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DEPARTMENT OF VETERANS AFFAIRS (VA)  
BEFORE THE  
SUBCOMMITTEES ON TECHNOLOGY MODERNIZATION AND  
OVERSIGHT AND INVESTIGATIONS  
HOUSE VETERANS' AFFAIRS COMMITTEE**

**September 20, 2022**

Good morning, Chairman Pappas, Chairman Mrvan, Ranking Member Mann, Ranking Member Rosendale and distinguished members of the subcommittees. I am pleased to appear before you today to provide an update on the state of VA Acquisitions, specifically, the current environment for major acquisitions and planned improvements, as well as our progress in addressing the challenges to acquisition management included on the Government Accountability Office (GAO) High-Risk List (HRL). I also will describe other key modernization efforts the Department has taken to transform VA acquisitions toward its desired future state. I am accompanied today by Dr. Angela Billups, Executive Director for VA's Office of Acquisition and Logistics and Senior Procurement Executive, and Ms. Michele Foster, Associate Executive Director for the Department's Technology Acquisition Center.

Before I address the topic of this hearing, I would like to thank the Committee for its work on the PACT Act, particularly the provision to increase VA's lease authority and allow the Congressional authorization process to occur by resolution. VA now has additional authority to lease space from its academic affiliates and to enter joint leases with the Department of Defense. These changes increase VA's ability to provide Veterans with the health care infrastructure they need in a timely manner, and will result in improved access and outcomes for Veterans.

### **Acquisition Philosophy**

VA is a large and complex organization. As VA's Chief Acquisition Officer (CAO), I am the primary advisor to the Secretary for all major acquisitions. I am also responsible for managing VA's 17,000 acquisition professionals who are disbursed across the enterprise; a budget of \$40 billion; and the administration and oversight of approximately \$100 billion in major programs. It is important to recognize that "acquisition" is more than "contracting". It includes the lifecycle management of a product or service from cradle to grave – End to End. Establishing a methodological systems approach has been critical to transforming acquisition management at VA.

For all programs or acquisitions, VA must first identify the business need, define what constitutes success and determine how that success will be measured. Additionally, instead of focusing on the quantitative, technical solution, the successful program must also consider the qualitative, or user adoption/change management

aspects of achieving success before any taxpayer dollars are spent. The technology solution is the last decision to be made prior to deploying the system.

VA employs a rigorous governance structure to review and assess the performance of a program throughout the acquisition process. Additionally, our vision is that all new systems and processes in VA must be Easy to use, Integrated and Intelligent (EII Doctrine).

- **Easy to Use** – Human Centered Design of systems so users can easily and intuitively use the solution out of the box and not require significant training.
- **Integrated** – The systems must be integrated technically and strategically across the enterprise and not deployed in a stovepipe manner.
- **Intelligent** – The ability of the system to utilize artificial intelligence to provide predictive analytics and other intelligent processes of VA's data.

## Acquisition Management

In 2019, VA conducted an assessment and began work to address gaps in its acquisition management program (AMP) prior to GAO's decision, that same year, to include acquisition management (AM) on the HRL. To address GAO's specific areas of concern as well as the broader AM function, VA is modernizing and transforming AM by developing an enterprise AM business ecosystem supported by measurable, sustainable and repeatable business practices required to complete enterprise-wide acquisition activities and build coalitions internal and external to VA.

AMP is designed to comply with the Service Acquisition Reform Act, including linking Federal and VA mandates related to acquisition reform; integrating enterprise modernization initiatives; improving organizational structures; modernizing acquisition business systems functionality; and enhancing acquisition workforce capabilities required for quality performance. The AMP directly aligns with VA Goal 4 from VA's 2022 – 2028 Strategic Plan: *“VA ensures governance, systems, data, and management best practices improve experiences, satisfaction, accountability and security.”*

## Governance and Oversight

VA's Enterprise Governance drives modernization and transformation efforts across VA, to include Acquisition Management. VA's governance structure integrates mission support lines of business (acquisition, finance, technology and human capital) to align with and provide support/services to VA Administrations. The goal: improving Veterans' experiences at VA and ensuring proper stewardship of our tax dollars.

Acquisition Management governance and oversight ensures that programs and projects adhere to sound acquisition management practices and principles, achieve expected results, make good business sense and comply with applicable policies; laws; and regulations. This oversight is conducted in concert with our Chief Financial Officer, Chief Information Officer and the Office of Enterprise Integration where we meet

monthly to review major information technology (IT) acquisition programs and portfolios in line with the Federal Information Technology Acquisition Reform Act (FITARA).

### **Evidence-based Decision Making**

Under Secretary McDonough's leadership, the Department has made major improvements in information sharing and evidence-based decision making. With an emphasis on jointness and transparency, VA chartered the Evidence-Based Policy Council (EBPC) and the Investment Review Council (IRC) to ensure the right leaders were provided with the right information to make recommendations on the way ahead with respect to major programs, projects and acquisitions as part of the new governance structure discussed above. Additionally, the Department conducts regular Operational Management Reviews (OMR) of several major programs. A similar effort is in place to provide recurring oversight on acquisition programs. VA developed a Procurement Management Review process to provide a forum for deliberate, recurring discussion on designated programs. These recurring, structured reviews complement the work of the OMR, EBPC and IRC.

### **Acquisition Workforce Career Management**

We are reviewing and validating our acquisition workforce career management structure, processes and systems to ensure a more streamlined organization with standardized training and career paths across the Department. Additionally, we are working to develop the skills required to convert innovative ideas effectively and economically into fielded solutions that have real-world impact for Veterans. For example, VA treats approximately 115,000 diabetic foot ulcers yearly at a cost of \$3.2 billion. The Podometrics Smart Mat which VA helped develop, and now is in use at over 90 VA Medical Centers, enables early detection to prevent diabetic ulcers and thereby avoid costly amputation surgeries. Ensuring that leaders have the skills needed to outline the vision and requirements, develop realistic business cases, evaluate nonmaterial solutions and make decisions informed by the facts is critical on the road ahead.

### **GAO High-Risk List**

VA has made considerable progress to address GAO's specific areas of concern with AM. These include updates to our action plan, and more details on how VA will monitor and demonstrate progress across the enterprise. These actions have resulted in improved GAO ratings toward removal of AM from the HRL. Currently OALC is tracking 80 total AM-related GAO recommendations of which 51 are HRL-related across 8 GAO reports. As of August 2022, 37 of the 51 HRL-related recommendations had been closed, including 2 priority recommendations; and 14 recommendations remained open. We are in the process of requesting closure of all 14 open recommendations with GAO.

In its most recent report, GAO Report 22-105-195: VA Acquisition Management – Action Needed to Ensure Success of New Oversight Framework, GAO noted the substantial work done to develop VA’s Acquisition Lifecycle Framework (ALF). When implemented and integrated across the enterprise, ALF will serve as an effective tool to manage and oversee VA acquisitions. However, GAO cautioned, VA had not done enough to ensure ALF’s adoption across the enterprise. I agree with their concerns and appreciate their observations. I consider my GAO colleagues to be a force multiplier helping VA to improve its processes. VA has taken actions to improve the adoption of ALF, specifically, we’ve assessed and closed gaps between FITARA and the ALF process; and continue working to integrate ALF with other technical frameworks. We’ve assessed the acquisition workforce needs and developed modules to train VA’s workforce on the ALF process. Much more remains to be done before we implement ALF across the enterprise, and I am personally committed to continuing the collaboration with GAO to ensure the concerns are addressed before ALF rolls out.

Since VA AM was placed on the GAO HRL in 2019, VA has made progress toward addressing GAO’s areas of concern by identifying root causes, outcomes, goals, corrective actions and metrics. Much of the progress associated with the VA AM HRL Project is a result of the modernization efforts associated with AMP. VA and GAO are working together and meet at least monthly to address the status of GAO recommendations and HRL areas of concern.

### **Other VA Modernization Initiatives**

VA has identified transformation of business operations through modernization as a strategic priority and is actively moving toward its goal of becoming a high-performing organization. To further this goal, VA instituted a three-pillar approach to modernization:

- **Transform** systems to create foundational change.
- **Simplify** operations to improve customer service.
- **Empower** people to embrace change.

Transforming core business functions requires that large-scale initiatives be based on sound policy and implemented by staff who have the right knowledge, skills and abilities, receive the appropriate IT support, are given essential human and financial resources, are provided appropriate management oversight and are integrated into the organization through sufficient organization change management.

The integration of business processes and new technology demands the transformation and prioritization of key modernization initiatives. While VA has several enterprise-level modernization initiatives in progress, three have been identified as critical to VA AM HRL removal:

1. **Digital Transformation.** VA’s Office of Information and Technology leads digital transformation through a variety of initiatives using innovative technologies

focused on delivering exceptional customer service. These technologies improve both user and customer experiences while ensuring that VA continues to deliver the highest-quality care, benefits and services to the Nation's Veterans. Digital transformation includes IT modernization, strategic sourcing and IT workforce transformation efforts. These efforts to provide greater access to applications and data align with VA AM HRL efforts to improve data systems' reliability and reduce duplicative systems.

2. **Supply Chain Modernization.** The need for VA to address its Supply Chain enterprise is made clear in the "National Strategy for a Resilient Public Health Supply Chain" issued in July 2021 and signed by VA Secretary McDonough. As a result, VA has been undertaking a Department-wide supply chain strategic assessment. This assessment is led by the CAO and is based on three supply chain objectives—develop a VA comprehensive supply chain strategy with an integrated enterprise focus; develop appropriate metrics and measures of effectiveness to allow evidence-based management of VA's supply chain system; and develop an integrated program strategy and supply chain master schedule.

The results of the completed assessment phase were used to develop VA's Comprehensive Supply Chain Management Strategy. To date, VA has made significant progress in achieving these objectives by undertaking a methodical, enterprise-wide system of systems approach to comprehensively identify and begin to improve the long-standing supply chain challenges in terms of people, processes and technology. This transformational effort is being conducted with input from the Executive Committee and Functional Champions along with supply chain stakeholders across VA with industry input. VA is currently conducting pre-solicitation activities to identify potential industry partners for the competitive prototyping phase beginning in fiscal year (FY) 2023. Supply chain modernization efforts will align with VA AM HRL efforts to improve medical supplies procurement.

3. **Financial Management Business Transformation (FMBT).** Through the FMBT Program, VA is increasing the transparency, accuracy, timeliness and reliability of financial information across the enterprise to improve services to those who serve Veterans. FMBT provides improved operational efficiency, agility and flexibility by leveraging a Commercial-off-the-Shelf Momentum cloud solution using the Software-as-a-Service model also known as the Integrated Financial and Acquisition Management System (iFAMS). iFAMS is being integrated with VA's FMBT program to provide real-time financial and acquisition integration through a single consolidated system that will standardize, integrate and streamline financial processes. Overall, FMBT integrates acquisition systems and reduces the need for duplicate entry, aligning with VA AM HRL efforts to improve data systems' reliability.

## How Congress Can Help

Regarding the topic of acquisition modernization, it is critical that VA has access to the acquisition tools it needs to enable and accelerate innovation to better serve the Nation's Veterans. VA is carefully considering Other Transaction Authority (OTA) as one tool for which it may wish to seek statutory pilot authority to drive rapid innovation at VA. OTA may be able to more effectively position VA to move at the speed of technology advancement and remain the world's leader in Veteran and health care innovation as we adopt the latest emerging solutions that are important to improving VA health care, benefits and cemetery services. An example of this is our recently deployed [www.Pathfinder.va.gov](http://www.Pathfinder.va.gov) website that is the first of its kind to fuse innovation with acquisition. It helps our VA innovators capture new and emerging technologies to help our industry partners develop and incubate potential solutions for use by our VA teammates at the very beginning or "cradle" of the cradle to grave acquisition lifecycle management process.

Agencies that currently have OTA have found that it minimizes barriers to facilitate more streamlined, bi-directional collaborations between the Government and industry and helps the agency attract new, private sector entities with leading-edge technologies that do not traditionally engage with government. Having OTA, including for research, prototyping, and follow-on production, as a flexible acquisition tool congruent with the use of FAR based acquisitions will enable us to effectively drive change within VA and not only address VA's immediate challenges today, but also prepare us to rapidly tackle future challenges to modernize VA in the years to come.

Aging Infrastructure: 69% of VA medical centers are more than 50 years old and require full modernization. VA's infrastructure footprint is not flexible enough, and changes in Veteran's needs, demographics and locations are outpacing our ability to transform and manage it. Much of VA's infrastructure was built for a time when we served a subset of the population. Investing in VA's health care infrastructure is about significantly expanding the breadth and depth of the medical services VA provides America's Veterans, their caregivers and qualifying dependents providing more equitable access to all Veterans.

VA appreciated the President's FY 2023 budget request that included \$3.042 billion to continue addressing the most immediate capital needs for service and facility gaps. With additional funding, VA would be better poised to modernize the full portfolio of assets to best serve our Veterans.

## Conclusion

VA is committed to transforming its acquisitions programs to support providing high-quality health care services and other benefits to increase access and outcomes for Veterans.

Broader acquisition reform within VA is essential to its ability to survive and flourish in dynamic markets such as health care and technology. Systemic reforms and new tools, such as OTA, will allow VA to fuse acquisition with innovation to create a force multiplying effect that accelerates research, translation of research into practice and rapid scaling of new operational capabilities and solutions that optimize VA's experience for the Nation's Veterans. We seek allies in Congress to chart a new course for acquisition in VA that will not only address VA's immediate challenges today, but also prepare us to rapidly tackle future challenges to modernize VA in the years to come.

At the end of the day, we must deliver what we promise, deliver it on time and deliver it on or under budget as our taxpayers and my fellow Veterans expect nothing less. Your continued support is essential to VA fulfilling this mission. This concludes my testimony. I welcome any questions you or other Members of the Subcommittee may have.