



THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

July 24, 2003

The Honorable Lane Evans
Ranking Democratic Member
Committee on Veterans' Affairs
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Evans:

This is a final response to your May 27, 2003, letter regarding the fiscal year (FY) 2002 report submitted to Congress pursuant to Section 305 of Public Law 104-262. I understand your concerns about the basis for the cost comparisons and decisions involving performance of work that is currently or was previously performed by Department of Veterans Affairs (VA) employees.

Enclosed is the data requested in your original letter. Network 10 data is still under review and will be provided by August 15, 2003. A separate folder is provided for each Network that includes the information requested. In addition, a folder is provided with all of the guidance, templates and procedures utilized to re-validate data reported in the original Section 305 report. The re-validation process did not contraindicate any decision to contract.

The contract actions reported in the Section 305 report were not based on any questionable data/methodology as noted in your letter, nor were they based on the competitive sourcing process, as outlined in OMB Circular A-76 and VA Directive 7100. These contracts were based on sound, local or Network management decisions to provide more cost effective and quality services to our Nation's veterans. I do recognize that the original report did contain certain factual errors that the Veterans Health Administration (VHA) has taken steps to correct with this revised submission. New guidance, data collection methodologies and a formalized reporting process, specific to the Section 305 report, have been implemented to provide for more consistent and accurate data reporting. A copy of the new guidance is provided in the enclosures.

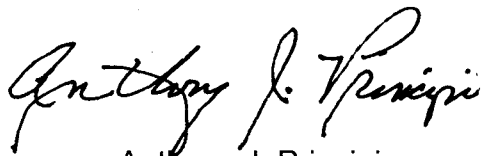
As a result of the April 28, 2003, VA General Counsel opinion concerning the restrictions on use of the VHA accounts for cost-comparison studies, competitive sourcing actions planned to begin in FY 2003 were placed on hold. The General Counsel has been asked for clarification of the scope of the opinion, in particular regarding VHA's ability to develop cost data in connection with its decisions to enter sharing agreements under authority of section 8153 of Title 38. Pending clarification on this point, VA has elected to complete the studies of laundry production and linen management services.

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In summary, VHA attempted to simplify similar reporting requirements and match data reported in the Section 305 report to Congress and in the competitive sourcing report to the Office of Management and Budget. This consolidation of reporting requirements did not generate a reasonable Section 305 report. VHA has provided revised guidance to Networks for the re-validation process that will be used for future reports. Should your staff seek additional information, please have them contact Linda Lutes, Congressional Relations Officer, at (202) 273-5615. A similar response has been sent to Congresswoman Hooley, who co-signed your letter.

Sincerely yours,

A handwritten signature in black ink that reads "Anthony J. Principi". The signature is written in a cursive style with a large, prominent initial "A".

Anthony J. Principi

Enclosures