

GAO

Report to the Chairman, Subcommittee
on Oversight and Investigations,
Committee on Veterans' Affairs,
House of Representatives

October 2005

CONTRACT MANAGEMENT

Further Action Needed to Improve Veterans Affairs Acquisition Function





Highlights of [GAO-06-144](#), a report to the Chairman, Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, House of Representatives

Why GAO Did This Study

The Department of Veterans Affairs (VA) is among the largest federal acquisition agencies, spending \$7.3 billion on product and service acquisitions in 2004 alone. Recent reports by VA and other organizations identified weaknesses in the agency's acquisition function that could result in excess costs to the taxpayer. One report by the Naval Supply Systems Command (NAVSUP) made 24 recommendations to improve VA's acquisition function. VA has accepted these recommendations. GAO was asked to review the progress VA has made in implementing the key NAVSUP recommendations. GAO identified 7 of the 24 recommendations as key, based primarily on its professional judgment and prior experience.

What GAO Recommends

GAO recommends that the Secretary of Veterans Affairs direct the Deputy Assistant Secretary for Acquisition and Materiel Management to

- identify specific time frames and milestones for completing actions on the key NAVSUP recommendations and
- establish a method to measure progress in implementing the recommendations.

VA concurred with GAO's recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-06-144.

To view the full product, including the scope and methodology, click on the link above. For more information, contact William T. Woods, 202-512-4841, or woodsw@gao.gov.

CONTRACT MANAGEMENT

Further Action Needed to Improve Veterans Affairs Acquisition Function

What GAO Found

Progress made by the Department of Veterans Affairs in implementing the key recommendations from the NAVSUP report has been limited. In fact, a year after the report was issued, VA has not completed actions on any of the seven key recommendations GAO identified. While VA agrees implementation of the key recommendations is necessary, the steps it has taken range from no action to partial action. No action has been taken on three key recommendations: to develop a long-term improvement plan, adequate management metrics, and a supplement to the agency's strategic plan. No more than partial action has been taken on four others: establishment of a contract review board for reviewing files at key milestones along with improvement of postaward contract management, customer relationships, and employee morale.

Status of Key Recommendations

| Key NAVSUP Recommendations | Status |
|--|----------------|
| 1. Develop a long-term improvement plan | No action |
| 2. Develop adequate management metrics | No action |
| 3. Supplement strategic plan | No action |
| 4. Establish contract review board | Partial action |
| 5. Improve postaward contract management | Partial action |
| 6. Improve customer relationships | Partial action |
| 7. Improve employee morale | Partial action |

Source: GAO analysis.

A lack of permanent leadership in key positions has contributed to the lack of further progress in revising acquisition policies, procedures, and management and oversight practices, according to VA officials. For example, two key VA acquisitions management positions were unfilled—one for 15 months and the other for 25 months. In addition, VA has neither set time frames for completing actions on the NAVSUP recommendations nor established a method to measure progress. Until VA establishes a process for completing action on the NAVSUP recommendations, the benefits of the study may not be fully realized.

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Abbreviations

| | |
|---------|---|
| AOS | Acquisition Operations Service |
| CoreFLS | Core Financial and Logistics System |
| IG | Inspector General |
| NAVSUP | Naval Supply Systems Command |
| OA&MM | Office of Acquisition and Materiel Management |
| VA | Department of Veterans Affairs |

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United States Government Accountability Office
Washington, DC 20548

October 19, 2005

The Honorable Michael Bilirakis
Chairman, Subcommittee on Oversight and Investigations
Committee on Veterans' Affairs
House of Representatives

Dear Mr. Chairman:

The Department of Veterans Affairs (VA) operates one of the largest health care systems in the world and is among the largest acquisition agencies in the federal government. In fiscal year 2004 alone, VA spent \$7.3 billion acquiring the products and services needed to carry out its mission on behalf of the nation's veterans. Recently, reports by entities within VA as well as outside organizations have identified various weaknesses in the agency's acquisition function that could affect the successful accomplishment of its mission or result in higher than necessary costs to the taxpayer. Among these reports is one prepared by the Naval Supply Systems Command (NAVSUP),¹ a Navy acquisition organization VA had requested to assess its acquisition function. The NAVSUP report identified a wide range of areas needing VA management attention and made 24 recommendations, which VA agrees should be implemented.

Given the importance of acquisition to VA's mission, you asked us to review the progress VA has made in implementing the key recommendations in the NAVSUP report. In selecting 7 key recommendations from among the 24 in the report, we relied primarily on our professional judgment and the experience gained from previous reviews of acquisition issues at various federal agencies. We also considered the importance the NAVSUP report and VA officials assigned to the specific recommendations. We chose recommendations that, if implemented successfully, are likely to have the broadest and most significant impact on VA's operations. Appendix I lists the 24 recommendations of the NAVSUP report, starting with the 7 recommendations we identified as key. To determine the status of the

¹Naval Supply Systems Command, *Procurement Performance Management Assessment Program Review*, Department of Veterans Affairs, Office of Acquisition and Materiel Management, Acquisition Operations Service (Washington, D.C.: Sept.13, 2004).

seven key recommendations, we met with acquisition officials at VA's Office of Acquisition and Materiel Management (OA&MM) and with officials at VA's Office of Inspector General (IG) who are responsible for audits of contracting practices. We also reviewed relevant agency documents. We did not independently assess the state of the acquisition function at VA. We conducted our review from March to August 2005 in accordance with generally accepted government auditing standards. A more detailed discussion of our scope and methodology is in appendix II.

Results in Brief

Progress made by the Department of Veterans Affairs in implementing the key recommendations from the NAVSUP report has been limited. In fact, a year after the report was issued, VA has not completed action on any of the seven key recommendations we identified. While VA agrees that implementation of the key recommendations is necessary, the steps it has taken range from no action—such as a decision to defer the development of a long-term improvement plan—to partial action—for example, drafting updated standard operating procedures, which await final approval. A lack of permanent leadership in key positions is contributing to the limited progress in revising acquisition policies, procedures, and management and oversight practices, according to VA officials. In addition, VA has neither set time frames for completing actions on the NAVSUP recommendations nor established a method to measure progress. Until VA establishes a process for completing action on the NAVSUP recommendations, the benefits of the study may not be fully realized.

We are recommending that VA establish a schedule for completing actions on the key recommendations from the NAVSUP report and establish a method to measure progress. In commenting on a draft of this report, VA agreed with our conclusions and concurred with our recommendations. VA's comments are included in appendix III.

Background

The Office of Acquisition and Materiel Management is the principal office within VA headquarters responsible for supporting the agency's programs. The OA&MM includes an Office of Acquisitions that, among other things, provides acquisition planning and support, helps develop statements of work, offers expertise in the areas of information technology and software acquisition, develops and implements acquisition policy, conducts business reviews, and issues warrants for contracting personnel. As of

June 2005, the Office of Acquisitions was managing contracts valued at over \$18 billion, including option years.²

In recent years, reports have cited inadequacies in the contracting practices at VA's Office of Acquisitions and also have identified actions needed to improve them. In fiscal year 2001, the VA IG issued a report that expressed significant concerns about the effectiveness of VA's acquisition system.³ As a result, the Secretary of Veterans Affairs established, in June 2001, a Procurement Reform Task Force to review VA's procurement system. The task force's May 2002 report set five major goals that it believed would improve VA's acquisition system: (1) leverage purchasing power, (2) standardize commodities, (3) obtain and improve comprehensive information, (4) improve organizational effectiveness, and (5) ensure a sufficient and talented workforce.

Issues related to organizational and workforce effectiveness were at the center of the difficulties VA experienced implementing its Core Financial and Logistics System (CoreFLS).⁴ The VA IG and an independent consultant issued reports on CoreFLS in August 2004 and June 2004, respectively, and both noted that VA did not do an adequate job of managing and monitoring the CoreFLS contract and did not protect the interests of the government. Ultimately, the contract was canceled after VA had spent nearly \$250 million over 5 years.

In response to deficiencies noted in the CoreFLS reports, VA sought help to improve the quality, effectiveness, and efficiency of its acquisition function by requesting that NAVSUP perform an independent assessment of the Acquisition Operations Service (AOS). NAVSUP looked at three elements of the contracting process: management of the contracting function; contract planning and related functions; and special interest items such as information technology procurements, use of the federal

²The Office of Acquisitions consists of three components: Acquisition Operations Service, Acquisition Resources Service, and the National Acquisition Center. The \$18 billion represents contracts managed by the Acquisition Operations Service.

³Department of Veterans Affairs, Office of Inspector General, *Evaluation of VA's Purchasing Practices*, Report No. 01-01855-75 (Washington, D.C.: May 15, 2001).

⁴CoreFLS is an integrated commercial off-the shelf software financial and logistics system that, when fully implemented, is intended to be used by every financial and logistics office in VA.

supply schedule, and postaward contract management. In a September 2004 report, NAVSUP identified problems in all three elements.

Progress Limited in Implementing Key NAVSUP Recommendations

While VA agrees with the NAVSUP report's recommendations, limited progress has been made in implementing the seven key recommendations of the report. VA officials indicate that factors contributing to this limited progress include the absence of key personnel, a high turnover rate, and a heavy contracting workload. We found that VA has neither established schedules for completing action on the recommendations nor established a method to measure its progress. Until VA establishes well-defined procedures for completing action on the NAVSUP recommendations, the benefits of this study may not be fully realized.

Range of Actions on Recommendations

The status of the seven key recommendations we identified is summarized in Table 1:

Table 1: Status of Key Recommendations

| Key NAVSUP recommendations | Status |
|---|----------------|
| Develop a long-term improvement plan | No action |
| Develop adequate management metrics | No action |
| Supplement strategic plan | No action |
| Establish contract review board for reviewing files at key milestones | Partial action |
| Improve postaward contract management | Partial action |
| Improve customer relationships | Partial action |
| Improve employee morale | Partial action |

Source: GAO analysis.

Action taken by VA on the seven key recommendations in the NAVSUP report has varied from no action, to initial steps, to more advanced efforts in specific areas.

- **Long-term improvement plan.** NAVSUP recommended that AOS develop a long-term approach to address improvements needed in key areas. VA acknowledges that establishing a long-term improvement plan is necessary to maintain its focus on the actions that will result in desired organizational and cultural changes. During the course of our review, however, we found that no action has been taken to develop a long-term improvement plan with established milestones for specific actions.

-
- **Adequate management metrics.** NAVSUP recommended that AOS develop metrics to effectively monitor VA's agencywide acquisition and procurement processes, resource needs, and employee productivity because it found it that AOS was not receiving information needed to oversee the contracting function. VA officials agree that they need to have the ability to continuously and actively monitor acquisitions from the pre-award to contract closeout stages to identify problem areas and trends. VA officials acknowledge that, without adequate metrics, its managers are unable to oversee operations and make long-term decisions about their organizations; customers cannot review the status of their requirements without direct contact with contracting officers; and contracting officers are hampered in their ability to view their current workload or quickly assess deadlines. During our review, VA officials stated that they intend to use a balanced scorecard approach for organizational metrics in the future. However, no steps had been taken to establish specific metrics at the time we completed our review.
 - **Strategic planning.** NAVSUP recommended that AOS develop a supplement to the OA&MM strategic plan that includes operational-level goals to provide employees with a better understanding of their roles and how they contribute to the agency's strategic goals, objectives, and performance measures. VA officials indicated that progress on the strategic plan had been delayed because it will rely heavily on management metrics that will be identified as part of the effort to develop a balanced scorecard. With the right metrics in place, VA officials believe they will be in a much better position to supplement the strategic plan. VA had not revised the strategic plan by the time we finished our review.
 - **Process to review contract files at key acquisition milestones.** NAVSUP recommended that AOS establish a contract review board to improve management of the agency's contract function. NAVSUP believed that a contracting review board composed of senior contracting officers would provide a mechanism to effectively review contracting actions at key acquisition milestones and provide needed overall management. To enhance these reviews, VA has prepared draft standard operating procedures on how contract files should be organized and documented. Final approval is pending. VA officials indicated, however, that no decisions have been made about how or when they will institute a contract review board as part of the agency's procurement policies and processes.
 - **Postaward contract management.** NAVSUP recommended that the AOS contracting officers pay more attention to postaward contract management by developing a contract administration plan, participating in postaward reviews, conducting contracting officer technical

representative reviews, and improving postaward file documentation. We found that VA has taken some action to address postaward contract management. For example, AOS is training a majority of its contracting specialists on the electronic contract management system. VA officials indicated that the electronic contract management system will help improve its postaward contract management capability. The electronic contract management system is a pilot effort that VA expects to be operational in early 2006. Also, final approval for a draft standard operating procedure for documenting significant postaward actions is pending.

- **Customer relationships.** NAVSUP reported that VA's ability to relate to its customers is at a low point and recommended VA take action to improve customer relations. Some mechanisms VA officials agreed are needed to improve customer relations include requiring that program reviews include both the customer and contracting personnel, greater use and marketing of the existing customer guide to customers and contracting communities, the establishment of a customer feedback mechanism such as satisfaction surveys, placing a customer section on the World Wide Web, and engaging in strategic acquisition planning with customer personnel. We noted that VA is taking some of the actions recommended by NAVSUP. For example, VA has established biweekly meetings with major customer groups, created customer-focused teams to work on specific projects, and nearly completed efforts to issue a comprehensive customer guide. Pending are efforts to include customers in the AOS review process and to develop a customer section on the web site.
- **Employee morale.** The NAVSUP report said that VA employee morale is at a low point and is having an impact on employee productivity. NAVSUP said that AOS needs to respond to its employee morale issue by addressing specific employee concerns related to workload distribution, strategic and acquisition planning, communication, and complaint resolution. VA has taken several actions related to employee morale. Workload distribution issues have been addressed by developing a workload and spreadsheet tracking system and removing restrictions on work schedules for employees at ranks of GS-15 and below. Strategic planning actions completed include the development of mission and vision statements by a cross section of VA personnel and collective involvement in approval of organizational restructuring efforts. Communication and complaint resolution issues are being resolved by facilitating a meeting between AOS management and employees to air concerns. Partially completed actions include the development of new employee training module, including a comprehensive new employee orientation package. According to VA, new

employee training includes the dissemination of draft standard operating procedures. VA is also in the process of developing an employee survey to measure overall employee satisfaction.

Factors Contributing to Limited Progress

Discussions with VA officials indicate that the agency believes its limited progress has largely been due to the absence of permanent leadership and insufficient staffing levels. Officials told us that the recommendations will be implemented once key officials are in place. For example, positions for two key VA acquisition managers—Associate Deputy Assistant Secretary for Acquisitions and the Director for AOS—were unfilled for about 25 months and 15 months, respectively. But during the course of our review these positions were filled.

As of August 25, 2005, AOS has still not selected permanent personnel for 17 of its 62 positions. This includes two other key management positions—the Deputy Director of Field Operations and the Deputy Director for VA Central Office Operations, both filled by people in an acting role. Supervisory leadership has also suffered as a consequence of understaffing, VA officials said. Four of the eight supervisory contract specialist positions are filled by people in an acting role. Critical nonsupervisory positions also have remained unfilled, with 11 contract specialists' positions vacant. The absence of contract specialists has largely been caused by a high turnover rate. According to VA officials, the high turnover rate can be attributed to a heavy contracting workload, as well as the other factors identified in the NAVSUP report.

When asked, the VA officials we spoke with could not provide specific time frames for completing actions on the recommendations or a method to measure progress. We believe the lack of an implementation plan with time frames and milestones, as well as a way to measure progress, contributed to VA's limited progress in implementing the key NAVSUP recommendations.

Conclusions

The seven key NAVSUP recommendations we identified have not been fully implemented. While some progress is being made, progress is lacking in those areas that we believe are critical to an efficient and effective acquisition process. If key recommendations for improvement are not adequately addressed, VA has no assurance that billions of its Office of Acquisitions contract dollars will be managed in an efficient and effective manner, or that it can protect the government's interest in providing veterans with high-quality products, services, and expertise in a timely fashion at a reasonable price.

While personnel-related factors have contributed to VA's lack of progress, the absence of schedules for completion of actions and of metrics that could be used to determine agency progress is also an important factor. Current VA officials, even those in an acting capacity, can identify timetables for completing action on key NAVSUP recommendations and establish a means to determine progress. Without these elements of an action plan, the benefits envisioned by the study may not be fully realized.

Recommendations for Executive Action

We recommend that the Secretary of Veterans Affairs direct the Deputy Assistant Secretary for Acquisition and Materiel Management to

- identify specific time frames and milestones for completing actions on the key NAVSUP recommendations, and
- establish a method to measure progress in implementing the recommendations.

Agency Comments

In commenting on a draft of this report, the Deputy Secretary of Veterans Affairs agreed with our conclusions and concurred with our recommendations. VA's written comments are included in appendix III.

We will send copies of this report to the Honorable R. James Nicholson, Secretary of Veterans Affairs; appropriate congressional committees; and other interested parties. We will also provide copies to others on request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you have any questions concerning this report, please contact me at (202) 512-4841 or by e-mail at woodsw@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report were Blake Ainsworth, Penny Berrier, William Bricking, Myra Watts Butler, Christina Cromley, Lisa Simon, Shannon Simpson, and Bob Swierczek.



William T. Woods
Director
Acquisition and Sourcing Management

Appendix I: NAVSUP's Report Recommendations

In September 2004, the Naval Supply System Command (NAVSUP) issued a report, *Procurement Performance Management Assessment Program* on its review of the Department of Veterans Affairs, Office of Acquisition and Materiel Management, Acquisition Operations Service. The 24 recommendations contained in the NAVSUP report are listed in table 2 below. The first seven recommendations listed are the key recommendations we identified.

Table 2: Listing of Recommendations Contained in NAVSUP Report

| No. | Issue Area | Recommendation |
|-----|---------------------------------------|--|
| 1 | Long-term improvement plan | Develop a long-term plan to address key management areas such as establishing attainable milestones for remedial and long-term actions and keeping workforce involved in organizational transformation. |
| 2 | Management metrics | Develop adequate management metrics to effectively monitor critical acquisition processes and thus provide visibility over status of contract requirements, operations, and contract due dates. |
| 3 | Strategic planning | Revise the business plan to identify operational goals, objectives, and performance measures for the entire workforce, and encourage employees to participate in its development. |
| 4 | Contract file reviews | Expand and institutionalize a process review at critical acquisition milestones rather than a single review prior to award. A standard process, such as instituting a contract review board, should involve the customers as key participants. |
| 5 | Postaward functions | Emphasize greater attention to postaward contract management such as developing a contract administration plan, participating in postaward and technical reviews, and placing a greater emphasis on postaward file documentation. |
| 6 | Customer relations | Establish mechanisms to improve customer relations by developing customer and contracting teams to coordinate purchases and conduct program reviews, and establishing a survey to obtain customer feedback on contractor performance. |
| 7 | Employee morale | Take the necessary steps to improve employee morale in the problem areas cited, and conduct annual employee satisfaction surveys and give results to employees. |
| 8 | Communication | Ensure that improved communication processes are established with employees to include regular staff meetings and appropriate dissemination of information and contract policy. |
| 9 | Warranting | Review the levels of contracting authority granted to the workforce and adjust as deemed appropriate. |
| 10 | Current standard operating procedures | Review and revise content contained within the agency's current standard operating procedures to more accurately and thoroughly cover the topics discussed. |
| 11 | New standard operating procedure | Establish a standard operating procedure implementing a contract review board process for key acquisition milestones. |
| 12 | Legal involvement | Review current list of legal issues to provide seamless and continuous support throughout the acquisition process. |
| 13 | Acquisition planning | Engage customers early in the development of the acquisition to allow sufficient advance notice of contracting requirements to facilitate acquisition planning. |

**Appendix I: NAVSUP's Report
Recommendations**

| No. | Issue Area | Recommendation |
|------------|--|---|
| 14 | File documentation | Ensure file documentation identifies the correct Federal Acquisition Regulation citation as the authority for the action. Additionally, discussion of source selection criteria in sole source situations is misleading and should be avoided. |
| 15 | Supporting rationale for modifications | Ensure that the rationale and authority supporting contract modifications are documented. |
| 16 | Description of contract type | Be conscientious to properly describe contract types. |
| 17 | Fund/identify guaranteed minimum under indefinite delivery indefinite quantity contracts | Ensure indefinite delivery indefinite quantity contracts are awarded correctly with the appropriate elements, such as guaranteed minimums and maximum ordering limitations. |
| 18 | Lease-purchase analysis and screenings | Personnel should become familiar with and employ proper leasing practices when deemed appropriate. Further, pricing of all contract actions should be meaningfully analyzed to ensure fairness and reasonableness. |
| 19 | Processing Federal Supply Schedule orders | Ensure General Service Administration schedule orders are being placed in accordance with Federal Acquisition Regulation Part 8 requirements. Specifically, performance-based statements of work, evaluation criteria, price reductions, and complete documentation of price negotiation memorandums. |
| 20 | File organization | Issue a standard operating procedure that will clearly establish uniform guidance for contract file organization and documentation. |
| 21 | Contract modifications | Establish a process to ensure the underlying rationale for modifications is documented. |
| 22 | Contract administration | Establish a standard operating procedure for documenting significant postaward contract actions. |
| 23 | Letter contracts/undefinitized contractual actions | Develop documented process for approval of letter contracts to ensure consistency and ensure the proper level of review is provided for these actions. |
| 24 | Claims | Create a database or other system for tracking claims and disputes. |

Source: NAVSUP report.

Appendix II: Scope and Methodology

To select the key recommendations from those identified in the NAVSUP September 2004 report, we focused on recommendations that, if successfully implemented, are likely to have the broadest and most significant impact on the Department of Veterans Affairs' (VA) operations. We chose recommendations that are crosscutting in nature. Accordingly, in many instances recommendations we did not identify as being key are nevertheless, we believe, covered to some extent by one or more of the key recommendations. In making our selections, we relied primarily on our professional judgment and the experience gained over many years in reviews of acquisition management issues governmentwide. In particular, we relied on the observations and guidance captured in a draft of a GAO report entitled *Framework for Assessing the Acquisition Function at Federal Agencies*.¹ With this insight, we determined that 7 of the 24 NAVSUP recommendations were key.

To identify the progress VA has made in implementing these seven key NAVSUP recommendations, we met with acquisition officials at VA's Office of Acquisition and Materiel Management (OA&MM). We also reviewed documents intended to demonstrate the status of VA's actions.

In order to attain a broader view of VA acquisition issues, we identified and reviewed other VA and independent reports issued prior to the NAVSUP report. This included VA's Procurement Reform Task Force (May 2002) report, which recommended ways to improve procurement practices across VA, and reports by the VA Inspector General (August 2004) and Carnegie Mellon (June 2004) that noted contract management problems on a VA contract for the Core Financial and Logistics System (CoreFLS). We reviewed past and current policies, procedures, and internal controls associated with VA acquisition processes. We obtained statistics from OA&MM on the authorized size of the VA Acquisitions Operations Service (AOS) contracting workforce and positions that still need to be filled. We obtained data from the Federal Procurement Data System on what VA spent during fiscal year 2004 for products and services. Further, we obtained data from VA on the amount of contract dollars being managed

¹To help assess the strengths and weaknesses of agencies' acquisition processes, GAO developed a framework of general guidance—using input from federal government and industry experts. The framework has four interrelated elements that promote an efficient, effective, and accountable acquisition process: (1) organizational alignment and leadership, (2) policies and processes, (3) human capital, and (4) knowledge and information management. GAO, *Framework for Assessing the Acquisition Function at Federal Agencies*, GAO-05-218G, (Washington, D.C.: Sept. 2005).

by VA's Office of Acquisitions as of June 2005. We did not conduct an independent assessment of the state of the acquisition function at VA.

We conducted our work from March to August 2005 in accordance with generally accepted government auditing standards.

Appendix III: Comments from the Department Of Veterans Affairs



THE DEPUTY SECRETARY OF VETERANS AFFAIRS
WASHINGTON

September 30, 2005

Mr. William T. Woods
Director
Acquisition and Sourcing Management Team
U. S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Woods:

The Department of Veterans Affairs (VA) has reviewed your draft report, ***CONTRACT MANAGEMENT: Further Action Needed to Improve Veterans Affairs Acquisition Function*** (GAO-05-1001) and agrees with your conclusions and concurs in your recommendations. I anticipate that the challenges VA's Office of Acquisition and Materiel Management (OA&MM) has faced this past year will be alleviated soon through appointment of a new permanent Assistant Secretary for Management whose confirmation hearing is scheduled for September 29, 2005. Additionally, since the Naval Supply Systems Command (NAVSUP) report was published, three key leadership positions within OA&MM were filled (the Deputy Assistant Secretary for OA&MM, the Associate Deputy Assistant Secretary for Acquisitions, and the Director, Acquisition Operations Service).

The Office of Management has set a target date of March 31, 2006, for implementing three key recommendations: (1) develop a long-term improvement plan, (2) develop adequate management metrics, and (3) develop a supplement to the OA&MM strategic plan.

OA&MM has completed an independent assessment of its entire organization, which has identified opportunities to improve. The assessment will serve as a basis to align the organization in the most effective manner. Also, Acquisition Operation Service (AOS) has established an electronic contract management system, to better manage its contracting actions. Finally, the newly appointed Deputy Assistant Secretary is developing organization-wide metrics for a balanced score card based on the Department of Commerce model.

It is my vision that the above actions will be instrumental to improving the overall management of the Office of Acquisition and Materiel Management's acquisition program and to ensure taxpayer dollars are spent wisely.

Thank you for the opportunity to comment on your draft report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Gordon H. Mansfield".

Gordon H. Mansfield

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