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INSPECT WHAT YOU EXPECT: CONSTRUCTION CONTRACTING PRACTICES AT THE U.S. DEPARTMENT OF VETERANS AFFAIRS

HEARING

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

OF THE

COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES

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INSPECT WHAT YOU EXPECT: CONSTRUCTION CONTRACTING PRACTICES AT THE U.S. DEPARTMENT OF VETERANS AFFAIRS

WEDNESDAY, April 13, 2011

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON VETERANS' AFFAIRS,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:04 a.m., in Room 334, Cannon House Office Building, Bill Johnson [Chairman of the Subcommittee] presiding.

Present: Representatives Johnson, Roe, Donnelly, McNerney, and Barrow.

OPENING STATEMENT OF CHAIRMAN JOHNSON

Mr. JOHNSON. Well, good morning, this hearing will come to order this morning.

I want to welcome everyone to today's hearing on Inspect What You Expect: Construction Contracting Practices at the U.S. Department of Veterans Affairs (VA).

I would also like to apologize in advance that I may have to leave early or intermittently for a markup at the Natural Resources Committee taking place this morning. I apologize in advance for that conflict. I know that some other Members may have to leave for that same purpose, they will be affected as well, but we will get through the hearing as best we can or we will recess if necessary to accommodate those.

Before we start I would like us to real briefly recite the pledge of allegiance. So if everyone would rise we will start off that way.

[Pledge was taken.]

Mr. JOHNSON. And again, thank you very much.

In a Department the size of the VA, the contracting process involves billions of dollars annually. These funds are necessary to ensure those who so bravely served the country are provided the care and benefits that they have earned; however, problems arise when the contracting process is mismanaged and poorly executed contracting on the scale of billions of dollars, such as what we see at VA, can mean billions of dollars wasted, taxpayer dollars that were supposed to help the veterans.

A contracting process done correctly can actually help an organization save money in the long run.

Good contracting on a construction project entails having an independent cost analysis of all available options, eliminating pref-

erential treatment, and executing a timely process that results in a product delivered in a timely fashion and at the best cost.

VA has acknowledged it would improve the quality of its contracting process through the use of the Electronic Contract Management System, or eCMS, as it has become known.

In June of 2007, an information letter was issued by VA's Executive Director of the Office of Acquisition and Logistics mandating the use of eCMS. This database would record and track procurement actions of over $25,000, and the data could then be easily and comprehensively reviewed to determine the effectiveness of VA's contracting processes and make changes where necessary. Cost overruns could be identified and addressed early on, and perhaps even prevented in the first place.

This sensible approach to overseeing the contracting process could reduce overall contract mismanagement, prevent potential fraud, and ultimately prevent wasted taxpayer funding.

For some reason, despite its mandated usage, many supervisors and managers across the VA choose and have chosen to ignore eCMS, instead allowing the contracting system and associated runaway costs to continue.

VA's Office of Inspector General (OIG) found clear cases of missing and incomplete information, and in one test discovered that 83 percent of the transactions that should have gone into eCMS were left out. Examples such as this dilute the value of eCMS as an accountability measure, and in the end veterans and taxpayers bear the loss.

While VA acknowledged the OIG's findings and concurred with recommendations for improvement, it is my wish to see concrete evidence of that improvement.

Reports of other clear cases of contract mismanagement are equally disturbing, including bundling contracts as well as splitting contracts, as was substantiated by the Deputy Assistant Secretary for Acquisition and Logistics nearly a year ago.

As these contracts are mishandled, much needed construction is slowed considerably and the needed services that a new medical facility would provide are further delayed. Again, those who are hurt most by these actions are the veterans.

If we are to get this right, there must be decisive leadership in contracting and accountability for actions at all levels. If eCMS was mandated by VA's leadership to be used, why then is it obviously not being used? If certain contracts on a construction project are intended for veteran-owned small businesses, why would a large business be competing for them? If plans are put in place for an expanded outpatient clinic, why then would the size and scope of that project change, not once, but twice?

It is past time for these billions of construction contracting dollars to be used effectively, efficiently, and in a timely fashion so the veterans who need the services provided by these facilities can access them.

I appreciate everyone's attendance at this hearing and I now yield to the Ranking Member for an opening statement.

[The prepared statement of Chairman Johnson appears on p. 33.]

OPENING STATEMENT OF HON. JOE DONNELLY

Mr. DONNELLY. Thank you, Mr. Chairman, for holding this hearing today, I look forward to today's discussion.

I would like to welcome everyone as we have the opportunity to conduct the Subcommittee on Oversight and Investigations first hearing of the 112th Congress.

I am honored to serve as the Ranking Member and look forward to working with Chairman Johnson and other Members on both sides of the aisle.

Prior to today's hearing, we had the opportunity to meet and discuss the Oversight and Investigations (O&I) agenda for the upcoming year, and from our discussions, I know we have a full plate, and one we are both committed to working in a bipartisan manner as we seek to provide the oversight our Nation's veterans rightly deserve.

Today's hearing is an example of that bipartisan work. The VA procurement efforts and initiatives have been problematic and controversial at times. It is important we make certain the VA is doing their due diligence prior to awarding contracts. There are many steps the VA must take in between initiating procurement project proposals and post-awards.

Today, we hope the VA will assure us that construction projects are fully reviewed to ensure successful delivery and management.

It seems to me that there have been too many VA Office of Inspector General reports indicating that the VA's lack of contract details is there. Furthermore, unrealistic and unreasonable acquisition plans have led to escalated contract costs and unmet contractor milestones.

One of my concerns is how many times do we need to meet with the VA only to find out that after millions of dollars have been spent on a contract the contractor walks away with these funds after the VA cancels their contracts due to unmet deliverables? This is an indication that we have to do better.

Furthermore, since the 110th Congress, this Committee has been providing oversight on contract bundling. I am familiar with these issues having been a Member of the Committee on Veterans' Affairs since the 110th Congress and have participated in various hearings on this topic.

Contract bundling by contracting officers should be reviewed carefully as well. Whether it may be awarding contracts or set-aside initiatives for veteran-owned small businesses, bundled contracts create opportunities for fraud and mismanagement.

I will be particularly interested in the implementation of the VA's Electronic Contract Management System.

Thank you, Mr. Chairman, and I yield back.

[The prepared statement of Mr. Donnelly appears on p. 34.]

Mr. JOHNSON. I thank my colleague for his comments and now I invite the first panel to the witness table.

On this panel we will hear testimony from Belinda J. Finn, Assistant Inspector General for Audits and Evaluations at the VA Office of Inspector General; Assistant Inspector General Finn is accompanied by Cherie Palmer, and Audit Director at the Chicago Audit Operations Division of the VA Office of the Inspector General.

Ms. Finn, your complete written statement will be made part of this hearing record, and you are recognized for 5 minutes.

STATEMENT OF BELINDA J. FINN, ASSISTANT INSPECTOR GENERAL FOR AUDITS AND EVALUATIONS, OFFICE OF INSPECTOR GENERAL, U.S. DEPARTMENT OF VETERANS AFFAIRS; ACCOMPANIED BY CHERIE PALMER, DIRECTOR, CHICAGO OFFICE OF AUDITS AND EVALUATIONS, OFFICE OF INSPECTOR GENERAL, U.S. DEPARTMENT OF VETERANS AFFAIRS

STATEMENT OF BELINDA J. FINN

Ms. FINN. Mr. Chairman and Members of the Subcommittee, good morning and thank you for this opportunity to testify on the Department of Veterans Affairs procurement processes and construction.

With me today is Cherie Palmer, Director of the Chicago Audit Division.

Procurement continues to be one of VA's major management challenges. Our oversight of VA's procurement activities has reported on the need for increased management visibility of VA acquisitions on several occasions. Having accurate and reliable information is critical for VA's ability to manage its acquisitions nationwide and make good procurement decisions.

In July 2009, we reported that the VA Electronic Contract Management System known as eCMS, contained incomplete information on VA acquisitions. We compared the contract actions in eCMS with data from two other sources.

First, we looked for information on over 6,000 procurement actions from VA's Integrated Funds Control System. We found that nearly 83 percent of those actions were not recorded in eCMS.

Second, we compared contract actions from the General Services Administration's (GSA's) Federal Procurement Data System and found nearly 21 percent of those actions were only partially completed in eCMS. The eCMS contained no information on another 31 percent, and in total eCMS had complete information on less than half of the over 1400 actions we checked from GSA's system.

Therefore, we concluded that the reports generated by eCMS were unreliable, incomplete, and could not be used when making management decisions.

We recommended eight separate actions of which three remain unimplemented today. The open recommendations including implementing a VA-wide eCMS policy handbook, improving the technical performance of eCMS, and integrating eCMS with VA financial systems.

Additionally ongoing audit work at VA's largest contracting activity continues to identify problems in the use of eCMS to develop and maintain national contracts.

As part of our oversight on VA's construction program, we performed a follow-up audit in 2009 and found that VA had established a Quality Assurance (QA) program and procedures to resolve previously reported problems; however, QA programs still needed written policies, procedures, performance measures, and a staffing plan. We noted that the QA program could not oversee contract

schedule slippage because it was focused on performing field acquisition reviews.

VA management agreed with our recommendations to address the reported problems and has completed action on all but one of the four recommendations.

We will continue to access the effectiveness of VA's construction program in future work.

In addition to our national audits of acquisition and construction, the OIG provides ongoing oversight through other avenues. For example, OIG criminal investigators liaison with VA contracting personnel, program managers, and contractor staff to deter, detect, and investigate potential construction fraud.

Finally, our Office of Contract Review began reviewing pre-award documents and claims related to construction contracts earlier this year.

While VA has recognized deficiencies in its acquisition processes and infrastructure they have much more work to do. We believe VA should continue its efforts to leverage the full capability of eCMS and integrate it into existing and future financial systems.

Mr. Chairman, this concludes my statement. We would be pleased to answer any questions that you or other Members of the Subcommittee may have.

[The prepared statement of Ms. Finn appears on p. 35.]

Mr. JOHNSON. Thank you, Ms. Finn, I appreciate that very much. We will now—Ms. Palmer you do not have an opening statement; is that correct? Okay. All right, just wanted to make sure.

Well, let us immediately go into questions. And Ms. Finn, could you describe for us the basic functions of eCMS?

Ms. FINN. I will describe them as far as I can. I am not a user of the system, so a more complete answer would probably come from the second panel, from the VA experts.

The eCMS is a contract writing system. It was developed to be able to prepare contract documents and clauses easily.

For us it provides the capability to compile information on the contracts in a particular location. Before eCMS, that capability was not in the Department, and as we were doing audits we would have to build a universe at every location we went to in order to have a group of contracts from which to do our work.

Mr. JOHNSON. In your written testimony, you provided several examples of incomplete or missing contracts within eCMS. In your opinion, would the proper use of eCMS have aided the VA in more effective project management?

Ms. FINN. It is a little difficult to extrapolate the contract information in eCMS to total project management, and I say that because project management involves much more than just managing the contract. Certainly though knowing your contracts and having that information handy is a critical piece of information.

Mr. JOHNSON. During your testimony, you talked about one of your recommendations being the integration of eCMS into other VA systems, including their financial management systems. I believe that is what you said if I understood correctly. Certainly program management, financial management of projects as a core aspect of any program management philosophy or system.

Is it safe to say that if eCMS were being used properly and integrated properly that we would have, the VA would have a more effective vision or ability to see comprehensively what is going on within these very expensive contract or construction projects?

Ms. FINN. I think that is fair to say. One of the issues we noted when we were first looking at the usage of eCMS is that people working in the field had to input information twice in order to use eCMS. They had to put in it eCMS and they also had to put it into the Integrated Funds Distribution, Control Point Activity, Accounting and Procurement (IFCAP) system, which is the integrated fund control system.

IFCAP controlled the obligations, and so those managers really needed to put it into the IFCAP because that was their funding mechanism in their financial system that fed into VA's financial systems. So faced with those choices, they tended to put it into their financial system and not put it into eCMS.

If it is integrated, they will put it into eCMS and it should feed into the financial system and we will have better records.

Mr. JOHNSON. Okay. Let us go back to the overall purpose of eCMS, and correct me if I am wrong, but eCMS is basically an oversight, an accountability tool, right? I mean it allows those, including senior officials within the VA, as well as Members of Congress, to be able to go look at the status of projects and contracts, correct?

Ms. FINN. Yes, and from our viewpoint, it is a great advantage when contracts are on eCMS because we can look at them remotely from our office in Los Angeles where as before, we had to travel to every single facility in order to look at hard copies.

Mr. JOHNSON. All right.

Thank you very much, I think that is all the questions I have at this point. I will now yield to Ranking Member Donnelly for his questions.

Mr. DONNELLY. Thank you, Mr. Chairman. Good morning, Ms. Finn, thank you for being with us here today, and good morning, Ms. Palmer, thank you very much. I am from South Bend, Indiana, not too far away from Chicago, so it is good to see you out here.

Ms. Finn, why do you think these problems have developed? Is there a consistent theme as to something VA is missing or is failing to do in hitting the proper contracting methods?

Ms. FINN. Are you referring to why consistently we find eCMS still isn't being used?

Mr. DONNELLY. Yes.

Ms. FINN. Okay. Ms. Palmer has some insights on that, I am going to ask her to share them.

Ms. PALMER. Thank you, Belinda.

During our audit work for the audit of eCMS, we surveyed 1,382 users across all VA business lines. Our survey respondents stated that eCMS is not used consistently due to personnel shortages, time constraints, heavy workloads, inadequate training, and conflicting guidance. They also stated that the system was slow and cumbersome and told us that they received conflicting guidance on how to use the system.

During our ongoing work at the National Acquisition Center, we found that although the Office of Acquisition, Logistics, and Con-

struction (OALC) mandated eCMS usage, it did not adequately ensure the required use of eCMS.

Contract data is entered and maintained in the National Acquisition Center Contract Management System, which is a separate system; however, eCMS is the mandated acquisition information system. It only serves VA customers and that is why they utilize two systems. Other government agencies, non-VA customers using the national contracts cannot access the information available in eCMS. The CM system provides an Internet electronic catalog function that allows non-VA customers to access that contract data.

Mr. DONNELLY. Do you feel the VA personnel who do contracting that the eCMS system is there but they more or less feel I have to get a contract done, I have to get this organized, I have to get this out and they really don't know how to properly use eCMS, is that what you are hearing?

Ms. PALMER. I think the survey that we did in 2009 would agree with exactly what you said, but we haven't done any follow-up work.

Mr. DONNELLY. Ms. Finn, do you have any estimate, ballpark, we are not going to hold you to an exact number obviously, but the failure to use the system properly, the contracting that is done with some of the steps missing. Do you have any idea how much money this is costing us at the end of the day? How much money could be saved that is not?

Ms. FINN. No, sir, I really don't. I can't say for sure those contracts aren't managed properly.

Mr. DONNELLY. Right.

Ms. FINN. We just know they are not being recorded.

Mr. DONNELLY. Okay. And so what we have is we can't say the contracts aren't being run the best that contracts can be run, it has just not been put into the system the right way.

Ms. FINN. It is not in the system and so, therefore, the visibility of that contract is possibly going to be limited once you get away from the local facility where the contract was awarded.

Mr. DONNELLY. What do you think is the most important thing that the VA can do to start running these contracts properly?

Ms. FINN. I think having the oversight and the visibility is a very important first step. You can't manage what you don't know about, and that is true for the facility, the Veterans Integrated Services Network (VISN), the network offices, and also the Veterans Health Administration (VHA), as well as VA and even my office. It is hard to provide oversight when you don't know about something and you have to go search it out. I think that is a key.

I think the problems with the usage of eCMS being cumbersome and hard are hurdles that the Department is still working on to improve the technical performance of the system and that is a critical step, because as you said, if you are pushed for time you may skip a step because it is hard to do. So they definitely need to work on improving the technical performance of the system and the integration to make it seamless that will help improve the visibility a great deal.

Mr. DONNELLY. Well, my time is up, but I want to thank both of you for your efforts to do a good job with the VA and to save taxpayer dollars.

So with that, Mr. Chairman, I will yield back.

Mr. JOHNSON. I thank the gentleman and I now yield to my colleague from Tennessee, Mr. Roe, for your questioning.

Mr. ROE. Okay, thank you, Mr. Chairman, and thank you all for being here today.

I guess one of the questions, you know, we talk a lot about mandates around here, you are being adjudicated in a court about another subject, but if the VA is mandated to implement and use this system are there any penalties if you just decide it is too—I think you mentioned we don't have enough people, it is too cumbersome, and slow, we are not trained and on and on. Those are all excuses, but if you are mandated to do it I thought you should be doing it, and if you don't do it is there any penalty at all for not just not doing it?

Ms. FINN. I don't know of any penalty, but the VA panel who is coming after me may be able to answer that question.

Mr. ROE. Okay. Well, I realize that new things or different things are hard to do. I mean we have all been in new systems that are difficult and we tend to go with what we are comfortable with and we know has worked before.

And so, I guess the next question I have on the new eCMS system, it was put there for transparency; is that correct, so that you and I and other people would have access to this information so that we can make decisions about how these billions of dollars in VA are being spent; is that correct?

Ms. FINN. That is my understanding.

Mr. ROE. Yes. And when it is not being implemented is there a way, Ms. Finn, and I guess Ms. Palmer either one of you can answer this, that you can easily find out this information or is it just a rat maze?

Ms. FINN. No, there is not a way. In the past, in order to do audits at facilities, we have had to resort to searching through financial systems using cost accounting codes or other mechanisms to try and identify contracts. It is very difficult.

Mr. ROE. So it would be impossible for me or anyone or any citizen or anybody else to ever get that information?

Ms. FINN. I would think it would be pretty close, yes.

Mr. ROE. Okay. So then one of the reasons, how long has this system been in place? When was it implemented, what year?

Ms. FINN. 2007.

Mr. ROE. So this is the fourth year that it would have been implemented.

Ms. FINN. Yes, sir, I believe so.

Mr. ROE. And it is not being used, and in a sense there is no penalty, there really isn't any urgency to implement the system the best I can see; is that correct?

Ms. FINN. The system is being used. It was not being used totally when we did our first audit. We haven't done a full followup to see the total usage now, but we do know from some statistics the Department has reported to us as they have increased their oversight since our report that the usage has increased dramatically.

Mr. ROE. Well, I guess from O&I investigation or is it reasonable to think that when you implement a system that you should be able to do it in less than 4 years?

Ms. FINN. I guess I would say the system is implemented. It has taken that long to get consistent usage, and I don't know if it should take 4 years. It does seem a little long.

Mr. ROE. I think we know the answer to that question.

And this is through the VA procurement and various contracting, of course they will be up here in a minute and we will be able to ask them questions.

If you had a suggestion would you relook? Do you think that your particular investigation has uncovered anything? Because you mentioned something I thought was very important, because they are entered in it doesn't mean it is not being done right.

Ms. FINN. Yes.

Mr. ROE. It just means it is hard to find the information.

Ms. FINN. Correct.

Mr. ROE. Not that VA is hiding anything or anything like that, it is just that they are not—well, we will find out in a minute what they are doing.

Any other comments about that? If not I have no further questions.

Ms. FINN. No, sir, I don't.

Mr. JOHNSON. I thank the gentleman for yielding back.

At this time I would recognize the gentleman from Georgia, Mr. Barrow.

Mr. BARROW. Thank you, Mr. Chairman.

Ms. Finn, thus far we have been talking about the subject of knowing what you are getting with goods and services. We haven't talked so much about when you get what you bargain for, but making sure we get what we are paying for. But when we get it it has not been as much a part of your testimony as I have gathered. I note you say that the subject of contract schedule slippage hasn't been the main focus, you have been focused mainly on performing field acquisition review, and it sounds like your focus has been not so much on when we get what we are paying for, but what we are getting and whether we are getting what we are paying for, and I want to talk about the subject of when we are getting what we are paying for or waiting for, because all the problems that you describe and talk about are much more—are aggravated greatly by the decision about when to decide to build something.

Take in my situation, for example, we have been on the ready line for a community-based outpatient clinic (CBOC) in Statesboro, Georgia, for 4 years now and we have gotten conflicting reports from the VISN, from the Secretary's office, as to when the thing is going to get built. And it disturbs me greatly when in response to our last inquiry about this, we get response from the VA that basically talks about what is going on in Hinesville, Georgia, a very different project in the adjoining district represented by my colleague, Jack Kingston, not at all responsive to the inquiry we were pursuing for years about trying to get something built in Statesboro.

What can you say about the process about how we go about deciding where we are going to build things like community-based outpatient clinics? How is that process working?

Ms. FINN. Unfortunately, Mr. Barrow, I can say very little about it, and mainly because we just have not done any comprehensive work to look at that process.

Mr. BARROW. Well, I am going to tell you, that is something of real concern to the folks that I represent, because it is a part of VA policy to try and provide the services on a local basis that are needed on a local basis, the health care, the mental care, the things that can be delivered locally greatly reduces the burden on the constituent population of having traveled long distances to get the so-called free care they have been promised that they bargained for, and to offer that promise on the one hand and then be dangling out the prospect of a CBOC in a hugely under-served area like I represent.

You have folks in Augusta who are just ready to go to include these folks in their network. They want to get going on this. You got the constituent population in the five county areas surrounding Statesboro that is just dying to get local care so they don't have to drive an hour either to Dublin or to Savannah, or worse yet to farther places in order to get the low maintenance, high-impact care they can get through a CBOC, and we have not gotten a straight answer yet as to when that is going to happen.

So in addition to all the things that you are occupied with there, are those of us who are still waiting to find out when we are going to get in line to experience all the problems that you are grappling with.

So I thank you for your diligence in focusing on your part of the problem, but understand as well the part of the problem of deciding where we are going to build things and when we are going to build them. If you can take that issue up, please, we definitely would like to follow up with you.

Mr. Chairman, with that I yield back.

Mr. JOHNSON. I thank the gentleman for yielding back.

I now recognize the gentleman from California for his questions.

Mr. MCNERNEY. Thank you, Chairman Johnson. Good morning and thanks for coming this morning.

One of the things I hear you say and I read from your written testimony is that the eCMS system is overly cumbersome, or at least that is what some of the employees are reporting, but procurement is somewhat subjective, by its very nature you have to look at different bids, you have to make a decision whether they can provide and so on, so any computer driven system is going to be cumbersome.

So what I would like to know is, is there a better system out there than eCMS, could you answer that question, that you are aware of?

Ms. FINN. I am not aware of any other system that does this type work, so I really can't give you an opinion, I am sorry.

Mr. MCNERNEY. Well, the VA is a big organization, it has lots of contracts, it seems to me that it is big enough to be able to go to whoever produces eCMS and say we need these changes to make it more responsive to our needs. Is that happening that you are aware of?

Ms. FINN. As I said earlier I believe they are working to implement one of our recommendations related to improving the technical performance, I don't have the details with me of exactly what steps they are taking, but I would imagine Mr. Haggstrom will be able to give you more information.

Mr. MCNERNEY. One other question about the eCMS. Is that private or public? Is it publicly available software or is it a private that you have to purchase?

Ms. FINN. I believe that it is privately developed and proprietary.

Mr. MCNERNEY. Okay. Do you know if there is anyone here from eCMS this morning or if they are paying attention to this hearing?

Ms. FINN. I do not know, sir.

Mr. MCNERNEY. Okay. Well, I hope they are. And I would recommend that the VA use its purchasing clout to work with them to make the system more easily responsive.

And I certainly appreciated my colleague Mr. Roe's comments about enforcement. How do you think we can ensure greater oversight and transparency of the VA system in general?

Ms. FINN. I think we can ensure greater oversight by continuing to provide oversight from your side and also from mine. You know, as we continue to look at things we do see improvements. Continued attention makes a difference.

Mr. MCNERNEY. Well, you know, I have been in private industry for many years, you know, the purchasing and contracting is a black art, and the more that you work within that the more that you can make it responsive. So you know, the statement that the VA employees don't think that the—they think the system is too cumbersome, it takes too much time, no, those excuses don't fly with me and they don't make sense.

So we are going to have to keep an eye on that as we move forward. And thank you for your testimony.

Mr. JOHNSON. I thank the gentleman.

With the Committee's indulgence I have another couple of questions, and so I am going to go into a second round here and we will try to make this brief. If any of you have additional questions, gentlemen, we will get to those too.

Ms. Palmer, would you read back again what you said earlier in your survey what people said were the distractions or the reasons why they were not using eCMS?

Ms. PALMER. Yes. The survey respondent stated that eCMS is not used consistently due to personnel shortages, time constraints, heavy workloads, inadequate training, conflicting guidance, it is a slow and cumbersome system, and they received conflicting guidance on its usage.

Mr. JOHNSON. Okay. As a former Chief Information Officer (CIO) myself and with other 30 years in information technology (IT), I can certainly relate to the technical aspects of a cumbersome system. Outside of the technical aspects though, and I will address this to Ms. Finn, and to both of you actually if you would like to respond, outside of the technical aspects of the system, and it is subjective whether that is cumbersome or not depending on the user, every one of the other reasons for inconsistent use are management decisions, right? I mean that is what management is supposed to do is to provide training. Training is an integral part of the acquisition of a system like eCMS. Everybody has workloads to deal with, and certainly time constraints.

It seems to me, eCMS, that kind of system that does contract writing is designed to break down time constraints.

And I would appreciate a response from both of you. Would you agree that the inconsistent use reasons given are primarily focused around management issues?

Ms. FINN. Yes, sir, I would agree that those are management issues. We obviously had a recommendation related to training from this report and VA did provide a great deal more training and address some of the other management issues such as having conflicting guidance as to what people were expected to do.

As VA worked to obligate money from the Recovery Act it mandated that every contract, no matter what size, funded with Recovery Act money be completed in eCMS, and as we looked at those contracts we didn't find any lapse with the contract being there, but we did still find problems with some of the documentation being there.

But yes, they are management issues that will take continued attention in order to address.

Mr. JOHNSON. Okay. Ms. Palmer, any comments on that?

Ms. PALMER. No, sir, I don't have anything else to add.

Mr. JOHNSON. Okay, all right. Thank you. That is my last question. I will see if our other Committee Members have, standing in for the Ranking Member, Mr. McNerney, do you have further questions?

Mr. MCNERNEY. Yes, I do. Actually one of your statements is that you have trained 14,000 VA employees annually and that is a pretty big number of people to train effectively in a year.

Ms. FINN. Yes, sir, that is in fraud awareness. We provide regular briefings to people in VHA, as well as the Veterans Benefits Administration on issues that they should be aware of as managers and people on the front line who might see fraud situations.

Mr. MCNERNEY. How much effort is devoted to training people in the eCMS system?

Ms. FINN. From the OIG Office we don't provide that training. The Department provides that training.

Mr. MCNERNEY. So you are not aware of how much training is involved?

Ms. FINN. No, sir, I am not.

Mr. MCNERNEY. If we were to hold a hearing a month from now and ask you to provide names of managers at the VA that are falling down in terms of their employees complying with eCMS could you do that?

Ms. FINN. A month might be a very short time in order to give you comprehensive information.

Mr. MCNERNEY. What would be an appropriate time frame?

Ms. FINN. Several months at least I would think. I don't know, because I don't know the scope of what we might need to look at. If we were trying to make a determination across the entire Department that would take quite a long time.

Mr. MCNERNEY. And in your opinion would that be something that would be effective in terms of enforcing compliance with eCMS?

Ms. FINN. It would certainly get their attention.

Mr. MCNERNEY. I think it would, yes. All right, thank you, that is my last question.

Mr. JOHNSON. Thank you. The gentleman from Tennessee no further questions? Mr. Barrow from Georgia? I am sorry, Ranking Member Donnelly returned. Mr. Donnelly, do you have any further questions?

Well, on behalf of the Committee, ladies, Ms. Finn and Ms. Palmer, thank you so much for your testimony today. We look forward to moving forward with you on ensuring a well managed contracting process for construction at VA. You are now excused. Thank you.

Ms. FINN. Thank you.

Mr. JOHNSON. And I invite the second panel to the witness table. I now welcome Mr. Glenn D. Haggstrom, the Executive Director of the Office of Acquisition, Logistics, and Construction at VA. Mr. Haggstrom is accompanied by Mr. Jan Frye, Deputy Assistant Secretary of the Office of Acquisition and Logistics at VA, and Mr. Robert Neary the Director of the Service Delivery Office in the Office of Construction and Facilities Management as well as the Acting Director of the Office of Construction and Facilities Management at VA.

Mr. Haggstrom, your written testimony, your written statement, will be included in the hearing record and you are now recognized for 5 minutes. I sense you folks have been here before probably so you know just to hit the talk button.

STATEMENT OF GLENN D. HAGGSTROM, EXECUTIVE DIRECTOR, OFFICE OF ACQUISITION, LOGISTICS, AND CONSTRUCTION, U.S. DEPARTMENT OF VETERANS AFFAIRS; ACCOMPANIED BY JAN R. FRYE, DEPUTY ASSISTANT SECRETARY, OFFICE OF ACQUISITION AND LOGISTICS, U.S. DEPARTMENT OF VETERANS AFFAIRS; AND ROBERT NEARY, ACTING DIRECTOR, OFFICE OF CONSTRUCTION AND FACILITIES MANAGEMENT, U.S. DEPARTMENT OF VETERANS AFFAIRS

Mr. HAGGSTROM. Thank you, Mr. Chairman Johnson, Ranking Member Donnelly, and distinguished Members of the Committee, thank you for the opportunity to appear before you today to discuss the Department of Veterans Affairs Acquisition, Logistics, and Facilities Management operations.

It is a privilege for me to represent the many dedicated and hard working professionals and provide mission critical support every day to necessary contracts, logistic support, and facilities are available for some of our Nations most extraordinary citizens, veterans.

The Office of Acquisition, Logistics, and Construction was formed in October 2008 to support the construction needs of the Department of Veterans Affairs. Those organizations were brought together to provide an enterprise approach to policy, process, and systems necessary to support these similar functions resident in each of the VA administrations.

The core responsibilities and an integrated acquisition model were affirmed by the Secretary on April 2010. Together the structural and process changes will enable the Department to serve our internal customer's needs and ultimately our veterans in a more efficient manner.

OALC has six fundamental roles in the operation of the Department. Achieve clear ownership and accountability of the VA con-

tracting mission, gain control over acquisition and facilities management information, effectively manage the acquisition life cycle for contracting and construction, develop critical human capital resources, enhance information management to support corporate decision-making, and finally improve service delivery.

With the focus of today's hearing on VA's Electronic Contract Management System and the major construction program I would like to inform the Committee on where we stand with regard to completing the recommendations identified by the OIG in each of the reports.

Currently OALC has two VA OIG reports with four recommendations that remain open. As part of OALC's continuous improvement process the findings and recommendations of all OIG and GAO reports are captured, analyzed, tracked, and acted on.

First, the audit of VA Electronic Contract Management, eCMS, published in July 2009 identified eight recommendations, five of which the OIG has closed. Significant progress has been made through management actions to complete system user training with training teams available to the administrations upon their request, putting in place oversight programs at the administration and headquarters level to review eCMS usage, and the ability to perform real property leasing functions within the system is in use.

Three recommendations remain open. The recommendation to develop and implement a VA wide eCMS policy and handbook to ensure consistent use and compliance with the system requirements is nearing completion. We completed developing and providing an integrated role base matrix for using the individual eCMS user guides in the December 2010 release of the system. The remaining action to complete policy revision will be completed by the end of this month.

The second open recommendation deals with the technical performance of the system. In response to this, we have completed phase one of our technical refresh in January 2010 with phase two scheduled to be completed in June of this year.

The refresh include server replacement, software changes to increase performance, and expanded data repository capacities.

Finally, the remaining recommendation was to determine feasibility of integrating eCMS with the integrated funds control point activity accounting and procurement system to streamline the procurement process. The integration software that has been completed and tested and is scheduled for production roll out in the first quarter of fiscal year 2012.

The other of VA's major construction contract award and administration process identified four recommendations with one still remaining open.

Successfully closed were recommendations to establish effective mechanisms to monitor contract slippage and ensure the timely close out of major construction projects and develop a staffing plan to ensure quality assurance responsibilities are met.

In the remaining open recommendation, OALC is developing written quality assurance policies and procedures and program performance measures addressing all quality assurance services areas of responsibilities. Phase one of this recommendation was completed in December of 2010, and phase two will be completed in

June of this year at which time we will recommend to the OIG that the report be closed.

Also in 2009, the U.S. Government Accountability Office (GAO) issued a report on VA major construction noting that VA generally met GAO best practices for a Federal major construction program in 10 of 12 areas. From that report came two recommendations that VA fully supported and is in the process of implementing.

First, the use of an integrated master schedule, and second, conducting a risk analysis based on the projects cost, schedule, and complexity. Both of these recommendations will be completed this fiscal year at which time VA will have implemented all 12 of GAO's best practices.

As proud as we are of the many improvements in VA's acquisition and facilities management operations we recognize the need to continuous improvement and will work diligently to maintain the confidence of the American public and the Congress.

Mr. Chairman, we appreciate the opportunity to discuss VA's acquisition, logistics, and construction operations with you, my colleagues and I are available to answer your questions.

[The prepared statement of Mr. Haggstrom appears on p. 40.]

Mr. JOHNSON. Thank you, Mr. Haggstrom. What is the purpose of using eCMS?

Mr. HAGGSTROM. The purpose of eCMS is an electronic contract writing system. As the requirements of our contracting officers have increased over the years for reporting certain measures, data up to the Federal procurement data system, the complexities of the contracting business at large, the majority of executive agencies have brought on these contract writing systems to have a central repository for our contracting officers to develop those contracts and do any modifications or keep track of what is happening with that specific contract.

This information, if you will, then flows to what is called the procurement data system, which is system of record, if you will, for the Federal Government, the Federal procurement data system, and it also tracks much of the same information that is resident in eCMS.

The eCMS, if you will, performs that back shop capability of the details that surround the contract.

Mr. JOHNSON. Do you consider eCMS an effective tool?

Mr. HAGGSTROM. There are always improvements that can be made to integrated systems. I believe it is.

In my past workplace, I was part of bringing online a very tool similar to this, the integrated acquisition system.

All of the Federal agencies that I am aware of, the large procuring offices have done this as part of the government's e-procurement initiative, and while each of the agencies uses different types of the software and protocols, in general when you look at electronic contract management systems across government they are very similar in terms of the performance and capabilities that they have.

Mr. JOHNSON. Do you consider eCMS as being properly used by the VA at this point?

Mr. HAGGSTROM. Mr. Chairman, we agree with what Ms. Finn was saying. eCMS is not used to the full capacity and we recognize that, and I believe there are two components to that.

First is the technology component, if you will, and then I believe it is our responsibility as the headquarters and the provider of this system to ensure that what we have in terms of the system meets the performance requirements of our people, and that includes the training and the functionality and the response time, and all of these things were noted in Ms. Finn's testimony that they looked at several years ago.

The second piece of that is exactly what was discussed with the previous panel, and that is the management, and that is the accountability of our mid-level managers and our senior managers who are out in these contracting offices throughout the VA to ensure the enforcement of this policy and work with their people to ensure that they are using the system as it has been mandated to be used.

Mr. JOHNSON. When did that management accountability process begin? I mean you heard the testimony of the previous panel, 20 of 29 contracts written by the Office of Acquisition, Logistics, and Construction totaling over $10 million were not correctly developed and entered into eCMS. You have heard figures of 87 percent.

I have been a leader, I have been a commander, I have been a senior executive in business, how long does it take to address these management issues?

Mr. HAGGSTROM. Unfortunately, in this particular case, it has taken much too long. If I could ask Mr. Frye, who is also the senior procurement executive for the Department to comment on the implements of the system that took place back in 2007.

Mr. FRYE. Yes, if I could take you back a little bit. I arrived here at VA in fiscal year 2006 and discovered VA had no contract writing system. I was astounded given the fact VA is the second largest Federal Government organization. We were literally writing contracts using Microsoft Word, I referred to it as writing contracts on the backside of an envelope.

So we set about immediately to implement a contract writing system. VA spent just a little over $20 million, implemented it across the entire enterprise, and we completed implementation and were fully operational and capable by July of 2007.

Following up on what Mr. Haggstrom said, this is a system we use to write contracts, but it gives us a reputable, measurable process in doing so, it gives us an all important database so we can punch the button literally and know how many contracts we have across VA, the dollar amounts and that type of thing.

Mr. JOHNSON. Mr. Frye, I apologize, my time is up. We are probably going to have a second round, we will get back into this a little more. I will give you something to think about though.

Four years later, $20 million of American taxpayer dollars and we have a system that is not being used for the most part when you consider previous testimony, 83 percent of the data not being in the system. That is a long time and a lot of money being spent with very low return on investment by the American taxpayers. Something is wrong here and I hope we can get into that.

I am going to yield to Ranking Member Donnelly now for his questions.

Mr. DONNELLY. Thank you, Mr. Chairman. I will throw this out to all of you. What do you think is the most important next step you can pursue to make eCMS work better, to make a contract system work better? If you had your choice what next on your plate is the most important thing to do?

Mr. HAGGSTROM. I think it is a continual process. You are never going to complete this process because people forget. We continually have new folks in the contracting business coming into the Department, so there is always this continuum of requirements.

I think one of the most things is training. Providing the adequate training to our people for them to be able to use the system, understand the system, and exploit its capabilities, and this training is provided at the request of the administrations, but also when a new contracting officer joins the Department they are required to go through a 4-day course at the VA Acquisition Academy to understand and learn the system and how to use that system.

Mr. DONNELLY. Do you have a course book for the VA Acquisition Academy? Like when that person comes for 4-day boot camp, do you have a book that you give them that tells them here is how eCMS works, here is when you do contracts we expect it to be handled?

Mr. HAGGSTROM. We do have a course training guide that is left with the folks. Also because the eCMS system is web-based, all those instructional training and how do guides are resident within the system so that if the user has a question they can go to what we call our acquisition resource center, which is imbedded as part of this integrated technology, where they can go and they can look up questions, find the answers, and then apply that to that particular problem they experience.

We also have a very robust help desk for eCMS that at any time a user can call the help desk and seek help from a staff of professionals who understand this system and can lend them advice on how to move forward with their problem.

Mr. DONNELLY. So I guess the next question is, we have a lot of tools, how do we make sure these tools are used more? How do we get more people on it? Are there parts of the country that are doing better than other parts in the VA operations?

Mr. HAGGSTROM. There are. When you start to peel this back if you look at it there are certain operations and areas with the administrations who are if you would call super users where all the contracting officers are using it and there are other areas where they are not.

And I think that goes back to the point that Mr. Frye was making and Ms. Finn was making, is we are looking at this now, this has to be a leadership issue where those mid-level managers and those senior managers take accountability for their folks to enforce what the Department has issued as policy.

Mr. DONNELLY. It would seem that if some places are doing really well and some places are not doing well at all and they both have the same materials then maybe it is not the materials, maybe it is just as you said, a leadership issue of how do we get the same skill set that has enabled certain areas to shine, how do we trans-

fer that same skill set to those areas that haven't, and I hope you guys are taking a look at that.

Mr. HAGGSTROM. We are. In fact certainly one of the primary users of this system is the Veterans Health Administration as you can well imagine as being the largest administration within the Department.

Mr. Fred Downs, who is the head of contracting activity for the administration, has implemented specific metrics that look across the operation in VHA at the VISN level to look at the usage of eCMS and the reconciliation of any errors that are in eCMS.

So there is special attention being paid in the administrations on the usage of eCMS and how they can improve that usage.

Mr. DONNELLY. I think one of the things we would be real interested in seeing is if you set up metrics for how to transfer this knowledge, this talent, this ability of the places that are doing well to the ones that aren't. Is there a plan? What is that plan? What kind of timetable is there for that plan? That kind of thing so that, you know, the folks who are steering the ship the right way can teach the folks who are going around in circles how to start pointing the ship in the right direction.

Mr. HAGGSTROM. Absolutely. About 2 years ago we established a program management office within Mr. Frye's organization specifically dedicated to eCMS, and Ms. Harvey, who is the Executive Director of that organization, has user forums of the folks out there who actually type it on the keyboard, if you will, to continually get feedback from them on what the issues with eCMS are, how we can improve the system from a technical stand point, and the priority of which these issues are tackled.

Mr. DONNELLY. Well, thank you very much, I am out of time. Thank you, Mr. Chairman, I will yield back.

Mr. JOHNSON. I thank the gentleman for yielding. The gentleman from Tennessee?

Mr. ROE. Thank you, Mr. Chairman.

You know, we are here to provide the best services and care for veterans, that is the purpose of this VA, and also to watch after taxpayers dollars so that those dollars get down to actually providing services for veterans.

And let me just tell you a little bit of my frustration about this morning. I got your testimony here at the 5 minutes till the time this Committee started. I sit down the night before and read all of these. And I had a book last night that my staff spends time preparing, but there was nothing in here from your group. And I am wondering if you were responsible for making sure that all of this gets done wouldn't it be good if we had had this yesterday so I could have read your testimony yesterday? And I don't know why you didn't get it here until 5 minutes till 10:00, but all I heard was your testimony. I didn't have a chance to read it, to analyze it, to think of some questions. That is just a comment.

To Mr. Barrow's point I want to get to some things that you were talking about just a minute ago and how on a cost analysis who conducts these cost analyses, and I think that is what eCMS is about. How do you make these decisions about whether a new construction site should occur, whether you should renovate one, and then how do you follow that construction? How do you follow that

money to make sure we are getting it? And I am going to get that point second. So how is that down first of all?

Mr. HAGGSTROM. Mr. Roe, eCMS is not designed to do that. eCMS is not a decision-making tool for the construction and facilities management process in terms of determining site locations, in terms of——

Mr. ROE. Okay, that is fine, then you have answered that question, that is done another way.

Mr. HAGGSTROM. It is.

Mr. ROE. But if you have a contract and that is entered then you can find out if that contract is being implemented or written properly and followed properly am I right?

Mr. HAGGSTROM. That is correct.

Mr. ROE. Okay, then the reason I guess that leads to another question I have that is when you were evaluating these things there was a project I think out in Denver or some place out west—in Denver where a replacement medical facility had been appropriated money in 2004, 2006, 2008, 2009, and 2010 with a total cost of a half a billion dollars for 40 beds.

Well, I just helped at home build a hospital with 120 beds that was a fraction of that much money.

How in the world does something like that happen if there is any oversight that I or another Congressman here can go look at? How could that ever happen?

Mr. HAGGSTROM. Congressman, if I may, Denver was a situation where the scope was continually changing on that to decide whether or not we were going to have bed towers the example or not have bed towers, what size the facility was.

I would ask Mr. Neary, who is the Acting Director of Construction of Facilities Management to comment on that if I may.

Mr. ROE. Thank you.

Mr. NEARY. Thank you, Congressman Roe.

Mr. JOHNSON. Mr. Neary, would you press your talk button, please.

Mr. NEARY. Thank you, I apologize.

The Denver facility is not for 40 beds, but it is 184 beds, it also includes a very large outpatient component. But you are correct that the project was incrementally funded over a period of years.

And one of the areas that VA has identified as needing improvements is in the early planning of major construction projects and looking forward to having a multi-year program plan so that prior to our introducing a major construction project in the budget we have a better handle on what is to be constructed.

In the case of Denver, it was originally identified as a project that would build a replacement hospital, then a decision was made to lease hospital beds from the University of Colorado Hospital and only build an outpatient clinic.

Over time and engaging with stakeholders, it was determined to switch back to a full service replacement medical center and that is under way now. We have just awarded the first construction contract associated with the building of that facility.

Mr. ROE. Well let me just, Denver is a 40-bed increase in the number of beds they had, and I will just tell you, you would never in a million years spend your own money that way. There is no

way on this earth that in a private business you could survive that. A hospital can't make that kind of a goofy decision now because of the income they have to pay for their debt load, they can't do it.

And I think that what we are all getting to here is that we want our money, our tax dollars, your tax dollars spent as efficiently as we can so that the veterans get the care they need, and to spend a half a billion dollars, that is a lot of money on a project. I mean we could have spent a lot of that money for Mr. Barrow to have an outpatient clinic in his district, you could have had ten of them for that much money, or 50 of them.

And so I guess my frustration is, is that when we are spending the taxpayer's dollars we don't seem to be looking after them like they were our dollars, which they are.

Mr. NEARY. Well, I believe we are, and we certainly should be, it is very important to do that. In the selection of projects going forward the cost analysis is performed in terms of renovation versus new construction, construction versus leasing in an effort to make sure that the appropriate project is selected to be funded.

Mr. ROE. Okay. Thank you, I yield back. Will we have a second round?

Mr. JOHNSON. Yes, we will.

Mr. ROE. Thank you.

Mr. JOHNSON. Thank you for yielding. Mr. Barrow.

Mr. BARROW. Thank you, Mr. Chairman.

Mr. Haggstrom, you heard my questions to Ms. Finn in her capacity as Assistant Inspector General for Audits and Evaluations, she doesn't really get into the area and certainly wasn't getting into this morning the area of deciding what to build and when to build it, and she was given sort of an appreciation of what she is able to do.

You, though, as Executive Director of the Office of Acquisition, Logistics, and Construction certainly are in a better position to help me understand just how it is we decide what to build and when to build.

You are quite right in response to Dr. Roe's questions, eCMS is just sort of like a super duper checklist for what to do when you were building something or going to do something.

My question to you is, help shine a light on the process for deciding when and where are they going to build something like community based outpatient clinic? Tell me how that is done.

Mr. HAGGSTROM. I will certainly attempt to do that, sir.

When you look at the process, the process begins with the users at the administration level, and in this case for the CBOCs or HCS, the major medical centers. So based on the modeling that VHA uses they look at the demographics, they look at the future population and things like that in terms of determining what the needs are of VHA to serve our veterans.

Mr. BARROW. At this point it is beginning to sound like you are describing the management counterpart of a super duper checklist like eCMS. My question is not how you do it, but who does it?

Mr. HAGGSTROM. As I said the, requirements generation is built by the administrations, the user. As we spoke to the full Committee last week on the implement——

Mr. BARROW. But different users don't establish priority between themselves, for example. I am here to tell you that the folks at the Charlie Norwood VA in Augusta are all hell bent to get this thing done. We were encouraged and told by the folks at the VISN, the folks at the Georgia Department of Veteran Services and by the VA to poll the constituent community, and we got input as to thousands of families that would benefit from having this. We more than met the criteria.

The question is, when do you decide what order you go in? We got one that has come online that wasn't even started in Georgia until after we had already submitted our petition showing 5,000 people within a 30-mile area of Statesboro ready to participate in this with all the benefits they get from this, and we find the one in Hinesville, just down the road, is going forward. When we ask about Statesboro we are getting a letter that is actually talking about what is going on in Hinesville, telling us don't worry.

It really bothers me that in urging action in what we have been promised for many years that might be interpreted by somebody in the VA as saying we are urging support for further progress in Hinesville. I mean, I don't even know if folks know what we are talking about when reaching out to the VA to find out what the status is.

So when it comes to issues of competing priorities, scheduling things in, putting things in the pipeline to be developed who actually makes that decision? Is it done at the Secretary's level?

Mr. HAGGSTROM. It is. It comes up through the governance process in the Department, the Office of Management is responsible from a planning and budgeting perspective to take all these requirements and do an integration and a prioritization and then make those recommendations to the Secretary in terms of what the program would look like in that respective fiscal year.

Mr. BARROW. Well, we have that. We had actually made that much progress, we have gone well beyond that, and we have been told that the matter is actually been sitting on the Secretary's desk for quite some time now. What can we do to get something going?

Mr. HAGGSTROM. Congressman, I wish I could give you a better answer. Once that decision is made I can assure you my office takes action immediately. If you will, my offices are responsible for the execution. And I don't mean that to sound as an excuse.

Mr. BARROW. Again, I recognize I am coming to this from another—but you are closer to it than I am.

Mr. HAGGSTROM. As soon as that decision is made, sir, we action it immediately, and in the case of the CBOCs where they are normally a build lease facility, we will implement our leasing process, which is a two-step process. Basically first finding the land, and then second, finding a developer.

Mr. BARROW. We have actually gone so far in Statesboro as to offer sites that have actually been inspected and evaluated for suitability either for conversion, adapted for use as a CBOC, and otherwise.

What role do your counterparts in State government, say the Department of Veterans Service in Georgia play in either advocating for or serving as a check off on the list of folks to consult? What role do they play in advocating for some of us? Anything at all? Do

you all listen to the folks in Atlanta, for example, at the Georgia State Department of Veterans Service?

Mr. HAGGSTROM. I am not aware of any formal role that the Veterans Health Administration may use in terms of reaching out to various other government agencies. When you look at the major medical centers and the operations within VHA, their relationship with communities and community's leaders is usually very good. And so that would usually reside at that particularly operational level to reach out to the community leaders, talk to them about the needs of the community, perhaps discuss with them where an optimum location may be, and even to say is there land that the community might be willing to donate for this particular effort.

Mr. BARROW. Thank you. Thank you, Mr. Chairman.

Mr. JOHNSON. Thank you very much. Hold on just a second, we are getting a message from Natural Resources. Just to keep everybody posted I will have to go vote at a markup at Natural Resources in about 15 minutes, so we will recess at that point and reconvene.

Go to Mr. McNerney, now. Thank you.

Mr. MCNERNEY. Thank you, Mr. Chairman.

I had the opportunity to express my frustration at a hearing on a different Subcommittee a couple weeks ago about how long it has taken to do a project in my district, and it took about 2 years to decide what county to put the project in, it took another year, and it hasn't been decided yet what location within the county to put the project in.

Are we going to be continuing to experience that sort of longevity and process decision-making in the organization or is there a way to speed this thing up? I mean it is very frustrating, we have veterans waiting for service and we have extremely high unemployment. It is a very frustrating situation.

Mr. HAGGSTROM. I understand your frustration, Congressman.

When we look at the planning function, which again begins with the Veterans Health Administration for our CBOCs, they have a very deliberate process in terms of looking at the veterans demographics, where those veterans are located, the proximity to other major medical centers where we may have affiliate relationships, what the scope of the requirement may be in terms of the size of the facility. We look at various things like accessibility, the size of the land, transportation issues, the surrounding activities that would service that CBOC. All those things are taken into consideration.

Mr. MCNERNEY. Well, I mean these are all important considerations, granted, but every year of delay adds five to 10 percent to the cost of the project, so there has to be a way to speed up this process. I don't know if you have an answer to that, but I am just telling you it is going to be something you are going to hear about from me until I feel like there is progress made.

I do have a question regarding to the eCMS system. Now what I am hearing is that there is a certain lack of oversight and that causes a waste of money maybe through fraud, maybe through mismanagement, I don't know, but I would like to get from you some idea of how much money is actually not being spent effectively as a percentage of total expenditures and how that might compare to

a similar situation in a private corporation like Ford that might be the same size.

Mr. HAGGSTROM. Congressman, I do not have that number, nor do I have an idea on how we may do that.

I do wish to say though that I do not believe one, that eCMS would preclude fraud. Fraud is perpetrated by our vendors or very intentional acts of trying to deceive the government. The eCMS will not prevent that.

I do believe when you look at the contracting actions as Ms. Finn said, while all the documents may not be resident in eCMS that we would like to have in there from a standpoint of be able to do data mining, that does not mean that the Department is not getting best value for the contracts that they do let, and that process is a very deliberate one in terms of ensuring competition, ensuring that the requirements generation adequately describes what our requirements are, and then implementing that contract.

Mr. MCNERNEY. So are we barking up the wrong tree here by singling out eCMS in terms of waste of fraud and abuse?

I mean some of the questions I am hearing reflect my frustration here with the testimony this morning, but I would like to have some way to measure what is going on and identify bad players if possible, including bad players within the VA. And are there statistical measures, are there quantifiable measures that we can set down and ask you to come back with us in a month and say well, these are the bad managers, is that something that is possible?

Mr. HAGGSTROM. We do have a series of metrics in the acquisition community that we look at. One is the usage of eCMS and the accuracy of the Federal procurement data system. So we are looking at these performance measures in terms of how the systems are being used.

Mr. MCNERNEY. And that is something that you can bring to this community if we ask you too?

Mr. HAGGSTROM. We can.

Mr. MCNERNEY. Okay, thank you.

Mr. ROE [presiding]. I guess we will now go into a second round of questioning if that is all right with the panel.

In the world I lived in when we had a contract as a mayor we had an idea we wanted to build a school and we would have an architect, we would define the need in one do you need the school, and we would get an architectural firm and we would bid that out, we had a bidding process through local or whoever wanted to bid on that. We would select the architect, the architect would then design the plan. We then let the contracts and you have an opening of a single bid, you would have all the specifications and you would do that, and then you would have a project manager that was independent of the construction crew that was doing. And you would hold money back and you would evaluate as you were going along. That is how I have done a gazillion projects. If it is a road project, a school, or even in my own practice a building like that, we did a similar process of selecting an architectural firm and so forth.

Who is in charge of actually doing that? Let us say they are going to build a CBOC in his district, heaven forbid maybe it will some time happen in your lifetime, but if we are going to do that

how is that process and how do you oversee that going along to be sure that that money is just right? Who is responsible for that?

Mr. HAGGSTROM. Certainly. Mr. Roe, the process you described that you used in the private sector is very much like the process we use in the Federal sector with the exception of very rarely do we use sealed bids anymore.

We are more in line in best value in terms of what the private sector brings to us in terms of a proposal and the design of the ultimate facility.

I would ask Mr. Neary, whose Office of Construction and Facilities Management is responsible for the life cycle of the major construction program to explain to you a very deliberate process that we use from the inception to the commissioning of those facilities.

Mr. ROE. And the second thing, you can answer these at the same time, the North American Industry Classification System (NAICS) is a standard that you have in picking firms that are qualified to do a job. Would you ever pick a firm that didn't meet those qualifications?

Mr. HAGGSTROM. If I understand you the North American Industry Classification System does not qualify a firm to do the job. All that standard represents is the category of services that that particular business offers. It has absolutely no bearing on whether they are qualified to perform the job that we are asking them to do.

Mr. ROE. How do you figure that? How do you decide whether they are qualified?

Mr. HAGGSTROM. I would like to have Mr. Neary answer that as part of the process we go through in terms of determining best value for the ultimate awardee.

Mr. NEARY. Sure, thank you.

And Congressman Roe, achieving quality is an extremely important part of our culture, and in each of the steps that you described we have a number of mechanisms to bring quality.

When a decision is made to build a facility we will select an architect. Some time ago back in the 1970's the Congress fortunately allowed Federal agencies to use a quality-based selection process, it is called the Brooks Act, so we put out a notice and architectural firms who believe they have the credentials to do the design come forward, they are rated and ranked by a team of experts, and then a short list of those who are competing are interviewed. They are asked to describe the quality of their team, who will be on their team, what their past experiences have been, the strength of their firm, those sorts of things.

Once selected they are put to work and their work is monitored by not only our own staff, but typically a peer review, another architectural firm that we have selected to participate in reviews. Their work is reviewed at each of the major milestones in the design process. A design is complete and approved then put out for a bid.

As Mr. Haggstrom said, we utilize a best value selection process where we judge the competitors on a combination of quality factors and price, their experience, the strength of their team, the quality of the individuals, et cetera, the strength of their subcontractors that they plan to use.

Mr. ROE. So you don't use a sealed bid.

Mr. NEARY. We don't use a sealed bid, no, sir.

Mr. ROE. Why not?

Mr. NEARY. It has generally been not only our experience but experience across the industry that if you take into consideration the quality of the folks as well as the price you will get a better contractor.

Mr. ROE. Well, the lowest price doesn't always get ours either, but I think it is a much—any way, that is the process you use. I think it is much fairer that way, you get some of the hanky-panky out of it potentially with a single bid.

Mr. NEARY. Okay. Well, as I say, of course we don't do that presently.

A contractor is selected for a fixed price contract, they are required to utilize a critical path method tool to document all the steps that are taken in executing a project. We monitor the critical path——

Mr. ROE. Okay, I get it. It is sort of like except for the sealed bid it is very similar. But if we are not getting the information in there how do you know, how would I know that a process that it is being done well?

And the other two questions I have for you all is if this is mandated to put this data in there why isn't it being done?

And second, is there any penalty if you don't do it? If we are 4 years into it and we are still not using it——

Mr. NEARY. The eCMS system is utilized across the entire VA, thousands of contacts. In my organization where we have high dollar value contracts, but right now we are working on about 60 of them, we are very good about using eCMS, we put our data into eCMS. And so in the case of the major construction program it is there.

Mr. ROE. So it is there in the major construction. So where isn't it there? What the OIG just told us it wasn't there.

Mr. HAGGSTROM. Mr. Roe, the problems we encounter are within the administrations principally in terms of the multiple contracting officers that sit out there at the MISN or VISN network levels that are across the VA to ensure the consistency of data accuracy and just having them enter data.

And so that while within CFM it is rigorously used, unfortunately it does not have that rigor across all of VA.

Mr. ROE. So why? And again, back to the no one has answered it, if it is mandated why isn't it being used? And number two, is there a penalty? If you don't do it, if you just blow it off and don't ever do it what penalty is there?

Mr. HAGGSTROM. As we said why. I think when you looked at the initial operating capability of eCMS there were some technical issues. We have addressed those with a technical refresh in terms of accelerating the speed that the system responds to you. We have increased the functionality in terms of making it easier through drop downs and pick lists. So the issue goes back to the leadership.

Mr. ROE. It is supposed to be up in 2012 I think you said, and I heard you say——

Mr. HAGGSTROM. The refresh will be completed this summer and the technical interface for the accounting system will be implemented in the first quarter of fiscal year 2012.

Mr. ROE. Okay. I have no further questions.

Now, Mr. McNerney.

Mr. MCNERNEY. Thank you, Mr. Roe.

So I asked this question of Ms. Finn and she wasn't in the right position to be answering that question.

Is there a system that is better than eCMS that we should be using? I mean, Mr. Frye, you are the one that selected eCMS are you not? Is there a better system? Are you working with eCMS to make sure it is more user friendly and so on?

Mr. FRYE. I have worked with a number of contract writing systems. I spent 30 years in the Department of Defense, 20 of those working with various contract writing systems. There are pros and cons as already stated with each and every system.

I think eCMS is a very good system. I think when we started, when we implemented eCMS, we didn't turn on all the bells and whistles. We are turning those on now and we are training our workforce to use the system and I think it is a good system.

Going back to what Mr. Haggstrom and others have said, it requires leadership. It requires mid- and senior-level managers to ensure their personnel are using the system, it requires senior executives like myself to provide high level oversight and make changes where required in personnel if need be, in policies, and in training to ensure we use the system.

Mr. HAGGSTROM. If I could, Mr. Congressman, and also, Mr. Roe, you asked about penalties that are incurred. There are no formal penalties, if you will, in terms of taking your contracting warrant away from you or not allowing to use the system. Obviously that would have unintended consequences that would just play out in terms of not providing those services.

What we have done internally within OAL and what I am going to bring forward to senior procurement counsel who is a governance process for contracting is in fact to have as part of the contracting officer's annual performance plan the use and complete use of eCMS as mandated by policy, which then would be reviewed at the conclusion of that performance period and would be taken into that consideration in that employee's overall rating.

Mr. MCNERNEY. Well, that is something of a penalty, getting fired is another kind of penalty.

From the OIG testimony, there were 1,500 procurement actions in eCMS and 5,800 not in eCMS. I mean that is a fairly low compliance rate. If that was happening in Ford Motor Company people would be losing their jobs.

So all I can say is that you have to do better, and as long as this Committee is holding these hearings, you are going to be hearing these same questions, so I recommend that you do what is required.

Mr. ROE. Thank you. One final question and then we will wrap this up. And I don't know what this was even, but is there a third-party system called PARAGON? What is that?

Mr. HAGGSTROM. If I could, Mr. Roe. PARAGON is a system that is used by Mr. Neary's office and he can comment on the capabilities of that.

Mr. NEARY. PARAGON is a software system that we utilize presently to track activities with the contractor in terms of request for information, change order proposals, a variety of the kinds of things that could go on at a construction site. So a data management system that we use. That contract will be running out and we are in the midst of getting a new procurement either reselect or acquire a replacement.

Mr. ROE. What is the difference between that and the other system that we are using? Are they parallel systems or why do you run two in.

Mr. NEARY. They are two completely different systems. The PARAGON system tracks entirely different data needed to manage the job at the construction site.

Mr. ROE. So it is a completely different system.

Mr. NEARY. Yes.

Mr. ROE. One other thing. I want to get back into contracting a little bit.

Would you all go into a little bit on bundling and contract splitting and how you follow that?

Mr. HAGGSTROM. Certainly. If I could ask for Mr. Frye to comment on that. We take bundling very seriously as we do contract splitting. We put in place the policy and processes to preclude that, and Mr. Frye can comment on that.

Mr. FRYE. Yes, bundling reviews are required at a threshold of $2 million. However, VA implemented a policy whereby our small business office do reviews at the $1 million threshold. So we are absolutely dedicated to ensuring contract bundling does not occur.

Our small business office is also required to sign off on VA Form 2268, which has them concur or non-concur with our procurement strategies. So we present to them our procurement actions and they approve by their signature the direction we are going. And if they disagree with it then we talk and resolve the differences.

So we get our small business office involved up front and early, we hold integrated product teams (IPT) to develop our requirements, and the voting member, a voting member on that IPT is the small business offices.

So they have ample say I believe, and I think if they were here today they would say as well, in the process to discourage and to avoid contract bundling.

Mr. ROE. Now, Mr. McNerney, he was here last year. When the two of us were here last year we heard some testimony about someone would get a contract and then wouldn't have the capacity to carry it out. They would sublet that contract out to someone else. Are you able to follow that with eCMS or any of the oversight that you have? And then we found out that some of that work is not done properly. So the VA has not only issued a contract to somebody that couldn't do it, they then subbed it to somebody who couldn't do it.

Mr. FRYE. Mr. Roe, this is an issue across the government. In VA, the way we are addressing this is we have hired a supplier to come in and do an independent verification and validation for us.

This contract will be put in place this month. We intend to have this supplier out in the field doing a continuous survey of contracts and subcontracts to make sure we don't have this situation as you just described.

In other words when a veteran who owns a small business is awarded a contract they are required to do 50 percent of the work of that contract with the veteran business. It would make little sense for them to hand it off to a large business for instance to do the work.

So we want to make sure that we keep our small businesses where they are at, and we are also going to be looking at large businesses. So if we have large businesses who have come to us and said we are going to put an aggressive subcontracting plan in place and we are going to give let us say 15 percent of the work for small business we are going to be looking at the large businesses too to validate that they have in fact made a reasonable effort to employ 15 percent of small businesses in that work.

Mr. ROE. Now, there is nothing wrong, I mean, the subcontract people do it all the time in a construction project, I mean there is nothing wrong with that. You get good quality work and you can evaluate that work.

I guess this will go to Mr. Neary. Back to Denver again, because do we have anybody that oversees? Like we would have a project manager, a separate third party from the contractor do to that who we typically would do that in the city?

Mr. NEARY. Yes, absolutely. First we have a project manager who oversees the entire project who works for my Office of Construction Facilities Management, then at the job site when we are ready to go into construction we have a team of people that we call resident engineers who are at the job site, they are not employed by the contractor, they are employed by the government, and they oversee the work, do inspections identify issues if there are issues, respond to requests for information from the contractor and that sort of thing.

Mr. ROE. Any further questions?

I want to thank all of you for being here today. It has been very informative for me and I think for the Committee, and I appreciate your testimony, both the OIG and you all, and appreciate you being here.

I would like to have some follow up, and I think probably Mr. McNerney would like to have some follow up at some reasonable point in time. I realize it can't happen over night, but to see if you are able to implement this to all of the contracts. It has been 4 years, I think that is a long time.

Okay. Well, our Chairman would like to ask another question so I am going to hold it open and not close the hearing until he gets here. He would like to ask a couple more questions before we close it out.

But I do want to thank you for being here and we will follow up. I think it is very important that we follow up and find out where you stand. Do you have any comments?

Mr. DONNELLY. No, no comments at this time.

Mr. ROE. We will just recess until the Chairman returns.

Mr. HAGGSTROM. Thank you, Congressman.

[Recess.]

Mr. JOHNSON. [Presiding.] This hearing will come to order, and I thank the panel for indulging me. I apologize for having to step out and I thank the Committee, although it looks like a Committee of one now, but I thank my colleagues for indulging as well.

Mr. Haggstrom, I have a few more questions that I would like to get into.

You mentioned earlier, one of you did, I think it was in your testimony that you have a robust helpdesk system associated with eCMS. I am very familiar with helpdesk systems and their capabilities. Could you provide to this Committee a report of the trouble tickets and the resolution thereof of those trouble calls since eCMS went live?

Mr. HAGGSTROM. Certainty, Mr. Chairman, we will be happy to provide that information.

[The VA subsequently provided the information, which appears on p. 42.]

Mr. JOHNSON. I would like to see that, and we will anxiously await that.

I want to talk a little bit more, I know you got into a little bit before I left, for my benefit tell me what PARAGON is.

Mr. HAGGSTROM. Certainly, Mr. Chairman. If I could ask Mr. Neary to explain that, it is part of the program management system that they use in construction.

Mr. JOHNSON. Okay.

Mr. NEARY. Certainly, Mr. Chairman. PARAGON is a software tool that we currently use to manage data of activities that take place primarily at the individual construction sites recording requests for information from contractors, change order documentation, that sort of thing.

And so it enables us to track what is in the house, if you will, and actions that are being taken, establish deadlines, suspense dates for accomplishments, and then we can look across the system at that data to look for trends and any other information that would be useful in guiding us in moving the program forward.

Mr. JOHNSON. Okay. If I look at a side-by-side comparison of the capabilities that have been advertised for eCMS, eCMS by your testimony is a contract management system. It includes tracking project administration, contracting or contract management, establishing and enforcing standard acquisition practices and department-wide policies.

If I look at PARAGON it says it is for project—track project administration, contracting, and maintaining payment records. When did the VA start using PARAGON?

Mr. NEARY. I would have to check, but I would suspect it was 7 or 8 years ago.

Mr. JOHNSON. So PARAGON was in place when eCMS was brought on board?

Mr. NEARY. Yes, sir, I believe it was.

Mr. JOHNSON. If the VA already had a contract management system that would track the progress of construction projects then why was eCMS pursued and why did the taxpayers spend $20 million on it?

Mr. HAGGSTROM. Well, I think if you look at the two systems—they are very different, Congressman.

One is very focused on construction, management of a critical path method, management of what takes place throughout the life cycle of a brick and mortar facility.

The eCMS it was built to not only take care of that in a general contract sense, but there are also commodities and service contracts that we put in place, that there was absolutely no system other than the back of the pad, if you will, to keep track of that.

What this system did, is then take into account all the rest of the contracting actions that the Department had to work with.

Mr. JOHNSON. Now we know that PARAGON is being used and that the data that is being placed in PARAGON is being cross-referenced to eCMS. I am just sort of confused. Well, first of all, how much did PARAGON cost?

Mr. NEARY. I would have to find that out and submit it for the record, sir.

[The VA subsequently provided the information, which appears on p. 47.]

Mr. JOHNSON. Okay. How much training goes into the use of PARAGON?

Mr. NEARY. We provide training for all—it is used primarily by our resident engineers at job sites, and so any new resident engineer who comes into our organization we would provide them initial training, and then we provide periodic training, refresher training over time to everybody that is involved in the program.

Mr. JOHNSON. Does PARAGON fall under the same oversight mandate that eCMS does? Has PARAGON been mandated as a required data system?

Mr. NEARY. Yes, it has.

Mr. JOHNSON. How much training goes into eCMS? Do you have a formal training program for that?

Mr. HAGGSTROM. We do, Mr. Chairman. The VA Acquisition Academy has a formal training system where our new contracting officers attend a 4-day course on a scheduled curriculum. We also provide field training in traveling teams if the administrations ask for that. And the Committee has asked for those training materials to be submitted for the record and we will do so.

[The VA subsequently provided the information, which appears on p. 55.]

Mr. JOHNSON. Okay. When did the training program for eCMS start?

Mr. HAGGSTROM. The training program for eCMS started at the inception of eCMS being brought on in terms of being able to provide those end users, if you will, the skills necessary. So it began back in the 2007 timeframe when we started to mandate eCMS as the system for the contracting officers.

Mr. JOHNSON. Do you consider it an effective training program?

Mr. HAGGSTROM. I believe it has improved much. When you look at our users in terms of the survey, you are going to see mixed reactions to it. Some say it was very effective, some say it was very confusing, some say that they weren't trained on certain modules.

We take those surveys and we bring them back and we ensure that we close those gaps in our training and we provide new training. That survey, I believe, was now done in 2008 or so, so it is a little long in the tooth, if you will, I think in terms of gauging

the reaction from the users in terms of the quality of the training we are providing.

Mr. JOHNSON. Okay. How do you account for the fact that data is being entered into eCMS not at the beginning of a contract, but later? Sort of as a second thought.

Mr. HAGGSTROM. I think that goes back to some of the issues that the contracting officers have brought forth in terms of the functionality of the system, the response time, but I would ask Mr. Frye, if I could, to continue to comment the work.

Mr. FRYE. Mr. Johnson, there is a very simple answer to this one. For the most part, data is being entered subsequent to contracts being let is from old legacy contracts. We have made an attempt to put contracts that are still under way that were awarded prior to the advent of our contract writing system into that system.

So I think by in large that is the data that is being entered after the contracts are let.

Mr. JOHNSON. Mr. Frye, something doesn't match here. According to the VA testimony prior to us and the information that we have, 83 percent of the data that is supposed to be in eCMS is not in there. Are you telling me that only 17 percent of the data is new contracts and that 83 percent is old data? Because something is not jiving with what you are saying now.

Mr. FRYE. No, what I am telling you is when the contracting officers—and again, I wasn't out to look at the contracts—but from what I gather the contracting officers have entered some of the data, but not all of the data.

In other words, they took a paper file and transported the paper into electrons, into the contract writing system so this would become part of your data base. The contract was never developed using the contract writing system because the contract writing system wasn't in place in 2005 or 2006.

Now most of our contracts are put in place with a 1-year base and four 1-year options. So if it was a contract that was put in place some years ago it wouldn't have been put into the contract writing system.

Mr. JOHNSON. So it is your assertion then that 100 percent of current construction contracts are being entered into eCMS at the beginning of the project?

Mr. FRYE. I can't comment on construction progress, I would yield to Mr. Neary since he runs the construction program.

Mr. NEARY. With respect to the VA's major construction program, what I am responsible for 99.9 percent, yes, are entered in at the outset. We award all of our contracts utilizing the eCMS system.

Mr. JOHNSON. Interesting.

Changing gears just a bit. According to VA Acquisition Regulation 801.603–70, a resident engineer is not allowed to make a commitment that will affect the price, quantity, quality, or delivery of a contract. Is that correct?

Mr. NEARY. Well, an individual who has to be a warranted contracting officer to make those types of commitments——

Mr. JOHNSON. But a resident engineer is not a contracting officer, doesn't hold a warrant, correct?

Mr. NEARY. At each of our sites, the senior resident engineer would hold a warrant, limited I believe it is to $100,000.

Mr. JOHNSON. Okay. Likewise, a contracting officer acting within his or her warranted contracting authority must authorize any change to a contract. Is that correct?

Mr. NEARY. That is correct.

Mr. JOHNSON. And you are telling me that resident engineers—you have resident engineers that are both contracting officers and resident engineers?

Mr. NEARY. That is correct. Limited authority primarily intended to address events that arise, situations that arise at the job site where the contractor needs to be given direction. You might have plumbing lines that conflict, something that wasn't picked up on the drawing, those sorts of things.

Mr. JOHNSON. To your knowledge do you have resident engineers then that are not contracting officers that are making decisions regarding the price, quantity, quality, or delivery of a contract?

Mr. NEARY. I am not aware of any situation where a non-warranted resident engineer is making those decisions. That should not be happening, no.

Mr. JOHNSON. Okay. Well, seeing as no other Committee Members apparently have any questions I would again thank you gentlemen for being here today. Let me get back here. And I thank you for your time and your testimony and you are now excused.

I ask unanimous consent of all present that all members have 5 legislative days to revise and extend their remarks and exclude extraneous materials, and without objection, it is so ordered.

I want to thank all of the Members of the Committee and witnesses for their participation today in this hearing, and the hearing is now adjourned.

Mr. HAGGSTROM. Thank you, Mr. Chairman.

[Whereupon, at 12:05 p.m., the Subcommittee was adjourned.]

APPENDIX

Prepared Statement of Hon. Bill Johnson, Chairman, Subcommittee on Oversight and Investigations

Good morning. This hearing will come to order.

I want to welcome everyone to today's hearing on "Inspect What You Expect: Construction Contracting Practices at VA."

I would also like to apologize in advance that I may have to leave early for a mark-up at the Natural Resources Committee taking place this morning. I know that some other Members of this Subcommittee may also be affected by the mark-up, and we will get through the hearing as best we can or recess if necessary.

In a department the size of VA, the contracting process involves billions of dollars annually. These funds are necessary to ensure those who so bravely served this country are provided the care and benefits they have earned.

However, problems arise when the contracting process is mismanaged, and poorly executed contracting on the scale of billions of dollars—such as what we see at VA—can mean billions of dollars wasted, taxpayer dollars that were supposed to help the veteran.

A contracting process done correctly can actually help an organization save money in the long run. Good contracting on a construction project entails having an independent cost analysis of all available options, eliminating preferential treatment, and executing a timely process that results in a product delivered in a timely fashion at the correct cost.

VA has acknowledged it could improve the quality of its contracting process through use of the Electronic Contract Management System, or "eCMS." In June of 2007, an Information Letter was issued by VA's Executive Director of the Office of Acquisition and Logistics mandating the use of eCMS. This database would record and track procurement actions of over $25,000, and the data could then be easily and comprehensively reviewed to determine the effectiveness of VA's contracting processes and make changes where necessary. Cost overruns could be identified and addressed early on, and perhaps even prevented in the first place.

This sensible approach to overseeing the contracting process could prevent wasted funding, potential fraud, and reduce overall contract mismanagement. For some reason, despite its mandated usage, many supervisors and managers across VA chose to ignore eCMS, instead allowing the contracting system and runaway associated costs to continue as before.

VA's Office of Inspector General found clear cases of missing and incomplete information, and in one test discovered that 83 percent of the transactions that should have gone into eCMS were left out. Examples such as this dilute the value of eCMS as an accountability measure, and in the end veterans and taxpayers bear the loss. While VA acknowledged the OIG's findings and concurred with recommendations for improvement, it is my wish to see concrete evidence of that improvement.

Reports of other clear cases of contract mismanagement are equally disturbing, including bundling contracts as well as splitting contracts, as substantiated by the Deputy Assistant Secretary for Acquisition and Logistics nearly a year ago.

As these contracts are mishandled, needed construction is slowed considerably and the needed services that a new medical facility would provide are further delayed. Again, those who are hurt most by this are the veterans.

If we are to get this right, there must be decisive leadership in contracting and accountability for actions at all levels. If eCMS was mandated by VA's leadership to be used, why then is it obviously not being used? If contracts on a construction project are intended for veteran-owned small businesses, why would a large business be competing for them? If plans are put in place for an expanded outpatient clinic, why then would the size and scope of that project change, not once, but *twice*?

It is past time for these billions of construction contracting dollars to be used effectively, efficiently, and in a timely fashion so the veterans who need the services provided by these facilities can access them.

I appreciate everyone's attendance at this hearing and I now yield the Ranking Member for an opening statement.

Prepared Statement of Hon. Joe Donnelly, Ranking Democratic Member, Subcommittee on Oversight and Investigations

I would like to welcome everyone today, as we have the opportunity to conduct the Subcommittee on Oversight and Investigations (O&I) first hearing of the 112th Congress. I am honored to serve as the Ranking Member and look forward to working with Chairman Johnson and other Members on both sides of the aisle. Prior to today's hearing we had the opportunity to meet and discuss the O&I agenda for the upcoming year and from our discussions I know we have a full agenda, and one we are both committed to working in a bipartisan manner as we seek to provide the oversight our Nation's veterans rightly deserve.

Today's hearing is an example of our bipartisan work. The VA procurement efforts and initiatives have been problematic and controversial at times. It is important that we make certain the VA is doing their due diligence prior to awarding a contract. There are many steps the VA must take in between initiating procurement project proposals and post-awards. Today, we hope the VA will assure us that construction projects are fully reviewed to ensure successful delivery and management.

It seems to me that there have been too many VA Office of Inspector General reports indicating VA's lack of contract details. Furthermore, unrealistic and unreasonable acquisition plans have led to escalated contract costs and unmet contractor milestones. One of my concerns is, how many times does my staff need to meet with the VA only to find out that after millions of dollars have been spent on a contract the contractor walks away with these funds after the VA cancels their contracts due to unmet deliverables. This is an indication of poorly reviewed and administered contracts.

Furthermore, since the 110th Congress the Committee has been providing oversight on contract bundling. I am familiar with these issues, having been a Member of the Committee on Veterans Affairs since the 110th Congress and participated in various hearings on this topic. Contract bundling by Contracting Officers should be reviewed carefully as well. Whether it may be awarding contracts or set-aside initiatives for veteran owned small businesses, bundled contracts create opportunities for fraud and mismanagement. I will be particularly interested in the implementation of the VA's Electronic Contract Management System (eCMS).

Prepared Statement of Hon. John Barrow

Thank you Chairman Johnson and Ranking Member Donnelly for holding this hearing. In order to fulfill our promises to veterans we need a productive and efficient Community Based Outreach Clinic construction planning process at VA.

In order to build the infrastructure our veterans need for the health care and services we promised them VA needs to fix their broken construction process. Fixing the contract practices at VA is a good place to begin fixing the construction process. If done correctly, this will increase transparency and get VA's construction process on the right track. Increasing transparency is particularly important to me and veterans in my district.

For 2 years my office and my constituents have sought information regarding the status of construction for a CBOC to be built in Statesboro. The Statesboro area already has a large population of underserved veterans that VA predicts will increase by 5 percent in each of the next 3 years. Currently, this growing population of Veterans is forced to drive over an hour, either to Dublin or Savannah, to receive the primary care and mental health treatment they need.

Over this 2 year period my office and veterans from Statesboro have contacted the VISN in Atlanta and the Department of Veterans Affairs in DC. But we have only received conflicting and incomplete information from VA about where this project is in the approval process.

I thank the panelists for coming to testify before this Committee today. Hopefully, by examining the business practices of VA we can learn about specific deficiencies in VA's construction planning system. I want to identify pragmatic solutions to make the VA construction planning process more efficient and transparent, so that clear cut cases like the Statesboro CBOC can gain swift approval and serve our Veterans faster.

Prepared Statement of Belinda J. Finn, Assistant Inspector General for Audits and Evaluations, Office of Inspector General, U.S. Department of Veterans Affairs

EXECUTIVE SUMMARY

Procurement continues to be one of VA's major management challenges. Since 2003, the Office of Inspector General (OIG) has reported that VA still has much work to do to leverage its purchasing power for acquiring goods and services. We have consistently reported on the need for increased management visibility and transparency to manage acquisitions nationwide, make good procurement decisions, and to address the reliability and completeness of the information VA relies upon to make acquisition decisions.

VA has mandated the use of the Electronic Contract Management System (eCMS). The eCMS system can reduce costs, integrate and standardize procurement processes, reduce workload, and improve communications. Additionally, the system provides the functionality to create management reports and improve the capability of consolidating requirements to support strategic sourcing and acquisition decisions. Unfortunately, we continue to see low levels of compliance associated with VA Contracting staff using this system and when the system is used, the information in the system is incomplete. VA cannot rely on the information in eCMS to determine the total number of procurements accurately or the total estimated value of these procurements when information in the system is incomplete. Reports generated through eCMS are incomplete and cannot be relied upon when making management decisions. Until VA enforces compliance for the mandatory use of eCMS, VA cannot benefit from the full capabilities of the system.

Ongoing audit work at the VA's National Acquisition Center (NAC), VA's largest contracting activity and a major organizational component reporting directly to the Office of Acquisition, Logistics, and Construction (OALC) continues to identify problems in the use of eCMS to develop and maintain national contracts. Without senior leadership's attention focused on ensuring eCMS usage and capturing VA procurement information in a reliable central database, VA will not achieve the improvement needed in acquisition service delivery from an enterprise-wide perspective.

A follow-up audit on VA's construction program found that VA had established a Quality Assurance (QA) program and procedures to resolve previously reported problems. We reported that the QA program needed written policies, procedures, performance measures, and a staffing plan to ensure it met its responsibilities. Additionally, the QA program could not oversee contract schedule slippage because it was focused on performing field acquisition reviews. The OALC Executive Director agreed with our findings and planned to implement corrective actions.

Other OIG components have performed work related to VA construction contracts including our Office of Contract Review which recently began conducting pre-award reviews of claims related to construction contracts. Our Office of Investigations annually briefs 14,000 VA employees on fraud indicators, and has assigned a criminal investigator liaison to each VA facility with construction contracts valued at $10 million or more.

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to testify on the findings of the Office of Inspector General (OIG) related to the Department of Veterans Affairs (VA) procurement processes. I am accompanied today by Cherie Palmer, Director, Chicago Office of Audits and Evaluations.

Background

Procurement continues to be one of VA's major management challenges. Our oversight of VA's procurement activities including information systems and the Construction Program is performed through audits and reviews. Since 2003, we have reported that VA still has much work to do to leverage its purchasing power acquiring goods and services. We have consistently reported on the need for increased management visibility and transparency to manage acquisitions nationwide, make good procurement decisions, and to address the reliability and completeness of the information VA relies upon to make acquisition decisions.

VA has one of the largest procurement programs in the Federal Government with annual expenditures of more than $10.3 billion for supplies and services, including construction. Drugs, medical supplies and equipment, automated data processing equipment and services, and other critical patient care items must be procured and

distributed to VA's health care facilities that comprise the largest health care delivery system in the country. The Office of Acquisition and Logistics (OAL) is responsible to the VA Secretary for providing goods and services to support the mission of VA through the Executive Director, Office of Acquisition, Logistics, and Construction (OALC).

The OALC Executive Director implemented VA's Electronic Contract Management System (eCMS) as the single mechanism for generating and managing procurement actions. OALC issued Information Letter 049–07–06, dated June 15, 2007, implementing and mandating the use of eCMS. The eCMS provides a centralized database for procurement actions and replaces a primarily manual and paper-based contract management operation used throughout VA. Using a web-based platform, it was designed to provide a fully integrated electronic acquisition platform that includes the seamless flow of information and data from all stakeholders and systems from initial requisitioning through closeout. The benefits of the system included the ability to reduce costs, integrate and standardize procurement processes, reduce workload, and improve communications. Additionally, the system provides the functionality to create management reports and improve the capability of consolidating requirements to support strategic sourcing and acquisition decisions. Unfortunately, we continue to see low levels of compliance associated with contracting staff using this mandated system and when the system is used, the information in the system is often incomplete.

OIG Audit Results on eCMS

In July 2009, we issued *Audit of VA Electronic Contract Management System* (Report Number 08–00921–181, published July 30, 2009). Specifically, we examined whether information in eCMS enables VA to use the system as a comprehensive management tool to improve its procurement processes and information. We found that eCMS was not used effectively and procurement information in eCMS was incomplete. Management did not ensure the required use of eCMS and there was no oversight program to monitor staff compliance with Information Letter (IL) 049–07–06. We reported that VA cannot achieve the expected benefit of eCMS, including the ability to integrate and standardize procurement processes, reduce workload, and improve communication without complete information. VA cannot rely on eCMS to determine the total number of procurements accurately or the total estimated value of these procurements when information in the system is incomplete.

During our audit, we compared just over 6,700 procurement actions valued at about $1.7 billion in VA's Integrated Funds Distribution, Control Point Activity, Accounting and Procurement (IFCAP) system to information in eCMS. We found that just over 1,150 (17 percent) of the procurement actions (valued at about $319 million) were recorded in eCMS, while the remaining, nearly 5,600 (83 percent) of actions (valued at about $1.4 billion) were not.

We also compared 1,450 awarded procurement actions from the General Services Administration Federal Procurement Data System-Next Generation (FPDS–NG) and found just over 700 (49 percent), valued at about $1.4 billion, were recorded in eCMS and nearly 300 (21 percent) of 1,450 procurement actions, valued at about $91 million, were only partially completed in eCMS. Information on nearly 450 (30 percent) of 1,450 procurement actions (valued at about $234.7 million) were not recorded in eCMS. Therefore, we concluded that the reports generated by eCMS were unreliable and could not be used when making management decisions.

To better understand why VA contracting staff were not effectively leveraging the use of eCMS, we conducted a survey of eCMS users. Responses to our survey indicated staff needed additional training to fully understand and comprehensively use the capability of eCMS. Twenty-two percent of the respondents considered the quality of training provided inadequate. Also, management and staff told us the system is cumbersome and takes too much time to process procurement actions.

We also found the Information Letter provided unclear guidance pertaining to the types of procurements that are required to be recorded in eCMS and does not ensure consistency and compliance across all VA business lines that could potentially be misinterpreted. Finally, we reported that award data for contracts in eCMS does not electronically transfer to IFCAP resulting in a duplication of input effort for procurement staff. We recommended integrating eCMS with IFCAP to provide VA with improved acquisition efficiency and reporting. In total, we made eight recommendations of which three remain unimplemented (or "open") today; these open recommendations include implementing a VA-wide eCMS policy; establishing a plan to evaluate the technical performance of eCMS; and integrating eCMS with IFCAP.

In subsequent audit work and as VA focused on deploying funds for the *American Recovery and Reinvestment Act of 2009* (ARRA), we focused on how well VA mon-

itored the process for awarding ARRA non-recurring maintenance contract awards. To accomplish this work, auditors attempted to review related procurement information in eCMS. On February 18, 2009, OMB issued Memorandum M–09–10, the initial Government-wide guidance for Recovery Act programs and activities. On March 17, 2009, OALC issued IL001AL–09–07, "Implementing Guidance for Contracting Awards under *American Recovery and Reinvestment Act of 2009*", which states that "without exception all Recovery Act contracts regardless of dollar value, must be generated in eCMS".

On March 15, 2010, we published the *American Recovery and Reinvestment Act Oversight Advisory Report—Non-Recurring Maintenance Contract Award Monitoring Processes* (Report Number 09–01814–97). We found eCMS data reliability and system problems were continuing to inhibit OALC's ability to effectively monitor Recovery Act procurements and to ensure non-recurring maintenance contract awards met Recovery Act requirements and accountability, efficiency, and transparency objectives. Our audit showed that OALC needed to work with Veteran Health Administration (VHA) contracting officers to promote uniformity in the usage of eCMS, improve the completeness and accuracy of eCMS data, and increase awareness of eCMS system problems that affect the reliability of eCMS information.

During work on our national *Audit of Oversight of Patient Transportation Contracts* (Report Number 09–01958–155 published, May 17, 2010), we found that VHA missed opportunities to solicit new competitive contracts and make contract awards. While performing audit work we experienced significant challenges in obtaining a complete universe of contracts due to the incomplete data in eCMS. Because VA lacked a system-wide inventory of contracts, we developed a technique to use the FPDS–NG system information to identify patient transportation contracts by using the product service code. We reported that Veterans Integrated Service Network contract managers did not provide the oversight to ensure that new solicitations were timely to avoid granting extensions in order to prevent a lapse of service. Further, contracts were extended that circumvented the Federal Acquisition Regulation (FAR) instead of ensuring full and open competition. These conditions clearly inhibit VA from obtaining the best price and or value for the goods and services being acquired. According to the Director of VA's eCMS Project, the milestone function capabilities in eCMS should be used to monitor and plan for contracts that are due to expire. Utilizing this function will help ensure timely follow-up on procurement actions. VA officials recognized that it is important to establish milestones within eCMS to provide increased management visibility and oversight, but information supporting some contracting actions was missing.

In a review of the National Cemetery Administration (NCA) we assessed how well NCA implemented effective policies and procedures to ensure accountability and transparency for $50 million in ARRA funds. We published *Review of the Management of Recovery Act Funds for Monument and Memorial Repairs* (Report Number 09–01814–263), on September 30, 2010. We again found and reported that NCA did not ensure complete procurement information on ARRA-funded projects was recorded in eCMS.

Our results showed non-compliance with the requirement that all contracts, regardless of dollar value, must be recorded in eCMS. As a result, we concluded VA lacks effective management and oversight controls needed to monitor national contract awards. For this project, we reviewed 36 of the 56 ARRA projects (obligated as of July 10, 2009) and identified 34 equipment and national shrine repair projects valued at $2.5 million that did not have the required procurement information, such as acquisition plans, contracts, purchases orders, price quotes, and price analysis recorded in eCMS.

We are currently conducting an audit at VA's National Acquisition Center (NAC)—VA's largest contracting activity and a major organizational component reporting directly to OALC. Again, we have concerns that eCMS is not fully utilized to develop and maintain national contracts and related files at the NAC. Although OALC mandated eCMS usage, it did not adequately ensure the required use of eCMS by providing the oversight needed to monitor eCMS compliance at the NAC. We are reviewing 30 national contracts with a total estimated value of $2.4 billion. Our preliminary results show that contract information was not in eCMS for a number of contracts. These contracts included acquisitions for high cost technical medical equipment, such as magnetic resonance imaging, radiation therapy, diagnostic ultrasound, and nuclear imaging. Further, while our preliminary review of hard copy contract files shows that contract development and award actions were generally in accordance with Federal and VA Acquisition Regulations, but documentation was missing in eCMS. For example, eCMS information did not include the solicitations, price negotiation memorandums, and awarded signed contracts for all national contracts.

We also learned that the NAC utilizes its own Contract Management (CM) system and requires NAC contracting officers to enter and maintain data into this system in addition to eCMS. This is because the other Government agencies that purchase from the NAC's national contracts cannot access the contract information available in eCMS. The CM system also provides an Internet electronic catalog function that allows non-VA customers to access NAC contract data. According to the NAC Executive Director, neither the CM system nor eCMS offers a complete acquisition solution; therefore, both systems are needed.

Reports generated from eCMS, such as the Procurement Action Lead Time, cannot be relied upon when making procurement decisions because the information in eCMS is either missing or incomplete. In addition, reliance upon two incompatible systems creates a duplication of effort resulting in an inefficient use of time and resources. OALC is developing an upgrade to eCMS that includes integrating the functions available in the CM system into eCMS and making the eCMS contract data available to its non-VA customers. The upgrade has been delayed from its initial September 2010 completion date until August 2011. OALC provided limited oversight to monitor eCMS compliance and ensure eCMS system capabilities adequately support NAC operations. Without senior leadership's attention focused on ensuring eCMS usage and capturing VA procurement information in a reliable central database, VA will not achieve the improvement needed in acquisition service from an enterprise-wide perspective.

We have reported significant lapses in VA contracting staff leveraging the use of eCMS since 2009. VA's own internal auditors have also reported on how information is incomplete in the eCMS system. For example, the Acquisition Assessment of the NAC published July 20, 2010, performed by contractors supporting VA's Office of Business Oversight in accordance with the Office of Management and Budget's Circular A–123, found that NAC staff were not consistently using eCMS to document contract actions as required. The NAC cannot achieve the expected benefits of eCMS without complete documents and files related to each procurement action being entered into the system.

In spite of numerous OIG reports citing deficiencies in the use of eCMS, VA still needs to improve compliance and use of this mandatory system to better leverage VA's buying power. Since our reviews, VA has moved forward with the testing for integration of eCMS and IFCAP to ensure that technical performance of eCMS improves. VA has acknowledged that it cannot fully realize the benefits of eCMS without ensuring that the tool performs to technical specifications, that staff receive the necessary training, and that eCMS properly integrates with existing and planned financial systems. However, in spite of this acknowledgement, several of our recommendations remain unimplemented and we continue to find a lack of compliance, accountability, and transparency with eCMS in our audit work.

OIG Audits on VA's Construction Program

In FY 2009, we performed a follow-up audit to determine whether VA implemented the corrective action plans in response to recommendations made in our *Audit of Veterans Health Administration Major Construction Contract Award and Administration Process* (Report Number 02–02181–79, February 8, 2005). Our 2005 report included 12 recommendations that addressed needed improvements in contract award, administration, and project management. At that time, the Under Secretary for Health concurred with the 2005 report recommendations and provided corrective action plans.

We reported that VA had strengthened management control and oversight of the major construction contracting process with the implementation of 10 of the 12 recommendations from the OIG's 2005 report. Specifically, we found that VA had addressed 10 of the 12 recommendations through the establishment of a Quality Assurance (QA) program and procedures to resolve significant differences between bid prices and Architecture and Engineering (A/E) estimates.

VA established the QA Service to oversee VA's major construction contracts and ensure the contracts complied with Federal and VA acquisition regulations and VA policies and procedures. However, we reported that VA had no assurance that the QA Service is effectively monitoring major construction contracts because it had no written policies, procedures, and performance measures. Further, the QA Service did not have a staffing plan to ensure it met all of its QA program responsibilities.[1]

[1] At the time OIG issued its 2005 report, VHA's Office of Facilities Management (FM) was responsible for managing all major construction projects. In February 2007, FM was reorganized and realigned to the Office of the Secretary as the new Office of Construction and Facilities Management (CFM) under the direction of the Deputy Secretary. In October 2008, VA estab-

VA did not however, fully implement the 2005 report recommendations to implement more effective project management oversight to manage and reduce contract schedule slippage from a national perspective. In response to the 2005 report recommendation, VHA advised that the new QA Service oversight function would review the existing process for assessing contract slippage and the method by which feedback is provided to the field. However, we found that QA had not performed these assessments or provided oversight of contract schedule slippage because its efforts were focused on performing field acquisition reviews of construction contracts. This lack of oversight could result in significant contract slippage and increased construction costs. In addition, VA did not fully implement the 2005 report recommendation to establish an effective program to ensure the timely close out of major construction contracts and identify unused funds that could be returned to the construction reserve account.

In our follow-up report, we offered recommendations to the Executive Director for OALC to implement an effective mechanism to monitor contract schedule slippage and minimize construction contract delays and to establish an effective mechanism to ensure the timely close out of major construction contracts. We also recommended the Executive Director develop written QA policies and procedures, program performance measures addressing all QA Service areas of responsibilities, and a formal staffing plan to ensure all QA Service responsibilities are met. The Executive Director for OALC agreed with our findings and recommendations and provided plans to implement acceptable corrective actions. We will continue to assess the effectiveness of VA's construction program in future work.

Other OIG Work Related to VA Construction Contracts

Office of Contract Review—In FY 2011, our Office of Contract Review began conducting pre-award reviews of claims related to construction contracts. We do not yet have sufficient data upon which to base an opinion on the significance of performance issues impacting VA construction activities from a national perspective. Once we have completed a sufficient number of reviews, we will offer the Subcommittee a briefing on our findings and conclusions.

Crime Awareness Briefings—In order to help deter crime, OIG criminal investigators provide approximately 200 crime awareness briefings each fiscal year to about 14,000 employees at VA facilities nationwide. These briefings are intended to ensure the attendees are aware of the many types of fraud and criminal activity that can victimize VA, VA employees, and veterans. These briefings have resulted in additional referrals of alleged criminal activity and have enhanced our partnership with VA Police in helping provide a safe and secure environment for veteran patients and employees.

Criminal Investigator Liaisons—Criminal investigators are assigned to VA facilities with contracts having a value of $10 million or more, to serve in a liaison capacity sharing information with contracting officers, contracting officer's technical representatives, program managers, and prime and sub-contractor staff to deter, detect, and investigate potential construction fraud.

VA Acquisition Academy—In concert with the Department of Justice Antitrust Division, the Counselor to the Inspector General and OIG investigators provide instruction to VA contracting officers and interns at the VA Acquisition Academy in Frederick, MD. The training covers the OIG's role, criminal conduct relating to procurement, audit issues relating to procurement, and how to avoid or prevail in disputes.

Procurement Fraud Task Forces—The OIG regularly participates in regional and national procurement fraud meetings and conferences to learn of effective programs and strategies to address procurement fraud Government-wide. In anticipation of fraud in connection with Recovery Act projects, we arranged for the Department of Justice's Antitrust Division to provide to VA's Deputy Assistant Secretary for Acquisition and Materiel Management and his staff.

Conclusion

While VA has recognized deficiencies in its acquisition processes and infrastructure, they have yet to exercise sufficient organizational discipline to ensure that its primary management oversight tool provides the needed transparency to manage a multi-billion dollar acquisition program. We believe VA should continue its efforts

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lished the Office of Acquisition, Logistics, and Construction (OALC), which now includes CFM. The new office is headed by the Executive Director reporting to the Deputy Secretary.

to leverage the full capacity of eCMS and integrate it into existing and future financial systems.

Mr. Chairman, this concludes my statement. We would be pleased to answer any questions that you or other Members of the Subcommittee may have on these issues.

Prepared Statement of Glenn D. Haggstrom, Executive Director, Office of Acquisition, Logistics, and Construction, U.S. Department of Veterans Affairs

Chairman Johnson, Ranking Member Donnelly, and distinguished Members of the Committee, thank you for the opportunity to appear before you today to discuss the Department of Veterans Affairs (VA) acquisition, logistics, and facilities management, operations. It is a privilege for me to represent the many dedicated and hard-working professionals who provide mission-critical support everyday to ensure necessary contracts, logistics support, and facilities are available for some of our Nation's most extraordinary citizens, Veterans. I am accompanied here today by Mr. Jan Frye, VA's Deputy Assistant Secretary for Acquisition and Logistics (OAL) and the Department's Senior Procurement Executive, Mr. Robert Neary, Acting Director for Construction and Facilities Management (CFM) and Mr. Jim Sullivan, Director Office of Asset Enterprise Management.

The Office of Acquisition, Logistics and Construction (OALC) was formed in October of 2008 to support the acquisition, logistics, and construction needs of the Department of Veterans Affairs (VA). These organizations were brought together to provide an enterprise approach to policy, process, and systems necessary to support these similar functions resident in each of the VA administrations. The core responsibilities and an integrated acquisition model were affirmed by the Secretary on April 2010. Together, these structural and process changes will enable the Department to serve our internal customers' needs and ultimately our Veterans in a more efficient manner.

OALC has six fundamental roles in the operation of the Department: achieve clear ownership and accountability of the VA contracting mission; gain control over acquisition and facilities management information; effectively manage the acquisition life cycle for contracting and construction; develop critical human capital resources; enhance information management to support corporate decision-making; and finally, improve service delivery.

With the focus of today's hearing on VA's electronic contract management system and the major construction program, I'd like to inform the Committee on where we stand with regard to completing the recommendations identified by the OIG in each of the reports. Currently, OALC has two VAOIG reports with 4 recommendations that remain open.

As part of OALC's continuous improvement process, the findings and recommendations of all OIG and GAO reports are captured, analyzed, tracked, and acted upon.

First, the "Audit of VA Electronic Contract Management (eCMS)," published in July of 2009 identified eight recommendations, five of which the OIG has closed. Significant progress has been made through management actions to complete system user training with training teams available to the administrations upon their request, putting in place oversight programs at the administration and headquarters level to review eCMS usage, and the ability to perform real property leasing actions within the system is in use. Three recommendations remain open.

The recommendation to develop and implement a VA-wide eCMS policy and handbook to ensure consistent use and compliance with the system requirements is nearing completion. We completed developing and providing an integrated, role-based matrix for using the individual eCMS User Guides in the December 2010 release of the system. The remaining action to complete policy revision will be completed by the end of this month. The second open recommendation deals with the technical performance of the system. In response to this we completed phase one of our technical refresh in January 2010 with phase two scheduled to be completed in June of this year. The refresh includes server replacement, software changes to increase performance, and expanded data repository capacities. Finally, the remaining recommendation was to determine the feasibility of integrating eCMS with the Integrated Funds Control Point Activity, Accounting and Procurement System to streamline the procurement process. The integration software has been completed and tested and is scheduled for production roll out the first quarter of fiscal year 2012.

The "Audit of VA's Major Construction Contract Award and Administration Process," identified four recommendations with one still remaining open. Successfully closed were recommendations to establish effective mechanisms to monitor contract slippage and ensure the timely close out of major construction projects, and develop a staffing plan to ensure quality assurance responsibilities are met. In the remaining open recommendation OALC is developing written quality assurance policies and procedures, and program performance measures addressing all QA Service areas of responsibilities. Phase one of this recommendation was completed in December of 2010 and phase II will be completed in June of this year at which time we will recommend to the IG that the report be closed.

Also, in 2009 the Government Accountability Office issued a report on VA major construction noting that VA generally met GAO best practices for a Federal major construction program in 10 of 12 areas. From that report came two recommendations that VA fully supported and is in the process of implementing, first the use of an integrated master schedule and second conducting a risk analysis based on the project's cost, schedule, and complexity. Both of these recommendations will be completed this fiscal year at which time VA will have implemented all 12 of GAO's best practices.

As proud as we are of the many improvements in VA's acquisition and facilities management operations, we recognize the need for continuous improvement and will work diligently to maintain the confidence of the American public and the Congress.

Mr. Chairman, we appreciate the opportunity to discuss VA's acquisition, logistics, and construction operations with you. My colleagues and I are available for your questions.

MATERIAL SUBMITTED FOR THE RECORD

U.S. Department of Veterans

Memorandum

Date: April 28, 2011

From: Executive Director, Office of Acquisition, Logistics, and Construction (001ALC)

Subj: Due Outs from April 12 Testimony (VAIQ 7085980)

To: Director for Congressional Affairs (009)

1. In response to a request for deliverables from the April 12, 2011, testimony to the House Committee on Veterans Affairs Subcommittee on Oversight and Investigations hearing entitled, "Inspect What You Expect: Construction Contracting Practices at the Department of Veterans Affairs," the Office of Acquisition, Logistics, and Construction provides the following information.

a. Deliverable: Regarding the electronic Contract Management System (eCMS), please provide Help Desk records that show the numbers of help tickets called in and resolved as far back as possible. Categorize them as designated in the Enterprise Acquisition System (EAS), e.g., password resets, the various level of calls, and response times.

Response: The EAS analyzes eCMS Service Desk tickets and generates itemized and summarized reports through the Veterans Affairs Acquisition Help Desk tool set. The reports include a high-level data summary entitle eCMS Service Desk Tickets Summary Report and a detailed, record-level report eCMS Service Desk Tickets Detailed Report (see attachment 1). For clarity, a Sub-Category Definitions is also provided at attachment 1. [The detailed report will be retained in the Committee files.]

Each record in the detailed report includes the following attributes: ticket number; date submitted; title; category; sub-category; priority; ; *and* status. The report can be filtered by attributes for a more detailed analysis.

b. Deliverable: Please provide a list of training course materials VA uses for eCMS training.

Response: The compact disc (CD) provided by the EAS Service includes eCMS classroom training materials, online tutorials, and user guides typically delivered during the EAS Service scheduled training sessions and through VA's Acquisition Resource Center online access. A copy of the CD and the list of the data contained on the CD are at attachment 2. [The CD is being retained in the Committee files.]

c. Deliverable: Please provide the year of implementation of the Paragon System and the initial cost. Provide the documented annual cost of the system starting in fiscal year 2005.

Response: The Office of Construction and Facilities Management first began using the Paragon System in 1998 at the cost of $290,000. The annual costs, commencing in fiscal year (FY) 2005, are as follows:

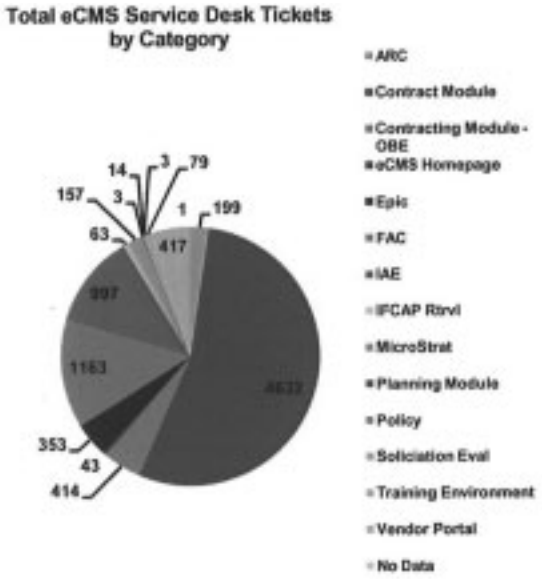
FY 2005–$385,000
FY 2006–$308,000
FY 2007–$478,000 (50 additional licenses)
FY 2008–$308,000
FY 2009–$500,500
FY 2010–$855.000 (250 more licenses and enterprise version, Web hosting)
FY 2011–$600,000

Attachments(2)
Glenn D. Haggstrom
Attachment 1
eCMS Servicer Desk Ticket Summary Report
(Cumulative through 4/19/2011

Category	Sub-Category	Total Tickets
ARC	Announcement Request	3
	Community Request	44
	Content Request	50
	Online Registration	29
	Performance	19
	Technical Support	54
Contract Module	Action Maintenance	1653
	Delete Action	490
	Document Management	372
	Enhancement Request	76
	IAE	464
	Performance	152
	System Errors	314
	User Maintenance	1111
Contracting Module	Award Action	140
	Funding Actions	4
	Other Desktops	8
	Planning Actions	15
	Post Award—Contract Mods	1
	Post Award—Delivery/Task Orders	4
	Post Award—Order Mods	1
	Procurement Actions	117
	System Errors	18
	User Maintenance	102
	Views	4
eCMS Home-page	Other	36
	User Maintenance	4

Category	Sub-Category	Total Tickets
	Views	3
Epic	Document Server	4
	IFCAP Retrieval	245
	Performance	3
	Planning Module	45
	Solicitation Evaluation	11
	User Maintenance	45
FAC	CLP Tracker	141
	FAC C	911
	FAC COTR	5
	FAC PPM	102
	PAWS	1
	Performance	3
IAE	CCR	8
	eBuy	57
	FBO	247
	FPDS	679
	IFCAP	5
	Orca	1
IFCAP Retrieval	Configure IFCAP Instances(s)	9
	IFCAP Retrieval Status	39
	Retrieve IFCAP Requisition Data	15
MicroStrategy Reporting Tool	Dashboard	8
	Performance	18
	Report Request	61
	System Errors	7
	User Account	63
Planning Module	Report Request	3
Policy	Other	14

Category	Sub-Category	Total Tickets
Solicitation Evaluation	Evaluation	3
Training Environment	Accounts	30
	Certificates	2
	Other	47
Vendor Portal	Performance	7
	Solicitations	42
	User Management	368
(no data)	(no data)	1
	Cumulative Ticket Total	**8538**



eCMS Service Desk Tickets by Category

(Cumulative through 04/10/2011)

Category	Total Tickets
ARC	199
Contract Module	4632
Contracting Module—OBE	414

eCMS Service Desk Tickets by Category—Continued

(Cumulative through 04/10/2011)

Category	Total Tickets
eCMS Homepage	43
Epic	353
FAC	1163
IAE	997
IFCAP Rtrvl	63
Micro Strat	157
Planning Module	3
Policy	14
Solicitation Eval.	3
Training Environment	79
Vendor Portal	417
No Data	1
Cumulative Ticket Total	**8538**

Attachment 2

VA eCMS Classroom Training Material:

2–Day Training

1. ARC-eCMS Refresher Training Agenda
2. ARC-eCMS Refresher Training Presentation

4–Day Training

1. ARC-eCMS Certification Training for Contracting Agenda
2. ARC-eCMS Certification Training for Contracting Exercises
3. ARC-eCMS Certification Training for Contracting Presentation
4. VA eCMS Classroom Training Exercises (CAATS)

Reviewer Role-Based Training

1. ARC-eCMS Reviewer Training Agenda
2. ARC-eCMS Reviewer Training Exercises
3. ARC-eCMS Reviewer Training Presentation

Supervisor Role-Based Training

1. ARC-eCMS Supervisor Training Agenda
2. ARC-eCMS Supervisor Training Presentation
3. ARC-eCMS Supervisor Training Exercises

Training for Procurement and Purchasing

1. ARC-eCMS Certification Training for Purchasing Agenda
2. ARC-eCMS Certification Training for Purchasing Exercises
3. ARC-eCMS Certification Training for Purchasing Presentation

VA eCMS Online Tutorials:

1. Action Lookup Online Tutorial
2. Construction Contracts Online Tutorial
3. Create Action from an Existing Action Online Tutorial

4. Document Generation Online Tutorial
5. e-Buy Online Tutorial Part 1
6. e-Buy Online Tutorial Part 2
7. Enterprise System Administration Online Tutorial
8. FBO Announcing Online Tutorial
9. FPDS Reporting Online Tutorial
10. Order Creation Online Tutorial
11. Overview of the Briefcase Tab Online Tutorial
12. Overview of the Summary Tab Online Tutorial
13. Overview of the Data Values Tab Online Tutorial
14. Overview of the Documents Tab Online Tutorial
15. Overview of the Milestones Tab Online Tutorial
16. Vendor Portal Posting Online Tutorial
17. Views Online Tutorial
18. ReadMe File Instructions

VA eCMS User Guides:

1. eCMS Acquisition Planning Guide Contracting Offices
2. eCMS Acquisition Planning Guide Program Offices
3. eCMS Acquisition Review Guide
4. VA eCMS Action and Desktop Management Guide
5. eCMS CMTS User Guide
6. VA eCMS Construction Contracts Guide
7. VA eCMS Contract Creation Guide
8. VA eCMS Document Creation & Formatting Guide
9. VA eCMS Enterprise System Administration Guide
10. VA eCMS Evaluators Guide
11. VA eCMS External Vendor Guide
12. VA eCMS FBO Announcing Guide
13. VA eCMS FCO Reporting Guide
14. VA eCMS FPDS Reporting Guide
15. eCMS FSS and eBuy User Guide
16. VA eCMS IFCAP Retrieval Guide
17. VA eCMS Manager's Guide
18. VA eCMS Milestone Plans Guide
19. VA eCMS Multiple PRs and Awards Guide
20. VA eCMS Order Creation Guide
21. VA eCMS Quick Reference Guide
22. VA eCMS Recovery Act Guide
23. VA eCMS Reviewer's Guide
24. VA eCMS Solicitation Evaluation Guide
25. VA eCMS Solicitation Guide for the NAC
26. VA eCMS Solicitation Management Guide
27. VA eCMS Utilizing Views Guide
28. VA eCMS Vendor Portal Guide
29. eCMS Vendor's Guide

Committee on Veterans' Affairs
Subcommittee on Oversight and Investigations
Washington, DC.
May 10, 2011

The Honorable Eric K. Shinseki
Secretary
U.S. Department of Veterans Affairs
810 Vermont Avenue, NW
Washington, DC 20420

Dear Mr. Secretary:

In reference to the Oversight and Investigations Subcommittee hearing entitled "Inspect What You Expect: Construction Contracting Practices at VA" that took place on April 13, 2011, I would appreciate it if you could answer the enclosed hearing questions by the close of business on June 14, 2011.

In an effort to reduce printing costs, the Committee on Veterans' Affairs, in cooperation with the Joint Committee on Printing, is implementing some formatting changes for materials for all full Committee and Subcommittee hearings. Therefore,

it would be appreciated if you could provide your answers consecutively and single-spaced. In addition, please restate the question in its entirety before the answer.

Due to the delay in receiving mail, please provide your response to Diane Kirkland at diane.kirkland@mail.house.gov. If you have any questions, please call 202–225–3527.

Sincerely,

Bill Johnson
Chairman

EG/dk

The Honorable Bill Johnson
Oversight and Investigations Subcommittee
House Committee on Veterans Affairs
"Inspect What You Expect: Construction Contracting Practices at VA"
April 13, 2011 Hearing

Question 1: What is the total cost for the implementation of eCMS?

Response: The total development cost for Electronic Contract Management System (eCMS) was approximately $13.4 million. The cost includes requirements definition, software licenses, training, and system development. The $20 million figure provided at the April 13th hearing included an additional approximately $6.5 million attributable to maintenance and operational support costs incurred during the initial post-implementation years, from 2003 through 2006.

Question 2: Given the very similar capabilities between eCMS and Paragon, are any efforts being made to consolidate the two, remove duplicative functions, and provide a cost saving?

Response: Although, both systems contain contract documentation, eCMS is a contract writing system established to standardize and replace paper contract files; and Paragon is a project management system used during post-award to manage major construction projects and track some aspects of the administration of the construction contract during the construction period.

VA's eCMS is a Web-based contract management system which provides pre-award, award, and post-award functionality for all new procurement actions valued over $3,000. It has a limited ability to transfer data and/or documents (i.e., specifications and drawings) to FedBizOpps; however, documents can be uploaded directly through FedBizOpps.

Paragon is a commercial off-the-shelf (COTS) package that the Office of Acquisition, Logistics, and Construction (OALC), Office of Construction and Facilities Management (CFM) has used for approximately 13 years to manage and administer their major construction program within the VA, primarily, in the field. It integrates all facets of program management (post-award) into a single unified system. It is the software tool utilized by Resident Engineers in the field, to administer the construction phase of the project on a daily basis. Specifically, Paragon manages and tracks submittals, trends, meeting minutes, daily logs, requests for information, proposal requests, correspondence and invoicing. In addition, the Resident Engineers generate contract modifications within their limited authority through Paragon to correct technical deficiencies and to keep the project on schedule and within budget as it relates to the invoices and schedules.

A dialogue began approximately 2 years ago with eCMS and Paragon representatives outlining the desire for an electronic transfer of contract data without duplication. As of this quarter, the data exchange has been completed and the automated uploading is successfully being accomplished.

Question 3: VetBizOpps is a self-certification site for businesses and VA now verifies the accuracy of the information in that system. How does VA ensure contracts are not awarded to businesses unqualified to perform work?

Response: VA's Veteran-owned small business (VOSB) Verification Program verifies a contractor's ownership (e.g., whether or not they are a service-disabled Veteran-owned small business (SDVOSB) or a VOSB. The verification process does not review prospective contractors for their capability to perform any specific contract or type of contracts. Capability is a contract-specific matter, assessed as part of the evaluation process according to criteria specified in the solicitation. In responding to the solicitation, offerors know what information they must provide to document capability to the satisfaction of the source selection team and the con-

tracting officer. Where a contract will be awarded through negotiation, the contracting officer may request additional clarifying information where appropriate. Where a contract will be awarded based on lowest price through sealed bidding, insufficient information on capability may result in the offer being deemed unresponsive and not considered.

The VetBiz.gov Vendor Information Pages (VIP) is a database located on the Internet at www.vip.vetbiz.gov, where prospective VA contractors register their information as part of their application for verification as SDVOSB or VOSB. Veteran ownership and control is no longer self-certified at VA, but is verified according to standards established in title 38, Code of Federal Regulations, part 74. This verification includes detailed reviews of documents submitted; follow-up interviews; and where appropriate, a site visit. Additionally, effective October 1, 2010, all contractors must be verified prior to receiving a VA contract award through the Veterans First Contracting Program. The authorities under Public Law (P.L.) 109–461, the Veterans Benefits, Health Care, and Information Technology Act of 2006, were implemented by VA as the Veterans First Contracting Program, effective June 20, 2007.

Question 4: North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. Do companies without the proper NAICS certifications ever receive a contract for work that they are unqualified to perform? If so, why?

Response: As the question notes, NAICS codes are industry classifications primarily for statistical purposes and to determine the business size (large or small) for the industry in question. They are not certifications of capability to perform any particular contract or class of contract. Capability is assessed according to criteria disclosed in the solicitation, as discussed under question 3, above. NAICS codes describe industry categories in very broad terms and cannot substitute for the detailed evaluation of a specific offeror's capabilities in response to a solicitation. For example, NAICS code 621111 (Offices of Physicians Except Mental Health Specialists) includes general family practitioners as well as cardiologists, dermatologists, ophthalmologists, and pediatricians, among others. The code itself is too general to provide meaningful insight into the capabilities available at a specific physician's office. This is consistent, however, with its function primarily as a statistical tool.

Question 5: How could a business without the proper NAICS certification be awarded a contract by VA, after which the company then subcontracts out to a larger business, in violation of the Federal Acquisition Regulation (FAR)? What is done to correct this problem when identified?

Response: As noted under Question 4, NAICS codes do not provide certification as to an offeror's capabilities. Capability is assessed according to criteria disclosed in the solicitation. As part of responding to the solicitation, an offeror typically must provide insight into the staffing of its firm, including education and experience, past performance as well as the extent to which it will rely on subcontractors to perform the contract and how it will oversee and manage those subcontracts to ensure the government's requirements are met. In general, an offeror has considerable flexibility to assemble the best team of subcontractors to supplement its own capabilities as necessary to meet the criteria in the solicitation; the main limiting factor is that over reliance on subcontractors may result in a higher price that causes the offeror to be non-competitive and not win the award in the first place.

However, subcontracting limitations also apply where a small business wins a contract in a competition restricted to a particular class of firm, such as a SDVOSB, VOSB, qualified HUBZone small business concern, or participant in the business development program under Section 8(a) of the Small Business Act. These programs seek to aid a targeted class of firms, and the FAR limitations seek to ensure the assistance actually goes to firms in the targeted class. These subcontracting limitations are terms of the contract itself and are enforced just like any other term of the contract.

Question 6: On March 9, 2010, in a Department Memorandum, Jan Frye, Deputy Assistant Secretary Office of Acquisition and Logistics (OAL), acknowledged that contract splitting occurred in violation of P.L. 109–461 by separating one contract into two in order to avoid competition and giving preferential treatment to a particular contractor. How does VA ensure such violations are kept to a minimum, especially when eCMS is not used?

Response: VA is preparing new direction for its contracting community on this issue. In order to promote competition and to impede splitting of contracting re-

quirements, the new guidance will require sole source procurements awarded under P.L. 109–461 to be reviewed and approved by a management official in the contracting activity. VA plans to issue this policy in the fourth quarter of 2011. Currently, VA's approach to minimize violations is through training the program offices on the issues that contract splitting or fragmenting requirements may raise, and why they are to be avoided.

Question 7: When a VA employee identifies contracting problems, how does VA acknowledge his or her effort?

Response: When a VA employee identifies contracting problems, the supervisor and/or management review the validity of the problem(s). If the potential contracting problem has merit, necessary actions are taken to correct the problem. The employee is informed of the results of the review as to whether or not action was taken. In some instances, employees are recognized through an "employee award" for their effort in identifying the issue.

Question 8: Does VA review every indication of contracting problems brought to the attention of management? If not, please describe in detail the decision process on whether to review a reported problem.

Response: OALC officials review all contracting problems brought to management. VA expects its managers to address and resolve contracting problems brought to their attention at the lowest organizational level possible, in accordance with good management practice. Contracting problems which cannot be resolved by first line managers are referred up the chain of command, and additional resources are brought to bear as needed. Those resources include but are not limited to the Office of General Counsel, the Office Inspector General, as well as other subject matter experts.

Question 9: The Subcommittee on Oversight and Investigations found evidence that, on more than one occasion, a number of blanket purchase agreements were the result of bundling contracts for services that were well within the capability of small firms, including Service Disabled Veteran Owned Small Businesses and Veteran Owned Small Businesses. Not only did these practices deprive veteran owned businesses of potential contracts, but it froze them out for a period of 3–5 years. How would you recommend VA resolve such problems given the relevant statutory language in Public Law 109–461 and pertinent regulations?

Response: VA's OSDBU reviews all proposed acquisition strategies involving contract bundling where the anticipated dollar value is at least $1 million. This is a more stringent standard of review than specified in the FAR, which directs most agencies to review contract bundling of anticipated value of $2.5 million or more (FAR § 7.104). In practice, OSDBU's role is more dynamic than mere concurrence or non-concurrence with a proposed acquisition strategy. As a participant in the Integrated Product Teams (IPT) developing acquisition plans for contracts over $5 million, OSDBU provides market research and recommendations to the IPTs on how to comply with statutory and regulatory limitations on bundling, often preventing a potential inappropriate bundling situation from developing in the first place.

Any contract awarded necessarily excludes unsuccessful offerors for the term of the contract. During the course of the contract, VA is committed to obtaining the goods or services specified in the contract from the awardee(s), by the terms of the contract. The volume of work to be performed generally drives the level of vendor interest in the contract and the pricing terms (i.e., volume discounts). Unsuccessful offerors may perceive this as being excluded from the process but for the successful offeror it is the consideration received as part of the contract.

Fragmentation of a requirement among too many vendors drives up government oversight costs and may reduce vendors' interest in the work as the lower contract value may mean these vendors have better "opportunity cost" on other, larger volume contracts. VA seeks balance in making these decisions. When VA can use the contract to provide targeted socioeconomic preference firms at a viable volume of work, VA establishes contracts and blanket purchase agreements (BPA) to allow better participation and promote a strong competitive environment. When VA anticipates a need for additional suppliers or additional competition during the course of a contracting arrangement, VA may make multiple awards and compete subsequent purchases among the awardees.

Question 10: Evidence has been submitted to the Committee of VA using letter contracts that allow construction work to begin prior to a price for that work being written in the contract? Why does this happen, under what circumstances is it permitted, and how can it still happen even when not permitted?

Response: A letter contract is permissible in accordance with FAR 16.603 and is only utilized when the contracting officer, along with the approval of the Head of Contracting Activity (HCA), identifies the urgency of need to fulfill such requirement or service for a specific project. In the VA major construction program it is extremely rare that letter contracts are used.

Question 11: How does VA prevent double payments or other unnecessary payments on a contract? Would more thorough usage of eCMS prevent these from happening?

Response: VA relies on a manual three-way match of the contract, invoice, and receipt to prevent double or unnecessary payments. The contracting officer provides the contracting officer's technical representative (COTR) with the final contract documents. The COTR uses the VA Online Certification System (OLCS) to review and certify invoices for payments. The OLCS also checks for submission of duplicate invoices prior to notifying the COTR of an invoice submission. The COTR is notified through an automated email notification when he or she needs to review and certify an invoice. The COTR compares the invoice against the contract documents and certifies or refuses (approves or disapproves) the invoice accordingly. The vendor has to include the correct VA Purchase Order number on the invoice to facilitate the process. If a mistake (double payment) has been made VA immediately has the Austin Finance Center execute a bill of collection to that contractor.

The VA three-way match process ensures the existence of a contract and its use by the COTR to review and approve invoices, providing verification to the Financial Officer who ensures correct payments are made. Greater use of eCMS supports the three-way match requirement by making contract documents readily available. The data in eCMS could provide an additional electronic means for validating payments if contracting and financial systems were to be integrated at VA.

Question 12: In the hearing before the Oversight and Investigations Subcommittee on April 13, 2011, Mr. Bob Neary noted the importance of cost analysis "in the selection of projects going forward." Please provide a detailed description of the cost analysis process used in construction contracting.

Response: In selecting projects to go forward, VA uses a cost-effectiveness analysis (CEA) during the budget formulation/project selection phase. The CEA is a preliminary step in the construction contracting process to help ensure an accurate analysis of the status quo and viable options (construct new, renovate, lease, etc.). The CEA compares the life cycle cost of the various options and provides the constant, inflated and discounted values (net present value) of each option. CEAs are completed by the business case preparers and reviewed by the Department as part of the Strategic Capital Investment Planning (SCIP) process, resulting in a prioritized list of capital projects to be used in formulating the annual budget request. The SCIP process is completed approximately 12 months prior to funds being appropriated for a major construction project and possibly several years before a construction contract is awarded. As a project progresses, initial planning costs are provided in the SCIP 10-year action plan and SCIP budget year business case, and at other stages including the Office of Management and Budget (OMB) submission. A project prospectus is also provided as part of the congressional budget submission, and costs may be revised again after final design is completed.

VA's standard practice for cost analysis is a review of historical data along with the support of the architect-engineer of record's independent government estimate (IGE). All VA projects have an IGE which is used to compare cost proposals for determining cost/price to be fair and reasonable. The majority of VA projects are awarded on a firm-fixed price basis as a result of full and open competition. In those relatively few cases where a more detailed cost analysis is required, however, VA uses the Defense Contract Audit Agency (DCAA) to conduct an audit of the firm's proposal. DCAA has an agreement with VA to do this work on a reimbursable basis. The DCAA audit lends support to the contracting officer in determining that a price is fair and reasonable.

Question 13: Who conducts the cost analysis and associated assessments when considering whether a VA structure should be leased, renovated, or built new?

Response: The first step in deciding which capital solution should be chosen is to establish the type and level of the health care services needed and their appropriate location(s). VA's Health Care Planning Model provides data on the projected Veteran population, demographics, utilization, and access to assist in this determination.

The second step is to determine the best solution to meet the need (including SCIP-identified infrastructure gaps) to provide that care—a new facility, leased fa-

cility, renovated facility, or contract care where appropriate. All capital business case applications for major, minor, non-recurring maintenance and leases (to include the cost analysis) are reviewed and prioritized by a Department-wide SCIP Board and approved through the VA governance process.

VA staff (in most cases located at the facility) conduct the first cost analysis and associated assessments when considering whether a VA structure should be leased, renovated, or built new. VA's analysis is conducted within the framework of governmentwide initiatives like the President's June 2010 Memorandum on Real Property and E.O. 13514 (on sustainable buildings). The preparer of the business case application proposes the method (build new, renovate, lease, etc.) to meet the identified gaps. The preparer must provide additional justification if the most cost effective means is the not chosen option. Various factors—such as the need for additional space, the ability to build on medical center campuses or renovate existing buildings, the requirement for quick implementation or flexibility to terminate a contract (leasing versus construction), and the duration of the need (short term versus long term)—all go into determining the best solution for providing the best quality health care. For example, a medical center campus that is landlocked with no excess space would most likely need to pursue leasing or contracting out because building on campus or renovating existing space to provide additional care is not feasible. A campus with excess building space or acreage may more easily (and efficiently) renovate space or build new space on the campus.

Question 14: Who reviews the cost analysis and associated assessments in making decisions towards contracts?

Response: As a project progresses through the development stage and into the budget formulation/project selection stage, a CEA is required as part of the business case application. The application, comprised of questions relating to Departmental decision criteria, is used to demonstrate the need for, and priority ranking of, the project. Business cases are evaluated by the local facility director, the Veterans Integrated Service Network (VISN) Director, and the applicable administration (Veterans Health Administration, National Cemetery Administration, or Veterans Benefits Administration), which then forwards the business cases to the SCIP Board for review and scoring. The SCIP Board is a Department-wide group consisting of nine members from the Administrations and select staff offices. The business cases are also reviewed through the VA governance process, which results in a prioritized listing of capital projects for the budget year. Significant projects (such as major construction and leasing) include detailed cost estimates in their project prospectus, which are reviewed by the (OMB) and included in the Department's budget submission to Congress.

Question 15: In considering "best options" and a proper cost analysis, the Oversight and Investigations Subcommittee majority staff analysis revealed (and was confirmed by an independent third party) that construction at the Denver replacement medical center facility has appropriated money in FY 2004, 2006, 2007, 2008, 2009 and 2010 with a total cost so far approaching half a billion dollars for the addition of about 40 beds. For comparative purposes, a medical facility in Washington DC added 220 beds for about $25 Million. How much has the Denver project cost so far (total)?

Response: As of May 31, 2011, VA has obligated $107.5 million for the new medical facility in Denver, Colorado. The new 184-bed medical center will accommodate the Eastern Colorado Health Care System inpatient tertiary care and ambulatory care functions. The project includes a 30-bed Spinal Cord Injury/Disorder Center; a 30-bed Nursing Home Community Living Center; a research building; a central utility plant; and parking structures. It also includes the remodeling of the former University Physicians, Inc. building to be the Clinic Building South, which will house clinical and administrative functions and a Department of Defense clinic at the top floor. The project will be LEED silver certified.

The project addresses multiple problems, ranging from correcting the numerous deficiencies associated with an aging facility to closing the distance gap between VA's medical school affiliate, the University of Colorado Hospital. The Denver medical center is over 60 years old, is inefficient, is space constrained, and will not support the capacity or quality of Veteran care needed for state-of-the-art treatment. The current facility lacks the capability to expand to meet the projected increasing workload demands.

Question 16: Please provide a copy of the Senior Resident Engineer training lessons.

Response: See attached SRE Training and Development Program Curriculum.

Question 17: How does VA prevent abuse of OLCS when CFM can request any Contracting Officer to make payment, especially when invoices do not have the appropriate accompanying supporting documentation?

Response: OLCS is a dual certification system. A contracting officer is designated for each specific project in OLCS. Only a single alternate CO, rather than any CO, is also designated which allows invoices to be processed in the absence of the designated contracting officer. Not only does this prevent payment of interest on the government's part, but ensures timely payment to the contractor. The requirement for processing invoices is the same for each contracting officer. They are required to verify the accuracy of such invoice to ensure compliance with regulations. All documentation for an invoice on a major construction project is kept at the field office of the Senior Resident Engineer (SRE). The SRE, who has limited contracting authority, approves in OLCS that services have been rendered. The contracting officer then certifies that invoice in OLCS.

Question 18: Please provide a copy of the contract file related to the company Ellerbe Becket.

Response: The information was submitted to the Subcommittee on Oversight and Investigations staff and will be retained in the Committee files.

Question 19: Please provide details on the $99 million procurement for Advisory and Assistance Services to include the services provided and whether or not the Chief of Staff has approval authority (signature) at the same level as the Deputy Secretary.

Response: VA queried the Federal Procurement Data System for details of the contract referenced in the question and was unable to identify a VA contract with those characteristics.

In addition, VA's Information Letter (IL) 049–07–10, on Advisory and Assistance Services, was rescinded August 10, 2010. This IL required approval by the Secretary or Deputy Secretary for Advisory and Assistance Services contracts above $1 million. The Veterans Affairs Acquisition Regulation part 801 sets thresholds for review and approval of contracts, including legal and technical review, and those provisions continue to apply. In addition, criteria in FAR subpart 37.2 also apply.

Question 20: What is the present total cost of the San Antonio Polytrauma project?

Response: The present total cost of the San Antonio Polytrauma project is $66 million.

Question 21: What penalties currently exist for VA employees who willfully violate the eCMS usage mandate? What actions are planned to hold employees accountable for not using eCMS?

Response: Employee accountability for the use of eCMS rests within the supervisory chain, and ultimately resides with the cognizant Head of Contracting Activity (HCA). Given the sensitive nature of performance-based personnel actions and the potential for Privacy Act issues, VA cannot disclose this information. However, VA is providing the results of the OIG audit, as well as the results of its own internal reviews, to the HCAs to discuss corrective action with their respective staffs. VA concurs in the importance of correcting noncompliance with eCMS requirements and is directing senior-level management (HCAs) attention to monitoring and addressing this issue.

Where appropriate, VA will address eCMS noncompliance with additional training and guidance, but where deficiencies persist, VA will treat noncompliance as a performance issue and take appropriate action. Similar to other employee performance management issues, corrective action(s) taken against employees are determined by the supervisor and follow VA human resources policy and procedures.

To achieve consistency within the Department, the Office of Acquisition, Logistics and Construction (OALC) will work with the Department's Office of Human Resources and Administration and the HCAs to develop a standard performance measure for inclusion in each VA contracting officer's individual annual performance work plan on the use of eCMS to accomplish their contracting assignments. Their use of the system and the completeness of the contract files within the system will then be considered when developing their annual performance rating. We will target this to be effective for the Fiscal Year 2012 rating cycle which begins in October 2011.

Question 22: Do you feel that VA's contract auditing process is effective and thorough? How could it be improved?

Response: Yes, VA's process is effective and thorough, but timeliness may be a place to improve. The majority of VA's pre-award and post-award reviews are done on our Federal Supply Schedule (FSS) offers and contracts. Pre-award and post-award reviews are normally triggered by a dollar threshold (estimated value of award or actual government sales achieved). We also request audits when it is believed that data may not be accurate or complete. The audit review process, including both pre-award and post-award reviews, is critical to ensure the integrity of the program, the pricing, and the best interests of the government. The pre-award reviews afford contracting staff the assurance the offeror provided accurate current and complete data and information.

It also identifies and/or confirms the negotiation starting point. Post-award reviews ensure the basis of award and price protection provisions were complied with. The majority, but not all of the post-award reviews are generated by a self-audit completed by the contractor. Once notified and receipt is taken of the contractor's findings, a post-award review is required, which typically finds additional recovery.

The overall time it takes from the request to auditors to completion of review is very lengthy, often exceeding 180 days. Most is driven by the wait for additional information by the offeror/vendor to be provided, or access to their records.

Question 23: Has VA ever compared its contract auditing process with other Federal agencies that employ external auditors?

Response: All VA audits are to ensure compliance with applicable Federal regulation and guidance (e.g. FARs, Generally Accepted Government Accounting Standards). VA currently uses DCAA for any changes in excess of $700,000 to major construction contracts and new awards of architect/engineering contracts $10 million or more for contracts other than firm-fixed price.

With regard to the FSS program, VA has evaluated the use of outside auditors. However, this is a unique program only assigned to the General Services Administration (GSA), who in turn delegated the health care categories to VA. VA Office of Inspector General reviews the program and VA has a process to train staff on the unique aspects of the FSS program. VA will continue to periodically evaluate the best course of support for the FSS program.

Question 24: In the hearing before the Oversight and Investigations Subcommittee on April 13, 2011, Mr. Bob Neary noted that VA Construction does not use a sealed bidding as identified in VA Acquisition Regulation, Subchapter C, Subpart 81401, Section 814.104. Please explain in detail why this method is not being used.

Response: The use of sealed bidding and competitive proposals are both acceptable methods for procuring construction contracts as defined in the FAR Part 6.401. "One of the requirements of using the sealed bid process is that "the award will be made on the basis of price and other price-related factors," and requirements must be 100 percent known. VA procurement requirements go well beyond price; price is just one factor. Contracts to build state-of-the-art VA medical centers and national cemeteries are awarded to a contractor based on the review of their past performance, contractor management approach and their small business participation. Using this "Best Value" method for procuring the new VA medical centers and national cemeteries has provided the greatest overall benefit for our customers and has shown to have an overall savings. Therefore, using only the sealed bid process, which is based on price and price-related factors, would limit the ability to obtain the "Best Value" for our Veterans and taxpayers.

Question 25: Please provide the background on the limited warranted contracting authority given to Senior Resident Engineers as well as any changes being considered to this authority.

Response: VA Senior Resident Engineers (SRE) and Resident Engineers (RE) may receive a Basic C Level Warrant with limited contracting authority for the specified construction contract which cannot be utilized without a Contracting Officer Authorization (COA). The basic level warrant authority for a SRE is $100,000 and $50,000 for a RE. The SRE and/or RE are required to meet all requirements of the *Federal Acquisition Certification in Contracting (FAC–C) program* prior to being issued a basic level warrant for contracting authority. The language that is identified on all SRE/RE warrants states "Expenditures at or below $100,000 for modifications issued against existing CFM contracts upon the issuance of a COA letter of delegation." The authority for a SRE and a RE differ, as outlined below:

SRE—The following limitations apply to progress payments, change orders and supplemental agreements issued under this authorization order:

a. $100,000 increase or decrease (or estimated increase or decrease) for any one change except the issuance of a settlement by determination;
b. Twenty (20) calendar day period between changes issued by same SRE;
c. $300,000 net increase per calendar month for changes issued by all SREs for specified project;
d. Authority to stop work for a two work day period in accordance with FAR 52.242–14, Suspension of Work;
e. All Progress Payments except Final Payment. Any retainage must be authorized by the Contracting Officer; and
f. This authority expires on the date of final settlement of the specified construction contract.

RE—The following limitations apply to progress payments, change orders and supplemental agreements issued under this authorization order:

a. $50,000 increase or decrease (or estimated increase or decrease) for any one change except the issuance of a settlement by determination;
b. Ten (10) calendar day period between changes by the same RE;
c. $150,000 net increase per calendar month for changes issued by all Res for the specified project;
d. Authority to stop work for a one work day period in accordance with FAR 52.242–14, Suspension of Work;
e. All Progress Payments except Final Payment. Any retainage must be authorized by the Contracting Officer; and
f. This authority expires on the date of final settlement of the specified construction contract.

At this time, VA is not considering a change to the authority for the SRE and/or RE basic level warrants.

Question 26: As discussed in the hearing before the Oversight and Investigations Subcommittee on April 13, 2011, by Mr. Haggstrom, please provide the class schedule for formal training in eCMS at the VA Acquisition Academy for calendar year 2010, a copy of the course training guide, and the number of VA employees that underwent this training during that time period.

Response: All new contracting staff who will use eCMS are required to undergo eCMS training prior to using the system. In fiscal year 2010, a total of 1,352 users were trained by an eCMS Application Coordinator or a vendor. Vendors trained 1,119 users through one of the 77 training sessions listed below. Eighty-eight of the 1,119 users who received Vendor instruction were trained as Application Coordinators under a "Train-the-Trainer" initiative; they will fill the trainer role within their organization. Application Coordinators trained 233 of the 1,352 users who received training. The training curriculum is the same whether provided through the vendor or the Application Coordinators. VA Acquisition Academy does not provide eCMS training.

#	Training Dates	Location	Number of Attendees
1	Nov. 2–6, 2009	Orlando, FL	24
2	Nov. 17–20, 2009	Orlando, FL	22
3	Oct. 5–6, 2009	Dayton, OH	23
4	Oct. 5–9, 2009	Brecksville, OH	18
5	Oct. 26–30, 2009	Stafford, VA	11
6	Nov. 9–13, 2009	Washington, DC	12
7	Nov. 16–20, 2009	Washington, DC	11
8	Nov. 17–20, 2009	Long Beach, CA	18
9	Dec. 1–2, 2009	San Antonio, TX	18
10	Dec. 3–4, 2009	San Antonio, TX	18

#	Training Dates	Location	Number of Attendees
11	Dec. 1–4, 2009	Hampton, VA	19
12	Dec. 8–11, 2009	Murfreesboro, TN	10
13	Dec. 8–11, 2009	Brockton, MA	11
14	Dec. 15–16, 2009	Murfreesboro, TN	14
15	Dec. 14–18, 2009	Frederick, MD	14
16	Jan. 4–8, 2010	Frederick, MD	16
17	Jan. 12–13, 2010	Chicago, IL	18
18	Jan. 14–15, 2010	Chicago, IL	20
19	Jan. 12–13, 2010	Wilmington, DE	14
20	Jan. 14–15, 2010	Wilmington, DE	6
21	Jan. 19–22, 2010	Chicago, IL	15
22	Jan. 21–22, 2010	Murfreesboro, TN	10
23	Jan. 25–28, 2010	Frederick, MD	15
24	Jan. 26–27, 2010	Coatesville, PA	14
25	Jan. 28–29, 2010	Coatesville, PA	16
26	Feb. 4–5, 2010	New York (Bronx), NY	16
27	Feb. 2–5, 2010	Eatontown, NJ	18
28	Feb. 16–17, 2010	Ann Arbor, MI	10
29	Feb. 18–19, 2010	Ann Arbor, MI	13
30	Feb. 18–19, 2010	Murfreesboro, TN	11
31	Feb. 23–24, 2010	Indianapolis, IN	9
32	Feb. 25–26, 2010	Indianapolis, IN	12
33	Feb. 23–24, 2010	Dayton, OH	16
34	Feb. 25–26, 2010	Cleveland, OH	17
35	Mar. 8–11, 2010	Frederick, MD	17
36	Mar. 9–10, 2010	Perry Point, MD	17
37	Mar. 16–17, 2010	Murfreesboro, TN	15
38	Mar. 15–19, 2010	Bedford, MA	13
39	Mar. 23–26, 2010	Coatesville, PA	12
40	Mar. 25–26, 2010	Buffalo, NY	14

#	Training Dates	Location	Number of Attendees
41	Mar. 30–31, 2010	Pittsburgh, PA	14
42	Apr. 1–2, 2010	Pittsburgh, PA	15
43	Apr. 6–7, 2010	Arlington, TX	21
44	Apr. 8–9, 2010	Lyons, NJ	15
45	Apr. 13–14, 2010	Martinsburg, WV	10
46	Apr. 15–16, 2010	Martinsburg, WV	12
47	Apr. 12–13, 2010	Brockton, MA	10
48	Apr. 15–16, 2010	Manchester, NH	12
49	Apr. 22–23, 2010	Tampa, FL	19
50	Apr. 22–23, 2010	Menlo Park, CA	19
51	Apr. 27–28, 2010	Palo Alto, CA	25
52	May 4–5, 2010	Lake City, FL	13
53	May 6–7, 2010	San Juan, P.R.	12
54	May 11–12, 2010	West Haven, CT	10
55	May 11–12, 2010	Lyons, NJ	11
56	May 13–14, 2010	Brockton, MA	16
57	May 18–19, 2010	Lake City, FL	12
58	May 18–19, 2010	Milwaukee, WI	12
59	May 20–21, 2010	Milwaukee, WI	12
60	May 25–26, 2010	Lake City, FL	10
61	May 25–26, 2010	New York (Bronx), NY	13
62	May 27–28, 2010	New York (Bronx), NY	13
63	Jun. 1–2, 2010	Albany, NY	11
64	Jun. 10–11, 2010	Houston, TX	13
65	Jun. 10–11, 2010	Orlando, FL	9
66	Jun. 15–16, 2010	Minneapolis, MN	19
67	Jun. 17–18, 2010	Minneapolis, MN	18
68	Jun. 22–23, 2010	Orlando, FL	8
69	Jun. 24–25, 2010	Orlando, FL	21
70	Jun. 24–25, 2010	Long Beach, CA	22
71	Jun. 29–30, 2010	Syracuse, NY	13
72	Jul. 22–23, 2010	Orlando, FL	14

#	Training Dates	Location	Number of Attendees
73	Jul. 27–28, 2010	Miami, FL	16
74	Aug. 10–11, 2010	Omaha, NE	8
75	Aug. 12–13, 2010	Omaha, NE	9
76	Aug. 17–20, 2010	Omaha, NE	19
77	Aug. 24–25, 2010	Dublin, GA	16
		TOTAL ATTENDEES	1,119

The Enterprise Acquisition Systems (EAS) Service and the Office of Acquisition Policy developed an eCMS User Guide Index that provides an integrated, role-based matrix for using the 27 individual eCMS user guides. The eCMS guides provide users with system information and include system processes, procedures, and compliance requirements.

Users can access eCMS guides using the following link: http://arc.aac.va.gov/Acquisition/ECMS/eCMSTrainingMaterials/Pages/VAARCeCMSUserGuides.aspx

Question 27: Please provide the class schedule for formal training in Paragon for calendar year 2010 and the number of VA employees that underwent this training during that time period.

Response: In calendar year (CY) 2010 CFM held a total of eight (8) classes with a total of ninety-five (95) employees trained. The classes are held for CFM REs, project managers, clerical assistants, and contracting officers because Paragon is used primarily for major construction projects. The group is made up of new CFM employees and those requiring refresher training. The class schedule for CY 2010 was: February–9; April–13; June–11; August–11; September–11; October–13; November–14; and December–13.

Question #16 Response: Attached SRE Training and Development Curriculum
CFM
Senior Resident Engineer (SRE) Training & Development Program
Curriculum

Standardized Curriculum for Face-to-Face Training

SRE Development Program will be 2 years in duration, with face-to-face training scheduled every quarter if possible. Group training will incorporate core technical and management skills for Resident Engineers seeking to develop the expertise of an SRE. Priority numbers indicate preferred sequence of training over 2 years.

Training	Priority	Trainers	Time	Notes	Category	Dates Done
Priority for session planning purposes			**23 hrs**			
Program Orientation	1	Internal—SREs & Senior Mgt	4 hrs	#1 & #2 on original curriculum combined to total approx. 3.5 days.	1—SRE Development Orient./CFM Org.	
IDP for SRE Development	1	Internal—SRE and Coach	1 hr		1—SRE Development Orient./CFM Org.	

Training	Priority	Trainers	Time	Notes	Category	Dates Done
Color of Money, Contingency Management, FITT, PMDRI	1	Arlyce	2 hrs		2—Office Admin & Operations (File 13)	
Filing Systems, Office Organization and Procedures	1	Dana Quel	3 hrs	How to administer an office, manage correspondence and other paperwork.	4—Contract Admin/ Documentation	
Preconstruction Meeting With Contractors and VA Clients	1	Derek Underwood	2 hrs	Procedure for conducting pre-construction and partnering meetings, purpose of meetings, key areas to cover, coordination between parties in setting up meeting, etc.	4—Contract Admin/ Documentation	
Understanding Up-Front Specs: General Conditions, General Requirements, etc.	1	Ed Nicholson/ Reginald Berry	8 hrs	How to read them, why it is important to read them. Avoiding unnecessary expense. Use "Real" documents as exercise. Need someone to discuss each Act and SRE roles/responsibilities	5—Construction Contracts	
Setting Up the Office (How To/Logistics)	1	SRE & PM	2 hr	Trailers, supplies/ lists, clerical, mail, contracts	2—Office Admin & Operations	
Interfacing With Medical Center, Relationship to VAMC Director, Engineering, and Shops	1	Coaches; perhaps Chief of Engineering.	1 hr	What to expect Relationship Things to consider Use FAB "Interface" Issue.	4—Contract Admin/ Documentation	

Training	Priority	Trainers	Time	Notes	Category	Dates Done
2			**36.5 hrs**			
Travel	2	Shavonne Rush	1 hr		3—Personnel (Self & Staff) Admin.	

Training	Priority	Trainers	Time	Notes	Category	Dates Done
Safety: SRE Responsibilities, Contractor Responsibilities, and Reporting Requirements	2	Internal—SRE, CEOSH	8 hrs		4—Contract Admin/Documentation	
Davis Bacon Act/Labor Provisions	2	Robert Nowak	2 hrs	What are the wages unique to the job location (under DOL). Wage report used in contract. Ensure contractor is paying proper wages, how payroll is presented, etc.	5—Construction Contracts	
Testing Lab Contracts	2	Internal	1 hr	What is the SRE's responsibility with these contracts.	5—Construction Contracts	
Review NAS Specifications	2	Bill Goodman	4 hrs		5—Construction Contracts	
Submittal Process	2	Coaches	1 hr	Review spec section 01340	4—Contract Admin/Documentation	
A/E & CM Contracts during Construction Period Service	2	Katie Kuehn	1 hr	Contractors Support	5—Construction Contracts	
Ethics	2	Ethics attorney	1 hr		6—Leadership/Sup./Self Improve. Skills	
Progress Payments (General Conditions and Online Payments)	2	Jane Houston/Adelino "Dino" Gorospe	2 hrs	Progress payments procedures, things to check before submitting payments, retainage, Online certification process, prompt payment requirements/interest, etc.	4—Contract Admin/Documentation	
Change Clauses: FAR & VARR	2	General Counsel and REs	4 hrs		5—Construction Contracts	
Correspondence/Writing Skills for Federal Managers	2	TBD	1 day	VBA has writing course for their managers; Arlyce will get a copy.	6—Leadership/Sup./Self Improve. Skills	

Training	Priority	Trainers	Time	Notes	Category	Dates Done
Acting Within Your Authority	2	Diane Campbell/Sheila Watterson	1.5 hr	Limits to Authority, Warrant Limits, COA Delegation Letter, Review Thresholds/ Actions Requiring Higher Approval, etc.		
Unauthorized Commitments/ Ratifications	2	Thaddeus Willoughby	2 hrs	Avoiding Unauthorized Commitments, Legal Penalties, Process for Ratification, Disciplinary Actions, etc.		

Training	Priority	Trainers	Time	Notes	Category	Dates Done
3			**18.5 –24.5 hrs**			
T & L Requirement, Regulations, Reporting, OT and Comp Time	3	Sheila Walker	2 hrs		3—Personnel (Self & Staff) Admin.	
Conducting Meetings	3	Robert Nowak	1 hr		6—Leadership/ Sup./Self Improve. Skills	
Project Planning Process	3	Dennis Sheils	1 hr		1—SRE Development Orient./CFM Org.	
Compliance Reviews	3	Dennis Milsten, Alan Trow	2 hrs		4—Contract Admin/ Documentation	
Project Documentation and File Management, Inc. Administering Contracts in the Field	3	Kyrgos, Contract Specialists	3 hrs	Processing invoices, maintaining Contract Administration files in PM field offices	4—Contract Admin/ Documentation	
Understanding and Communicating Project Specifications	3	Coaches/PMs/ GCs	1 hr		5—Construction Contracts	
Unsolicited Proposals	3	Steffanie Wood	1/2 hr		5—Construction Contracts	

Training	Priority	Trainers	Time	Notes	Category	Dates Done
Warranted RE Responsibilities Unauthorized Commitment	3	Adelino Gorospe	1 hr		5—Construction Contracts	
Change Orders (CO) Supplemental Agreement (SA) "How to"—Directive Memo for Record, Distribution, Forward Pricing, Pre-Negotiation Objectives Types of Modifications Change Clauses: FAR & VARR Material Storage On & Off Site	3	Kathy Volpe/ Robert Kellner	4 hrs	Changes Clauses, Change Order and Supplemental Agreements procedures, Pricing/Negotiation, Special Types of Changes (i.e. Materials Storage), etc.	5—Construction Contracts	
Communication, Team Building, Partnering	3		1 hr		6—Leadership/ Sup./Self Improve. Skills	
FAC–C, Warrant, Continuing Ed. Points	3	Myra Williams/Greg Sabater	1 hr	FAC–C requirements, warrant levels and thresholds, Continuing Education Points requirements/ ways to earn Continuing Ed.		
Contracting Responsibility for CPM Schedule (i.e. Time Extensions, Progress Payments, etc.)	3	Susan Lam/ Chris Kyrgos	1 hr (CO) 7 hr (CPM)	Working with CPM, Checking schedule prior to actions (Changes & progress payments), Critical Path impact, frequency of CPM reports, actions you can take if contractor is off schedule, etc.		

Training	Priority	Trainers	Time	Notes	Category	Dates Done
4			**21 hrs**			
Critical Path Method (CPM) Time Extension Analysis	4	Bill Goodman	2 days	Mid first-year issue. Can this be taught in field offices?Ask Neary.	5—Construction Contracts	

Training	Priority	Trainers	Time	Notes	Category	Dates Done
Consulting Support Services	4	Sat Gupta	1 hr	Learn what they do, how they can help.	1—SRE Development Orient./CFM Org.	
Role of the Project Manager, Understanding Relationship of the SRE/PM Through the Project Process, Roles and Responsibilities Authority	4	Bob Clifton	2 hrs	Contact PMs by phone; arrange office visit if possible.	1—SRE Development Orient./CFM Org.	
eCMS Training/ FPDS	4	Frank Clemons	2 hrs	Overview of eCMS & FPDS, need for actions to be submitted via eCMS, FPDS report/annual certification of data, etc.		

Training	Priority	Trainers	Time	Notes	Category	Dates Done
5			**16 hrs**			
Paragon Reports for the SRE	5	Jim MacMorran, Gail Smith	4 hrs		4—Contract Admin/ Documentation	
Performance Appraisals	5	Sheila Walker	2 hrs	HR to tailor to REs/SREs.	3—Personnel (Self & Staff) Admin.	
Performance-Based Interviewing	5	Sabrina Clark	2 hrs		3—Personnel (Self & Staff) Admin.	
Understanding the Leasing Process SRE Managing a Lease	5	George Szwarcman, Real Estate Specialists	2 hrs	Was "Leasing for REs" Could include attendees not in the SRE program.	4—Contract Admin/ Documentation	
NCA Projects & Programs	5	Rick Petersen	2 hrs	Expectations and program overview.	4—Contract Admin/ Documentation	

Training	Priority	Trainers	Time	Notes	Category	Dates Done
Develop skills to evaluate staff capabilities & provide guidance for their future development.	5	TBD	1 hr		6—Leadership/ Sup./Self Improve. Skills	
Complaint/ conflict resolution skills to effectively receive, evaluate, and resolve complaints.	5	TBD	1 hr		6—Leadership/ Sup./Self Improve. Skills	
FOIA Request and Release of Contract Information	5	Noella Bond/ David Reich/ John Ezell	1 hr	Taking proper action when receiving a FOIA request, protecting procurement sensitive information (cannot be released to anyone outside of contracting at any time), types of procurement sensitive information, interaction with vendors without releasing protected information, etc.		
Cost Savings	5	Jose Bumbray/ Frank Clemons	1 hr	OMB Initiative		

Training	Priority	Trainers	Time	Notes	Category	Dates Done
6			21—25 hrs			
Timely Project Close-Out, Construction and A/E, Warranties/Manuals/As-Builts and File Transfer	6	Euclides Barrera	1 hr	Procedures for close-out, documents checks, punch-list, warranties, etc.	4—Contract Admin/ Documentation	
Final Inspection: Requirements, Field Inspection, Custody and Transfer	6	Dana Quel	3 hrs		4—Contract Admin/ Documentation	

Training	Priority	Trainers	Time	Notes	Category	Dates Done
Change Clauses: Rule 4 File Procedures	6	General Counsel	1 hr	Compilation of every document related to a dispute; used to defend govt position in a dispute.	5—Construction Contracts	
Evaluation of A/E & Contractors (ACASS Training/ CPARS)	6	Noella Bond	2 hrs	Evaluations Reports, CPARS and ACAS systems, ongoing evaluations/corrective actions.		
Understanding Contracting Officer Decision Procedures	6	Ed Nicholson	2 hrs		5—Construction Contracts	
Suspension of Construction Work Via Change Order or Other Actions	6	General Counsel & REs	4–8 hrs		5—Construction Contracts	
Negotiation Skills	6	External	1 day		6—Leadership/ Sup./Self Improve. Skills	

Training	Priority	Trainers	Time	Notes	Category	Dates Done
7			**24 hrs**			
BIM Process	7	Renee Tietjen	1 hr		1—SRE Development Orient./CFM Org.	11/ 2010
Construction Cost Estimating	7	Bob Smoot/Michael Koch	2 hrs		6—Leadership/ Sup./Self Improve. Skills	11/09
Energy Management	7	Kurt Knight	1 hr		1—SRE Development Orient./CFM Org.	
Physical Security Requirements	7	Kurt Knight	1 hr		1—SRE Development Orient./CFM Org.	

Training	Priority	Trainers	Time	Notes	Category	Dates Done
FAC–C Certification Other Contracting Training Utilize the Academy Keep Up With Training	7	Greg Sabater	1 hr		1—SRE Development Orient./CFM Org.	
Public Speaking/ Communicating/5–Minute Presentations	7	Internal	2 hrs		3—Personnel (Self & Staff) Admin.	
Responsibilities When an RE is on TEB Pre-Award and Post-Award Debriefings	7	Noella Bond	1 hr		4—Contract Admin/ Documentation	
A/E Selection Criteria/Process, Inc. Brooks Bill	7	Bob Smoot	2 hrs		5—Construction Contracts	
Historical Preservation, Understanding Program and SRE Rules & Regulations	7	Kathleen	1 hr		5—Construction Contracts	
Supervisory Skills and Performance Management	7		1 day	Is this part of LDMP?	6—Leadership/ Sup./Self Improve. Skills	
Source Selection Process	7	Brian Johnson/ Robert Capers	4 hr	Role of Technical Evaluation Team in FAR 15 source selections, comments supporting ratings, correlating ratings to evaluation factors, protest risks, etc.		

Training	Priority	Trainers	Time	Notes	Category	Dates Done
8			20 hrs			
Claims Avoidance and Mitigation	8	Scott Lowe	2.5 days		7—Construction Claims/ Disputes	

Training	Priority	Trainers	Time	Notes	Category	Dates Done
Additional Recommended Training						
Complete the "Supervisory Models"	9	Self	40 hrs		6—Leadership/ Sup./Self Improve. Skills	
VALU/CFM Leadership Development Mentoring Program (LDMP) or VALU/CFM Aspiring Leaders Program (ALP)	9	Internal and External	4 formal sessions/ year		1—SRE Development Orient./CFM Org.	

Committee on Veterans' Affairs
Subcommittee on Oversight and Investigations
Washington, DC.
May 2, 2011

Mr. Glenn D. Haggstrom
Executive Director, Office of Acquisitions, Logistics, and Construction
U.S. Department of Veterans Affairs
810 Vermont Avenue, NW
Washington, DC 20420

Dear Mr. Haggstrom:

I would like to request your response to the enclosed deliverable I am submitting in reference to our House Committee on Veterans' Affairs Subcommittee on Oversight and Investigations hearing on *Inspect What You Expect: Construction Contracting Practices at VA* on April 13, 2011. Please answer the enclosed hearing questions and deliverables by no later than Monday, May 30, 2011.

In an effort to reduce printing costs, the Committee on Veterans' Affairs, in cooperation with the Joint Committee on Printing, is implementing some formatting changes for material for all full Committee and Subcommittee hearings. Therefore, it would be appreciated if you could provide your answers consecutively on letter size paper, single-spaced. In addition, please restate the question in its entirety before the answer.

Due to the delay in receiving mail, please provide your response to Ms. Orfa Torres by fax at (202) 225–2034. If you have any questions, please call (202) 225–9756.

Sincerely,

Joe Donnelly
Ranking Member

MH/ot

The Honorable Joe Donnelly, Ranking Member
Subcommittee on Oversight and Investigations
House Committee on Veterans Affairs
"Inspect What You Expect: Construction Contracting Practices at VA"
April 13, 2011

Question 1: I ask that you review your performance measures and provide us the names of the mid-management level staff that are not using eCMS or mandating the use of their subordinates. How is the VA planning to penalize and hold them accountable?

Response: Employee accountability for the use of eCMS rests within the supervisory chain, and ultimately resides with the cognizant Head of Contracting Activity (HCA). Given the sensitive nature of performance-based personnel actions and the potential for Privacy Act issues, VA cannot disclose this information. However, VA is providing the results of the Office of Inspector General (OIG) audit, as well as the results of its own internal reviews, to the HCAs to discuss corrective action with their respective staffs. VA concurs in the importance of correcting noncompliance with eCMS requirements and is directing senior-level management (HCAs) attention to monitoring and addressing this issue.

Where appropriate, VA will address eCMS noncompliance with additional training and guidance, but where deficiencies persist, VA will treat noncompliance as a performance issue and take appropriate action. Similar to other employee performance management issues, corrective action(s) taken against employees are determined by the supervisor and follow VA human resources policy and procedures.

To achieve consistency within the Department, the Office of Acquisition, Logistics and Construction (OALC) will work with the Department's Office of Human Resources and Administration and the HCAs to develop a standard performance measure for inclusion in each VA contracting officer's individual annual performance work plan on the use of eCMS to accomplish their contracting assignments. Their use of the system and the completeness of the contract files within the system will then be considered when developing their annual performance rating. We will target this to be effective for the Fiscal Year 2012 rating cycle which begins in October 2011.

Question 2: Provide the Subcommittee a quarterly update on the eCMS utilization statistics within the Department. The 17 percent utilization rate and almost $1.4 billion not being tracked is troubling.

Response: OALC's internal review does not support the 17 percent utilization rate, and as a result, we cannot discuss its legitimacy.

OALC tracks monthly metrics including eCMS Award Dollar Value, which corresponds most closely for the data matching analysis the OIG performed to assess eCMS usage. This monitors cumulative obligation figures, mapping the throughput of dollar awards in eCMS. For Fiscal Year 2011 (through April), this measure shows $5.98 billion in total cumulative dollar awards. OALC targeted $12 billion in total eCMS usage for FY 2011.

For comparison, the following chart shows similar measures for prior fiscal years:

Fiscal Year	eCMS Award Dollar Value at Year-End
2008	$5.4 billion
2009	$8.6 billion
2010	$11.6 billion

VA concurs in the need for valid and reliable metrics to track eCMS use. Accordingly, VA relies on transactional statistical data such as eCMS award dollar value to provide statistics suitable for year-over-year comparison, to track progress. However, VA also concurs in the need for qualitative reviews to provide information useful for the HCAs and supervisors so they may take appropriate corrective action, even though the results of such qualitative reviews may not be produced in statistical form.

VA will develop a report that can be used proactively by acting Chief Acquisition Officer HCAs in ensuring eCMS usage. This report could be used to update the Subcommittee upon request. The first report can be provided within 30 days after the end of the 4th qtr FY 2011.