any longer for modern IT solutions.

Veterans and employees have been directly impacted by previous acquisition failures and poor contract management. It is my hope this Congress that we can work across the aisles to permanently fix some of these issues and start getting what we pay for.

Thank you again, Mr. Chairman. I look forward to the hearing and listening to our witnesses.

Mr. ROSENDALE. Thank you, Ranking Member Cherfilus-McCormick.

I will now introduce the witnesses on our first and only panel.

First, from the Government Accountability Office, we have Ms. Shelby Oakley, the director of Contracting and National Security Acquisitions. We also have Ms. Hana Schank, a senior adviser at New America.

I ask the witnesses to please stand and raise your right hands.

[Witnesses sworn.]

Mr. ROSENDALE. Let the record reflect that all witnesses have answered in the affirmative.

Ms. Oakley, you are now recognized for 5 minutes to deliver your opening statement.

## STATEMENT OF SHELBY OAKLEY

Ms. OAKLEY. Chairman Rosendale, Ranking Member Cherfilus-McCormick, and members of the subcommittee, thank you for having me here this morning to discuss our work on VA IT contracting.

VA relies on information technology systems to provide critical benefits and services to millions of veterans and their families. As a result, VA has one of the highest obligations for IT procurement in the Federal Government, over $25 billion from 2017 to 2021.

Our work over the years has found that VA has faced challenges in its IT efforts and, more broadly, in its ability to successfully execute acquisitions. We have made about 100 recommendations in these areas. While VA has implemented many of them, our work continues to show room for improvement.

Today, I will briefly discuss two recent reports, one on trends in VA IT contracting, and another on VA's efforts to oversee its IT procurements.

Last year, we reported that from 2017 to 2021, VA's total IT contract obligations increased by more than half. Large technology modernization efforts, like the electronic health records program and the COVID–19 pandemic response, drove much of this growth. At the same time, the number of contractors receiving awards dropped by more than 25 percent. This decrease is likely due to VA awarding 50 percent fewer new contracts during this same time period.

VA officials told us that the Department has made a concerted effort to consolidate customer IT requirements. This kind of approach, called category management, resulted in fewer, though

larger, IT procurements. Our prior work showed governmentwide contracting for common products and services through initiatives like category management mirrored this trend.

The overall trends were also reflected in VA's IT contracting with service-disabled, veteran-owned small businesses. While IT obligations to these businesses increased by almost 30 percent, the number of such contractors fell by 10 percent from 2017 to 2021.

We also found that VA's IT obligations have been increasingly concentrated with a small group of contractors. Specifically, over half of VA's IT obligations in 2021 went to only 10 contractors, up from 45 percent in 2017. More broadly, 30 contractors received about 75 percent of VA's IT obligations over this same time period.

VA is relying more on two particular contracts—its Transformation Twenty-One Total Technology Next Generation contract, known as T4NG, and a governmentwide contract vehicle managed by National Aeronautics and Space Administration (NASA) called Solutions for Enterprise-Wide Procurement (SEWP). By 2021, these two contracts accounted for over half of VA's IT contract obligations, with VA competing orders for 90 percent of obligations amongst the vendors on these contracts.

With the increase in VA's IT contract obligations in recent years, oversight is essential. However, in March, we reported that many of VA's IT contracts were not being reviewed or approved as required by the agency's chief information officer, or CIO.

This review is a key aspect of Federal statute aimed at improving IT investments by ensuring better oversight of IT contracting. Specifically, we found that VA awarded almost 12,000 new IT contract actions between March 2018 and September 2021. VA did not provide evidence of CIO approval for over 4,500, or 35 percent of these contract actions. In particular, we found that the IT contract actions executed by non-IT-focused contracting shops represented the majority of unapproved actions we sampled.

We and the inspector general have previously reported on these same challenges, but they have persisted. As such, we recommended that VA implement an automated reminder for contracting officers to obtain this CIO approval for IT procurements. This should ensure that VA's CIO has the opportunity to provide input on current and planned IT acquisitions and help avoid awarding contracts that are poorly conceived or duplicative.

Mr. Chairman, Ranking Member Cherfilus-McCormick, and members of the subcommittee, this concludes my oral statement. Thank you for having me here, and I am happy to answer any questions you have.

[THE PREPARED STATEMENT OF SHELBY OAKLEY APPEARS IN THE APPENDIX]

Mr. ROSENDALE. Thank you, Ms. Oakley.

The written statement of Ms. Oakley will be entered into the hearing record.

Ms. Schank, you are now recognized for 5 minutes to deliver your opening statement.

## STATEMENT OF HANA SCHANK

Ms. SCHANK. Thank you for holding this hearing today and for inviting me to offer my expertise.

I have been a technologist for my entire career, starting at Andersen Consulting in the nineties. I then started a small IT consultancy, which I ran for 15 years. It was exactly the kind of small business that government should want to work with: efficient, user focused, and low cost.

While I landed some small government contracts, I never even considered bidding on a major piece of work, because responding to huge government Request for Proposals (RFPs) required an equally huge lift. More concerning, the government RFPs that came across my desk seemed to be written by people who did not know what they were asking for.

After healthcare.gov failed to launch, I joined the United States Digital Service, USDS, hoping to bring my technical skills to government. Like many USDSers, I immediately grasped that the root of all government system failure was not a lack of hands-on technical talent, but the procurement process.

When I was at Andersen, we were one of a number of companies competing for these contracts. Over the years, the industry has consolidated. Andersen Consulting has become the mega company Accenture, and government's requirements have become increasingly onerous, requiring specialized teams who do nothing but respond to government RFPs. Only the very largest firms have the capability to compete. According to the GAO, as of 2021, only 30 contractors accounted for 75 percent of all of VA's IT obligations.

These big firms do not play fairly, gaming the system to elbow smaller companies out of the way, often by acquiring them. They also account for every single one of the large-scale Federal IT disasters.

At USDS, I worked on one of those systems, Electronic Immigration System (ELIS), the Nation's immigration case management system. The United States Citizenship and Immigration Service (USCIS) began building ELIS during the George W. Bush administration and scrapped the entire system 7 years later.

By 2015, when USDS came onto the project, they found that the contractor, the Electronic Immigration System (IBM), had designed ELIS so that it relied heavily on IBM products, even when those products did not benefit the system. As a result, ELIS took five times longer than paper to move the applicants through.

Today, ELIS is stable and functional. The way USCIS got there was threefold. First, they extricated themselves from their monolithic contract with IBM. Next, they carved out smaller, discrete projects with clearly articulated outcomes goals, mostly—which mostly went to smaller vendors. Finally and most important, USCIS built an in-house team with technical expertise who could correctly procure and manage IT projects.

Following ELIS, USDS created the Flexible Agile Solutions for the Homeland (FLASH) procurement vehicle to encourage a more diverse set of vendors to compete. FLASH failed, but other Federal agencies later refined the process to successfully contract with smaller vendors. These agencies include Centers for Medicare and Medicaid Services (CMS), Office of Personnel Management (OPM), and—wait for it—VA.

VA has a procurement vehicle called CEDAR, which prequalified four service-disabled, veteran-owned small businesses to receive

task orders for IT development and delivery. There are talented tech teams within the agency who are working to get it right, but these teams are small and are often not consulted when it comes to these large-scale procurements.

The way forward for VA is clear. Like USCIS did, they must free themselves from the large vendor contracts that are not serving them or their users, and relying on the expertise of their own digital service teams, work to bring on smaller, responsive vendors for discrete pieces of work.

I would like to close with a positive story.

Dr. Williams is a psychiatrist at a VA in a large Midwestern city. When she first came to VA, she was delighted to find that VA's case management system made her work easier, unlike her previous experiences using Epic and Cerner.

At VA, care is provided holistically, which means practitioners work together across specialties to provide the best care for veterans, and the IT system facilitates this. Dr. Williams once met with a veteran who was in the process of moving, as vets often do. Because her meds were packed in one of numerous cardboard boxes, she would stopped taking them and had become actively psychotic. Using the VA's existing case management system, Dr. Williams was able to look up the patient's history, place an order with the onsite pharmacy for the missing medication, arrange a home health nurse to assess the veteran's new home and create a system that would remind her to take her medication, enroll her in an outpatient program so she could get evaluated the next morning, and arrange a van to transport her to a clinic near her home.

The system allowed Dr. Williams to do all of these things in less than 30 minutes. The vet was able to stay out of the hospital and get on a path to health.

This is how government systems should and can work, but you can not get there with a small pool of vendors who take advantage of government's lack of technical know-how to line their own pockets. VA has the chance to do something wonderful for our Nation's veterans. They should take every opportunity to get it right and serve our veterans as intended.

Thank you.

[THE PREPARED STATEMENT OF HANA SCHANK APPEARS IN THE APPENDIX]

Mr. ROSENDALE. Thank you, Ms. Schank.

The written statement of Ms. Schank will be entered into the hearing record.

We are now going to proceed forward with questions, and I will recognize myself for 5 minutes.

Ms. Oakley, let us start with the data points that you collected.

According to your report, the VA's spending on IT contracts rose from $4.2 billion in 2017 to $6.5 billion in 2021, but the number of contracts dropped by more than half, from 4,831 to 2,263.

Why did this happen?

Ms. OAKLEY. What we—what we recognized in these trends was that VA is awarding less new contracts, and they are issuing modifications or task orders on existing contracts more frequently. That would contribute to the decline in new contract awards.

That being said, the value of new contract awards has gone up pretty significantly over the past couple of years. VA seems to be relying on its existing mechanisms as opposed to putting in place new contracts to be able to award this funding.

Mr. ROSENDALE. Ms. Oakley, you also found that the number of companies working for the VA, which you just referenced, dropped from 1,247 companies in 2017 to 873 companies in 2021.

Can you explain how that happened?

Ms. OAKLEY. Absolutely. I mean, this is a common trend across the Federal Government. The number of companies that are doing business with the Federal Government has been decreasing significantly over the past—10 to 15 years. VA's total decrease is about 25 percent in the number of vendors that are doing business with VA.

That makes sense from the perspective also of VA's efforts to put in place things like category management, where they combine requirements for common products and services on specific contract vehicles to be able to get the best price and save money, operating as one buyer across the VA and across the Federal Government. That is part of that trend governmentwide.

Mr. ROSENDALE. I understand that. It sounds like you try to utilize, in the private sector, the economies of scale.

Ms. OAKLEY. Yes.

Mr. ROSENDALE. You have got all of these things, and you are trying to get it so that there is one—one person or three or whatever that are handling that. In the private sector, that is used as a tool to drive costs down——

Ms. OAKLEY. Yes.

Mr. ROSENDALE [continuing]. and increase efficiencies. Meanwhile, I think we are seeing the exact opposite here.

How much of it is due to the marketplace and how much of it is due to the VA's decisions and their practices?

Ms. OAKLEY. I do not have data on how much is due to the marketplace for sure, but I definitely know that is the intention of VA using contracts like T4NG or the NASA SEWP contract, is to kind of get that preferred pricing, that better pricing that comes from having that data that shows, hey, NASA's paying this much and Health and Human Services (HHS) is paying this much, we should be paying this much as well too, as opposed to each individual contracting officer going at it alone.

You are right——

Mr. ROSENDALE. Again, we continue to go back to the intent, and the intent is to utilize the economies of scale. When we look at the hard numbers and we see that the contracting went up from 4.2 billion to 6.5 billion——

Ms. OAKLEY. Yes.

Mr. ROSENDALE [continuing]. clearly this is not working.

Ms. OAKLEY. Well, you know, the majority of that increase from 2017 to 2021 is really driven by those large-scale IT modernization efforts that we have talked about a number of times. VA has undertaken a significant number of IT modernizations all at the same time that are really driving those increasing costs. Financial Management Business Transformation (FMBT), Electronic Health

Record Modernization (EHRM), those kinds of things are really pushing a lot of that cost increase.

Mr. ROSENDALE. One other question. Do we have any type of a breakdown—do you have access to any type of a breakdown to show exactly the difference between the cost that was contracted for initially and had it been intended to be the total cost and how much has been added on as extras through change orders, through modifications of any form or fashion?

Ms. OAKLEY. Yes. There are two different issues at play. For the large-scale modernization type efforts, we would be able to more easily figure out kind of what that delta is between what we expected it to cost and what it is currently costing.

For contracts like T4NG or, you know, NASA SEWP or whatever, there is a upper ceiling limit for those contracts, and so task orders can be continued to be awarded on those contracts until they hit that ceiling. And then a new contract needs to be negotiated at that point in time.

They are kind of two different issues at play.

Mr. ROSENDALE. Very good. Thank you very much.

I will yield now 5 minutes to Representative Cherfilus-McCormick.

Ms.CHERFILUS-MCCORMICK. Thank you, Mr. Chairman.

As is common now in Federal contracting, small companies are acquired by large government contractors, which can potentially lead to conflict of interest. This has certainly been the case for our—from our observations of the T4NG contracting vehicle which is being used by the VA and administered by the Technology Acquisition Center.

GAO's testimony and recent reports have highlighted that, as dollar amounts excuse me have increased for IT contracting at VA—thank you—at VA, the recipients of the awards has decreased.

My question is for Ms. Oakley.

Ms. Oakley, from your observation, has VA done a sufficient job to manage the number of companies that were on T4NG's vehicle?

Ms. OAKLEY. Yes. I guess answering the sufficient aspect of that, I think, is a little bit difficult for me, because I do not know what the expectation would be for the number of companies that should be on a contract vehicle like this, but T4NG is set up such that there are opportunities for on-ramping companies, and mainly those opportunities are targeted at small disabled-veteran-owned businesses.

I think those have been provided, and we have seen a growth in the number of contractors on T4NG since its inception to what the current contract is as well too.

I think that that is definitely something that we have seen. Then there is a pretty even split between small businesses and large businesses on those contracts.

The other thing that I would mention in terms of T4NG is that one of the biggest benefits is saving administrative time, getting contracts turned around quickly, because that is what those types of contracts are intended to provide, that efficiency. I think that is where you are seeing that drive in use on T4NG, is that ease of use for contracting officers who have—at VA, have to deal with, for

example, applying the rule of two to every single procurement that they make.

Ms. CHERFILUS-MCCORMICK. Why does the government use category management, and what benefits has the government gained from such strategies?

Ms. OAKLEY. Yes. Category management, as I mentioned, is a way for the government to leverage its buying power and act like more of a single buyer of common products and services, and so these are things that are commonly available commercially. Our work over the years has focused on what benefits category management has provided. In 2021, we reported that the government has saved about $30 billion just in 3 years through its category management efforts. It does drive savings across the Federal Government.

We have not done that work specifically for VA, but we have some work coming for you all in that regard over the next year. It just provides the data specifically across the government to be able to make those purchases.

One thing I will say that we have found to be a continuing challenge is that defining of requirements. We want to look at category management as a holistic thing, not just the contracting approach. Being able to work more effectively to define the requirements of what you want through category management will enable agencies like VA to better get what they need through these types of efforts.

Ms. CHERFILUS-MCCORMICK. We have heard of several IT products and software, including software for blind and low-vision VA employees, where VA is not utilizing an enterprise contract. Is there any benefit to VA making employees purchase these items and services individually?

Ms. OAKLEY. I am not familiar with that contract for sure. I think we point out one of the challenges that we have identified for VA acquisition management is contracting officer workload, and one of the things that we have seen over the years is that VA has not been operating as a consolidated enterprise in a number of areas.

What that has resulted in is contracting officers having a higher than normal workload, issuing individual contracts and task orders for their own purposes. I think to the extent that VA can operate from a more holistic perspective, with an organization as big as VA, significant savings could be achieved.

Ms. CHERFILUS-MCCORMICK. Thank you so much for your testimony.

I yield back.

Mr. ROSENDALE. Thank you very much.

Representative Mace, you are recognized for 5 minutes.

Ms. MACE. Thank you, Mr. Chairman.

I want to thank the ranking member for being here today.

I would like to thank both of you for showing up and taking our questions this morning, because, as you know, the VA refused to show up. Just appreciate your effort to explain to us these—sort of the process and how it works.

Ms. Schank, my first job out of college at The Citadel was at Andersen Consulting. Late nineties, Y2K, Common Business-Oriented Language (COBOL), C++, Sequel, Hypertext Preprocessor (PHP),

the whole nine yards, that is where I got my start. Really appreciate your perspective on government contracts and being here today.

The VA's entire modernization effort requires much work, but today we are here to provide congressional oversight over the IT contracting process, and GAO has determined the VA to be a high-risk agency, as you all have stated this morning, because it has among the highest obligations in number of contract actions in the Federal Government.

This extremely high number of contract obligations requires constant oversight to ensure the American taxpayer dollar is being spent in the most efficient way possible and that veterans are receiving the best services available. Sometimes, when I am talking about IT and the VA, my head wants to explode because of the number of contracts, the lack of oversight, the lack of, actually, following the process and the rules by the VA.

I sat in on a women's veterans roundtable yesterday, and I appreciate the comments about the example, Ms. Schank, that you shared about a veteran who did not have her medication and then was able to get it in record time. There was a woman at the roundtable, and she needed a—just her annual pap smear. It took 6 weeks—6 to 8 weeks to get it scheduled. Once she got it scheduled, it would take another 4 weeks to get her results. You know, we still have such a long way to go to care for our veterans, and we can not even get their records, you know, electronically, or they can not.

I come from a long line of veterans in our family and, you know, I hear about these issues all the time. I hear success stories, but I also hear about a lot of failures. We have—one-third of all veterans in the state of South Carolina live in the district that I represent, so we hear from vets day in and day out.

Ms. Schank, my first question to you this morning is: How do we increase competition with some of these contracts, how do we push the VA to do the right thing in this regard, to do better, more faster?

Ms. SCHANK. There are really two key points.

Ms. MACE. Uh-huh.

Ms. SCHANK. One is that, as I said initially, the contracts—these giant, monolithic contracts will never succeed and they will never serve veterans or the VA. The only way is -and you know from your experience at Andersen, that was how things were built in the nineties, but the industry has moved on.

For the vast majority of the private sector, they are not building stuff that way anymore. It is not a giant waterfall process with a big bang turn-on date. Everybody has learned that the way you build tech successfully is to chunk it up into small, individual pieces, and then build incrementally.

The first piece is not writing these giant contracts and allowing—which is going to allow more vendors to compete, but also is the right way to build technology.

Then the other piece is that, because government has outsourced all of this technology for so long, there is a real lack of tech expertise and tech fluency. I am not talking about people who can code. I am talking about people who have some understanding of how

technology works and the decisions that they are making and how that then impacts the end user.

Most agencies—I would say almost all—are very, very thin with top senior people who have some degree of tech fluency. Part of that is—well, a large part of it is that technology has only evolved in the last, let us say, 20 years. If you were somebody who was interested in going into government, you are a policy person, and you know about policy, and you know about law, and you might not know about technology. The world has changed.

In the USCIS example that I gave, Leon Rodriguez, who was running that project, had been a policy person his entire life. He was running USCIS. He did not have tech fluency, and so when contractors would come to him and say, Should I do A or should I do B, he did not have the full understanding of how that was actually going to play out for users and for the project.

He talked about that he wished he had a technology translator who could say to him, okay, so this is what they are asking you, and here are the ramifications.

That is not a position that exists in government. These agencies are slowly trying to staff up, but it is lacking. Until that skill set exists in Federal Government, these contracts are just going to continue.

Ms. MACE. Thank you, Ms. Schank.

Mr. Chairman, I yield back.

Mr. ROSENDALE. Thank you, Representative Mace.

Now on to Representative Self. Thank you very much.

Mr. SELF. Thank you, Mr. Chairman.

First to Ms. Oakley: Is this issue that you are describing here across the Federal Government as a whole? Is this just a microcosm of what you see?

Ms. OAKLEY. I think to some extent, yes, right? I mean, overall, as I mentioned, we have seen a decrease in the number of companies that want to do business with the Federal Government. We see continuing mergers and acquisitions amongst all the major Federal contractors.

Ms. Shank was exactly right. When a small innovative company is there, they get bought up by the big guy.

Mr. SELF. That is part of the American Dream?

Ms. OAKLEY. That is what happens, yes.

Mr. SELF. A lot of this you ascribe to COVID–19 IT. Was that a one-off or is that translatable into the post-pandemic era? Is this something that was a one-time shot?

Ms. OAKLEY. Yes. A big majority of the spending increases that we saw was due to addressing the COVID–19 pandemic and providing technology and that kind of thing.

We did run the numbers for Fiscal Year 1922, because our report was done in fiscal year 1921, and it seems as though the trend is continuing. We have not been able to get behind the data yet because we just did it to support this hearing, but it seems as though VA's trend of increased IT spending is continuing.

Mr. SELF. I would like to see that——

Ms. OAKLEY. Okay.

Mr. SELF [continuing]. when you get the handle on the numbers.

Ms. OAKLEY. Absolutely.

Mr. SELF. For Ms. Schank, we have this problem, I think, in Department of Defense (DOD), for instance, the Defense Industrial Base, procurement in general. I realize that is manufacturing versus service. That is IT versus manufacturing. You have told us what VA can do.

What, in general, can Congress do, though, because, as I said, you know, selling your small company to a large company is part of the American Dream. We are not going to stop that.

How does Congress—what would you recommend that Congress do to—to fix these issues? We have talked about the issues. Now, you are talking to a legislative branch. What can we do that does not inhibit the American Dream and yet moves in the direction that the two of you both have indicated would be positive?

Ms. SCHANK. One of the big issues is that there is no accountability for these large companies.

Mr. SELF. Uh-huh.

Ms. SCHANK. Acquiring things is fine. As—you know, yes, a lot of people build a company so that it can get bought, and that is fine.

Mr. SELF. Right.

Ms. SCHANK. The problem is that they—they are not held—so these companies fail, and then the contracts are renewed. It is the same 10 players. When you talk about—I mentioned healthcare.gov, Oracle. You know, I talked about ELIS failing, IBM.

Mr. SELF. Okay. Okay. How would we do that? What does accountability at the congressional level look like——

Ms. SCHANK. So——

Mr. SELF [continuing]. in your expertise?

Ms. SCHANK. Yes. There are not—in these contracts, there are no outcomes that are specified. In government, delivering the product is the end. You do not have to deliver it well. You do not have to deliver it in a way that improves accessibility.

In the private sector, there are metrics that you would use to say, did this achieve our goals? In government, the goal is very often just launching the system and not how well it performs and what the outcomes are.

So holding——

Mr. SELF. Do you recommend something other than indefinite delivery, indefinite quantity contracts?

Ms. SCHANK. Yes. I think that, in general, contracts that specify outcomes are successful, and that is been proven. There are multiple smaller contracts where government has specified you need to, you know, move X number of people out of beds and into—homeless people out of beds and into shelters, or, you know, into their own homes, and that is how we will decide if this was a success or not, not is the product on and functioning.

Mr. SELF. We have got accountability. We have got outcomes.

Okay. Here comes the tough question. The Electronic Health Record (EHR) contract, is that even breakable into smaller contracts?

Ms. SCHANK. Absolutely. I mean, even as I was kind of just doing some digging around how people use the system, I started thinking like, oh, okay, so you would—in a normal scenario, you would

break this up into the scheduling contract and the—so you can break these things up into individual pieces, discrete pieces. Every big-tech project is—I do not want to say breakupable, but it can be divided that way.

Mr. SELF. Ms. Oakley, what is your opinion of that?

Ms. OAKLEY. I agree completely. We have done a lot of work on the practices of leading companies that do product development for cyber products as well as cyber physical products, and we are completely in line with Ms. Schank in terms of these companies take an iterative approach in development. They measure their expectations for their pieces that they are chunking out. They call them minimum viable products. It is like, okay, we can achieve this in this timeframe, and it provides a useful capability to a customer. That is how they do their work.

Mr. SELF. My time is up. Mr. Chairman, I yield back. Thank you.

Mr. ROSENDALE. Thanks very much, Representative.

It sounds to me as we are sitting here talking that if we had smaller pods or components which communicated with each other seamlessly, that therein is the other component, that they communicated with each other seamlessly, that we could get these systems working. The problem is we have people that are putting the requirements out that are not really familiar with the application, okay, how it is going to be utilized, or as I love to quote Dwight Eisenhower, farming looks very easy when you live a thousand miles away from a cornfield and use a pencil for a plow. They are just completely out of touch with what is actually going on.

The other thing is that, while we talk about the American Dream—and I really agree with Representative Self that it is to take a small company, grow it, sell it to another company, or just grow it big by acquiring other smaller companies. In the private sector, that does not happen unless you produce a successful product. That is not what is happening with the VA right now.

Ms. Oakley, you determined that 10 companies receive nearly half of the VA's IT contracts during these 5 years, worth $12 billion. What are those companies, and is that typical in a federal agency?

Ms. OAKLEY. Yes. I have a list here. The top 10 companies are Cerner Government Services; Denali Holding; Booz Allen Hamilton; AT&T; Four Points Technology; Leidos; Veterans Tech, LLC; Liberty IT Solutions, which was actually acquired by Booz Allen Hamilton; Nester Consulting; and Accenture.

I do not have the governmentwide data to know the concentration for contractors governmentwide, but we did crunch some numbers for you all in terms of professional and support services contracts, and it seems to be about the same, about 40 percentish of all obligations are concentrated amongst 10 different contractors.

Mr. ROSENDALE. Ms. Schank, how does this concentration affect the results we see on VA IT projects, and do you think that that is healthy?

Ms. SCHANK. The concentration is absolutely the opposite of what you would want to see for tech development. The issue is that there are fewer—and it goes back to, again, why are these giant contracts being written? The only people who can - and the only companies that can compete for these giant contracts are these same

giant companies, which is how you keep getting these repeat offenders.

In the private sector, most places have brought this work in-house, so they are not hiring these giant companies. Government made the decision not to bring that - and has not, thus far, brought a lot of that tech talent in-house, so they are the last man standing when it comes to these giant contracts.

Mr. ROSENDALE. Let us look at the top three companies. The first is Oracle Cerner. EHRM has clearly been a disaster, and I expect to see significant savings squeezed out of that contract. A system we have not talked much about is the H.R. Smart, which is decades-old human resources software from Oracle, PeopleSoft, that VA is abandoning.

I am not going to disclose VA's cost estimate to purchase a new H.R. system, but it is significant.

In your experience, how well do such large, one-stop shops for different kinds of software—for example, medical records and human resources—tend to perform compared to specialized software companies?

Ms. SCHANK. Not well. These companies operate by building in their own licensed—their own proprietary tools, and then they live off of the licensing contracts, and they are able to lock themselves in so that no agency can free themselves from this contract, and they have to keep just re-upping—modifying whatever the tool is that they have bought to try to serve their users.

A smaller vendor who is specialized would build it right the first time—the first way. They do not already have an existing thing that they are trying to cram in to work for this particular product.

Mr. ROSENDALE. Let me ask you something. If we look across the VA system, we have got 179 medical facilities. Do you think it would be more effective and efficient to try and develop a electronic health records system and also a management system for the facility, or is it going to be more efficient to develop a system for each one of the components—for the pharmacy, for the records—and then, either which way, that is got to be seamless so that they can work across the spectrum?

Ms. SCHANK. Well, as my co-person here testified, you want to build a minimum viable product. This is how technology is developed. What you are describing is the correct way to develop technology, where each one of these things would be developed separately, with the understanding that they would roll up into one large system.

They all have to do different things. They might have different users. Their goals are different. The outcomes, in theory, if there are outcome goals, they would be different for each one of those individual pieces. They should be developed separately, tested, and then rolled up into a larger system.

Mr. ROSENDALE. I understand that, but I am trying to get to the—is it the site with all its components that should have a separate system that can communicate with the other sites or is it each of the components within that site, whether it is scheduling, whether it is prescription drugs? Should each of those components be different or should it just be the site itself?

Ms. SCHANK. Each of those should be developed individually.

Mr. ROSENDALE. Okay.

Ms. SCHANK. Yes.

Mr. ROSENDALE. Thank you very much.

Representative Cherfilus-McCormick, I yield for 5 minutes.

Ms. CHERFILUS-MCCORMICK. Thank you, Mr. Chairman.

Ms. Oakley, as you have noted in your testimony, VA acquisition management remains on this year's high-risk list. VA acquisition management has been on the list since 2019 and in Fiscal Year 2022. VA obligated 56 billion for goods and services.

Before we dive into the IT acquisition component of this, I would like to ask you about the progress that you feel the VA has made since last year's report, if any.

Ms. OAKLEY. Yes. We did report progress that VA made. In particular, we focused on leadership commitment. We do see a commitment from, for example, the chief acquisition officer in the organization to making improvements with regard to VA's acquisition management efforts.

We also noted improvement with regard to their action plan. That is what we say is required to be able to outline the steps that you are going to take to improve in this area.

VA has also implemented a number of our recommendations over the past couple of years, so they are moving in the right direction.

The action plan itself does outline a number of really significant efforts that have to occur to be able to drive improvement and, no pun intended, but now we just need to see action on the action plan.

Ms. CHERFILUS-MCCORMICK. Thank you.

Also, Ms. Oakley, I know that, in the report, GAO makes reference to VA's efforts to implement its new acquisition framework. We have now seen the completed negotiation for the continuation of the Oracle Cerner contract, and we have heard that the VA has plans to move forward with a contract for supply chain modernization sometime soon.

Are you aware at all of how the VA has used this acquisition framework to manage and prepare these acquisitions?

Ms. OAKLEY. I am not aware, on the EHRM program, how the acquisition lifecycle framework or the draft framework contributed to how they negotiated that contract.

The framework is broader than just the contract. It is the approach to the program. I would hope that as that framework rolls out, that VA takes some significant steps to adjust the management and oversight and execution of that program to be in line with what is required of their draft framework.

With regard to the supply chain modernization, as we understand it, VA is trying to use the supply chain modernization as a testbed for the acquisition lifecycle framework. I do not have any information, nor have I reviewed any documentation, that would give me an indication of how indeed they are doing that.

VA recently provided us some information on the supply chain modernization efforts that are moving forward. I will look forward to seeing how those principles from the acquisition management framework are being applied, and we will definitely assess that.

Ms. CHERFILUS-MCCORMICK. I think we are all looking forward to hear about that.

Our committee has received a number of concerns from industry on the current plans for supply chain modernization, as well as concerns for inside of the VA on their current strategy. We have learned from the past decades of failed IT modernization attempts that, at the very least, a project that is of scale should have costs and estimates, a defined scope and a schedule.

Following on your work on high-risk lists, are you aware if the VA has completed any of those requirements for the supply chain modernization?

Ms. OAKLEY. At the last hearing I was at, I think Mr. Christy testified that, no, they had not in terms of especially the cost estimate.

At that time—and I will continue to reiterate that a good cost estimate, a defined scope and schedule, manageable requirements, are all keys to establishing a sound business case for moving forward with a program a related acquisition.

I would expect and hope that VA has done that. As I have cautioned before, VA often puts action ahead of strategy. We recommended that VA do a comprehensive supply chain management strategy to be able to drive the approaches that it is going to take for contracting for this. That is not complete yet, but that acquisition is in the process of moving forward for the actual system itself. That gives us a little bit of pause of—is this the cart before the horse again?

Ms. CHERFILUS-MCCORMICK. Well, I have one more quick question. Would you recommend VA move forward with a contract competition without those basic items?

Ms. OAKLEY. I guess I would say that our work has found that those items are critical to that business case that I have talked about, and if you do not have a sound business case—this is where we have seen those failures that we have been talking about in the past. If they are not in place, I would be hesitant to suggest that this was a sound proposition.

Ms. CHERFILUS-MCCORMICK. Thank you.

Mr. Chairman, I yield back.

Mr. ROSENDALE. Thank you, Representative.

Representative Self, I recognize you for 5 minutes.

Mr. SELF. Thank you, Mr. Chairman.

I will just point out that in your written testimony, you noted that the VA has implemented 24 IT recommendations since 2010. They have not implemented 22. Now, I understand you have no authority to force implementation, but I just want to note they have not done 22.

Now, do you agree with Ms. Schank that in-house management—project management I think is the way she would describe it—is the way to go?

Ms. OAKLEY. I think it is necessary that the government has in-house expertise to be able to effectively oversee these very complex procurements, for sure.

Mr. SELF. Okay. Now, for VA, let us remember, they used to do their own construction.

Ms. OAKLEY. Right.

Mr. SELF. I believe the overruns on one particular—I have forgotten where it was—Colorado or somewhere—construction project management was taken away from VA——

Ms. OAKLEY. Uh-huh.

Mr. SELF [continuing]. and given to the Corps of Engineers for this very reason.

Ms. OAKLEY. Yes.

Mr. SELF. Now, I realize it is different, but do you stand by your in-house recommendation knowing that VA could not manage their own construction projects?

Ms. OAKLEY. I think maybe we are talking about two different things.

Mr. SELF. Uh-huh, we are.

Ms. OAKLEY. I would say that there was a pendulum that has swung, right?

Mr. SELF. Uh-huh.

Ms. OAKLEY. Like, the government used to do everything itself, right? Then, at a period of time, it swung to hands off, the contractors are going to be doing this kind of thing.

I think there is a happy medium that requires the government to have expertise to understand what it is buying, what it is getting, and what its customers need to be able to put in place contractors, the private sector, to be able to do those things. I think it does not mean that VA has to go and build these systems itself. It means VA has to know what it wants and to be able to determine if it is getting what it wants.

Mr. SELF. Okay. Ms. Schank, would you describe to me what this in-house office looks like?

Ms. SCHANK. Of tech expertise?

Mr. SELF. Correct.

Ms. SCHANK. It is really that program management layer. The issue is that the distance between policymakers and what gets delivered is too great, and you can not have that in technology. That distance needs to be shrunk. There needs to be a senior level of people who have tech fluency who can manage these projects, not, you know, in like a code review kind of way, but just in a general strategy, here is what we want our users to be able to do.

Mr. SELF. Is this at the VA level? Is this at the Veterans Integrated Services Network (VISN) level? What level are you discussing?

Ms. SCHANK. It is at the VA level, you know, in the CIO's office, let us say.

Mr. SELF. Okay. Again, so you think that this is action—and I will ask both of you—action that Congress ought to take, to redesign this infrastructure?

Ms. SCHANK. I think that this is not an issue that is unique to VA. This is across every Federal agency.

Mr. SELF. Uh-huh.

Ms. SCHANK. I am not an expert on what Congress can do, but if there are levers that Congress can use to ensure that there is senior—that there is a senior level of tech fluency at every agency, that would change things immensely.

Mr. SELF. Ms. Oakley.

Ms. OAKLEY. I guess I would say some of the things that Congress can do is support workforce initiatives that bring highly skilled folks like that to the government. I think we focused on this in the past with cybersecurity, for example.

Those are the kind of actionable things that Congress can support to say, okay, VA, we need you to get this expertise in-house to be able to execute these programs for us to get what we want out of them.

Mr. SELF. Okay. Mr. Chairman, I yield back.

Mr. ROSENDALE. Thank you very much, Representative.

I still want to highlight some of the issues that we are facing and the amount of money that has been thrown at this problem. We talked about Oracle a moment ago, but, Ms. Schank, the No. 2 vendor is Dell, which VA mainly uses as a clearinghouse to buy different companies' software. No. 3 is Booz Allen Hamilton. Here is a partial list of the major contracts Booz Allen Hamilton has held:

The Veterans Benefits Management System, which cost about $1 billion. It was rolled out roughly a decade ago and is in widespread use, but it has limitations that the VA is still struggling with.

The Forever GI Bill IT system changes that failed and delayed veterans' housing stipends in 2018, that cost about $12 million before the plug was pulled on that program.

The Program Management Office for the Defense Medical Logistics Standard Support (DMLSS), DMLSS, supply chain project, which spent at least $230 million before it failed last year.

The EHRM Program Management Office, which has produced terrible results and has cost at least $728 million.

We are talking about massive amounts of money that have been thrown at IT.

Ms. Schank, in your experience, is it normal for a company with this track record to appear and reappear on so many different projects, and why does this continue to happen?

Ms. SCHANK. Unfortunately, it is absolutely normal in government that this happens. This happens time and again. There was a very public example in Rhode Island where the State had a public benefits application that they were rolling out. They had contracted with Deloitte. It had been under construction for a long time, cost overruns. It failed, and the company that they hired to fix it was Deloitte. In part, that is because it is such an enormous—again, there are only a certain number of—the way that contracts are currently written, there are only a certain—small handful of companies who can meet the requirements and can bid on those contracts. What you get is just these repeat offenders. There is no accountability, and they continue to get hired.

Mr. ROSENDALE. Yes. Again, if we compare it to the private sector, while it is the American Dream to grow a big, large company, that usually comes with success because you have had satisfied customers, not all of these failures that have been demonstrated, at someone else's expense.

Ms. Oakley, I understand agencies do annual past performance evaluations for every contract, and those ratings tend to be wildly out of step with the actual outcomes of the projects. Why is that, and how does this perpetuate failed projects?

Ms. OAKLEY. We have definitely reported in the past that there tends to be a lack of frank performance information provided in some of these systems. I have not dug into the reasons for that. If I were a betting person, I would say that contracting officer workload probably drives a bit of that phenomenon.

For VA, in general, our work showed that, indeed, they actually, overall for IT contracting, had about a 96 percent rate of actually entering the performance information into the system, which is better than some agencies. We did not assess the quality of that information as well too.

If I can just comment really quickly—the government plays a role in ensuring success of the programs. When we are talking about the contractors and their performance, when they are being approached with these gigantic programs like EHRM, like FMBT, like the supply chain modernization efforts, that are trying to be the be-all end-all of everything, that is the problem, right?

The requirements are unattainable, and so these contractors sign up for these things, because it is money. You are signing up to do these contracts. The requirements just are not executable in the way that they are structured, and so then it kind of snowballs from there.

That is where the smaller, more manageable chunks of requirements and capability are so important for the government to approach contractors with, because you would get that performance and then you would not be locked in to staying with that contractor for the continuation.

Mr. ROSENDALE. Sure. Sure. Also—this committee has heard about the Veterans Health Information Systems and Architecture (VistA) system and how the veterans facilities, the VISNs all across the country still had that as their backup, that it is a systemwide program that everybody is still falling back on. I would like to try and figure out how we can somehow incorporate any additional components that are missing from VistA that we are trying to provide through Oracle.

Representative Cherfilus-McCormick, I will recognize you for 5 minutes.

Ms. CHERFILUS-MCCORMICK. Thank you, Mr. Chairman.

Yesterday we had a full committee hearing on issues with tracking of supplemental funding provided by Congress during the pandemic. The inspector general recently released a report stating that because of the 30-year-old financial management system, which has not been updated, the manual journals were required to document spending. This, of course, provided problematic because of the lack of guidance provided to employees on how to document the spending. The Financial Management Business Transformation program is meant to update the system, but, to date, our committee has seen increased timelines proposed for implementation at (Veterans Health Administration) VHA.

My biggest concern is—with the program now is its interdependency that has been identified by VA with the supply chain modernization initiative finalizing their plans for a future solution. The interdependency between large IT modernization programs seems to me to be a major risk factor for the successful IT acquisition.

Ms. Oakley, who is responsible for coordinating the timing and planning of these large acquisition programs?

Ms. OAKLEY. Yes, I mean, there is a number of different officials that are responsible, which I think is part of the problem. In theory, the chief information officer is responsible for reviewing and approving VA's entire portfolio of IT acquisitions, and so they should have that insight.

That being said, the CIO is not an acquisition professional. You have the chief acquisition officer that also has to be able to understand what is going on and ensure that the contracts are being structured and executed in line with the strategies that the CIO has put in place.

As we have kind of talked about before in prior hearings and we have reported a number of times, there is a bit of a fragmentation of leadership within VA for managing and executing large acquisition programs.

Ms. CHERFILUS-MCCORMICK. Now, are there any other entities that you believe play a major role in those large contracts also?

Ms. OAKLEY. I mean, well, chief information officer, chief acquisition officer, the Chief Financial Officer (CFO), obviously, is going to have to play a role from a budgeting perspective. At the highest level, those are the folks in the positions that, in theory, should be driving those decisions.

Ms. CHERFILUS-MCCORMICK. Do you have any recommendations on how we can streamline so they are working together instead of the fragmentation that you proposed—that you talked about?

Ms. OAKLEY. Yes, I mean, they have devised a number of governance boards where, I think as I have said in the past, it is kind of an approach of we are going to all just agree and hopefully it works out and make decisions that way. Having that kind of belly button person who gets to say, no, I have taken all your inputs from all the experts and now we are going to go this way, I think, is an important thing.

One of the bills that we talked about in the last hearing was that chief management officer bill that you had talked about, that had been proposed. That is a role that that position could play in making sure that those investments are coordinated.

Ms. CHERFILUS-MCCORMICK. Has the VA been receptive toward addressing the fragmentation?

Ms. OAKLEY. I think to some extent. The kind of development of those governance boards and whatnot and through the acquisition lifecycle framework, the draft acquisition framework that they are hoping to put in place, that does drive a little bit more accountability and responsibility for decisions throughout the acquisition lifecycle process, which goes beyond just the contract awarded.

I think they are taking steps to bring more rigor and discipline to the approach. We have not seen wholesale change quite yet.

Ms. CHERFILUS-MCCORMICK. Thank you so much.

Mr. Chairman, I yield back.

Mr. ROSENDALE. Thank you very much, Representative.

Representative Self, I recognize you for 5 minutes.

Mr. SELF. Thank you, Mr. Chairman.

I think we are getting to the bottom-line issue, which is a governmentwide issue. Not only U.S. Government, it is every govern-

ment. How do we instill accountability? We can go around and around on this. The fact is the government has no profit motive, because in private sector, you know, you have a measurement in place. You either make a profit or you go out of business. We do not have that in government.

We have rent seekers, people who want the advantage, to get all of the government contracts that you ladies have been describing.

I still am wrestling with how do we put accountability into this. We can add a layer of bureaucracy, which we have suggested here, but because we have no profit motive, I am still wrestling with how we get to an outcome-based system, because we are spending a whole lot of taxpayer dollars here.

I have not heard of anything yet that gives me the confidence that we have any outcomes, because we have used the term, but I think this committee ought to try get at the baseline here what we need, and that is outcomes.

In an IT system, it looks to me like you would have a list—maybe Ms. Schank could weigh in on this—you would have a list of outcomes that would be generic enough, that would be across the systems, without saying you got to have this field in this form.

I would be interested in that, if you could give us an idea, because to me that is the bottom line. How do we get to accountability outcomes without just adding a layer of bureaucracy and saying that is going to fix the problem? I do not think it ever fixes the problem for us to simply add a layer of bureaucracy.

Ms. Schank, would you care to comment?

Ms. SCHANK. Yes. There are well-defined outcomes for how these systems should perform that are used in the private sector. Those are always human-centered outcomes.

The humans at the end of the system, are they able to achieve what they need to achieve within a reasonable amount of time? Sometimes that could be something like saying no one should wait more than 5 minutes to find out, you know, if they have an appointment or nobody—and it is not only the IT, it is also, you know, nobody should wait on the phone for more than 5 minutes before talking to a person at wherever, right?

If you center the humans in the process, in thinking about the outcomes, the end goal of these systems is to serve people. Are they served efficiently, correctly, and accessibly?

Mr. SELF. That is okay. That is below congressional level. You know, that is in the VA level. I guess I will continue to wrestle with it.

Ms. Oakley, would you care to comment? Please.

Ms. OAKLEY. Yes, I would just say it may not be necessarily below congressional level because you can require things of VA. When she is talking about human-centered, our work on product development of leading innovative companies shows that the customer is involved from the very beginning and the customer is providing input and feedback and responses that then shape the continuing effort.

It is not just do we get to the end and does it meet their needs, right? That would be too late to do anything about it. When you are talking about what could be required of VA, it is how does VA document in any of its acquisitions how the end user, the customer,

however you want to define it, is involved in the process all along the way to ensure that we are establishing the right requirements, we are focusing on the correct minimum capabilities that we can get out there first based upon what is needed, and that in the end it is going to provide a useful outcome to those folks.

Mr. SELF. I would like for you to provide the ideas to my staff, because I do not want Congress in the project management business. At the same time, I am wrestling with how we get to this discussion. How do we get there?

Mr. Chairman, I yield back.

Mr. ROSENDALE. Thank you very much, Representative.

I would like to go and dig into a little bit more about the VistA system. I understand that you are not necessarily, you know, professionals on VistA, but you sure understand the basic technology.

Does either one of you know how long this VistA system has been in place?

Ms. OAKLEY. I think at least since the eighties.

Mr. ROSENDALE. Since the eighties. Okay. That one has certainly been tried and tested, shall we say. A lot of the—a lot of the warts have been worked off of it.

Is it accurate to say that all of the current VA facilities use this system around the country, including—including those that are currently being forced to use the Oracle system? Is it true that they still have VistA running in background?

Ms. OAKLEY. I believe that is true, yes.

Mr. ROSENDALE. Okay. I mean, to me, that should be startling to everybody in this city to think that we have a system that was developed in the eighties that is basically the primary system that we are using for electronic health records, and yet we are spending billions of dollars with another contractor, with another vendor that has not provided us the results that we need. Yet this one is still working for a fraction of the cost.

Does anybody know what components are necessary to fulfill that seamless, operation that we were talking about earlier so that everybody can still communicate with each other? Do you know what components are missing from VistA that we were trying to achieve by bringing in Oracle to replace them?

Ms. OAKLEY. I do not know that specifically. I can get that answer for you for the record. I do know that we have talked about the medical supply chain and the challenges with using those types of systems for the medical supply chain, and it is antiquated. It does not provide the right kind of data. It does not give real-time information to be able to manage a supply chain at any given medical center, let alone nationwide like we saw in the COVID–19 pandemic.

There are various aspects of VistA, I think, that affect the efficiency and effectiveness of operations within the medical centers from finance to contracting to you name it.

Mr. ROSENDALE. The very prescription drug issue that you spoke of earlier, Ms. Schank, it is my understanding that that is one of the main components that we were having problems with, the Oracle system, that the pharmacies within these veterans facilities, they were having major, major problems with that and risking lives and the health of our veterans.

Ms. SCHANK. I am not aware of exactly what the issues are with VistA that requires the upgrade or the replacement. I do know that if you have an immensely complex system that users like, you want to try to keep as much of that functionality as you can. The idea that a contractor would come in and just throw out a system that has good pieces to it is sort of anathema to how you develop technology.

Mr. ROSENDALE. Maybe we should actually be talking to the farmers that have a plow instead of the people that are using a pencil and finding out exactly which components are missing and maybe we could introduce those into the VistA system and we could actually deliver something that is working for not only the facilities but a lot better delivering benefits and services to the veterans.

Ms. SCHANK. Absolutely.

Mr. ROSENDALE. Okay. Thank you very much.

I will recognize Representative Cherfilus-McCormick for 5 minutes.

Ms. CHERFILUS-MCCORMICK. Thank you, Mr. Chairman.

Ranking Member Takano has introduced, and I have cosponsored, two bills this Congress, one which would require independent verification and validation of large IT programs like FMB and supply chain, another which would establish an undersecretary for management at the VA.

Mr.—Ms. Oakley, you testified at our legislative hearing on both of these bills, which were very helpful, and we look forward to incorporating GAO's comments into our final version.

Has GAO identified any other issues with the VA acquisition management that needs to be addressed with legislation?

Ms. OAKLEY. At this time there are not any outstanding matters to Congress that we have identified with regard to acquisition management. I think we need to see VA take action itself first to really address those root causes of its acquisition management problems. Those root causes are outlined in that action plan I mentioned. Again, taking action on the action plan will get VA moving in the right direction and then I think illuminate any areas that the Congress needs to act on that VA can not do itself.

Ms. CHERFILUS-MCCORMICK. Given recommendations that are outstanding with VA around acquisition management, what should be the priority for VA to address making sure near-term programs like FBT and supply chain modernization do not suffer the same fate as previous attempts?

Ms. OAKLEY. Yes, so I am just going to put a little plug in. I think our priority recommendations letter to VA will be issued next week, and in that letter we outline what the recommendations the Comptroller General of the United States thinks are the highest priority for VA to address.

There are several that are related to acquisition management, including addressing the acquisition workforce challenges that we identified in a report last year, and developing and executing the comprehensive supply chain management strategy as well. Then we have some recommendations related to actually assessing the acquisition function within VA to understand where improvements need to be made.

Those are just three that are outlined in that priority recommendations letter.

Ms. CHERFILUS-MCCORMICK. Thank you so much, Mr. Chairman. I yield back.

Mr. ROSENDALE. I thank the representative.

Representative Self.

Mr. SELF. Thank you, Mr. Chairman.

As we know, the EHR system is paused. I have asked previously the cost to upgrade VistA versus Cerner.

Can you walk me through the steps, Ms. Oakley, to cancel the Cerner contract? How difficult is that? What are the steps? What would that take?

Ms. OAKLEY. Well, the government can cancel any contract at its convenience at any time. The process for doing that, I think, would obviously involve some pretty significant steps, but it is well within the government's rights to be able to do that for sure.

I can get you for the record the actual process and what that would take for sure just to give you a little bit more detail on that.

Mr. SELF. Is there a huge buyout?

Ms. OAKLEY. There is usually a limitation of liability on every contract that should be outlined in that contract to give a sense of what the government would be on the hook for. I am not even going to make a guess because I have not looked at that EHRM contract recently. I can get back to you on what that termination liability might be.

Mr. SELF. Okay. Thank you, Mr. Chairman. I yield back.

Mr. ROSENDALE. Thank you very much, Representative.

Thank you very much. The panel is excused from the witness table.

With that, I will yield to Ranking Member Cherfilus-McCormick for her closing statement.

Ms. CHERFILUS-MCCORMICK. Thank you so much, Mr. Chairman.

I appreciate the testimony and answers from our witnesses this morning. I think it is—I think it was a good start to a much larger discussion to continue with VA this Congress.

Competition in contracting is a positive thing, and we need to incentivize this at the VA. Where dollar amounts have increased, they have continued to see poor performance.

Employees, veterans, and Members of the Congress have had enough of the current lack of success, and I look forward to working together to ensure we have more positive outcomes in the future.

Thank you so much for your testimony.

Mr. Chairman, I yield back.

Mr. ROSENDALE. Thank you very much, Representative Cherfilus-McCormick.

I want to sincerely thank our witnesses for joining us this morning.

Ms. Schank, I know you had to travel to get here, and I appreciate you putting that effort forward.

Ms. Oakley, you have appeared before this committee roughly a dozen times, and I certainly appreciate your dedication.

I expect the VA to provide the best-qualified witnesses, upon request, when we resume this discussion of this topic in the future.

I intend to stay focused on these issues for as long as I have the privilege of chairing this committee.

Not only are the veterans unable to see the results from billions of dollars that are invested in IT, but the VA is becoming an increasingly difficult place for most companies to do business.

Government contracting is supposed to be a level playing field. However, the VA's become a notoriously difficult, arbitrary client. We want the best companies with the most innovative ideas working for the VA. Those companies are hardly hurting for work, and I am sorry to say they are looking elsewhere.

This situation is guaranteed to produce more bad outcomes, and I expect to hear how the VA's IT and contracting leaders are going to fix it.

With that, I ask unanimous consent that all members have 5 legislative days to revise and extend their remarks and include extraneous material.

Without objection, so ordered.

The hearing is adjourned.

[Whereupon, at 9:22 a.m., the subcommittee was adjourned.]

# A P P E N D I X

PREPARED STATEMENT OF WITNESSES

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**Prepared Statement of Shelby Oakley**

United States Government Accountability Office

GAO

Testimony

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

For Release on Delivery
Expected at 8:00 a.m. ET
Wednesday, May 24, 2023

# VETERANS AFFAIRS

# Observations on IT Contracting Trends and Management Oversight

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

GAO-23-106845

# GAO Highlights

Highlights of GAO-23-106845 a testimony before the Subcommittee on Technology Modernization, Committee on Veterans' Affairs, House of Representatives

## Why GAO Did This Study

VA spends billions of dollars annually on IT that supports delivery of benefits and health care to veterans. VA continues to face long-standing challenges managing its IT projects, including the department's multibillion dollar electronic health record modernization initiative. In 2015, GAO added VA health care to its High-Risk List due, in part, to these challenges. In 2019, GAO also added VA acquisition management to its High-Risk List.

This statement discusses (1) trends in VA IT contracting, and (2) oversight of VA IT procurements. It is based on GAO's December 2022 report on trends and competition in VA IT contracting and GAO's March 2023 report on VA's IT management. Details about the scope and methodology for published GAO reports are included in those products.

## What GAO Recommends

In its March 2023 report on VA's IT management, GAO recommended that VA implement automated controls into relevant contracting systems to ensure CIO review of IT procurements. VA concurred with the recommendation. Since 2010, VA has implemented 24 recommendations GAO made to address health care IT challenges. Twenty-two recommendations remain open, including fifteen related to electronic health record modernization. Since 2015, VA has also implemented 38 recommendations GAO made related to acquisition management, and 22 recommendations remain open.

View GAO-23-106845 For more information, contact Shelby S. Oakley at (202) 512-4841 or oakleys@gao.gov.

May 24, 2023

# VETERANS AFFAIRS

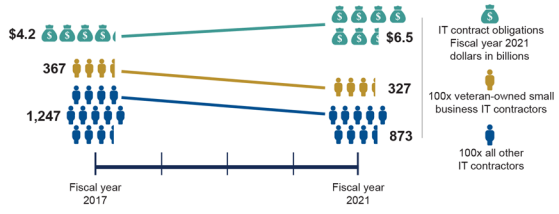
## Observations on IT Contracting Trends and Management Oversight

## What GAO Found

The Department of Veterans Affairs (VA) depends on critical underlying IT systems to manage benefits and provide care to millions of veterans and their families. From fiscal years 2017 through 2021, VA obligated over $25 billion to procure a range of IT products and services—among the highest IT obligations in the federal government—primarily through its Technology Acquisition Center.

During this period, VA has obligated more on IT, but to fewer contractors. In December 2022, GAO found that from fiscal years 2017 through 2021, VA's total IT obligations increased by more than half. At the same time, the number of contractors receiving awards decreased by more than a quarter. GAO also found that VA's competition rate for IT contracting was lower than for non-IT, but in line with IT contracting at other federal agencies.

**VA's IT Contract Obligations Increased as Number of Contractors Decreased**




Source: GAO analysis of Federal Procurement Data System data as of May 2022. | GAO-23-106845

VA's procurement of IT-related assets often has not received appropriate oversight by VA's Chief Information Officer (CIO). In March 2023, GAO did not find evidence of CIO approval for 39 percent of new IT contract actions awarded between March 2018 and September 2021. GAO also found that 14 of 26 selected fiscal year 2021 contract actions did not have CIO approvals.

**Most Selected Fiscal Year 2021 VA IT Contract Actions Did Not Have CIO Approvals**


Source: GAO analysis of Department of Veterans Affairs contract data. | GAO-23-106845

According to VA officials, their contracting systems did not have an automated control reminding contracting officers to route such actions for CIO review. The lack of visibility into IT procurement limits the CIO's opportunity to provide input.

Chairman Rosendale, Ranking Member Cherfilus-McCormick, and Members of the Subcommittee:

Thank you for having me here today to discuss our work on contracting for and managing IT at the Department of Veterans Affairs (VA).

VA depends on critical underlying IT systems to manage benefits and provide care to millions of veterans and their families. VA's use of IT includes hundreds of information systems, thousands of computers, and a computer network with hundreds of thousands of user accounts. As a result, VA has among the highest obligations in the federal government for IT procurement.[1] From fiscal years 2017 through 2021, VA obligated over $25 billion on contracts and orders to procure a range of IT products, systems, and services.[2]

We and VA's Office of Inspector General have reported on VA's challenges with managing its major IT acquisitions, including its financial management system and electronic health record modernization initiatives, which have experienced schedule delays.[3] In 2015, we added VA health care to our High-Risk List due, in part, to its IT challenges. VA has implemented 24 recommendations we have made since 2010 to address its health care IT challenges. VA has not yet implemented 22 recommendations, including 15 related to the department's electronic health record modernization effort. However, VA challenges go beyond IT management. In 2019 we added VA acquisition management to our High-Risk List as a result of the department's significant contract obligations and numerous challenges to efficient acquisitions.[4] VA has implemented

[1]To identify IT procurements, we used the government-wide category management taxonomy to identify product and service codes aligned with IT, and we identified contract actions with those product and service codes in the Federal Procurement Data System.

[2]Obligation amounts in this statement are reported in fiscal year 2021 dollars.

[3]GAO, *VA Financial Management System: Additional Actions Needed to Help Ensure Success of Future Deployments*, GAO-22-105059 (Washington, D.C.: Mar. 24, 2022); and *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). Department of Veterans Affairs, Office of Inspector General, *Unreliable Information Technology Infrastructure Cost Estimates for the Electronic Health Record Modernization Program*, Report #20-03185-151 (July 7, 2021).

[4]For our most recent report on the High-Risk List, see GAO, *High-Risk Series: Efforts Made to Achieve Progress Need to Be Maintained and Expanded to Fully Address All Areas*, GAO-23-106203 (Washington, D.C.: Apr. 20, 2023).

38 recommendations we have made since 2015 related to acquisition management. VA has not yet implemented 22 recommendations.

In this statement, I will highlight findings from two recent GAO reports, including (1) trends in VA IT contracting, and (2) oversight of VA IT procurements. Detailed information on our objectives, scope, and methodology for that work can be found in the issued reports.[5]

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.

## Background

VA's Office of Information and Technology is responsible for managing most of the department's IT. This office is led by the Assistant Secretary for Information and Technology—VA's chief information officer (CIO)—and is responsible for providing strategy and technical direction, guidance, and policy related to how IT resources are to be acquired and managed for the department. In July 2015, VA issued a policy stating that all Office of Information and Technology funded procurements exceeding $100,000 must be processed by the Technology Acquisition Center, which is part of VA's Office of Procurement, Acquisition, and Logistics and centralizes the management of IT procurements.[6] From fiscal years 2017 through 2021, the Technology Acquisition Center made over 90 percent of VA's IT obligations, with the remainder made by other VA contracting offices.

Over the last three decades, Congress has enacted several laws to help federal agencies improve the management of IT investments. For example, the Clinger-Cohen Act of 1996 requires agency heads to appoint CIOs and specifies many of their responsibilities with regard to IT

[5]See GAO, *IT Management: VA Needs to Improve CIO Oversight of Procurements*, GAO-23-105719 (Washington, D.C.: Mar. 30, 2023), and *VA IT Contracting: Observations on Trends, Competition, and Past Performance Information*, GAO-23-105446 (Washington, D.C.: Dec. 15, 2022).

[6]Department of Veterans Affairs, *Policy for Processing All Procurements Exceeding $100K at the Technology Acquisition Center (TAC)* (VAIQ# 7542865) (Washington, D.C.: July 2, 2015).

management.[7] Among other things, CIOs are responsible for implementing and enforcing applicable government-wide and agency IT management principles, standards, and guidelines; assuming responsibility and accountability for IT investments; and monitoring the performance of IT programs and advising the agency head whether to continue, modify, or terminate such programs.[8]

In December 2014, Congress and the President enacted IT acquisition reform legislation, commonly referred to as the *Federal Information Technology Acquisition Reform Act* or FITARA.[9] FITARA, among other things, required VA and other covered agencies to improve their IT acquisitions by requiring CIO involvement in these acquisition processes.[10] One way that the law enhances the authority of agency CIOs is by requiring them to review and approve contracts for IT. Specifically, FITARA requires that agency CIOs review and approve IT contracts prior to award, unless that contract is associated with a non-major investment.[11] When the contract is associated with a non-major investment, the CIO may delegate the review and approval duties to an official who reports directly to the CIO. Alternatively, the law states that an agency may use its governance processes to approve any IT contract, as long as the agency CIO is a full participant in the governance processes.

[7]The requirement for agencies to designate a CIO is codified at 44 USC § 3506(a)(2)(A). See also 40 U.S.C. § 11315, Agency Chief Information Officer.

[8]40 U.S.C. § 11315.

[9]*Carl Levin and Howard P. 'Buck' McKeon National Defense Authorization Act for Fiscal Year 2015*, Pub. L. No. 113-291, division A, title VIII, subtitle D, 128 Stat. 3292, 3438-50 (Dec. 19, 2014).

[10]The provisions apply to VA and the other agencies covered by the *Chief Financial Officers Act of 1990*, 31 U.S.C. § 901(b). However, FITARA has generally limited application to the Department of Defense.

[11]According to the Office of Management and Budget (OMB), a major IT investment is a system or an acquisition requiring special management attention because it has significant importance to the mission or function of the government; significant program or policy implications; high executive visibility; high development, operating, or maintenance costs; an unusual funding mechanism; or is defined as major by the agency's capital planning and investment control process. In contrast, OMB states that non-major investments are those that do not meet the criteria of major IT investments.

Office of Management and Budget (OMB) guidance released in June 2015 described how agencies are to implement FITARA.[12] The guidance emphasized the need for CIOs to have full accountability for IT acquisition and management decisions, and gives agencies considerable flexibility in making those decisions.[13] Specifically, with regard to CIOs' review and approval of IT contracts, OMB's guidance provides:

- Agencies may not approve acquisition strategies and plans that include IT without CIO review and approval;[14]
- CIOs can designate other agency officials to act as their representatives, but the CIOs must retain accountability;[15]
- Chief Acquisition Officers are responsible for ensuring that all IT contract actions are consistent with CIO-approved acquisition strategies and plans; and
- Chief Acquisition Officers are to indicate to the CIOs when planned acquisition strategies and acquisition plans include IT.

VA's FITARA approval process guidance from August 2020 requires the CIO or other authorized representative to review the acquisition strategies of VA's IT and IT-related procurements prior to solicitation and contract award.[16] This process is intended to ensure that the CIO has visibility into and accountability over all IT across the department. For acquisitions with estimated total contract lifecycle costs under $15 million, VA guidance allows the CIO to delegate the FITARA review and approval to another

[12]Office of Management and Budget, *Management and Oversight of Federal Information Technology, M-15-14* (Washington, D.C.: June 10, 2015).

[13]OMB's 2015 guidance defines IT as any services or equipment, or interconnected system(s) or subsystem(s) of equipment, that are used in the automatic acquisition, storage, analysis, evaluation, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information by the agency.

[14]OMB's guidance states that, for contract actions that contain IT without an approved acquisition strategy or acquisition plan, the CIO shall review and approve the contract action itself.

[15]OMB has interpreted FITARA's "governance process" provision to permit such delegation. That provision allows covered agencies to use the governance processes of the agency to approve a contract or other agreement for IT if the CIO of the agency is included as a full participant in the governance process.

[16]Department of Veterans Affairs, *Federal Information Technology Acquisition Reform Act: Acquisition Compliance Standard Operating Procedure* (Washington, D.C.: Aug. 6, 2020).

appropriate official.[17] Further, the guidance states that contracting officials may not enter into a contract or other agreement for IT or IT-related products or services without receiving FITARA approval. Based on definitions in VA's August 2020 guidance and subsequent policy issued in January 2023, VA requires FITARA review and approval for all procurements using IT funds and all procurements categorized with IT product and service codes.[18]

## VA's IT Contract Obligations Increased as Number of Contractors Decreased

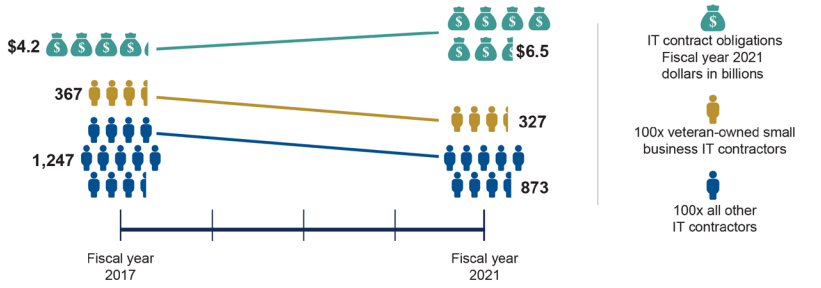
In 2022, we reported that from fiscal years 2017 through 2021, total IT contract obligations increased by more than half, while the number of contractors receiving awards decreased by more than a quarter (see fig. 1).[19]

[17]The specific thresholds for the required FITARA review depend on the estimated total contract lifecycle costs. If the estimated costs are less than or equal to $1 million, the approver should be the director (or equivalent) of the requiring activity, which is the office that owns the requirement or needs the product or service. If the estimated costs are greater than $1 million but less than or equal to $5 million, the approver should be the executive director or equivalent of the requiring activity. If the estimated costs are greater than $5 million but less than $15 million, the approver should be the deputy assistant secretary, the deputy chief information officer, or equivalent of the requiring activity. If the estimated costs are at least $15 million, the CIO is responsible for the FITARA review.

[18]Department of Veterans Affairs, *Acquisition and Management of VA Information Technology Resources*, Directive 6008 (Washington, D.C.: Jan. 6, 2023). In order to define the scope of the acquisitions needing a FITARA review, VA's August 2020 guidance defines IT as all acquisitions funded with congressionally appropriated IT funds and IT-related as all acquisitions funded outside of the IT budget that are identified as IT by product and service code. VA's January 2023 policy further clarifies the definition of IT, stating that IT items are also identified as those utilizing IT product and service codes. Product and service codes are 4-digit codes that describe the products, services, and research and development purchased by the federal government. These codes are to indicate what was bought for each contract action reported in the Federal Procurement Data System. There is only one product and service code given to each award in the Federal Procurement Data System. Consequently, if a given procurement includes more than one product or service, the product and service code is to be selected based on the predominant product or service being purchased. For example, a contract for $10,000 of portable air purifiers and $5,000 for any related IT hardware would be categorized under 4460: "Air Purification Equipment." The product and service code schema specifically reserves 40 product and service codes as being for the purchase of IT products and services.

[19]GAO-23-105446.

**Figure 1: Department of Veterans Affairs IT Contract Obligations and Number of Contractors Receiving IT Contract Obligations**




Source: GAO analysis of Federal Procurement Data System data as of May 2022. | GAO-23-106845

Technology modernization initiatives and COVID-19 pandemic response efforts drove the growth in IT contract obligations. Large technology modernization initiatives included electronic health records modernization and replacement of VA's legacy financial management system. In addition, VA obligated over $2 billion for IT as part of the agency's response to COVID-19 in fiscal years 2020 and 2021. Meanwhile, a potential driver of the decrease in contractors despite rising obligations is that from fiscal years 2017 through 2021, the number of new IT contracts awarded and orders issued fell by more than half. At the same time, the average total contract and order value of new awards—as identified in the Federal Procurement Data System—almost tripled.[20] VA officials told us that the department had made a concerted effort to consolidate customer IT requirements, which resulted in fewer—though larger—IT procurements. Our prior work on government-wide contracting for common products and services through initiatives such as strategic

[20]In calculating average contract and order value, we did not include the values identified for awards of indefinite delivery vehicles such as indefinite-delivery, indefinite-quantity contracts and blanket purchase agreements. Instead, we included the values for the orders issued under the indefinite delivery vehicles.

sourcing and category management likewise showed a decrease in the number of contractors providing such products and services.[21]

Across fiscal years 2017 through 2021, VA also made an increasing proportion of IT obligations via modifications adding funding to existing contracts and orders, compared with those made via new contracts and orders. VA officials told us that the department increasingly exercised options to extend performance on existing contracts, rather than awarding new ones. These overall trends were mirrored in VA's IT contracting with service-disabled veteran-owned or veteran-owned small businesses. While obligations to these businesses increased almost 30 percent, the number of such contractors fell by more than 10 percent.

We also found an increasing concentration of obligations to a small group of contractors. The proportion of obligations received by the 10 contractors with the most IT obligations in a given year grew from 45 percent in fiscal year 2017 to 56 percent in fiscal year 2021. More broadly, 30 contractors received about 75 percent of all VA IT obligations over this period.

VA increasingly concentrated obligations on two particular contract vehicles—including the Transformation Twenty-One Total Technology Next Generation (T4NG) contract—which by fiscal year 2021 together accounted for over half of all VA's IT contract obligations. These two contract vehicles consist of indefinite-delivery, indefinite-quantity contracts awarded to multiple contractors.[22] Agencies may use this type of contract when they do not know the exact quantities and delivery times of needed products and services at the time of contract award. Once awarded, an agency places orders against the contract for specific products or services as needs arise. The order generally must be competed, through fair opportunity, among all the contract holders.[23] VA

[21]GAO, *Federal Buying Power: OMB Can Further Advance Category Management Initiative by Focusing on Requirements, Data, and Training*, GAO-21-40 (Washington, D.C.: Nov. 30, 2020).

[22]The other multiple-award contract vehicle is National Aeronautics and Space Administration Solutions for Enterprise-Wide Procurement (NASA SEWP).

[23]The specific procedures required to provide fair opportunity differ based on the dollar value of orders. Contracting officers must provide each contractor a fair opportunity to be considered for each order unless exceptions apply. Exceptions to fair opportunity requirements for orders are permitted in certain circumstances, such as when only one source is capable of providing the particular products or services sought.

officials told us that potential reasons for increased use of these contracts included a streamlined acquisition process, cost savings, and the ease with which contracting officers could identify small businesses capable of meeting IT requirements.

We also analyzed procurement data on competition rates for IT contracting. Overall, VA's 76 percent competition rate for IT contracting for fiscal years 2017 through 2021 was lower than the 82 percent rate for non-IT contracting.[24] We found that one large contract for the electronic health record modernization initiative represented over 50 percent of the total obligations for contracts or orders identified as awarded or issued noncompetitively. VA awarded this contract noncompetitively to Cerner Government Services, Inc. in 2018. VA's competition rate for IT contracting was similar to that for IT contracting at comparable federal agencies.[25] VA also achieved competition rates of over 90 percent on its two primary indefinite-delivery, indefinite-quantity contract vehicles.

## VA's IT-Related Assets and Activities Were Not Consistently Procured with CIO Approval

As we reported in March 2023, VA procured IT and IT-related assets and activities that were often not approved by its CIO.[26] Specifically, VA awarded 11,644 new contract actions categorized as IT between March 2018 and the end of fiscal year 2021. VA did not provide evidence of CIO approval for 4,513 (or 39 percent) of these contract actions.

Our in-depth review of 26 selected IT contract actions from fiscal year 2021 found that 12 had documentation showing approval by appropriate agency officials at the required level of authority. The remaining 14 contract actions lacked CIO approval documentation. Of these, one was managed by the Technology Acquisition Center—charged with centralized management of IT procurements—and 13 were managed by

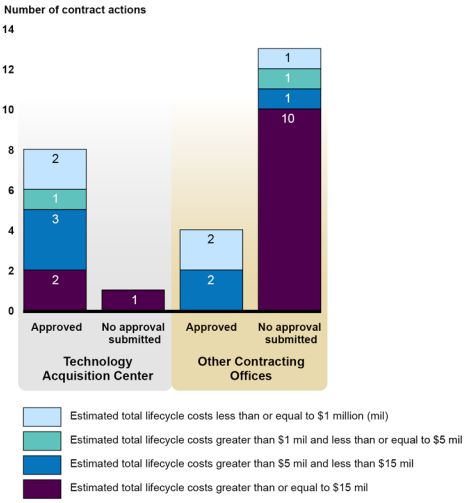
[24]For purposes of our report, "competition rate" was the percentage of total obligations associated with contracts awarded competitively. We calculated competition rates as the percentages of obligations on competitive contracts and orders over all obligations on contracts and orders. Competitive contracts included (1) contracts and orders coded in the Federal Procurement Data System as "full and open competition," "full and open after exclusion of sources," and "competed under simplified acquisition procedures"; and (2) orders coded as "subject to fair opportunity," "fair opportunity provided," and "competitive set aside."

[25]We compared VA IT obligations with those of the 20 other federal agencies with more than $1 billion in total IT contract obligations from fiscal years 2017 through 2021.

[26]GAO-23-105719.

contracting offices without an IT focus. Figure 2 illustrates the results of our review of selected contract actions by type of contracting office.

**Figure 2: Selected Fiscal Year 2021 IT Contract Actions Approved through the Department of Veterans Affairs' Federal Information Technology Acquisition Reform Act (FITARA) Approval Process, by Type of Contracting Office**




Source: GAO analysis of Department of Veterans Affairs contract data. | GAO-23-106845

According to VA officials, their contracting systems lack an automated control that would remind contracting officers of CIO review and approval requirements. Without an automated check or control to ensure contracting officer compliance, it is likely that there will continue to be IT procurements that will not be routed for CIO review, particularly for the contracting offices that are not IT-focused. The lack of visibility into the procurement of much of VA's IT assets and activities constrained the CIO's opportunity to provide input on current and planned IT acquisitions.

This, in turn, could result in awarding contracts that are duplicative or poorly conceived.

Accordingly, we made a recommendation to the Secretary of VA to direct the CIO and Chief Acquisition Officer to implement automated controls into relevant contracting systems to help ensure that IT and IT-related assets and activities are appropriately identified for VA's FITARA approval process. The department agreed with our recommendation. VA's comments included a list of proposed activities that it is considering as part of an action plan to implement our recommendation. If this proposed approach is carried out effectively, VA should be able to address the issue.

In summary, VA has taken important actions to establish a process for reviewing IT and IT-related assets and activities. However, gaps remain that continue to obscure the complete view of IT investments throughout the department. Consequently, while many IT acquisitions have been appropriately examined in the last 4 years according to VA's FITARA approval process, the department falls short of demonstrating that the CIO has reviewed all IT assets and activities. As VA IT obligations continue to increase, full visibility into the procurement of VA's IT assets and activities will help to ensure that the CIO is able to provide input on current and planned IT acquisitions. We will continue to track VA's progress in response to our related recommendation.

Chairman Rosendale, Ranking Member Cherfilus-McCormick, and Members of the Subcommittee, this concludes my prepared statement. I would be happy to answer any questions that you may have.

## GAO Contact and Staff Acknowledgments

If you or your staff have any questions about this testimony, please contact Shelby S. Oakley 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 include Robert Bullock (Assistant Director), Jennifer Stavros-Turner (Assistant Director), Nicolaus Heun (Analyst-in-Charge), Pete Anderson, Christopher Businsky, Matthew T. Crosby, Rebecca Eyler, Suellen Foth, Tonya Humiston, Ahsan Nasar, Meredith Raymond, and Adam Vodraska.

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**Prepared Statement of Hana Schank**

Thank you for holding this hearing today, and for inviting me to offer my expertise on the shrinking vendor base for IT contracts, and why this makes it increasingly difficult for the federal government to serve the American people the way policymakers intend.

I've been a technologist for my entire career, first in the private sector, and now in the public sector. I started out in the '90's, working for Andersen Consulting, building the large-scale systems that are now in various states of decrepitude, across both the public and private sectors. After launching some of the first websites and systems for Fortune 500 companies, I started an IT consultancy, which I ran for 15 years.

At that time I was exactly the kind of small business that the government should want to work with - low-cost, efficient, and specialized. But while I landed some small government contracts, I never even considered bidding on a major piece of work. I'd heard that government RFPs required a huge lift to respond to, and the few that I did consider bidding on were clearly written by people who didn't know what they were asking for.

Because I ran a women-owned business, I was often asked to be a sub on a contract, by larger businesses who wanted the competitive advantage that gave them. But when these businesses approached me, it was never to do anything that would have a large impact on the project. It was usually a hand-wavy, "we'll throw you a bone"—type of arrangement. I almost never agreed to sign on as a sub.

After Healthcare.gov failed to launch (Oracle was one of the major contractors), I joined the United States Digital Service (USDS), hoping to bring my hands-on technical skills to government. But like many USDS-ers, I immediately grasped that the root of all government system failures was not a lack of hands-on tech talent, but procurement.

When I was at Andersen in the '90's, we were one of a large pool of companies competing for these contracts. But over the years, the industry has consolidated - Andersen Consulting has become the mega-company Accenture - and the requirements that government lays out for contracts have become increasingly onerous, requiring specialized teams who do nothing but respond to government proposals. As a result, only the very largest firms have the capability to compete. According to the GAO, at VA alone, the number of IT contracts increased by $3B over the last four years, while the number of contractors fell by more than 25 percent. As of 2021, only 30 contractors accounted for 75 percent of all of VA's IT obligations.

These big players often don't play fairly, gaming the system to elbow smaller companies out of the way, often by acquiring them. They also account for every single one of the headline-grabbing large-scale Federal IT disasters.

At USDS I worked on fixing ELIS, the Nation's immigration case management system. USCIS started working on ELIS in 2005, during the George W. Bush administration. Seven years into development the system was such a mess that it had to be scrapped. The development of gargantuan systems often takes much longer than anyone expects and involves multiple types of failure. These failures are not limited to the United States. In 2011, the UK killed a £4.6B system that had been in development for nine years, meant to streamline the national health system's record keeping. In 2019, after 9 years of work and $2.2B, the Canadian federal payroll system's migration to a new platform failed so spectacularly that thousands of Canadians went without pay for weeks.

By 2015, when USDS came onto the ELIS project, they found that the contractor - IBM - had seized an undue amount of control over the design of the system. They'd designed ELIS so that it relied heavily on IBM products, even when those products did not benefit the system. As a result, ELIS took five times longer than paper to move applicants through..

Today, ELIS is stable and functional. The way USCIS got there was three-fold:

-First, they extricated themselves from their monolithic contract with IBM

-Next, they carved out smaller, discrete projects with clearly articulated outcomes goals. These contracts mostly went to smaller IT vendors.

-Finally, USCIS built an in-house team with technical expertise who could correctly procure and manage IT projects - something that had been lacking, and which led directly to ELIS's initial failure.

Coming out of the work on ELIS, USDS created the FLASH procurement vehicle to encourage a more diverse set of vendors to compete. FLASH unfortunately failed, but other Federal agencies later refined the process successfully, including digital services teams at CMS, OPM, and the VA.

Veterans Affairs has a successful procurement vehicle called CEDAR, which prequalified four service-disabled, veteran-owned small businesses to receive task orders for agile IT delivery support in application development, product management and user research. Larger vendors' business models incentivize writing proprietary software into any system they develop, whether those pieces of functionality serve the end user or not. By breaking contracts into smaller pieces, it becomes more challenging for large vendors to game the system this way. CEDAR has a task order limit of $10M, which the VA has learned is too low. As a result, they are working on a new vehicle with no limit, called SPRUCE.

Consolidation and a lack of competition is always bad for the user, and when it comes to federal IT contracting, the end user is the American public. I want to make clear that these bad contracts are not because people in government aren't trying hard enough. Often, government has no choice but to go with a vendor that has failed repeatedly. After the failed rollout of a system for public assistance built by Deloitte, the state of Rhode Island renewed the company's contracts. Similarly, VA may choose to proceed with Oracle Cerner because it is easier to keep building the boat you were working on than to turn it into a plane.

Going forward, it needs to be easier - and incentivized - for agencies to write smaller contracts and hire a smaller, more diverse pool of IT vendors. Additionally, vendors must not be rewarded for failure. Today, most contracts simply require that a product be delivered, not that it be usable or efficient. Government must demand better.

Finally, I want to touch on cost savings. When IT fails it is expensive, and we see cost overruns into the billions of dollars. Bringing senior tech talent in-house, while potentially expensive as a line item, would likely lead to tremendous cost savings as there would be people who could advocate for building the right thing the right way the first time. VA has already started this process. There are talented tech teams within the agency who are working to get it right, but these teams are small, and are often not consulted when it comes to large scale procurements.

I'd like to close with a positive story. Dr. Williams is a VA psychiatrist in a large city. When she first came to VA, she was delighted to find that VA's case management system made her work easier, unlike her previous experiences using Epic and Cerner. At VA, care is provided holistically, which means practitioners work together across specialities to provide the best care for veterans, and the IT system facilitates this. Early in her career at VA, Dr. Williams met with a veteran who was in the process of moving, as vets often do, so she had put all her belongings in cardboard boxes, along with her medication. As a result, she'd stopped taking her medication and had become actively psychotic. Using the VA's existing case management system, Dr. Williams was able to look up the patient's medication history, immediately place an order with the onsite pharmacy for the missing medication, arrange a home health nurse to assess the veteran's new home and create a system that would remind her to take her medication, enroll her in an outpatient program so she could get evaluated the next morning, and connect with a social worker who was then able to arrange a van to transport her to a clinic near her home. Because the system allowed Dr. Williams to do all of these things in less than 30 minutes, the veteran was able to stay out of the hospital, and get on a path to health.

This is how government systems should work, and can. But you can't get there with a small pool of vendors who take advantage of government's lack of technical know-how to line their own pockets. VA has the chance to do something wonderful for our Nation's Veterans. They should take every opportunity to get it right, save money, and serve Americans the way it is intended.

Thank you.