

**STATEMENT OF THOMAS J. LENEY
EXECUTIVE DIRECTOR
SMALL AND VETERANS BUSINESS PROGRAMS
DEPARTMENT OF VETERANS AFFAIRS
BEFORE THE
HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
SUBCOMMITTEE ON TECHNOLOGY, INFORMATION POLICY,
INTERGOVERNMENTAL RELATIONS AND PROCUREMENT REFORM
FEBRUARY 7, 2012**

Chairman Lankford, Ranking Member Connolly, and members of the Subcommittee, thank you for inviting me to testify on implementation of the Department of Veterans Affairs (VA)'s Veteran-owned small business (VOSB) program. The goal of VA's Office of Small and Disadvantaged Business Utilization (OSDBU) is to help Veteran-owned and service-disabled Veteran-owned small businesses to be able to contribute most effectively to the important mission of VA.

VA has demonstrated its commitment to Veterans, far exceeding the Government-wide goal of 3 percent of procurements to service-disabled Veteran-owned small businesses (SDVOSB). To promote strong support of Veteran businesses, Secretary Shinseki established additional procurement goals within VA of 10 percent for SDVOSBs and 12 percent for VOSBs. In Fiscal Year 2011, VA's contracting base was \$17 billion with \$3.5 billion in contracts awarded to VOSBs. VA appreciates the efforts of Congress to enable VA to achieve these results by establishing the Veterans First Program under Public Law (P.L.) 109-461 that enables VA to provide preference to SDVOSBs and VOSBs, and VA has used this program aggressively to lead the Federal government in contracting with these businesses.

This is real money in the hands of Veterans and their small businesses, and it establishes VA as a leader in this area. VA has succeeded largely due to the Secretary's strong commitment to promoting Veterans' businesses. The support of VA's mission by the department's leadership ensures accountability throughout VA to meet the goals for VOSB and SDVOSB participation. Performance on small business goals is reviewed personally by the Secretary and Deputy Secretary, and is an integral part of the Department's Monthly Performance Review.

In addition to strong leadership, VA has instituted a number of programs that contribute to our success in exceeding the Veteran business goals. One of the major challenges faced by VOSBs and SDVOSBs is to obtain access to the department's procurement decision makers. VA has undertaken to increase those opportunities through our Direct Connect Program. This program is designed to connect small businesses, particularly SDVOSBs and VOSBs, directly with the procurement decision makers that have requirements that can be filled by their goods or services. Direct Connect will not only increase access, but it also will increase the return on investment by VA and from small businesses through these engagements. It will reduce the number of unproductive small business engagements for small businesses and VA procurement decision makers and will increase procurement decision-makers' awareness of the capability of small businesses that add value to VA's mission. Direct Connect consists of events that are scheduled, focused, structured and facilitated. This program began in 2011 with the National Veterans Small Business Conference hosted by the VA in New Orleans. This was the largest Veterans' business event in the country, with more than 4,300 participants. The 2011 conference was ground-breaking in that it offered unprecedented opportunities for Veteran business owners to connect directly with procurement decision makers. VA alone brought more than 250 program and acquisition managers to meet with small businesses. The event also offered far greater opportunities for small businesses to receive training that built their capacity to add value to Federal agencies. In addition, the number of training sessions designed to increase the capability of small businesses increased fivefold from previous years.

VA is building on the successful model of direct connection piloted in New Orleans. In 2012, VA will expand the National Veterans Small Business Conference, to be held in Detroit in June, by bringing more decision makers from VA as well as by encouraging other departments and agencies to bring procurement decision makers in order to give Veteran businesses broader opportunities and to help our sister agencies to meet their SDVOSB goals. A large gathering of this kind also provides a valuable opportunity for small businesses to conduct business-to-business networking with large prime contractors, a critical component of any small businesses development strategy.

VA will apply the successful National Veterans Small Business Conference access model to two other major vendor access events – one for each of our major procurement centers at VA (the National Acquisition Center and the Technical Acquisition Center). At these events, VA will connect decision makers directly to small businesses. Each of these events will feature senior leaders from VA.

Almost half of the overall procurement at VA comes from the Veterans Health Administration (VHA), the largest of three main operating units within VA. OSDDBU will sponsor focused opportunity showcases in each of the VHA regions that connect vendors to decision makers. VA will use these events to train small business liaisons in each of our medical centers and they in turn will host an opportunity showcase at their facility. VA expects that by distributing events around the country, we will enhance access to vendors who have difficulty participating in the large events. This approach also enables VA to maximize cost-effective access. VA expects to conduct more than 50 regional and functional showcases in 2012, as well as a local showcase at each of our 152 medical centers. This structured, scheduled approach greatly increases the access of small businesses and accountability of VA acquisition and program staff for quality engagement without excessive diversion from their other duties. These activities will expand access to decision makers by more than 240 percent.

To further expand contact between VA senior leadership and small businesses, OSDDBU is reviewing the travel of all VA senior leaders to include small business roundtable events facilitated by OSDDBU into their schedules. This approach is expected to increase the number of contacts by senior leaders to more than 200 percent.

Last year VA also hosted a VA Open House at the National Veterans Small Business Conference as part of our efforts to help Veteran entrepreneurs and Veterans in general. In 2012 we will expand the opportunities for Veteran small businesses. This engagement will allow Veterans to learn about the support programs that VA offers, as well as including assistance programs at other agencies and support offered by Veterans Service Organizations. VA is expecting thousands of local Veterans to attend.

Finally, VA will build on the success of the recent VA hiring fair conducted here in Washington, DC, since we believe that “Veterans hire Veterans.” On January 18, 2012,

VA hosted a hiring fair that attracted more than 4,100 Veterans, which provided them the opportunity to meet with 26 firms and 10 government agencies. This enabled them to be considered for more than 5,500 job openings. Hiring managers were on site to interview applicants for positions and more than 500 Veterans received private sector job offers from this single day event. We will be adding a hiring fair to the 2012 National Veterans Small Business Conference to enable Veteran business owners attending the conference, as well as Federal agencies, to conduct interviews and offer positions.

Another way VA is assisting VOSBs is through our Mentor-Protégé Program. The purpose of VA's Mentor Protégé Program is to provide developmental assistance to SDVOSBs and VOSBs that will enhance their capabilities to perform as prime contractors and subcontractors on VA procurements. The program began in 2010 with 25 firms and 26 additional Mentor-Protégé agreements were added in 2011.

Veterans have reported that they sometimes find it difficult to identify and to track information, programs and services that are relevant to their business efforts. VA has joined with other agencies to address this need by contributing program information useful to Veteran businesses to BusinessUSA, a platform that consolidates information and services from across the government into a single, integrated network for American business owners and entrepreneurs. The goal of this effort is to make it easier for businesses to search – and to find – the full range of government information, programs, and services the businesses need to compete. At BusinessUSA, Veterans businesses will be able to obtain – on demand – a wide range of relevant and timely Federal government data, services, and programs, and facilitate businesses finding their way through the seeming maze of programs and bureaucracies.

Subcontracting opportunities provide valuable opportunities for Veteran small businesses. VA has established the Subcontracting Compliance Review Program, a program that conducts subcontracting compliance reviews to assess prime contractors for compliance with subcontracting commitments. The program involves audits of prime contractors that include site visits and comprehensive document reviews of selected firms. This will help ensure SDVOSB and VOSB subcontractors receive the

subcontracting opportunities required by the prime contractor. This program includes audits of the implementation of subcontracting plans to determine what work is actually being performed by subcontractors, with penalties for failure to adhere to the goals set in the award.

An important part of the OSDBU mission is performed by The Center for Veterans Enterprise (CVE). CVE is responsible for verifying the eligibility of VOSBs and service disabled Veteran-owned small businesses (SDVOSBs) to participate in the VA's Vet First program that provides procurement preference to VOSBs and SDVOSBs. The verification program ensures that these preferences go to legitimate Veteran-owned and controlled small businesses as described in P.L. 109-461. VA has actively implemented statutory provisions to ensure the P.L. 109-461 procurement eligibility goes only to legitimate SDVOSBs and VOSBs. VA is verifying such firms and ensuring that only those firms whose business models meet the criteria laid out in P.L. 109-461 gain the benefits of the preferences it provides. We have also moved aggressively against the relatively small number of firms who would misrepresent their status in order to obtain benefit from a program for which they are not eligible.

VA has made great strides to improve the VA VOSB Verification Program and our plans are to continue improving it so that legitimate SDVOSBs and VOSBs have full access to VA procurement opportunities. At a hearing on November 30, 2011, GAO reported that VA has made many improvements in the process for fraud prevention. For example, fictitious test companies that they created were all detected by the VA VOSB Verification Program.

VA is serious about debaring companies who misrepresent their status as a VOSB or SDVOSB, and has formed the 8127 Debarment Committee, named after the portion of the U.S. Code that implements the small business portions of P.L. 109-461. VA has developed and formalized specific processes and criteria related to the 8127 Debarment Committee and that information can be found on the committee's Web site. As of December 2011, 11 separate contractors and related individuals were debarred, and an additional eight are listed as proposed debarments. However, most ineligible firms are not committing fraud. The vast majority of firms self-report issues that preclude their eligibility for verification. Those firms that provide false information or

omit material information are referred to VA's Office of the Inspector General for review and action.

Conclusion

In summary, we have made major strides in improving access by veteran businesses to opportunities to add value to the work of the Department of Veterans Affairs. Our journey is not complete, but progress is clear and significant. Much has been done, but there is much left to do, and we are committed to getting it done. As a result of the efforts of program and acquisition managers, and with the strong support of senior leadership, we have far exceeded our goals and will continue to do so. At the same time, we are ensuring only those eligible under P.L. 109-461 are participating in these programs. Mr. Chairman and members of the Subcommittee, this concludes my statement. I am pleased to answer any questions you may have.