

GAO Highlights

Highlights of [GAO-18-648](#), a report to congressional requesters

Why GAO Did This Study

VA spends billions every year to procure goods and services and is required to give preference to veteran-owned small businesses when awarding contracts—a program known as Veterans First. In turn, those firms must comply with limitations on the use of subcontracting. A 2006 statute established Veterans First, and a 2016 Supreme Court decision clarified conflicting interpretations, resulting in changes to how VA must now implement the program.

GAO was asked to review VA's implementation of Veterans First since the Supreme Court decision. Among other things, this report assesses the extent to which (1) changes occurred in procurement obligations to veteran-owned small businesses from fiscal years 2014 through 2017; (2) VA has encountered any challenges in implementing Veterans First policies; and (3) VA has mechanisms to oversee contractor compliance with subcontracting limitations.

GAO analyzed VA regulations, policies, and contracting data; conducted three site visits; and reviewed a non-generalizable sample, selected based on factors such as high dollar value, of 35 contracts and orders, 29 of which VA awarded under Veterans First.

What GAO Recommends

GAO is making six recommendations, including that VA provide more targeted training for contracting officers, assess whether training should be mandatory, ensure required clauses are included in contracts, and improve oversight of compliance with subcontracting limitations. VA agreed with GAO's recommendations.

View [GAO-18-648](#). For more information, contact Shelby S. Oakley at (202) 512-4841 or oakleys@gao.gov.

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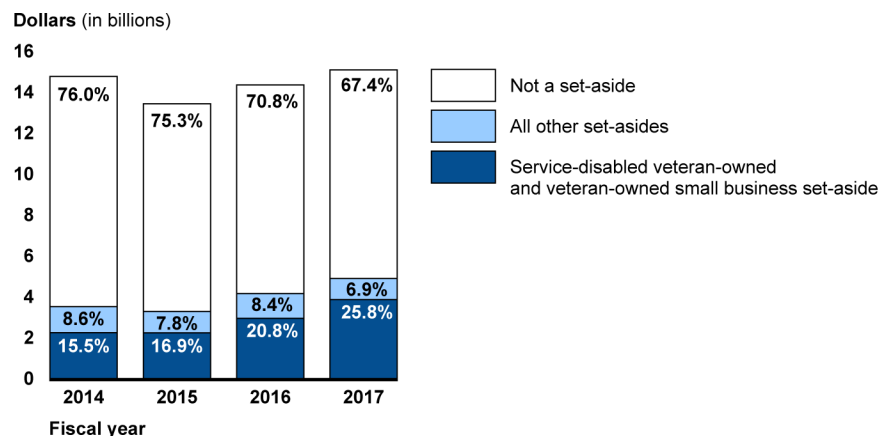
VETERANS FIRST PROGRAM

VA Needs to Address Implementation Challenges and Strengthen Oversight of Subcontracting Limitations

What GAO Found

GAO found that the percentage of Department of Veterans Affairs (VA) obligations set aside for veteran-owned small businesses under its Veterans First program was higher in 2017—the first full year following the 2016 Supreme Court decision—than in previous years. In its decision, the court clarified that VA contract competitions must be restricted to these businesses if they meet two criteria: (1) the contracting officer reasonably expects that at least two such businesses will submit offers, and (2) the award can be made at a fair and reasonable price and best value to the government. This has become known as the “VA Rule of Two.” VA created a new policy for implementing Veterans First following the 2016 decision. The percentage of obligations set aside for veteran-owned small businesses increased from fiscal years 2014 to 2017 (see figure).

VA Contract Obligations for Set-Asides and Non-Set-Asides, Fiscal Years 2014 through 2017



Source: GAO analysis of Veterans Affairs (VA) Electronic Contract Management System data. | GAO-18-648

Contracting officers face challenges implementing aspects of Veterans First, some of which VA has addressed through policy and optional training. However, 12 of the 30 contracting officers GAO interviewed cited difficulty in assessing the second criterion of the VA Rule of Two when making a set-aside decision. Eight of them stated that they sometimes lacked confidence in their fair and reasonable price determinations. VA's training, however, does not fully address these more challenging aspects of implementing the Veterans First policy. More targeted training would provide VA with greater assurance that its contracting officers have the knowledge and skills necessary to implement the policy. Additionally, assessing whether training on this policy should be mandatory would allow VA to determine if it would be beneficial for all contracting officers.

GAO found that VA conducts limited oversight of contractor compliance with limitations on subcontracting and has few mechanisms for ensuring compliance. For example, GAO found that the required clause for ensuring that veteran-owned small business contractors perform the required portion of work was either missing entirely or an outdated version was used in 11 of the 29 set-aside contract actions GAO reviewed. Without better oversight, VA is limited in its ability to detect violations and ensure that the goal of Veterans First—to promote opportunities for veteran-owned small businesses—is not undermined.