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# U.S. House of Representatives

## COMMITTEE ON VETERANS' AFFAIRS

ONE HUNDRED FIFTEENTH CONGRESS

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March 13, 2018

The Honorable David J. Shulkin, M.D.  
Secretary  
U.S. Department of Veterans Affairs  
810 Vermont Avenue, NW  
Washington, D.C. 20420

Dear Secretary Shulkin,

I applaud your recent decision to request an immediate plan to restructure VA's logistics and procurement functions. This Committee has been calling for such reform for years—holding hearings devoted to the subject, most recently in September 2016, and introducing numerous pieces of legislation targeting wholesale or specific aspects of the problem. Most of these efforts were opposed by your predecessors. The VA logistics and procurement workforce performs a mission support function under difficult circumstances that is absolutely crucial to the quality of veterans' health care, but too often overlooked.

The structures of the Office of Acquisition, Logistics, and Construction (OALC) and the Veterans Health Administration (VHA) Procurement and Logistics Office (P&LO) are disorientingly complicated and rife with duplication. When this model was adopted ten years ago, it was meant to balance centralized management with regional operations, but it has grown into an unresponsive, inefficient bureaucracy. The Choice Act Independent Assessment documented widespread dissatisfaction with this state of affairs among VA employees, and it is long overdue for change.

OALC is tasked with policy, oversight, and support of logistics and procurement throughout VA to include VHA, while P&LO performs these functions within VHA. This arrangement is inherently unnecessary, because the overwhelming majority of contract spending throughout VA pertains to VHA, whether carried out directly by VHA employees or on their behalf by other organizations. The remainder of the workforce in the Veterans Benefits Administration's Office of Acquisition and the National Cemetery Administration's tiny Contracting Service number fewer than 100 people. By layering OALC on top of VHA P&LO, too many resources have been redirected away from operations into middle management, and too much confusion has been created due to overabundant policy and overlapping responsibilities.

It was disappointing that the previous administration chose to bury the Commission on Care's key recommendation on this subject, for "VA and VHA to reorganize all procurement and logistics operations for VHA under [a chief supply chain officer] to achieve a vertically integrated business

unit extending from the front line to central office.”<sup>1</sup> Former Secretary McDonald accepted the notion of creating a chief supply chain officer, but did not do so as the Commission intended, and pointedly rejected “[t]he structural solution recommended by the Commission” because it “would not adequately address underlying management challenges associated with organizational complexity.”<sup>2</sup> Former Secretary McDonald brushed off the Commission’s recommendation, writing that it was “...already being addressed in an effective manner under the current MyVA Breakthrough Initiative to transform VHA’s supply chain.”<sup>3</sup> In reality, that initiative principally consisted of the Medical Surgical Prime Vendor-Next Generation program, and VA is still struggling to recover from its flawed design and rushed implementation. There is no evidence that the MyVA initiative strengthened VA’s logistics and procurement functions in any significant way. It was likewise disappointing that a reorganization of OALC at the very end of the previous administration merely rearranged a few organizational boxes within the existing structure.

I was encouraged to read in your recent 2018-2024 Strategic Plan an emphasis on eliminating fragmentation, overlap, and duplication by consolidating similar functions, as well as the goal to align contracting offices across the Department to create full service supply chains. While these priorities are absolutely on target, they are conceptual starting points and your personal attention will be needed to put them into action. Relatedly, the Government Accountability Office recently observed that VA has not complied since 2009 with the law requiring its Chief Acquisition Officer to be a non-career employee, such as an assistant secretary.<sup>4</sup> VA, under your leadership, now acknowledges this issue. Apparently, elevating OALC to the assistant secretary level was considered as part of VA’s Agency Reform Plan, submitted to the Office of Management and Budget in September 2017, but later scuttled.<sup>5</sup> I request that you take another look at this solution, in the context of a streamlined organization incorporating all logistics and procurement functions. I ask that you provide me a copy of the logistics and procurement restructuring plan as soon as it is submitted for your consideration.

I am eager to support you however possible in this reform effort. If you have any questions about our concerns in these matters, please do not hesitate to have your staff contact Mr. Jon Hodnette, Majority Staff Director of the Subcommittee on Oversight & Investigations, at (202) 225-3569.

Sincerely,



**JACK BERGMAN**

Chairman

Subcommittee on Oversight & Investigations

<sup>1</sup> Commission on Care Final Report, June 30, 2016, p. 81.

<sup>2</sup> Letter from Secretary Robert A. McDonald to President Barack Obama, August 2, 2016, p. 10.

<sup>3</sup> Ibid. p. 11.

<sup>4</sup> GAO-18-34, Veterans Affairs Contracting: Improvements in Buying Medical and Surgical Supplies Could Yield Cost Savings and Efficiency, November 2017, p. 14.

<sup>5</sup> OMB M-17-22, Memorandum for Heads of Executive Departments and Agencies: Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce, April 12, 2017.