

## U.S. House of Representatives

COMMITTEE ON VETERANS' AFFAIRS

ONE HUNDRED EIGHTEENTH CONGRESS

364 CANNON HOUSE OFFICE BUILDING

WASHINGTON, DC 20515

<http://veterans.house.gov>

February 9, 2023

The Honorable Denis R. McDonough  
Secretary  
U.S. Department of Veterans Affairs  
810 Vermont Avenue, NW  
Washington, DC 20420

Dear Secretary McDonough:

Within the Department of Veterans Affairs' (VA) total contract spending of roughly \$38 billion in fiscal year 2021,<sup>1</sup> the Department awarded contracts worth over \$8 billion to Service-Disabled Veteran Owned Small Businesses (SDVOSBs).<sup>2</sup> The Veterans First Program is an unparalleled source of opportunity that is unique in the federal government. We should all be proud of it. However, abuses like fraud and predatory pricing do happen within the program, and there is always room for improvement. We see prosecutions from time to time of individuals misrepresenting ownership and control, service connection, or even veteran status to qualify for Vets First. MITRE found in a 2018 study that, "VA paid higher than market prices...in 13% of the case studies reviewed...[and] the price premium ranged from 5% to 110%."<sup>3</sup>

I request that you set a clearer standard for what constitutes "a fair and reasonable price that offers best value to the United States" under the Rule of Two.<sup>4</sup> Rather than the suggested guideline of a 5 percent price premium, which has been in place, establish a uniform price premium.<sup>5</sup> This reform would eliminate excessive pricing and make Vets First set-aside decisions more consistent. Greater uniformity may also help contracting officers detect misrepresentations of SDVOSB status.

While the excessive pricing that may exist in Vets First pales in comparison to the apparent duplication and waste in contracts with large businesses, it is important to identify savings wherever possible and invest these resources in health care and benefits. Additionally, rooting out abuses in Vets First increases trust in the program and ensures legitimate SDVOSBs receive the opportunities they have earned.

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<sup>1</sup> GAO-22-105195: VA Acquisition Management, August 2022, p. 4.

<sup>2</sup> Department of Veterans Affairs Annual Report to Congress: Contracting with Veteran-Owned Small Businesses and Service-Disabled Veteran-Owned Small Businesses, Fiscal Year 2021.

<sup>3</sup> MITRE Corporation: Veterans First Contracting Program Independent Assessment Report, August 14, 2018, p. v.

<sup>4</sup> 38 U.S. Code § 8127(d)(1)

<sup>5</sup> Office of Acquisition and Logistics Memorandum: Fair and Reasonable Pricing on Set-Asides, October 18, 2018.

Thank you for your attention to this proposal.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mike Bost", with a stylized flourish at the end.

**MIKE BOST**  
Chairman

Cc: The Honorable Mark Takano, Ranking Member