VBA'S COMPUTER MODERNIZATION PROGRAM; VA'S INFORMATION RESOURCES MANAGEMENT STRUCTURE, PERFORMANCE OBJECTIVES, AND INTERFACES WITH OTHER SYSTEMS

HEARING

BEFORE THE

SUBCOMMITTEE ON
COMPENSATION, PENSION, INSURANCE AND
MEMORIAL AFFAIRS

OF THE

COMMITTEE ON VETERANS' AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

JUNE 22, 1995

Printed for the use of the Committee on Veterans' Affairs

Serial No. 104–6

U.S. GOVERNMENT PRINTING OFFICE

93–376 CC WASHINGTON : 1995

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-047676-3

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VBA'S COMPUTER MODERNIZATION PROGRAM; VA'S INFORMATION RESOURCES MANAGEMENT STRUCTURE, PERFORMANCE OBJECTIVES, AND INTERFACES WITH OTHER SYSTEMS

THURSDAY, JUNE 22, 1995

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMPENSATION, PENSION, INSURANCE AND MEMORIAL AFFAIRS,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to call, at 9 a.m., in room 334, Cannon House Office Building, Hon. Terry Everett (chairman of the subcommittee) presiding.

Present: Representatives Everett, Weller, Hayworth, Barr, Ney, and Evans.

Also Present: Representative Quinn.

OPENING STATEMENT OF CHAIRMAN EVERETT

Mr. EVERETT. Good morning. The subcommittee will come to order.

Today we are here to review the VA's performance in the area of computer modernization. I want to emphasize that my goal is to insure that resources devoted to improvement or improving VA's computer systems results in better services to the veterans. That is what we are all after.

As a businessman, I know the value of computers in complex operations. I know how they benefit not only the company, but also the customer, and I want VA's customers to receive the finest service possible.

I also want the American taxpayer to get full value for those hard earned dollars they send to Washington every year. Everyone knows the budget crunch faced by the taxpayers, and that includes millions of veterans. It is our duty to make sure that the VA is organized and staffed properly to acquire a system that will move VA into the next century as a leader in information management.

If there is one thing that representatives from the VA should take home or back to their offices today, it is that this committee is dead serious in its oversight duties regarding this computer system. I expect VA to organize itself in a businesslike manner and to institute a disciplined acquisition process.

I also sit on the National Security Subcommittee on Military Procurement, and believe me, I have become familiar with highly

structured acquisition programs. I also want you to know that I will do whatever it takes to get VA's commitment to a disciplined management and acquisition structure.

This is just the first in a series of hearings to provide regular oversight of the program. I expect the next one to be reasonably soon after the August recess.

Please bear with me while I do a quick review here. VBA started its computer modernization in about 1987. In the early 1990s, they adopted a three-phase program to totally overhaul its aging mainframe-based system.

In previous testimony, Under Secretary Vogel has alluded to the program as being analyzed and studied to death. I believe he said that at least 17 contractors had performed 125 studies on the program.

I am happy to take Mr. Vogel at his word, but the latest look at the program by the Center for Naval Analysis gives us reason to question whether VA is doing good management on this program. Indeed, many of CNA's criticisms reflect the same problems noted in 1992 and 1993 GAO studies, and without objection I would like to enter Section 1, Executive Summary of the CNA Report, into the record.

(See p. 33.)

The part of the report that drew my attention was the finding on how VA has organized itself to handle large computer projects. In finding that, and I quote, "VBA needs to strengthen its planning, control, and integration processes for managing implementation of large, complex modernization projects and systems," CNA pointed out what I consider the major weakness confronting VA.

In VA's recent agreement with the Office of Management and Budget, VA agreed to strengthen its overall management structure, in addition to other program improvements. With CNA's findings, it appears that little of substance has been done to comply with the agreement with OMB.

Without objection, I would like to enter the VA-OMB agreement of June 24, 1993, into the record. I would appreciate it if VA could provide us with a clean copy of that agreement.

(See p. 46.)

CNA criticized three major areas:

One, VA's ability to manage a large, complex information technology acquisition program;

Two, insufficient linkage of modernization program to customer performance measures;

And, three, acquisition of VETSNET before decision of fundamental business processes and, therefore, adequate definition of VETSNET requirements.

There also seems to be difficulty determining how much of the taxpayers' money has been spent so far, and there's a lack of an up-to-date, overall program plan for VETSNET. I might note that in a meeting with the staff, VBA indicated that the plan was under revision and would not be available until July. I find that remarkable.

Now I would like to recognize the distinguished ranking member of this subcommittee for any remarks he may have. Mr. Evans.

OPENING STATEMENT OF HON. LANE EVANS

Mr. EVANS. Thank you, Mr. Chairman.

You have very well outlined the history of where we have been. I just wanted to weigh in with you that this is a bipartisan concern of this subcommittee, and I am sure the full committee as well.

The modernization program is ambitious and well intentioned, but it does have serious problems. Congressman John Conyers and I have followed the VBA's plans for several years. In fact, agreement between OMB and VA came primarily as a result of Congressman Conyers' efforts.

I do not disagree with the need to provide VBA staff with modern equipment to better service veterans and their families, but I am concerned that it is pushing ahead too quickly. I have not seen any data that clearly indicates how veterans are benefitting from stage one purchases. VBA has yet to clearly articulate well defined performance standards, provide a thorough analysis of business process, or determine the particular costs and benefits of the modernization.

VA also has not centralized authority over its information systems. The department's chief information resource officer lacks the authority to properly oversee the VBA's modernization effort.

While I fully support VBA's intentions, I caution them to proceed with care. Haphazardly purchasing equipment may prevent Congress from cutting earmarked funds in order to reduce the deficit, but it will not solve the underlying problems.

The goal of this effort is to improve services for veterans and their families. I urge VBA to go slowly and insure that they buy what they need and can support.

And I thank you, Mr. Chairman, for this opportunity to testimony. I ask unanimous consent that my full remarks be entered into the record.

[The prepared statement of Congressman Evans follows:]

STATEMENT OF HON. LANE EVANS

Mr. Chairman:

Thank you for convening today's hearing.

During the mid-1980's, VBA realized that its computer system was seriously outdated and should be replaced in order to better service veterans. In the field, adjudication staff were forced to share antiquated equipment. In Central Office, the system did not have the capacity to meet current needs and could not be upgraded.

And as the backlog of pending claims grew and the time it took to process claims increased, VBA's modernization plans began to take on a renewed sense of urgency. The Under Secretary for Benefits felt that modernization would enable the Department finally reduce its backlog and expedite claims processing.

In 1992, VBA awarded a contract for the first phase in its modernization efforts. To date, VBA has expended almost $100 million in its modernization effort. And GAO has estimated that the full cost of modernization may exceed $1 billion.

VBA's modernization program is ambitious and well intentioned, but it does have some serious problems. Representative John Conyers and I have followed VBA's plans for several years. In fact, the agreement between OMB and VA came primarily as a result of Rep. Conyers' efforts.

I do not disagree with the need to provide VBA staff with modern equipment in order to better service veterans and their families, but I am concerned that VBA is pushing ahead too quickly. I have not seen any data that clearly indicates how veterans are benefiting from the stage one purchases.

VBA has yet to clearly articulate well defined performance standards, provide a thorough analysis of business process, or determine the particular costs and benefits of the modernization. VA also has not centralized authority over its information sys-

tems. The Department's chief information resources officer lacks the authority to properly oversee VBA's modernization effort.

While I fully support VBA's intentions, I caution them to proceed with care. Haphazardly purchasing equipment may prevent Congress from cutting earmarked funds in order to reduce the deficit, but it will not solve the underlying problems. The goal of this effort is to improve services for veterans and their families. I urge VBA to go slowly and ensure that they buy what they need and can support.

I thank the witness for appearing today and look forward to hearing their testimony.

Mr. EVERETT. Without objection, all remarks by all members will be so ordered.

Mr. Weller.

OPENING STATEMENT OF HON. JERRY WELLER

Mr. WELLER. Thank you, Mr. Chairman, and I will keep my opening statement brief.

But I also want to join my colleagues in welcoming today's panelists testifying on the Veterans Benefit Administration's computer modernization program.

Our veterans deserve to receive efficient and timely response to their benefits claims, and I hope that we can get to the root of the problem in the claims process and get it on track. I believe it takes just too long to process veterans' claims. I think that if we can process car loans in one day, then a deserving veteran should be approved for their veteran's benefits in an efficient, timely fashion.

And just as important, the American taxpayers need to know that their investment in modernizing the VBA is being done wisely and prudently, with attention to both long-term and short-term goals. I do have grave reservations about whether this criteria is being met under the current implementation of stage one.

I commend the Chairman, Mr. Everett, for his leadership in tackling this issue. I appreciate his hard work in overseeing this process to insure that the VBA system resolves its problems using taxpayer dollars efficiently and effectively.

Without a doubt our veterans deserve better service, and American taxpayers deserve a well-thought out and well-planned system to streamline and minimize bureaucracy and expenditures.

Mr. Chairman, I ask unanimous consent that my entire statement be included into the record.

Mr. EVERETT. Without objection.

Mr. WELLER. Thank you, Mr. Chairman.

[The prepared statement of Congressman Weller follows:]

STATEMENT OF HON. JERRY WELLER

I will keep my opening statement brief, but I also want to join my colleagues in welcoming today's panelists testifying on the Veterans Benefit Administration's computer modernization program. Our veterans deserve to receive efficient and timely response to their benefits claims, and I hope that we can get to the root of the problem in the claims process and get it on track. It takes just too long to process veterans claims. If car loans can be approved in one day, then a deserving veteran should be approved for veterans benefits in an efficient, timely fashion.

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a doubt, our veterans deserve better service, and American taxpayers deserve a well-thought out and well-planned system to streamline and minimize bureaucracy and expenditures.

Mr. EVERETT. Mr. Hayworth.

Mr. HAYWORTH. Mr. Chairman, I commend you and the Ranking Member for being here for the hearings this morning. I look forward to listening to the panel of witnesses with my fellow first year colleague, Mr. Weller, and with that I am ready to hear what the folks have to say.

Thank you, Mr. Chairman.

Mr. EVERETT. Thank you.

Clearly, this will be the subject of future hearings because this computer project is a large, complex undertaking. So let's get started.

I would like to welcome all of the witnesses that testify today. Without objection, their entire statements will be made part of the record, and I would ask that they be as brief as possible so that we may use the majority of the time to ask questions of the panel. I will allow, however, up to 10 minutes for opening statements, as I realize that we are dealing with a very complex issue.

Our first panel is composed of Mr. Frank Reilly, Director of Information Management Technology Division at the General Accounting Office. Mr. Reilly is accompanied by Assistant Directors Rose Hernandez and Ruth Ann Heck.

Welcome. You are an important part of this hearing because you are the ones who prepared the 1992 and 1993 GAO reports on the project. This committee is especially interested in what you found during those investigations and your reviews regarding the recent CNA report.

Mr. Reilly, would you like to lead off, please?

STATEMENT OF FRANK W. REILLY, DIRECTOR, INFORMATION RESOURCES MANAGEMENT/HEALTH, EDUCATION AND HUMAN SERVICES, ACCOUNTING AND INFORMATION MANAGEMENT DIVISION, GENERAL ACCOUNTING OFFICE ACCOMPANIED BY ROSE HERNANDEZ, ASSISTANT DIRECTOR, AND RUTH ANN HECK, ASSISTANT DIRECTOR

Mr. REILLY. Thank you, Mr. Chairman.

Mr. Chairman and members of the subcommittee, is everybody able to hear me all right? Is that better?

We are extremely pleased to be here today before the subcommittee in its assessment of the approach being taken by the Department of Veterans Affairs and the Veterans Benefit Administration to reengineer claims process to improve service to veterans, and I think it is really critical that we keep our focus on this reengineering of the claims process because the years that you have talked about, I do not think that we have really gotten to this issue yet.

With your permission, Mr. Chairman, I would like to submit my complete statement for the record and offer a brief summary at this time.

Mr. EVERETT. Without objection.

Mr. REILLY. And I would also like to introduce on my right is Rose Hernandez and on my left is Ruth Ann Heck, and the three of us have been working together for some time on this topic.

Mr. EVERETT. Thank you.

Mr. REILLY. As my testimony this morning will detail, VA and VBA have taken positive steps towards service improvement. However, VBA still needs to complete its reengineering effort in order to insure the success of this modernization, and at the request of the subcommittee, we are currently working with VBA closely to help identify how to deliver the best possible service at the least cost.

VBA delivers nonmedical benefits, including veterans' compensation and pension to almost 27 million veterans and their dependents, and in fiscal year 1994, this totaled more than $19 billion that were processed through the VA's 58 regional offices. So there is a lot of people and a lot of money involved in this.

In 1990, as you said, the Secretary of Veterans Affairs called for the fundamental change in the way VBA provides its services to veterans, noting the VA needed to change its business process and use of information technology.

He likewise charged VA's regional offices with implementing changes aimed at speeding the traditionally slow claims processing system. In response, VBA has installed new computer equipment in each VA regional office and has set goals for improved processing time for several key types of claims.

Further, it has begun implementing the package of over 40 recommendations submitted by a blue ribbon panel tasked with identifying how claims processing times and the backlog of disability claims could be reduced. VBA has developed organizational models to guide regional office claims processing, and its reengineering work group has identified 18 projects to improve VBA service.

Although some reductions in backlog and processing time have been achieved, VBA's own estimates are that at the end of this fiscal year almost 400,000 compensation and pension claims still await action, and veterans will wait on an average of over 5 months for decisions about original compensation claims.

We do not underestimate the difficulty VBA faces in gaining control over such a work load, as such a control is critical.

For the past 3 years we have raised questions about VBA's modernization strategy. Key issues include the VBA's purchasing of equipment before determining what its business processes should be, a common mistake, may I say, Mr. Chairman, throughout the government; establishing service goals that were not based on customer needs; and performing analysis that did not identify how a new system could improve service.

VBA has also been unable to determine what the overall costs and benefit of the new system will be.

Finally, the role of the department's chief information resource officer lacks the authority to resolve the problems with modernization effort and insure that VBA's new system will, in fact, deliver improved service.

In 1993, VBA established several service improvement goals to be met by the end of the fiscal year 1998. However, these goals were not based on customer expectations or expected process im-

provement. One goal was an initial compensation claim will be processed within 106 calendar days. Yet surveys of veterans performed both by us and by VA showed that veterans expect much faster service, 68 days on average, a disparity of over a month.

While VBA is beginning to explore ways to deliver this service within 65 days, it still has not changed its official goal of 106 days.

Thorough analysis of business process needs to be conducted before meaningful service improvement goals can be set. This analysis also allows an organization to understand this process and provides a basis on which to identify new ways of doing business.

VBA has not done this, although we are now beginning to work with them in this direction, and I think this is a crucial area to get involved in as soon as possible.

Further, we have found that VA's chief information resources officer, as you said earlier, lacks the authority to resolve problems with VBA's modernization and had no active role in insuring that VBA's proposed acquisition will deliver improved service. Instead, the chief information resources officer involvement has largely been limited to reviewing procurement documentation for information technology resources.

We are concerned, Mr. Chairman, that VBA is implementing modernization in concert with several other initiatives without an overall implementation strategy or adequate approach to evaluate key initiatives, such as regional office restructuring.

VBA has not articulated each of its key initiatives to work together to reach the goal of providing the best possible service to veterans. This needs to be done.

VBA's planned approach to evaluating initiatives will likewise need to be strengthened to provide the necessary information to guide continued improvement and insure accountability. VBA currently plans to assess regional office performance in a few selected areas and is developing a survey to assess and attract customer satisfaction.

However, without a true implementation strategy and sound evaluation approach, VBA will not be able to monitor the progress or evaluate the success or failure of key initiatives, including modernization.

The challenges facing VA can be illustrated by examining the history of its handling of the original compensation claims. As our first chart shows, the number of days it took on an average to process these claims jumped from 151 days for fiscal year 1990 to 212 for fiscal year 1994, and then something interesting happened. As of last month, the average dropped to 166. The question is why.

The VA cites recent initiatives, including implementation of recommendations from the blue ribbon panel and modernization, plus increasing the number of raters by 46 percent and instituting stopgap measures, such as substantial overtime and shifting work loads among regional offices.

However, VBA cannot determine which of these actions was most influential in helping it improvement timeliness, and as anybody knows that has tried to solve problems, if you do not know the source of the problem it is very hard to solve it.

Knowing how such a reduction was attained increases the likelihood that it can be repeated. The dashed line at the bottom of the

chart indicates VA's projection of 106 days for fiscal year 1998, which is to say no change from what it is today.

Other voices have joined ours with concern over VBA's approach. GSA and OMB have both expressed concern with VBA's procuring new hardware and software while concurrently wrestling with questions of reengineering.

In response, VBA late last year tasked CNA with conducting a two-part assessment of its modernization. CNA recently completed the first of its two assessments. We reviewed this evaluation which focused on VBA's organizational structures and the processes used to plan, integrate, and manage its modernization.

CNA results are consistent with our prior conclusions. Overall, CNA concluded that VBA is trying to accommodate a range of change that it cannot effectively handle. CNA sees VBA as having two choices: continue the present schedule of modernization with the current level of risk and potentially greater risk ahead, or selectively constrain modernization in the near term, while preparing the structure to effectively manage and integrate modernization on a longer term basis.

CNA recommended the second option, and we agree.

Our second chart illustrates the commonality of concerns shared by us and the other organizations that have studied VBA, and the intent of this chart is to demonstrate to the committee that OMB, GSA, and CNA have all noted that life cycle modernization costs were indeterminate and that performance measures were lacking.

And lastly, GSA suspended VBA's delegation of procurement authority for additional computer equipment for a period of 4 months. With this suspension, VBA was prohibited from purchasing this equipment without GSA approval.

As you can see, the majority of concerns are shared by four independent entities, and the main reason for this is that the concerns that we have voiced for some years now, I think, are now accepted across the board in this town.

Historically VA and VBA have generally not agreed with our conclusions and recommendations. However, they have recently begun to address some of our longstanding concerns, and we are optimistic that we can help VBA identify how to deliver the best service possible at the least cost.

And just this morning, Mr. Chairman, we were talking with the staff, and I think this optimism is reasonably based.

In conclusion, Mr. Chairman, we appreciate the enormity of the challenge facing VBA and recognize the actions undertaken to improve service to veterans, but these actions will not be enough. Additional steps must be taken to enhance the probability that VBA's modernizational effort will succeed.

One critical step is the designation of a central point of authority charged with and given the power to make the vision of significantly improved service to veterans a reality. If after thorough analysis an overall framework can be created in which individual initiatives can coalesce, the chances of a truly reengineered organization and modernized system that will make a difference will be markedly improved.

We are prepared to support this subcommittee and VBA in taking on this difficult challenge.

This concludes my remarks, Mr. Chairman. I would be happy to respond to any questions you or any members of the committee would have.

[The prepared statement of Mr. Reilly appears on p. 54.]

Mr. EVERETT. Thank you, Mr. Reilly. I appreciate that.

I must comment on chart number two and say that I find it remarkable that GAO, OMB, GSA, and CNA have such a consensus on the concern we have discovered over the years.

I thank you for your testimony. Let me ask you, CNA has completed the first of two reports analyzing VA's management approach to VBA modernization. What do you feel are the most important findings in that report?

Mr. REILLY. Well, I would say that the most important findings are, first and foremost, the need to translate VA's vision and goals into performance objectives and measures that are meaningful at the process working levels to guide the redesign and information system. I mean I think that is critical.

Equally critical is the need to strengthen the planning, control, and integration processes and structures for managing the implementation of a large, complex modernization project where you have systems problems. That has historically been a weak problem.

And the third one is the modernization's current strategy and plans have a low probability of achieving the August milestones, 1996 milestones, due to incomplete and invalidated information on engineering guidelines provided by the project team members and lack of adequate skills.

These are the three items that we felt were the top findings that CNA made.

Mr. EVERETT. In the report, it mentions that perhaps a management team that deals and has dealt in the last 40 years with operational management might not be the same team needed to move forward on the advances or the changes that are needed to complete this computer modernization program.

Have you any comments on that?

Mr. REILLY. Well, Mr. Chairman, it strikes me that, the three agencies have spent a significant portion of the last 3 years looking at the modernization problems. What we find is that if they can set up an overall strategy which lays out customer expectations, resource and work load challenges, the business approach to streamlining, reengineering, and handling automation, and then lay out the key enablers, which are the work force and how they are going to use the technology, this is what needs to be done. Sometimes the people who were operationally handling this do not have the same perspective as the people that have to plan for this for the future.

And I think what we have to get delineated here is a plan for the future that pulls all of these things together. We have said this in our report. CNA says this in their reports. I think everybody that has looked at the problem has said this.

It is not lack of effort on VA's part. VA has had a lot of people looking at this, but something is not pulling it all together in a plan that deals both with a strategy and a business approach, and that is what has been lacking.

Mr. EVERETT. I spent 33 years in the private sector before I came to Congress, and one of the things I did was work as a consultant

for newspapers, and often when they would call me, they were failing. One of the difficulties I encountered was a culture within those newspapers against change.

Do you think we have that problem in VBA and Veterans Affairs in general?

Mr. REILLY. Well, again going back, I spent about 35 years in the consulting industry, and every company I ever went into I had the same problem, without exception. People do resist change.

Mr. EVERETT. Well, let me ask you a different way. What skill sets are needed to move this change forward?

Mr. REILLY. I think that the key approach is to have a vision of the future, recognizing what the service to the veterans should be. Somebody said earlier, yourself or one of the members of the committee, about if you get a loan overnight. I think Mr. Evans mentioned if you get a loan overnight, well, then why does it take months and years to get a claim handled.

I just went through a car was stolen, and from the time the car was stolen until I got paid, it was 30 days, and that included they had to wait a certain time to see whether the car was going to be returned to me. You just call the insurance company, send a couple of pieces of paper, and they send you a check.

Well, you know, I hate to think if this had been in the government how long it would have taken me to get my check, and I think we have just got to think differently, and we have got to get people to realize that the veteran comes first and his service comes first, and what do we have to do to get that service? And it means radical change, but if you have been doing something for a long time the same way, I understand it is hard to change. It really is.

Mr. EVERETT. And I have to tell you my veterans have been increasingly impatient with this wait. I am going to limit the chair also to 5 minutes. I am sorry that the clock was not on, but I will announce to the committee that we will in all likelihood have a second round of questions since we only have two panels today.

At this time, Lane, do you have any questions?

Mr. EVANS. Thank you, Mr. Chairman. Just one quick question.

Mr. Reilly, over the past 10 years VBA has reduced its work force by 6,500 FTEE, about one third of its total number of employees. I understand that you cannot really ascertain why the numbers have gone down in terms of the days to process claims, but has this had any effect? Have you looked at that impact on claims processing?

Mr. REILLY. Ruth Ann?

Ms. HECK. We have not looked at it specifically, but although they have overall reduced staff, the number of raters, as we stated in our testimony, has increased substantially since 1992. So I think if you increase the number of people making decisions by almost 50 percent, it is going to have some impact on backlog and potentially time frames.

Mr. REILLY. The problem, Mr. Evans, is if you do not change the process and it is sort of inevitable that nothing is going to happen to impove operations.

On the other hand, there is a need to change the process. One of the facts that our studies show is that, the actual physical work

that is done on any one claim is really a very small amount of time. We are talking about under 20 hours.

So it is a question of getting this work brought together. Let me give you an example. If the VA was set up in such a way that when a claimant walks into a regional office and sits down with an interviewer at the computer who takes the claim information and decides that, this person requires a physical. The computer there in the VA claims office can connect right into a hospital, and arrange for a physical 10 o'clock next Tuesday. They can tell that person right then and there, and whomever is with that person, so that they will schedule themselves and be there next Tuesday. That way we immediately start this claims process going. One of the problems we have today is that people are not getting the doctor's examination as quickly as they should, and that data is not getting back to the rating people causing serious time delays.

Every time this claims process stops and you wait for someone to begin the next step, that is when the veteran is out there waiting and nothing is happening.

Mr. EVANS. You know, I have been in VA claims processing units, and one of the biggest problems, it seems to me, is just storing records and keeping them managed in storage. How can the computer systems that the VA is attempting to purchase deal with those problems?

Mr. REILLY. I think we have to have paperless records. I do not think anything else makes sense in the future. If we cannot have paperless records, what is the point in spending all of this money on computers? We have looked at other systems; we have looked at states, for example, that have completely computerized welfare systems, paperless. The people come in, they get interviewed, it gets all put on the computer. Their files are stored there, and they have been able to dramatically, and I mean dramatically, reduce the amount of time that it takes to service welfare people.

If we can do that in welfare, why can't we do it here?

Mr. EVANS. And we do it with Social Security to some extent. Are the Social Security claims comparable in terms of effort that has to go into them? Do you know?

Mr. REILLY. The disability claims are, sir.

Mr. EVANS. That is what I mean.

Mr. REILLY. They are in the process of doing that for the disability claims. We as a country cannot live with a system where we now produce ten billion paper medical records a year in, that should all be on a computer. It is madness that we have all of these computers around the country, and still we have all of these paper records.

So I think a computerized medical record is one more step in moving toward that direction of getting a paperless system. Computer files can eliminate paper-filled file cabinets and the process where people have to go around from desk to desk, seeking claims data. Now you can call the claims data up from a computer file. For the Social Security Administration that has made one huge difference in using their 800 numbers.

I do not know whether you saw the news item but SSA got the number one award in the country this past quarter for response on telephone calls including those in the private sector. It is because

SSA uses the computer screens and when somebody calls in, they have the data to respond to them.

Mr. EVANS. Thank you very much.

Thank you, Mr. Chairman.

Mr. EVERETT. Thank you.

Mr. Hayworth.

Mr. HAYWORTH. Thank you, Mr. Chairman.

Mr. Reilly, in the 1993 report, GAO included the VA-OMB agreement in which VA agreed to strengthen the CIO position, including reporting directly to the Secretary in seven specific functions relating to VBA modernization, including approval authority over acquisitions.

Is that happening today?

Mr. REILLY. Well, Mr. Hayworth, the problem is CIO approval authority over computer acquisitions at the end of the line is really not too helpful. What needs to be done is if the chief information officer is going to deal with this claims issue is to tie together the Veterans Health Administration and the Veterans Benefit Administration processes in a single master veterans record. That is number one.

Secondly, the CIO cannot run the day-to-day operations of VBA, but they certainly should be involved in such things as approval over systems design, approval to proceed to systems development, approval to proceed with systems deployment, and conduct post-implementation reviews.

It is one thing to give the responsibility to the component part of the department, VBA, to do the job, but there is a need for the chief information officer to be as an independent and objective participant. Independent in the sense of not actually performing the system's activity but to professionally review it to see if this thing makes sense as an objective perspective versus those staff who are actually doing the day-to-day operations.

Mr. HAYWORTH. Mr. Reilly, you mentioned just a moment ago in answering the question of the Ranking subcommittee Member your observation that a conversion to paperless records was highly desirable. Based on your experience in having to look at what has transpired within other agencies, and you mentioned specifically some state welfare benefits conversions to paperless records, is there any type of time estimation that you could offer this subcommittee today just as an observation, based on your experience, to have type of conversion? How long would it take, do you believe, for an organization like this to convert to paperless records?

Mr. REILLY. Mr. Hayworth, the first thing that they have to do is reengineer the current process. I mean, you know, paving a cow path is not the answer to any problems, as said by many people before me, but it is a cliche that is true.

Once you decide that the reengineering is the first priority then from that point on you determine how you are going to use the people you have to do this new process. It has been our experience that the biggest problem is the people adjustment side. Writing the computer programs, yes, that is complex and you have to do a lot of testing. But the claims processing people side of this, getting attuned to new ways of doing business, that is the hard part.

I would say that we are talking minimum 18 months, 18 months to 3 years. That is the range. I am talking about getting the system reengineered, getting rid of paper, tying VHA and VBA computer records together, and having a process where when the veteran comes in, they can get taken care of in minimal time, and in my mind minimal is going to be less than 68 days.

Mr. HAYWORTH. Mr. Reilly, I thank you very much and thanks to the other members of the panel.

Mr. Chairman, I have no further questions.

Mr. EVERETT. Thank you.

Mr. Ney.

Mr. NEY. Thank you, Mr. Chairman.

I just wanted to follow up on Mr. Hayworth's comment about the total turnkey time. You said 18 months to 3 years, that would be the design, integration, purchase of the equipment, and it would be up and running?

Mr. REILLY. Yes. The equipment problem, sir, is probably the least of the problems. I mean everybody tends to see that as the big problem, but I think that is the least of them. The biggest problem is to change the way of currently doing business, and that is the hardest thing to do, always has been.

Mr. NEY. This is, of course, something we ask about constantly; the delay of the claims. I believe in some past testimony here, I do not remember the witness, someone had stated that we needed to upgrade the systems we had. In other words, they were not adequate.

Mr. REILLY. Do you mean before they bought the new equipment? They have already bought a lot of equipment, and the equipment they had was old. I mean old in the sense of old design. They had a Honeywell system that had been in for a long time. It operated okay, but you know, it was technologcially old.

The problem is that VA put the new equipment in, but VA has not changed the processes. So it is like in word processing applications. Whether you have got a 386 or 486 or a Pentium processing unless you are becoming a much faster typist than most people, it is not really going to make any difference in word processing productivity. What we need is to change the actual process by which these claims are handled or I do not care what faster speed of equipment you have; it is not going to solve the problem.

Mr. NEY. So the equipment is there?

Mr. REILLY. Oh, the equipment is there.

Mr. NEY. The other question I would have to ask you then is: what would you suggest as a coordinating body that would be an unbiased entity if we wanted to carry this out to oversee this?

Mr. REILLY. Well, I think that they have the mechanism within the Department of Veterans Affairs. They have a chief information resource office. They have staff. Now they have a contract with CNA, which on the basis of their initial work has done a good job. I think we have all of the activities within, and certainly the General Accounting Office is working with them and will continue to work with them as the committee requests.

I think we have all of the elements of getting the thing done. I really do.

Mr. NEY. So we do not need to take an outside type of look. In house, it is inherent that we do it?

Mr. REILLY. I think it is inherent with the kind of assistance they have. If the chief information resource officer is given the authority within VA to do what is needed, and they allow the consultants to help them in the way that they are capable of helping, and GAO is certainly more than willing to work with them. Those of us that work on VBA issues feel very strongly about this as much as this committee does in wanting to improve service to the veterans.

I think and I know VA feels the same way because we have talked to these people. So I think we have got all elements there to do it. What we need is that plan. We have got to have the plan and the direction at top for everybody else to pull together, and that is what has been lacking.

Mr. NEY. Well, how do you suggest that starts from tomorrow forward? How does that ball get rolling?

Mr. REILLY. I think the first thing that needs to be done is to get this plan laid out, first the outlines of it, what it is going to be, and then the details of it. We have found in other agencies and in businesses, those that do this succeed and those that do not do this fail. This is pretty much across the board, whether you look at the government or you look at the private sector. You have to start off with a business plan and a strategy and laying out what your approach is going to be and how you are going to do it.

Mr. NEY. By the way, in Ohio we were receiving fines from the Federal Government. They were withholding payments due to our human services collection system on child support. They automated, and within about a year and a half got out from under the whole mess they were in, and the only way for that to happen, because they had tried to tackle the problem for years, was automation. It was the only thing that cured it, and it was done, but somebody has to decide to do it, and then you begin to carry it out.

You are saying all of the tools are there?

Mr. REILLY. They are just not being put together, sir.

Mr. NEY. It is frustrating that it is not going.

Mr. EVERETT. Thank you, Mr. Ney.

Mr. Barr.

Mr. BARR. Thank you, Mr. Chairman.

What is the chart on page 11, which I think is also the one over there? Explain what that chart is, please.

Mr. REILLY. Well, the purpose of that chart, Mr. Barr, was to demonstrate that GAO, the Office of Management and Budget, General Services Administration, and the Center for Naval Analysis, all have looked at this problem, and we looked at strategic planning is needed. I mean we have all agreed that all of these things need to be done.

Mr. BARR. Why aren't there Xs in all boxes?

Mr. REILLY. Because some of them did not look at all parts of the problem. Ourselves and CNA were really tasked for looking at all parts of it. OMB was looking at certain specific things, as was GSA.

Mr. BARR. Okay. So what this chart represents is these four organizations looking at VBA's approach to modernization and saying these are the areas in which they are deficient?

Mr. REILLY. These are the areas that you have to deal with. You have to have strategic plans, which we do not have.

Mr. BARR. Is there anything that you like about their approach?

Mr. REILLY. Well——

Mr. BARR. I mean maybe it is all bad. I cannot believe that, but I mean is there anything that they are doing right?

Mr. REILLY. Well, the bottom line, Mr. Barr, is that it is taking over 5 months to service a veteran's claim. That is the bottom line, and also the bottom line is that this government, as all governments, has limited resources. We cannot employ an endless number of people in overtime working nights and weekends. So something has to be done to change it, and that is what we are trying to deal with here, is to get it changed.

Mr. BARR. Are there other agencies that provide services in any way similar to the VA and are faced with the resource problem that the VA is faced with that are having similar problems or that have overcome those problems?

Mr. REILLY. There is one agency in town that has problems that are so similar that it is remarkable, and that is the Social Security Administration Disability Insurance Program, which handles disability for people who are not veterans. In other words, if you are a veteran, and I am a veteran, you go to VA if you have a compensation or pension problem. If you are a non-veteran and if you have been paying into Social Security, you get disability insurance.

They are having the exact same, identical issues. They were running 151 to 155 days, again, 5 to 6 months, to service claims, and that was unacceptable, and their backlog was building. Their backlog was in the hundreds of thousands.

Mr. BARR. And is their ratio of employees to beneficiaries roughly comparable to the Department of Veterans Affairs?

Mr. REILLY. It is sort of hard to say, sir, because they have a combination of state employees and Federal employees, and so it is not comparable in that sense. They are not all Federal employees. So it is very hard for me to tell you the comparability in staffing.

Mr. BARR. Okay, and are these two agencies talking with each other?

Mr. REILLY. Yes, sir, they are.

Mr. BARR. When did that start?

Mr. REILLY. I do not know when it started, sir, but I know they are talking to each other because one of the VBA gentlemen this morning just mentioned to me that they had been talking to Social Security. He was saying that Social Security very much appreciated the work that we did with them because we have come to know these reengineering problems pretty well, Mr. Barr. We have been working with a number of agencies, and we have spent a lot of time on reengineering issues.

Mr. BARR. So would it be fair to say that there is a pretty good example out there of an implementation system that has worked or seems to work?

Mr. REILLY. Well, SSA's in the process. I want to hasten to add they are in the process of changing this, and they started off with

a plan, a very good business plan, and following that they pulled a team together and developed on implentations plan and they did it in a fairly short period of time. Now they are following that plan, and I think that is the key because you have something to measure against.

They have goals; they have objectives; they have time periods; they have staffing. This creates not a small issue, which is training. People who are doing work one way have to be trained to do it in another way.

Mr. EVERETT. Would the gentleman yield?

Mr. BARR. Certainly.

Mr. EVERETT. Under the new business plan at Social Security, what is their target days to service a claim?

Mr. REILLY. They were shooting for 60, and did they still stay with that, Rose? Sixty has been their goal.

Mr. EVERETT. As opposed to VBA's 106?

Mr. REILLY. But, Mr. Everett, 60 is sort of a high side. If you really talk to people inside, the goal is to get it down to less than 60.

I think the key here is to stop this handoff, you know, from process to process, and particularly on the medical records. If you can get those medical records in and evaluated promptly, there is no reason that this thing has to take a long time.

If you do not get those medical records in, then it just automatically cannot be anything other than a long time. So I think one of the things that we really need to focus on in this is the tie-in between VHA and VBA and also the tie-in between VBA and the Defense Department, and I understand they are working on all of these problems.

Mr. BARR. Okay. Thank you.

Thank you, Mr. Chairman.

Mr. EVERETT. The chair will now recognize the counsel for the Minority for a question.

Mr. RYAN. Thank you, Mr. Chairman.

Mr. Reilly, I have a question. Have you looked at what legislative changes might be needed to go to a paperless processing?

Mr. REILLY. No, sir, we have not.

Mr. RYAN. Thank you.

Mr. EVERETT. Thank you.

I had advised the committee that we would have a second round of questioning, and to pick up on Mr. Barr's question, how are we going to integrate the current delivery network, BDN, with VETSNET, for instance? Is there a plan to transition that?

Mr. REILLY. Rose?

Ms. HERNANDEZ. Well, as far as I am aware, Mr. Chairman, there is not, and I believe that was one of the findings in the CNA study as well, that there needs to be a transition plan. There will need to be some concurrent parallel operation as the new system is developed. The old system is going to continue to have to do the job, and unfortunately there is no plan as I know of anyway today.

Mr. EVERETT. Well, you anticipate my next question. How in the world are we going to get there if we do not have a road map to get us there? Obviously we have got to keep the current system operating until we get VETSNET organized, and yet we have a situa-

tion here as I understand it where we do not even really know exactly what we want VETSNET to do.

Even accepting the current vision of VETSNET, we do not have a plan to get there. Years ago, and I guess it is outdated now, I took a course called MBO, Management By Objective. I saw you nodding.

Mr. REILLY. I am very familiar with it.

Mr. EVERETT. Obviously you know it is a very detailed plan. It spells out that you have to take a look at where you want to go, and then you have a very detailed plan on how to get there, and in the information that I have seen so far, I do not see any of that.

Is that the conclusion?

Mr. REILLY. Yes, sir.

Mr. EVERETT. Well, how are we going to get there without doing that and without a tremendous waste of taxpayers' money?

Mr. REILLY. Well, I think that plan is really needed. I mean I do not think there is any question about it.

Mr. EVERETT. Were you able to discover, number one, how much money we may have spent and, number two, what this entire system may end up costing?

Ms. HERNANDEZ. To date?

Mr. EVERETT. Yes, to date.

Ms. HERNANDEZ. I think to date spending is around $140 million.

Mr. EVERETT. One hundred forty?

Ms. HERNANDEZ. One hundred forty, yes, sir. That would include new equipment that has been deployed to the regional offices primarily to do compensation and pension claims processing, insurance administration.

Mr. EVERETT. Word processing?

Ms. HERNANDEZ. Primarily, yes, sir.

Mr. EVERETT. Excuse me for interrupting, but isn't that pretty expensive for word processing?

Ms. HERNANDEZ. Well, I think the equipment is planned to do additional VBA specific work. It is software that will need to be developed, and it is the subject of the VETSNET C&P development and requirements analysis that is being done currently. Once those requirements are completed and a design is decided upon, then some new software will be generated, and it will reside on this equipment.

Mr. REILLY. I think, Mr. Chairman, if we are going to get to a paperless system we have to start with having word processing in every office. So that data once it is put on the computer never has to be reentered again. We have got to get to a mindset where we do not have file cabinets, and we stop carrying folders of paper around. Instead the data can be on the computer and accessible to the people in claims. The veteran's medical record can be available on the computer and be accessible.

We have got to get almost an instant data accessibility process throughout VA tied together, and when we have that, I think the reduction in claim process time will amaze, you.

Mr. EVERETT. Well, I do not mean to move into micro type questioning here, but that has concerned me. For instance, what do we use for a source document to start with?

Mr. REILLY. The claimant comes in and has a claim, and you enter the contents of that claim into the computer. As the VBA employee is talking to the veteran, you type it in. You store the original interview right on the computer thereby filling out the documentation.

Mr. EVERETT. But it is my understanding we have only got around 800 folks taking this in-processing in the beginning, the initial processing. Can they handle the volume of what, 100,000 new claims a year, 158,000?

Mr. REILLY. I think that has to be worked out, sir. When we talk about a plan, that is part of the issue. That gets right back to your MBO. Remember you said have they got an overall plan? Well, that is what we need.

Mr. EVERETT. That is part of the management tool that we have to operate in a new culture to get to that point.

Mr. REILLY. Yes, sir.

Mr. EVERETT. Do we have any idea how much this entire system is going to end up costing when we are finished?

Ms. HERNANDEZ. No, sir, I am afraid we do not. That has been one of the problems that we have had since 1992 and 1993. When we look at life cycle cost across a spectrum of about 8 years, we are not clear exactly what the total bill is going to be, and that includes development, design, deployment, maintenance. Those questions are still outstanding.

Mr. EVERETT. Well, see, I have gotten estimates as high as $1.5 billion, and that is part of what scares me to death. We have an obligation to our veterans to improve the system. We all recognize that, and we are all working toward that end, but we also have an obligation to make sure this money is spent correctly so, we can get down the road. As I understand the testimony that you are giving me today and what I have read from the other organizations, there is a good possibility that we are going to get down the road and at the end of the day we are not going to accomplish what we hope to accomplish, and we will have spent, if you take that estimate, $1.5 billion of taxpayers' money in trying to accomplish this.

That concerns me a great deal, and also from my Scotch-Irish background, as well as my business background. If I run a corporation and that corporation happened to be VBA and an outside agency that I had asked to come in and study this situation had presented the reports that you have presented to me and the other organizations had done that, we would have some serious conversation with the folks who were running that operation.

I am really concerned that, as you have put in your report, we are getting the cart before the horse. Let me ask you: should VA stop further development until this planning is completed?

Mr. REILLY. Well, I think that question comes in two parts. I think we want to stop additional things that start new applications, but we do not want to stop the activities that are looking to build to the future. Again, we come back to the need for a plan. It is extremely difficult to know what to do and what not to do without one.

In other words, it is hard to say what you should put money into now versus what you should be putting money into in the future. So I think that, in a sense, we need to have a breather in terms

of spending any more significant amount of money. On the other hand, we certainly want them to have adequate funds to get support to do the work to get a plan together and get a system designed and reengineer and deploy. They are going to have to have resources for that. We know that, and so we would not want that stopped.

They have got three stages. Could we hear comments, Rose, on the three-stage procurement?

Ms. HERNANDEZ. I think it is not a clear-cut issue of what can be restrained, if you will. There is definitely some background that I think would help you in making any kind of decision regarding funding.

Currently the stage one is not only the equipment and the word processing capability that you mentioned earlier, but there is also some very important contractual support that is being used by the software and business side of VBA to do information engineering, and that is where VBA is residing most of its hope in trying to define new ways of doing business.

So that contractual support there would have to be safeguarded because we do not want to stop them from proceeding along with that effort.

The stage two procurement is for imaging, which would get VBA some experience on what it will take to get to a paperless environment. Currently they are in the waning days of awarding the contract for those imaging systems, and that pot of money would need to be safeguarded so that they could carry out some pilot testing that they plan to do and do some assessment on the specific cost and benefits that imaging technology could provide them in their various processing of claims, for example, in education, as well as in compensation and pension.

The stage three procurement that they have on the boards is for replacing the mainframes that reside at the Heinz, Illinois data center and the Philadelphia data center. That particular procurement has been suspended by GSA until CNA completes its second assessment here towards the end of this year.

So you would have to ask specific questions about what would be required not to stop VBA from making process and what could conceivably be put off or delayed until VBA was, for example, to put together a good business plan, and I think there are some things that you could do in that arena.

Mr. EVERETT. Well, regarding putting together a good business plan, do we need folks that are familiar with system engineering or integration, or is operational experience more important at this point? What do we need to get there?

Mr. REILLY. I think we need a combination.

Mr. EVERETT. A combination?

Mr. REILLY. Yes. I think we need people that have a vision as to how we are going to give service to the veteran and people who that have reengineering experience in terms of what it is going to take in terms of resources, training, technology use, et cetera. So I think we have got to have a combination here to put this thing together.

Mr. EVERETT. Another thing I picked up on a little bit is I understand we have about 4,000 folks in Department of Veterans Affairs working with computers, software.

Mr. REILLY. Four to 5,000.

Mr. EVERETT. Yes, four to 5,000, and I understand that the software that they are based in is primarily Cobol; is that correct?

Mr. REILLY. Yes, sir, historically it has been.

Mr. EVERETT. My concern is this. I took computer programming back in the 1950s. Cobol was the language. Cobol today in my estimation is no longer the language. Obviously the software will be the vehicle that drives the engine. Are we using the right vehicle?

Mr. REILLY. Well, they are not going to use Cobol, sir, for the future.

Mr. EVERETT. Okay. We are away from that?

Mr. REILLY. One of the things where I am saying if you have got a plan, you have got to lay it out. Training is no trivial issue here. Training of two kinds: training of people to upgrade them in technology and training as we are going to change the system, which is going to change the way people perform their current work. They are going to have to be trained in that, but they have already started, sir, to move away from Cobol and to use other language in working on these new systems.

Mr. EVERETT. I would like to thank the panel. I appreciate your appearing here today and your testimony. Thank you very much.

Mr. REILLY. It was our pleasure, sir. Thank you.

Mr. EVERETT. Let me say while our next panel is getting in place, the testimony today raises concerns about the direction VA is proceeding with its management initiatives, and I know this next panel is going to shed some light over the concerns that we have raised here.

This panel is from the Department of Veterans Affairs. Mr. Ray Avent, the Deputy Under Secretary of VBA. He is accompanied by Mr. William Stringer, VBA Chief Information Officer; Mr. George Vaveris, VBA Director of Information Technology; Mr. Gary Hickman, Director of the Compensation and Pension Service; and Ms. Nada Harris, Deputy Assistant Secretary for Information Resources Management.

Mr. Avent, would you please proceed?

STATEMENT OF RAYMOND AVENT, DEPUTY UNDER SECRETARY FOR BENEFITS, DEPARTMENT OF VETERANS AFFAIRS ACCOMPANIED BY WILLIAM STRINGER, CHIEF INFORMATION OFFICER; GEORGE VAVERIS, DIRECTOR OF THE OFFICE OF INFORMATION TECHNOLOGY; GARY HICKMAN, DIRECTOR OF COMPENSATION AND PENSION SERVICE; AND NADA HARRIS, DEPUTY ASSISTANT SECRETARY FOR INFORMATION RESOURCES MANAGEMENT

Mr. AVENT. Thank you, Mr. Chairman.

I am pleased to be here today to discuss with you the Veterans Benefits Administration modernization program, and I would ask that my written testimony be part of the record.

Mr. EVERETT. Without objection.

Mr. AVENT. Before I make a short statement, I would like to introduce the people at the table with me. To my immediate left is

Mr. Gary Hickman, head of the C&P Service. Next to me is Bill Stinger, who is the Chief Information Office for VBA. To my right, Mr. George Vaveris, Director of the VBA Office of Information Technology, and to my far right, Ms. Nada Harris, Deputy Assistant Secretary for Information Resources Management.

Mr. Chairman, our staff is heavily dependent on information to serve our nation's veterans and their families, and this dependency is growing with time. Our benefits delivery network is limited in the information it can provide and the processing support it can give us.

Consequently, our employees have been working around the system's limitations by maintaining and keeping track of physical folders and through labor intensive activities required in gathering evidence and making decisions.

Our modernization program began in the mid-1980s, as was mentioned earlier this morning, in response to the obsolescence and inaccuracies of that benefits delivery network. When we began our modernization program, many of our employees did not have access to work stations. Many had to leave their desks to gain access to the system or defer work until a work station became available.

At the same time, the system was already more than 10 years old. We knew that we would have to replace the system and that the investment would be significant if we were going to put in place a system that could be easily changed to meet our current and future needs.

We also recognized that we had to reengineer our business processes to improve customer service, reduce rework, and simplify work flow, and it would be those business processes that would drive the implementation of a new information technology system.

It was obvious to us that such an undertaking would take a number of years and consideration had to be given to making interim improvements to meet customer demand. Today we have made significant progress toward achieving our modernization goals.

Through our stage one procurement, we have increased the number of work stations available to staff in the regional office from about 3,600 to over 10,700, and those work stations are multi-functional. Now employees can access some of the information processing capabilities they need through a single work station at their desktop.

While modernization encompasses all of VBA, we are giving special emphasis to the processing of C&P claims. We are now able to provide adjudication personnel direct access to hospital data four times faster than before and from their own desktop. Adjudicators now have a flexible and easy system for generating letters to claimants. Standard forms and other attachments are also computer generated for inclusion with the letters.

We have deployed recently an application known as Rating Board Automation, which permits rating decisions with only minimal keyboard use.

And, lastly, we have begun to supplement printed manuals and directories with a CD-ROM application that allows adjudicators easy access to VA laws, regulations, and directives.

Mr. Chairman, these are significant changes. They are changes that were possible because of modernization. Coupled with a host

of changes in business processes, which we discussed with you at last month's hearing on our compensation and pension program, we are seeing improvement. The bottom line is that claims are being processed faster, and we have reduced the backlog of C&P claims.

We acknowledge that our original modernization plan did not anticipate fully the degree and rate of change that would need to be accommodated. Through the assistance of the GAO and more recently the Center for Naval Analysis, we have turned more attention to better organizing our management and integration processes to insure effective control of our long-term modernization and reengineering efforts.

In response to some of GAO and CNA's recommendations, we have established a broad, formal performance agreement with OMB that established timeliness goals for critical types of claims. Internally we have expanded those broad goals to include time saving goals for component steps in the claims process, as well as customer service goals.

We created a VBA-wide business model in September of 1992 that articulates 39 business goals, 14 of which have been identified as high priority and are being considered in the VETSNET design. These goals represent a coherent vision of the meaning of service to veterans.

Currently we are working with CNA to create common cross-program goals to drive process and information system design. These goals will be consistent with performance measures.

We also have created a Chief Information Officer within VBA charged with, among other things, insuring the effective communication between our business and our IRM activities. We are in the process of defining expansion of the CIO's role to include an analysis function that would assess the large number of initiatives underway and prioritize them against new initiatives.

We have appointed a VETSNET project manager to strengthen our business focus and streamline the VETSNET reporting chain.

We are developing a documented plan that articulates our strategic vision, identifies major initiatives and their impact on VETSNET, and establishes a mechanism for continuous oversight and integration of initiatives.

We have asked CNA to complete a comprehensive, updated economic analysis and assess the viability of our original technical architecture. With the help of GAO and CNA, we are carefully assessing where we are and what we must change to improve the probability that we will succeed in our plans for modernization and reengineering.

We are committed to improving the service we provide to veterans and their families and would appreciate whatever help we can get toward that end.

Finally, Mr. Chairman, VBA needs modernization to produce quality and timely decisions to our veterans.

Mr. Chairman, that completes my statement. We are available to answer any questions that you or other members might have.

[The prepared statement of Mr. Avent appears on p. 64.]

Mr. EVERETT. Mr. Avent, I appreciate your testimony. As you heard, we have a vote, and at this point I am going to recess the hearing until the voting is over.

[Recess.]

Mr. EVERETT. The hearing will come to order again.

In advance, I want to apologize to the panel and those in attendance today. There apparently is some discussion on the procedure of the House floor at the moment regarding doing the business of the House, and so we may be subject to another interruption shortly, but considering the uncertainty of it, I think it is best that we go ahead and proceed.

Mr. Avent, I appreciate very much your testimony, and at the outset let me say that knowing myself and the entire committee and the other organizations involved in this, we recognize the tremendous step forward that VBA has made in computer modernization, and we applaud and congratulate your willingness to advance as far as you have so far.

Having said that, let me start off by saying CNA has completed the first of two reports analyzing VA's management approach to VBA's modernization. The first question would be: what do you feel are the most important things or findings in that report?

Mr. AVENT. Mr. Chairman, there are a number of findings in the report that we have taken to heart and started working on. I think one of the comments that they made, and they made it a number of times, is that VBA is involved in a major change of its operation and its organization, and I think that works its way toward their comments about our modernization program integrating the different initiatives that we have going now.

I think the advice that they gave us to develop a plan is important. I think all of the questions and all of the recommendations are very strong. I think there are eight of them at least that we feel very good about and that we are going to work with them on and work on really.

Mr. EVERETT. Are there any findings in the CNA report that you disagree with?

Mr. AVENT. I do not think we find any in there that we totally disagree with. I think there are some that we may discuss, but I think all of those we have accepted to heart and are beginning to work on them.

We have had that report now since the end of March or early April.

Mr. EVERETT. You mentioned a recurring theme, and I agree with you. Also, as you know, there is a recurring theme in these reports that states quite plainly that they do not believe that the internal management abilities lend themselves to the scope of change that must be accomplished to complete this modernization and to fulfill the vision that you have of VETSNET.

I found that, as a matter of fact, in four or five different places in the single report.

Mr. AVENT. Yes.

Mr. EVERETT. What is your comment on that?

Mr. AVENT. It is just an interesting comment about our management structure. When you look at our processes and the way we are organized, we are doing the right things to get people to assist us in those areas where we may be weak. We are using contractors like CNA. We have been using other contractors too.

I think you mentioned the number of people who have looked at us, and the number of papers that have been written exploring our business and giving us advice and giving some thought as to how we do our business. So with that added to our structure, our feeling is that we can manage this change and the modernization process.

Mr. EVERETT. I am going to suspend the 5-minute rule at this point.

Having been in that particular situation a number of times, I mentioned earlier, and you may have heard my remarks, that after being in newspaper work for about 25 years, I did some consulting for newspapers, and generally the folks did not call me until they were in serious trouble. That is sort of the nature of that business, and generally what I found was that I got great resistance from the employees who had been performing a certain function a certain way for a number of years, and I assume that you are assuring me that you all have taken that into account and that you are correcting through the training of that situation.

Mr. AVENT. Mr. Chairman, we are taking that into consideration. We all recognize that there is always some resistance to any change. It is kind of human nature. I think I do it. I think most other people will.

Mr. EVERETT. We would not be human if we did not.

Mr. AVENT. That is true.

But the effort here is to make sure that the employees understand the direction we are going and that we provide them with training. That is key to what we are doing.

In the case of modernization, we have spent a substantial amount in training our personnel. The local facilities are also providing training so we are trying to bridge the gap; and by bringing some of our initiatives on in the manner we have had, we have given our employees the opportunity to work up to the full fledged application, and the way that the system is set up has allowed us to do that.

The BDN has been here since the mid-1970s. As we built on that, our first effort, was the procurement of the stage one work stations in the regional offices. We provided training for our employees. We have talked to them about the way we want to move in providing customer service to our people and work through that process.

As the transitonal applications come on line, they receive training for that initially. The first day that a work station arrives, we start with training. As applications come on board, we conduct additional training, and we train the management people at the regional offices to provide additional training based on the needs their employees might have.

Mr. EVERETT. You know, in doing this work, I dealt with organizations that had 50 employees probably up to 400 or 500 employees and had various degrees of success in trying to coach people into a new culture or a new way of doing things. I mean, gosh, darn, there are just some real good folks out there from time to time that for whatever reason decide they are going to do it their way, and that is about it.

You are dealing with an organization that has included all of VA, 4,000 to 5,000 employees who I am concerned about, and that is not just the people in the regional offices and that sort of stuff, but

I am also concerned about the people who have the responsibility to make these computer changes that are needed in the modernization program.

As a matter of fact, I am more directly concerned about that than I am other aspects of this situation, and that is really the employees that I am asking you about.

You are not telling me that you have 100 percent compliance from these folks?

Mr. AVENT. No. Let me address it a little bit differently, and then I will ask Mr. Vaveris to make a few comments.

When you talk about the people who are managing the IRM equipment, we only have about 970 really in VBA. Of that 970, 650 or so really are involved in the maintenance of the current BDN system. The balance of that group is involved in development and the other modernization issues.

George, do you want to add any comments?

Mr. VAVERIS. Yes. There is a strategy to combine both contractor support with in-house training that is evolutionary as opposed to revolutionary.

Sir, you made the comment about the Cobol programming. You are absolutely right. It is a language that has, indeed, probably seen its best days, but certainly the new tools require time and investment in order to have the staff absorb them properly and be able to use them, and in part, that is what the transitional projects were for.

The initial round of what we refer to as transitional projects was to get the business staff and the technical staff used to the technology, to be able to employ it and overcome technical challenges, and there have been many of those and still are.

So we tried to train people at the appropriate time and then have them use the skills, this in conjunction with contractual assistance. We used that extensively to cover areas where our skill set is either nonexistent or that we view is not necessary to maintain this type of skill set in the long run.

I think one of the important things about the change is that as we go through our training and go through our efforts, we have to keep in mind that a lot of this technology has to be applied not just to the physical coding or the physical generation or programs, but also in every aspect of our business. How we estimate changes, and we are working with CNA to better our software estimation techniques, which is a critical issue.

There is a whole series of new knowledge sets that you must have in order to cope with the modernized environment, and that is the direction that we are working in.

Mr. EVERETT. Mr. Avent, your written testimony states that VA is preparing a strategic management plan. My first question is: since you have recently hired a program manager, can we see a draft of this plan by July 27?

Mr. AVENT. Mr. Chairman, I would not think we would have that plan totally in place by that time. We have had a number of meetings. The Under Secretary has put together a planning conference which will occur in mid-July itself. We will be working on pieces of that plan at that conference.

We also need to get the final part of the CNA report to finish out the strategic plan. It will be later in the year before we have that part. We will have other pieces that will be ready much earlier than that.

Mr. EVERETT. That is part of what causes me some concern. If you do not have a plan in place before September 30, how can you justify proceeding with modernization?

You see, I do not want to get into a situation here where we say we are not going to do it in 30 days, but give us 60 days, and at 60 days somebody comes back and says, well, we have got to have another 30 or 90 days, and I am sure that the Secretary, given his letter to OMB on this situation, would agree that we need to get started.

So I guess we are looking for at least a draft of this at the earliest possibility.

Mr. AVENT. We can get you a plan but it will exclude the technology part that we are awaiting from CNA. We can get you the rest of the plan prior to the end of September.

Mr. EVERETT. And then, of course, the question is: if you do not have that plan by September 30, how can you justify proceeding with modernization?

Mr. AVENT. Our plan for modernization past September 30 is to continue our transitional applications to support stage one. Stage two also comes in about that time, which basically is the imaging process that GAO mentioned.

Stage three does not begin until after that time frame.

Mr. EVERETT. Do you have the resources that you need to do this?

Mr. AVENT. Based on the budget that we know, yes, we do, sir.

Mr. EVERETT. Okay. In the June 1992 report, titled "Acquisition of Information Resources for Modernization," it is premature. GAO had three major findings. One, VA did not fully understand the managerial, technical, and operational problems.

Two, effective leadership was lacking.

And, three, the VA Chief Information Resources Officer did not possess the essential authority to correct the problem.

My question is: what has VA done to address each of these findings?

Mr. AVENT. Two of us need to respond to those issues. Ms. Harris can speak from the department level, and I can talk about what we have done in VBA.

Ms. HARRIS. I would like to start with the third part of our question first relative to whether or not the departments Chief Information Resources Officer has the authority to address those problems.

As the Deputy Assistant Secretary for IRM, I report to the Assistant Secretary for Management.

Mr. EVERETT. Excuse me, Ms. Harris. Would you pull the mike a little closer? I have reached that age where I am hard of hearing, and I am too vain to wear a hearing aid.

[Laughter.]

Ms. HARRIS. As the Deputy Assistant Secretary for IRM, I report to the Assistant Secretary for Management. He serves as the department's Chief Information Resources Officer, and relative to the controls that we have, the authorities that we have in VA, I am

responsible for planning, policy, and oversight for the computer and telecommunications information systems for the department.

But specific to your question, I would say that on the structure which enables us to implement that oversight, we are not quite there yet. Our agreement with OMB indicated that we should strengthen the role of the CIO, or Chief Information Officer, and to that end we are instituting a program, a VA-wide program, to establish Chief Information Officers in the operating administrations.

Two years ago, I believe we did appoint a CIO in VBA, and that is Mr. Stinger, who is at this table. We are currently strengthening his responsibilities or the responsibilities of that position for VBA, the purpose of which is to provide a bridge between the business and information technology aspects of managing computerized information systems.

We are also working with the CIO to develop contingency planning, as well as security, for the current and future systems, and in the process of establishing a corresponding position in the Veterans Health Administration.

Mr. EVERETT. Let me put a direct question to you. To date have you halted the forward movement of any of these plans that Secretary Brown said you would have authority to do in his letter to OMB?

Ms. HARRIS. We have not halted any of VBA's plans to date.

Mr. EVERETT. And that is in light of the fact that we have the GAO and OMB and GSA reports that say that there is a strong possibility that we are moving ahead too quickly?

Ms. HARRIS. My goal would be to establish a disciplined process by which we would have key decision points that would provide go/no go.

Mr. EVERETT. At what point do you become involved in that decision process?

Ms. HARRIS. In the decision process for a go/no go decision, my current role is more relative to acquisition authority.

Mr. EVERETT. I understand that, but do you have any input into acquisitions prior to your receiving it on your desk?

Ms. HARRIS. Not necessarily at the points at which a key decision would need to be made. However, the progress we are making with respect to CIO roles and responsibilities should help alleviate that situation.

Mr. EVERETT. In the 1993 report, the GAO report included the VA-OMB agreement in which VA agreed to strengthen the CIO position, including reporting directly, directly, to the Secretary and seven specific functions relating to VBA modernization, including approval authority over all acquisitions.

Is that happening today?

Ms. HARRIS. The department's Chief Information Resources Officer does report directly to the Secretary. I report to him.

Mr. EVERETT. How about the other seven functions?

Ms. HARRIS. The other seven functions, we are through the CIO program rebuilding the bridges which will help us accomplish all seven of those functions.

Mr. EVERETT. And when do you suspect we may have those bridges built?

Ms. HARRIS. We intend to have the program in place before the end of the fiscal year.

Mr. EVERETT. Mr. Avent, as you realize, we are in a situation here where we are handling $20 billion, and also with all of the information I have been able to gather, we may not be doing that in the most efficient method possible. I think that is probably backed up with a 400,000-plus backlog of veterans out there waiting 160 days or better to have something done. There have been a number of recommendations made by these organizations, and to date we do not find, you know, that many of them have been carried out.

Is there any particular reason that that situation exists?

Mr. AVENT. Mr. Chairman, I can address the GSA recommendations. We have followed through on those and satisfied their needs. It was mentioned earlier that our authority to purchase was pulled and then returned after 4 months during which time satisfies GSA's interests and needs. We are continuing to report to them regularly on the progress we are making.

We have addressed the recommendations in the GAO report as well. There have been recommendations that resulted in some discussion because we did not fully agree with GAO, but we have moved forward on the recommendations.

We have moved forward on CNA's recommendations as far as we can in the short period of time since we have had that report.

Mr. Chairman, I would like, if I could, to backtrack a second and add on a comment to what Ms. Harris mentioned about the CIO role and give you a feel for the CIO role in VBA.

Mr. EVERETT. Please.

Mr. AVENT. As Ms. Harris mentioned, Mr. Stinger has been designated as the Chief Information Officer in the VBA, and in that role he oversees the reengineering efforts, the OIT efforts, and controls and oversees all ADP purchases.

We are working with Nada's group, and Mr. Catlett, the Assistant Secretary. As we make decisions, we are sharing them. So even though we might not have a formal bridge, there is definitely open communication and discussion between our offices about where we are going before we make final decisions.

Mr. EVERETT. Mr. Avent, allow me to interrupt you.

Mr. AVENT. Of course.

Mr. EVERETT. That is one of the criticisms that I find in most of these reports, the fact that we get a bunch of folks together that sit down at a table and we talk about something and we all go off with an agreement, but there is no, as you put it, formal bridge there or, as I put it, we do not have much of an MBO situation, management by objectives, and detailed information on how people ought to be reacting.

I find that folks generally want to do what they should do, but the point is they have to know what that is, and it concerns me a little bit that you mentioned that there is no formal bridge there. I do not think that these informal get-togethers necessarily serve the best interests of the taxpayer.

The underlying concern that I have in all of these reports is the fact that there is not an overall detailed plan to get where we are going, and by some estimates we may end up spending $1.5 billion on this situation, and almost all of these folks, GAO and CNA,

agree on one thing just about, and that is that VETSNET is not going to accomplish what you envision to accomplish unless you do get some detailed plan together.

Now, putting that aside for the moment and going back to my original question, the first two questions in that series about considering the acquisition of information resources for modernization is premature. As you recall the first question was VA does not fully understand the management, technical, and operational problems, and the second was that effective leadership was lacking, and the third, of course, Nada has already answered for us, and I appreciate the answer.

Would you address those first two?

Mr. AVENT. Well, when we talk about the leadership not being there, I think we at that point moved forward by strengthening our own program, the leadership and the responsibilities for the modernization program. I think that is what brought about the full-time CIO position and his responsibilities in VBA.

That oversight, the IRM people, their organization, report directly to the CIO. He is the person in charge of making sure that our plans are integrated and pulling both the IRM people and the business people together in making those decisions.

Mr. EVERETT. And you are comfortable with the effectiveness of the leadership that we currently have in place to get this done?

Mr. AVENT. I will say that we are building on what we have. We are continuing to strengthen that, and then the fact that the CIO and his role, I think, is a strong indication of where we are going.

We have also involved the Policy Board, which was selected by the Under Secretary and put in place. So I feel that we are making the effort and getting the management of the system in place.

Mr. EVERETT. Let me read from the report of those other seven components. Work with VA components to establish acquisition and implementation priorities and to review any problems. How are we handling that?

Mr. AVENT. I did not——

Mr. EVERETT. Would you like for me to read it again?

Mr. AVENT. Yes.

Mr. EVERETT. I am at the OMB letter, you know, if you have got a copy of that. I am referring to the first bullet.

Mr. AVENT. This is the 1993 letter?

Mr. EVERETT. I will read it again. It says work with VA components to establish acquisition and implementation priorities and to receive any problems.

Mr. AVENT. I will let Mr. Vaveris respond to that.

Mr. VAVERIS. There are a series—I apologize, sir. I am trying to focus on that particular——

Mr. EVERETT. It is in the CIO section.

Mr. VAVERIS. The CIO section. Thank you.

Mr. EVERETT. Appendix 2. It starts with the sentence "regard to major," page 22.

I have not any idea what that is.

Mr. VAVERIS. I am sorry. If I may impose upon you to tell me one more time.

Mr. EVERETT. Sure. Are we on page 22, Appendix 2 of CIO?

Mr. VAVERIS. That is what I have, but I am not——

Mr. EVERETT. Okay. About an eighth of the way down it says, "Regard to major automation projects."

I will tell you what. Let me say this, and I will just get you to comment on each of them. I think counsel has got a copy of them.

Mr. VAVERIS. Okay. I am sorry, sir.

There are several mechanisms that we use in order to resolve conflicts with respect to either acquisitions, which is less of an issue than priorities. The major vehicle that the technology people, that is to say myself and my organization, use is the Chief Information Officer.

If I have, for example, two services who need the same type of resources to get a certain set of priorities accomplished or the sequencing needs to be decided, then I would go to the Chief Information Officer to discuss it with the individuals involved and reflect the business priority back to the technical staff, in order words, order the priorities, and then we try and work on the resources.

With respect to department-wide initiatives, we use a combination of the Chief Information Officer working with Ms. Harris or directly with Mr. Catlett with respect to what sequence of systems that we apply resources to.

So there are really two different paths that we take, and it is up to the management of VBA to rationalize these decisions should there be a conflict in terms of resources between the department and/or VBA, and that has been the practice.

With respect to acquisitions, we follow all of the normal guidelines, if you will, in terms of the conduct of the acquisition. We use departmental personnel.

Mr. EVERETT. Excuse me. Define "normal." Are we talking about VA culture?

Mr. VAVERIS. No, we are talking about GSA regulation, in the main.

Mr. EVERETT. Okay.

Mr. VAVERIS. The delegation of procurement structure, the trail boss authority given to the department, and the physical execution of the contracting and RFP process by contract personnel that are VA personnel in order to conduct the acquisition.

Now, in order to prepare, let me back up a bit here. In order to prepare or get the funds, the normal process of making proposals going through the department to OMB and over to the Congress of the United States, of course, applies, especially on the larger scale technology projects.

Now, I was not here during that whole process for the stage one or the modernization acquisition monies, but that is my understanding of what occurred, and with all of the justifications appropriate at that time and discussions with the department and with General Services Administration.

Mr. EVERETT. Mr. Avent, I am not going to ask you to go into detail on all seven of these, but I would appreciate your written response to the committee as soon as possible on these seven items.

At this point I would like to yield to the counsel for the Minority for some questions.

Mr. RYAN. Thank you, Mr. Chairman.

Mr. Avent, last year the Congress directed VBA to look at consolidating some regional office functions. Can you brief the sub-

committee on how VBA is approaching this task and its implications for your modernization efforts?

Mr. AVENT. Mr. Ryan, we have instructed our offices to look at better ways of delivering services to our customers built around a customer service aspect.

The ROs now are in the process of accomplishing that. We have all heard of the number of stations that have gone quite far in consolidating and blurring lines within their offices, to let the people who deal directly with veterans get their hands on those particular claims.

Our modernization, stage one purchases allowed us to equip our employees with work stations so they could accomplish their jobs. I think we are now in a good position to finish off that project.

Mr. RYAN. Thank you.

Mr. Avent, I understand that Senator Bond, the Chairman of the VA-HUD Appropriations Subcommittee in the Senate, has advised the VA that at best the 1996 appropriation for VBA will be at the 1995 level, which is some $18 million below the President's request. How will this affect progress toward improving services to veterans?

Mr. AVENT. Well, Mr. Ryan, if we do see that kind of resource cut, we can expect it to have a severe impact on the modernization program, for one. We would have to look at the impact on stage two and stage three, to see if we would be able to accomplish them. My thought is we probably would not be able to.

It would also severely impact the staffing at our regional offices, and I think we would see the number of claims pending increase substantially.

Mr. RYAN. Thank you, Mr. Chairman.

Mr. EVERETT. Mr. Avent talked a lot about business processes, and VBA recently told the regional offices to pick from the four organizational models. How do you plan to assess the regional offices' initial choice of models?

Mr. AVENT. After releasing information on each of the models to the regional offices, we gave them a period of time to review those models and respond to us on the type or the model that they would follow. That information came through the area directors to our policy people in Central Office. We have had the opportunity to review those selections. They are now back with the stations, which are now beginning to implement their plans.

Those plans can stretch anywhere from a year to 3 years based on the need to reconfigure in the regional offices to accomplish some training and be able to accomplish all of this while continuing to decrease our work load.

Mr. EVERETT. If the regional office performance changes after it adopts one of these models, how do you intend to determine what caused the change in performance?

Mr. AVENT. Knowing at the beginning what type of model they selected and then tracking their successes or failures, will allow us to compare stations using similar models as well as other common variables to identify the cause for change. That is something that the CIO and our Modeling Support Group folks, along with the management of the regional offices, will work through.

Mr. EVERETT. Mr. Avent, I appreciate the panel's indulgence. In closing this hearing, I would like to thank all of the panelists for coming here today.

Clearly, VA faces significant challenges, and I recognize the work that VBA has done in approaching this, and I congratulate you for the efforts that you have made to this point.

But the challenges remain, and to illustrate my point, let me make one final quote from the CNA report. In Section 5, CNA comments on VA's management structure saying, "VBA created a complex, unwieldy, hierarchical organization layers on top of VBA's own functional hierarchy. The complexity is compounded by a lack of formal tracking mechanisms for actions, issues and answers to questions. VBA's implementation of the team approach and its management structure, coupled with the technical management issues, create major risk."

In bringing about this program, I think VA should seriously consider restructuring its program management team's organization, composition, and responsibilities. If large system integration experts are not available internally to manage the program, then VA should immediately begin seeking outside assistance.

That coupled with a management structure that vests significant authority in a single, accountable position seems to be the most important issue to address immediately.

I would also like to compliment the Center for Naval Analysis for their excellent management report, and I look forward to their technical analysis.

To be very honest with you, I have been very pleased to have heard you today and say that you have some problems and recognize those problems and you are going to work to do something about them. Mr. Avent, we will have some post-hearing questions for the record concerning VA's progress and implementation of the agreement with OMB, and I would appreciate it if your staff could provide a response by July 21.

The hearing is adjourned.

[Whereupon, at 11:13 a.m., the subcommittee was adjourned.]

APPENDIX

1. Executive Summary

1.1 Overview

The Veterans Benefits Administration (VBA) is implementing an ambitious program to modernize the delivery of benefits and services to almost 27 million veterans and their dependents. VBA's modernization program implements a 1985 Veterans Administration policy to provide "better service to the veteran through modern technology." This program includes projects that improve business processes for providing services and replace the supporting core automated information system infrastructure, called the Benefits Delivery Network (BDN), with more modern information technology hardware and software, called the Veterans Service Network (VETSNET). In December 1992, VBA awarded the first of its planned three-stage procurements to modernize its information technology hardware.

During 1994, VBA continued to make significant strides toward achieving its goals of meeting customer expectations, improving the productivity and timeliness of claims processing, and exploiting information technology to improve overall business effectiveness. VBA management has also created an organizational environment that fosters the emergence of new ideas for change at all levels.

The Congress, the General Accounting Office (GAO), the General Services Administration (GSA), and the Office of Management and Budget (OMB) support VBA's modernization goals, but they have criticized VBA's approach to achieving these goals and the planning and management of the major, critical modernization projects. The criticisms focus primarily on (1) VBA's ability to manage such a large, complex information technology acquisition program, (2) insufficient linkage of the modernization program to customer performance measures, and (3) acquisition of VETSNET before decisions on fundamental changes in business processes and, therefore, adequate definition of VETSNET requirements.

This report documents The CNA Corporation's (CNAC) independent assessment of the effectiveness of the organizational structures and processes that VBA uses to plan, integrate, and manage these information technology and business process modernization projects. Our assessment identifies a number of key organizational issues that affect VBA's ability to manage its modernization program and concludes that there is a low probability that VETSNET can achieve its goals as currently scoped, planned, and managed. The report also provides recommendations for strengthening and improving the coordination and control of key modernization activities.

1.2 Study Tasks

We structured this study to address the following specific tasks directed by VBA:

- Understand the goals and objectives of VBA modernization.
- Identify and describe the organizational entities, activities, projects, and work groups associated with modernization.
- Establish what linkages and connectivity exist among these entities, activities, projects, and work groups.
- Identify the activities that are key to the success of modernization.
- Document the roles, responsibilities, membership, relationships, and feedback loops among these key activities and entities.
- Identify the management structures and processes that exist for integration.
- Determine the extent of the allocations of responsibility and accountability for integration and success of key activities.
- Synthesize the data into a set of findings and recommendations for strengthening coordination and control of key modernization activities.

The underlying focus of these tasks was to determine the degree to which VBA's management structures and processes properly integrate key modernization activities.

As a framework for this integration analysis, we developed an organizational model of VBA. Using the model, we identified and analyzed (1) VBA modernization activities and projects, (2) the formal and ad hoc organizational entities performing those activities, and (3) the communications, responsibility, and authority linkages among the entities and activities. Once VBA's modernization activities, entities, and linkages were identified, we assessed the degree of integration that exists today within VBA against a model of how integration "should be" ideally implemented. This model encompassed the life cycle of an idea, concept, initiative, or project within VBA's organization and management processes—from initial analysis through operational support after implementation.

We examined the whole spectrum of major modernization and related activities in VBA. Several VBA working groups are addressing initiatives in business process re-engineering and improvement, interagency information exchange, training, Regional Office organization and work flow improvements, and agency performance measurement and results evaluation. The Office of Information Technology (OIT) is now completing Stage I of a three-stage hardware modernization program. There are major upgrades under way in applications software in addition to the major modernization effort, the VETSNET/Compensation and Pension (C&P) Program.

We focused a large part of our effort on the VETSNET/C&P Program of software development engineering projects as a key modernization activity. We

determined the degree of integration that exists within the Program activities and between the Program and other key activities. We selected the VETSNET/C&P Program for the following reasons:

- It is a critical VBA modernization initiative.
- The Department of Veterans Affairs and the oversight community have expressed major concerns with VBA plan.
- VETSNET/C&P execution requires significant resource reallocation within VBA and diversion of resources from maintaining or upgrading the legacy systems.
- It is expected to produce major performance and efficiency gains.
- It is critically linked to VBA's Stage III hardware procurement plan.

As major tasks of our study were completed, we presented the results in a series of annotated briefings and presentations to designated VBA managers. We briefed the findings and recommendations from the study to the Under Secretary for Benefits and VBA Policy Board.

1.3 Basis for Findings and Recommendations

We based the findings and recommendations contained in the report on an intensive 16-week data collection and analysis effort. Our primary sources of data and information were interviews and detailed reviews of VBA modernization documents.

The analysis team conducted more than 100 interviews with key VBA managers; members of various VBA modernization teams and VBA functional specialties; Congressional staff members; representatives from GAO, OMB, and GSA; and members of the Department of Veterans Affairs. We conducted field visits to VBA's Baltimore Regional Office and VBA Training Academy, New York Regional Office and its Team Development Lab, Philadelphia Regional Office and the Information Technology System Development Center, and the Hines (Illinois) System Development Center. Our primary objective was to determine how the modernization program is actually being planned and managed today.

The team also made an extensive review of over 100 VBA and VBA support contractor studies and documents related to information technology modernization, process improvement, and modernization management. The purpose of the document review was to (1) determine the specific policy, planning, and analytical frameworks that have guided the evolution of the modernization programs, (2) assess the continuity of these policies, plans, and study results, and (3) establish a programmatic and technical baseline for assessing the modernization and related programs.

1.4 VBA's Organization and Its Accomplishments

The findings and recommendations of this assessment should be viewed within the context of the type of changes VBA is attempting to make and the progress it has made toward its vision and goals thus far. While the issues raised in this report have significant implications for VBA's current modernization plan, these issues should not detract from what VBA has accomplished in recent years. The summary below highlights several of VBA's accomplishments. These are valuable in their own right and have helped set the stage for a more viable VBA modernization effort:

- The formation of the Policy Board recognized the need for management's focus on changes.
- The recent approval of the new Strategic Planning Process is a critical step forward in integrating and prioritizing efforts on a VBA-wide basis.
- The organization and implementation of the Training Academy is a major step forward from traditional training methods and can be a further major force for change.
- The implementation of Stage I hardware, off-the-shelf applications, and transitional applications, such as the PC Generated Letters (PCGL) project, seems to be going well, significantly improving the capabilities of VBA users, and improving service to veterans.
- The development and further evolution of the VBA Business Model, with its data and process models, can serve as a strategic tool for assessing programmatic change.

At the same time, we have recognized that VBA is primarily an operating organization attempting to make fundamental changes in processes and operations, that in many cases, have evolved relatively slowly over 40 years. VBA is a rule-based, hierarchical organization with decentralized operational units and a centralized business policy structure. Making fundamental changes in VBA organization and its processes concurrent with modernizing its information system infrastructure is a complex endeavor. Many public and private organizations are grappling with similar modernization problems and organizational constraints.

VBA, like many of these organizations, must adjust its original modernization assumptions, strategies, and plans based on lessons learned from its initial efforts. Such adjustments are a fact of life in managing complex programs. It is not unexpected and should be encouraged. VBA is now at the point where it needs to make adjustments to gain a better fit between what improvements it can make in its management capabilities and the level of modernization change activity those improved capabilities can effectively manage.

1.5 Findings and Recommendations

This section presents a summary of the findings and recommendations of our study. They result from the study team's interviews, document reviews, analyses, and syntheses.

We have concluded that VBA is now trying to accommodate a rate of change that its operational management infrastructure cannot handle effectively. As a result, VBA is faced with a critical choice: (1) it can continue its modernization investments on the current near-term schedule as planned, accepting the current level of risk and potentially greater risks ahead or, (2) it can selectively constrain modernization in the near term while investing in a management infrastructure that will effectively manage and integrate complex modernization projects over the mid- to long-term. We recommend the second approach.

The findings and recommendations are the critical issues that VBA must address in order to resolve some of the integration and management issues for modernization and related programs to ensure a higher probability of success. A more complete discussion is contained in section 6.

1.5.1 Operationalizing Vision and Goals

Finding:

VBA's vision of customer-driven service can be a powerful organizing theme. But the vision and goals have not yet been translated into an integrated and consistent set of performance objectives and measures that are meaningful at the process and working levels to guide process re-design and design of information systems.

The vision and the goals have not been translated down to the working level, i.e., the process and design levels. The goals must be translated into terms that are operationally meaningful to people in their daily tasks whether they are performing processes of service to the veterans or changing the business or information system processes.

Recommendation:

Translate VBA customer-driven vision and goals as well as veteran's expectations into a detailed system operational concept with performance objectives and measures that are meaningful at the process and operating levels. The systems users and new system designers both must understand the performance objectives they are to serve in their daily work. The objectives and measures must be integrated, consistent, and operationally meaningful to them in their jobs.

VBA vision of improved customer service must be balanced with concern for efficiency in delivery of those services.

1.5.2 VBA Is Being Challenged by Change

Finding:

Although VBA has made significant progress toward its modernization goals, the amount and complexity of change is seriously stressing the organization's ability to integrate and manage effectively the modernization projects that are under way and planned.

As noted, historically, VBA has been an operational organization executing relatively stable business processes and has been effective in accommodating a low marginal rate of change. VBA is now undergoing increasingly rapid change of increasing degrees of complexity and interdependency. It has under way a large number of projects responding to externally directed mandates and policies and internally generated initiatives. Although VBA must respond to externally directed changes, such as Congressional mandates and Court decisions, it does have some discretion as to the alternative means of response and the level of resources to be allocated. Internally generated initiatives are totally at the discretion of VBA.

Recommendation:

VBA must pursue two fundamental strategies: 1) to more selectively control the modernization changes undertaken, and 2) to improve its management infrastructure to be able to integrate and manage change more effectively.

VBA is taking several positive steps toward coping with change. But the structures, procedures, and processes that were successful for operating in the past and handling low rates of change are not succeeding as well in dynamic situations today.

The balance of the findings and recommendations address elements of the strategies—improving the management infrastructure and selectively controlling the modernization changes undertaken.

1.5.3 Screening and Analyzing New Ideas and Initiatives

Finding:

VBA is pursuing a growing number of initiatives without a systematic and explicit corporate understanding of their consequences (benefits, resource effects, schedule, and risks). Initiatives within VBA generally are not analyzed or managed on a corporate-wide or project-wide basis in an integrated and systematic manner.

Within VBA, analyses are often described as "dialogue and coordination" rather than as more systematic, explicit, and integrated analysis processes. The "dialogue and coordination" mode of analysis, coupled with functional organizational perspectives, results in information that is not well integrated and does not present a VBA-wide assessment perspective. As a result, VBA decisions may be based on minimum data and information concerning

program and resource consequences and often a partial perspective of the effects on VBA as a whole system.

Recommendation:

Establish a systematic, integrated decision analysis process to screen and analyze new ideas and initiatives before assigning priorities and selecting initiatives for implementation.

The issue is how VBA can improve its process for filtering and analyzing new ideas in the context of VBA vision and operationalized goals. VBA must be able to analyze and manage new ideas in a more systematic and integrated manner to better inform decision-makers of the potential consequences of their decisions. There are several key considerations: metrics and data to support the analyses; expertise to perform the analyses; and organizing and staffing the function.

The decision analysis process must analyze initiatives and address the following questions in an integrated, systems manner: (1) How will the initiative affect business processes and performance measures? (2) How will the initiative affect information systems? (3) How will the initiative affect VBA resources?

The objective in the long term is to develop and establish this screening and analysis process for promising initiatives to better inform the Policy Board and VBA processes with VBA-wide, integrated information. In the short term, these analyses should be performed on all significant current projects to support Program Prioritization, as discussed in the following section.

1.5.4 Program Prioritization

Finding:

VBA is beginning to implement, over a two- to three-year time period, a strategic planning process for prioritizing current programs as well as candidate programs. Resource and other pressures require an interim process for making difficult decisions about program priorities.

It will be some time before the new corporate strategic planning process matures and produces the results desired. The current process addresses only new initiatives; it does not systematically and rigorously evaluate both proposed and ongoing projects. The Policy Board and Executive Management must have better decision information on current as well as new programs if better-informed decisions are to be made.

Recommendation:

Selectively restrain the implementation of new projects. Conduct a VBA-wide bottom-up review to identify, categorize, and make visible to corporate management all significant ongoing information technology and business projects according to benefit, cost, schedule, risk, and systems integration. Systematically and explicitly evaluate VBA's organizational capabilities to execute these projects. Affordability of these projects should be evaluated

under different budget scenarios to assess trade-offs of cost effects and payoffs.

In the short term, VBA must bare down the number of projects it is trying to force through the organization's limited capability for managing change. While VBA may be able to afford a particular project, budgetarily, that does not imply that VBA has the organizational capability to efficiently and effectively manage the project. For the long term, VBA must follow through on its plans to implement a new strategic planning process.

1.5.5 Implementation Planning and Controlling

The following sub-sections address several aspects of implementation planning and control in VBA modernization and related programs. This need relates both to individual projects and integration across multiple projects.

1.5.5.1 General Considerations

Finding:

VBA needs to strengthen its planning, control, and integration processes and structures for managing implementation of large, complex modernization projects and systems.

Integration and management structures, processes, and skill sets are critical to implementing and managing complex change, but we find them to be generally weak.

Managing complex change requires a type and level of management that differs from operational management. Managing complex change programs requires a systems perspective with integration and management structures, processes, and skill sets (management infrastructure) for systems management. We have concluded that VBA did not put in place the necessary management infrastructure improvements for implementing its modernization program. Responsibility for integration and management of complex programs of change is diffused with no one responsible and accountable.

Recommendations:

Establish a systematic business requirements determination process and a configuration control and management system for business processes.

Establish a staff organization at VBA's Central Office for VBA-wide integration of ideas, initiatives, and projects approved for implementation.

Establish a set of processes and systems for effective program management: (1) a formal risk assessment and management program for complex modernization initiatives and programs, (2) a system to track recommendations, decisions, and action items to closure and to evaluate outcomes, (3) a program management information system and metrics to assist in the above and to systematically evaluate and give visibility into the status of programs, (4) a systems engineering capability for information technology

assessment and integration, and (5) rapid prototyping, modeling, and simulation techniques to evaluate and prove selected business process changes before implementation.

Consider the creation of a dedicated VBA integration control room to track multiple modernization and related projects.

VBA must move to a Program Management culture by investing in skill sets and organizations for managing large and complex change programs.

1.5.5.2 VETSNET/C&P Program Planning and Controlling

Finding:

The VETSNET/(C&P) Program for software engineering development was highly ambitious as conceived and structured. The objectives of the project appear to be sound, but the current strategy and plan have a low probability of achieving the August 1996 milestone for completion, which includes the switch from the BDN system to VETSNET/C&P to support benefits delivery services.

The VETSNET/C&P Program approach employs a large, hierarchical, team-centered structure, with 12 teams working on 24 projects in parallel at 4 geographical locations. Although begun with good intentions, the complexity and scope of the program exceeded the capabilities of VBA integration and management resources brought to bear in implementing it. VBA chose to develop VETSNET/C&P applications software using in-house resources at a fixed level of effort.

In retrospect, that strategy for the VETSNET/C&P Program can be seen as highly optimistic and risky because of the following factors:

- Complex and unwieldy organization and management structure and processes
- Weak technical and program integration processes
- Incomplete and unvalidated information engineering guidelines provided to project team members
- Team members starting with weak skill sets for this type of effort and requiring a significant investment of training and experience.

These factors have been aggravated by a lack of definition of the intended integration of software applications projects with process re-engineering activities as well as by differing expectations among VBA senior leadership about the resource requirements for and the timing and benefits of the program.

Recommendation:

Appoint a VETSNET Program Manager and reassess the current strategy and plan for VETSNET/C&P to determine alternative approaches that consider

organizational capabilities, the level of acceptable risk, and the likely investments required.

There are no easy and quick solutions to the VETSNET/C&P question of what to do about the 12 teams and the work that has already been done. VBA should select a program manager to take charge of the program and lead a systematic technical and program reassessment of the 24 projects and the progress they have made to date. The purpose of this reassessment would be: (1) to establish a rigorous program management structure within VBA as a general goal, and (2) to consolidate the gains achieved for VETSNET/C&P and lay the basis for proceeding with it if VBA decides to do so. In parallel, VBA must evaluate alternative approaches to the current VETSNET/C&P Program in light of VBA priorities and resources.

1.5.5.3 Stage I Program Planning and Controlling

Finding:

The fielding of VBA's Stage I modernization hardware, commercial off-the-shelf software applications, and initial transitional applications has gone well and has the potential to significantly improve customer service and VBA productivity. However, VBA's organizational approach limits its ability to optimize development of this Stage I operational capability as a system.

VBA's Regional Offices (ROs) view Stage I hardware, software, and other components of technology modernization as operational capability. In contrast, VBA's information technology organization describes Stage I modernization primarily as hardware acquisition and appears to measure success in terms of the deployment of hardware to the ROs. VBA needs to focus on Stage I capabilities as an integrated system of business processes, applications software, and hardware.

Recommendation:

Manage Stage I hardware, its application programs, and other components as a system. Consider appointing a program manager with the budget, schedule, and performance responsibilities as well as the authority to integrate and optimize the system to further improve RO operations.

Until a significant VETSNET/C&P operational capability is in place, the Stage I operational capability will be the principal means available to VBA to leverage information technology to improve customer service to the veterans as well as to improve VBA's productivity. Thus, given its resource and skill set constraints, VBA should assign high priority to managing an integrated, optimized Stage I system operational capability.

1.5.5.4 Transition Planning for Legacy Systems and VETSNET

Finding:

The legacy systems and the VETSNET system will have to be operated and supported until full business community confidence in VETSNET has been achieved and VBA's business customers agree to switch off legacy systems. VBA has not analyzed the requirements and developed a detailed transition strategy and plan for providing operations and support concurrently to two different information systems.

For BDN, the first set of critical issues is: (1) What is the extent and impact of the deferred and forecasted BDN hardware and software backlog? (2) How will full implementation of Stage I affect BDN's performance and availability to the business community? (3) Since the time span over which it will be necessary to sustain BDN is indeterminate, what strategy will sustain BDN, as a minimum, at the current level of service, under any modernization strategy?

The second set of critical issues focuses on establishing VBA business user requirements and demonstrating the achievement of the requirements. For VETSNET, the issues are: (1) What level of confidence will VBA business community need to have in VETSNET operational capabilities to agree that BDN can be disconnected? (2) What demonstrated operational performance and functionality will be required to achieve that level of confidence for the business community?

Recommendation:

Reevaluate the decision to maintain BDN at minimum levels. Reconsider business-community-desired upgrades, however modest, since VBA's ability to deliver services to its customers will depend on BDN for an indeterminate period of time. Develop a transition strategy and plan for providing operations and support concurrently to BDN and VETSNET information systems.

BDN must be sustained with the current level of functionality and operational availability for a period of time yet to be determined. Therefore, under any revised VETSNET scenario or alternative modernization strategy, VBA must define the technical and programmatic options that can be executed to sustain such levels of service delivery. In simple terms, VBA must have an "insurance policy" for BDN under any VETSNET strategy.

1.6 Conclusions

VBA implemented a number of significant steps in 1993 and 1994 to meet customer expectations, improve productivity and the timeliness of claims processing, and exploit information technology that would improve overall business effectiveness. The findings of this study should not diminish the significance of what VBA has achieved or tarnished the vision VBA has established. The issues of concern are not the merits of VBA's goals, but rather

the means—strategies and plans—of accomplishment and the organization's infrastructure capabilities.

VBA established a powerful vision of customer-driven service in its September 1993 videotape titled "VBA Modernization Business Model: A Model for the Future." This vision focused on key quality characteristics that are needed in a redesigned set of business processes and that should be reflected in a supporting information system capability. VBA does not appear, however, to have translated this vision into a set of performance objectives and measures to guide process and technology design requirements and information system functionality.

Specifically, VBA's programmatic and technical approaches to modernization have not been targeted to the same vision and design objectives and have not been well planned and integrated. In many cases, planning assumed that the myriad of VBA modernization projects were independent, when in reality there is a high degree of interdependence. Some of the accomplishments VBA has achieved to date are not yet well integrated. Turning VBA's vision into an operational reality to improve service delivery is a daunting and complex task; however, with clear objectives and improved planning and integration, VBA will be better able to achieve its vision.

Successful program execution, of course, depends on effective program and technical integration. As the number and types of new initiatives, projects, and entities increase, the number and types of organizational interfaces and relationships increase and drive the need for different types and levels of integration capability to achieve success. VBA's methods of integration to facilitate day-to-day activities of an operational organization are not adequate to support the complexity generated by the number and types of initiatives being pursued. Therefore, to proceed with modernization as planned entails unacceptable risk, in our view.

Managing complex change requires a type and level of management that differs from that of operational management. VBA's structures, processes, and skill sets are oriented toward operations management, not the acquisition of systems and management of change. If VBA is to effectively manage complex change, it must move to a program management culture by making investments in the skill sets and organizations structured for program management.

We emphasize that this move entails significant issues of organization, skill sets, and culture for VBA. Therefore, VBA must decide how to achieve a fit between what improvements can be made in organizational capabilities to manage complex programs and the type and pace of change and complexity to be pursued. This fit cannot be realized through simple management procedures.

Therefore, we recommend that two strategy approaches merit VBA consideration. In the near term, the rate and type of change must be explicitly reduced with emphasis on VBA's discretionary choice among levels of new initiatives and current projects and programs for modernization. At the same

time, VBA must determine what level of resources will be invested in organizational changes—structures, processes, skill sets, and culture—to allow the organization's program management and integration capabilities to proactively manage all the interdependent modernization projects and organizations.

The degree to which change must be reduced and resources invested must be driven by explicit judgments on what is feasible to do, when it can be done, and the level of risk VBA is willing to accept. In the future, as the organization achieves new levels of capability for integration and management of change, the rate and complexity of modernization can be increased.

VA's Agreement With OMB

THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

JUN 24 1993

The Honorable Leon Panetta
Director
Office of Management and Budget
Washington DC 20503

Dear Mr. Panetta:

For almost 7 years the VA team has been working to plan the modernization of the information systems that support the delivery of monetary benefits to our Nation's veterans and their families. For that entire period, VA staff and OMB staff have been communicating very well about the project and resources have been provided to support its continuation. The General Services Administration (GSA) has also been heavily involved in providing oversight and support for the project. This cooperative effort led to the award of a contract for the first stage of a three staged procurement of hardware, software and support for the Veterans Benefits Administration in early December. The project and the contract have been the issue of some concern by Chairman Conyers of the House Government Operations Committee and the General Accounting Office. I have met personally with the Chairman to discuss his concerns. The meeting was productive and I appreciate his concerns. I have also met personally with the Comptroller General and the General Accounting Office staff who were involved in reviewing the project for the Chairman.

Essentially Mr. Conyers and GAO are concerned that we not waste taxpayers' money by prematurely acquiring hardware, before we know:

how we should change our business practices; and

what effect that change in practices and automation would have on our service to customers.

Given that my primary focus is improving service to veterans, I share his concerns. Having been keenly interested in the modernization of the VBA systems for the entire life of the project, I am confident that the effort is on the right track. Nonetheless, to be sure that we proceed in a framework that ensures success and addresses the Chairman's concerns and consistent with the Vice President's request to you, I have had my staff working with yours to revisit our approach to the project. As a result of our staffs' efforts I have made some changes which increase my confidence. The enclosed "white paper" documents the agreements that our staffs have made, and can serve as a contract between our organizations as we proceed with the project.

Based on our agreement and our joint commitment to VBA modernization, I am recommending that the project be a VA keystone in the "Reinventing Government" arena, and that VA and OMB work cooperatively to document its positive impact. Given continued cooperation, the entire acquisition will be completed and the system operating within 36 months.

To accomplish that goal VA will:

--Elevate oversight of the project with the Department, by designating a "business oriented" Chief Information Officer(CIO) in VBA to work with the technical project manager and with the Department's CIO;

--Formalize outside oversight of the project by meeting regularly with a joint OMB/GSA team to discuss the project's progress and to assure its consistency with VA's project plans and OMB/GSA goals;

--Establish outcome oriented performance measures for the project which document its effect on customer service. For example, for claims processing, we will measure the number of days required to make a decision on the validity of a claim and to process that decision.

--Update the project's cost analysis in cooperation with OMB; and

--Commit to completing the acquisition within the original overall budget projections for the three stages.

The successful completion of this project will result in significant improvements in the service we provide to our veteran clients, will make more productive use of our resources and will serve as an example of the Administration's success in changing the way government operates. I plan to meet with Chairman Conyers to explain the changes we have made in response to his concerns. With his agreement, we can move forward together to make this effort a success.

Sincerely yours,

Jesse Brown

Jesse Brown

Enclosures

Principles for Strengthening the Department of Veterans Affairs' (VA) Chief Information Officer's Oversight Role in Major Systems' Acquisitions and Implementing the Veterans' Benefits Administration's (VBA) Modernization Program

THESE PRINCIPLES WILL...

o improve VA oversight and overall coordination of all IRM efforts.

o ensure that VBA Modernization is executed in a cost-effective and successful manner as directed by OMB, the House and Senate Veterans Affairs Committees, and GSA; which will resolve the VBA Modernization issues raised by the GAO, the IG, and the House Government Operations Committee;

o address current VA spending plan, and establish approval for future funding contingent upon a reevaluation of the costs and benefits of the planned projects and VA implementation of the following:

oo establish and measure service improvement goals;

oo monitor and control spending under the Stage I contract;

oo establish software testing and development facility;

oo require project planning (including process redesign and current cost estimates); and

oo strengthen the Chief Information Officer (CIO) role in VA IRM oversight.

Service Improvement Measurement

o VA will establish measurable service improvement goals for the overall modernization project, for processes as they are reengineered, and will, where possible, include measurements of veterans satisfaction. VBA commits to a series of service improvements based upon Modernization and business reengineering. VA will break the adjudication performance measures into appropriate sub-categories which represent process "steps and the days required to accomplish those steps; (e.g., Establishment, Development, Waiting, Development, Rating, Adjudication, Authorization)." We will take initial measurements to establish the national baseline when we open our test sites in Baltimore and St. Petersburg. We will then take samples every 6 months at these sites, as well as a representative nation-wide sample, to demonstrate progress toward our goal. The stated service improvement goals will be re-evaluated should events arise that affect the attainment of these goals. (See Attachment for service measures.)

Monitor Spending

o OMB will control VA's Modernization spending through the apportionment and budget formulation process.

o In the present stage of the effort, VBA will use Modernization funds to purchase the NOAVA PCs, computer hardware, systems development software and associated support services needed to create a software testing and development system and an integration facility at the VA.

o VBA will deploy hardware in accordance with an agreed upon schedule, where needed: (1) to provide equipment needed in conjunction with process reengineering, (2) to reduce maintenance costs for older hardware, (3) to use for training, and (4) to replace equipment which is not responsive to the needs of modernization.

o VA will respond in a timely manner to any findings from the IG regarding its independent pricing analysis of the Stage I contract award.

Software Testing and Development System

o VA will establish a software testing and development test bed to develop in-house expertise in CASE technology and test out software applications prior to deployment on a phased basis in the regional offices;

o VA will establish evaluation milestones and assessment criteria to better control software development costs; and

o Stage III requirements will be re-evaluated. The software testing and development system will more clearly define the Stage III mainframe capacity requirements.

Project Planning and Management

o VA will develop a detailed project plan with priorities for sub-projects, actions critical to achieving progress, processes subject to reengineering, thorough cost estimates for the overall Modernization and its component efforts, and an updated economic assessment.

o VBA will obtain training from the Software Engineering Institute on performing software process assessments in accordance with the Software Process Maturity Model. Knowledge gained will be applied in the development and improvement of software methodologies employed for Modernization. Moreover, VA will use project management software linking resources with budgetary data into an automated planning model.

o Unless these studies raise serious concerns about the costs and potential benefits, funding for VBA Modernization will continue at a controlled pace through the apportionment and budget formulation processes provided that VA:

oo refines requirements for the system based on the results of the process reengineering;

oo ensures in-house skills are developed sufficient to correct any deficiencies that might be identified by the independent in-house software development maturity study;

oo adheres to the software deployment restrictions on the testing and development project described above; and

oo demonstrates through post-implementation review of software modules improved service to veterans.

Strengthen CIO and VA Oversight

o CIO will report directly to the Secretary on Departmental IRM issues such as major automation projects. The CIO will centralize and coordinate common IRM functions to ensure department-wide issues are considered. Specifically:

oo use of interoperability standards and technical architectures among VA's line organizations;

oo establish information standards to enable exchange of data among VA line organizations (e.g.- master veteran record); and

- centralize and coordinate information sharing with other Federal agencies, such as:
  - VA-wide income verification with the IRS and SSA;
  - service record data from the Department of Defense (DOD); and
  - electronic medical records with DOD.

- With regard to major automation projects, such as the VBA modernization, the CIO will:
  - work with VA components to establish acquisition and implementation priorities and to resolve any problems;
  - work with the VA components to develop decision criteria for controlling systems development and operations life cycles of these major automation projects;
  - develop, in conjunction with the CFO, full and accurate information on major automation project expenditures (including capital and investment expenses and all agency staff expenses for conducting VA IRM responsibilities);
  - develop performance review and reporting requirements to identify the net benefits actually realized from major automation projects; and
  - organize and appoint a group of experts as independent advisors to the senior management council (see below);
  - review and approve all major automated information systems at pre-defined milestones;
  - evaluate and approve all significant information technology acquisitions above $2.5 million;

- A senior management council will be established at VA. The council would:
  - present VA-wide IRM issues to the Secretary and VA senior managers for resolution;
  - advise the Secretary on ways to improve VA's use of information technology and;
  - advise the CIO on the VA major automation projects including progress toward resolving outstanding problems.

- The CIO will submit a brief semi-annual report to OMB and GSA. This report will include:
  - the status of any major automation projects, such as the VBA modernization;
  - the decisions and outputs of the senior management council; and
  - steps underway to correct problems and milestone slippage, as well as identifying issues and problems that are outside VA's control.

Attachment

Performance Measures

1. Performance Measures for C&P Service

The timeliness of processing claims for compensation and pension benefits is the prime statistic upon which to gauge the overall performance of the adjudication process at individual regional offices or collectively. This timeliness is measured by the average number of days required to complete a particular claim (end product/EP) and then compared to an established goal for that category of claim.

Currently, the time to complete the four original types of compensation and pension claims, the essential business of C&P claims processing, significantly exceeds the respective goals. To reach the established goals for original claims, the average number of days for each must be reduced by 35-41%. This process of improving the timeliness of these four types of claims over the next five fiscal years, as we progress into the modernization environment, provides four key measurements with which to assess the performance of compensation and pension claims processing. The current level of the quality of C&P claims processing will be maintained during this period.

The chart below shows the number of days for each of the four end products as projected for the end of FY 1993, the goal level and the percentage of improvement (i.e., decrease in the number of days). Taking into account implementation and training time, the real impact of the modernized environment should become apparent early in FY 1996 with goals realized by the end of FY 1998.

PERFORMANCE MEASUREMENT I:

EP	End FY 93	End FY 94	End FY 96	End FY 98	Goal	Percent of Decrease
110 (Original Compensation)	181	176	140	106	106	41%

PERFORMANCE MEASUREMENT II:

EP	End FY 93	End FY 94	End FY 96	End FY 98	Goal	Percent of Decrease
180 (Original Pension)	121	113	88	77	77	36%

PERFORMANCE MEASUREMENT III:

EP	End FY 93	End FY 94	End FY 96	End FY 98	Goal	Percent of Decrease
140 (Original DIC)	105	98	77	68	68	35%

PERFORMANCE MEASUREMENT IV:

EP	End FY 93	End FY 94	End FY 96	End FY 98	Goal	Percent of Decrease
190 (Original Death Pension)	71	64	51	44	44	38%

2. Performance Measures for Veterans Assistance Services

The number of public contacts by telephone and the ratio of veterans assistance inquiries to the number of public contacts by telephone are significant measurements in the management of the Veterans Assistance Service.

PERFORMANCE MEASUREMENT I:

EP	FY 93	FY 98 Percent of Increase
Public Contacts Without Increased Staffing	9.1 million	8%

Telephone Contacts: More public contacts by telephone will be handled without increased staffing in the telephone interview activities. These contacts will include automated telephone customer interfaces.

The VAATS (Veterans Automated Assistance Telephone System) is a significant modernization initiative. It has the potential to provide a level of 24 hour service to customers, to answer some inquiries and questions by automated information, to allow a potential interface between the customer and his or her master record, to use technology to respond to most frequently asked questions, and to use telecommunications for self certification and verification procedures. Such advances would free staff to handle personally some of the current overload. VAATS is a multi-Service initiative involving most Program areas.

PERFORMANCE MEASUREMENT II:

EP	FY 93	FY 98 Percent of Decrease
Ratio of VAI's to Number of Public Contacts by Telephone	4.3 per 100	10%

Ratio of Veterans Assistance Inquiries to Public Contacts by Telephone: The ratio of veterans assistance inquiries initiated by veterans benefits counselors (VBCs) to the number of public contacts by telephone will decrease as the amount of information available to VBCs from VETSNET increases.

Access to more information and more specific pending issue data will enable Counselors to resolve additional inquiries during the personal contact, thus providing a greater level of customer satisfaction and reducing the administrative time and work dedicated to resolution of some veterans assistance inquiries. Specifically, this indicator speaks to the number of written inquiries generated from each 100 telephone calls.

3. Performance Measure for Vocational Rehabilitation Service

Elapsed time in applicant status is a critical measure in the management of the Vocational Rehabilitation Program.

PERFORMANCE MEASURE:

EP	FY 93	FY 95
Elapsed Time in Applicant Status	80 days	30 days

4. Performance Measure for Loan Guaranty Service

Timeliness in the processing of Certificates of Reasonable Value (CRV's) by field stations is a principal measure of performance for VA's Loan Guaranty program.

PERFORMANCE MEASURE:

EP	FY 93	FY 95
Timeliness of CRV's	88.7% in 20 days	93% in 20 days

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Compensation, Pension, Insurance, and Memorial Affairs
Committee on Veterans' Affairs
House of Representatives

For Release on Delivery
Expected at
9:00 a.m.
Thursday,
June 22, 1995

VETERANS BENEFITS MODERNIZATION

Further Service Improvement Depends on Coordinated Approach

Statement of Frank W. Reilly
Director, Information Resources Management/
Health, Education, and Human Services
Accounting and Information Management Division

GAO/T-AIMD/HEHS-95-184

GAO Form 160 (12/91)
OPR:OIMC/PCC

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to assist the Subcommittee in its assessment of the approach being taken by the Department of Veterans Affairs' (VA) Veterans Benefits Administration (VBA) to reengineer claims processing to improve service to veterans. Specifically, you asked us to outline and update past problems we have identified in VBA's approach toward systems modernization, as well as other initiatives to improve claims processing. In addition, we agreed to evaluate the findings and recommendations of a VBA-initiated study of its modernization effort recently completed by the Center for Naval Analyses (CNA) Corporation.

As my testimony this morning will detail, VA and VBA have taken some positive steps toward service improvement. However, VBA still needs to complete its reengineering efforts in order to ensure the success of the modernization effort. We are anxious to assist VBA by providing knowledge we have gained--both of reengineering in general and of VBA as an institution in particular. At the request of this Subcommittee, we are currently working with VBA to help it identify how to deliver the best service possible at the least cost.

Over the last several years, we have raised serious questions about VBA's overall approach to modernization, as well as its implementation of other initiatives, such as regional office restructuring. These questions point to the need for a comprehensive strategy to ensure the development of a well-designed system that is fully integrated with other initiatives, and to the need for a designated manager to coordinate and stand accountable for all initiatives intended to improve service.

BACKGROUND

The lives of almost 27 million veterans and their dependents are touched by the Veterans Benefits Administration. One of VA's three major components,[1] VBA delivers nonmedical benefits including compensation and pension (the largest segment), insurance, education, vocational rehabilitation, loan guaranties, and burial services. In fiscal year 1994, benefits totalling more that $19.4 billion were processed through VA's 58 regional offices nationwide.

In 1990, the Secretary of Veterans Affairs called for fundamental change in the way VBA provides its services to veterans, noting that VA needed to change its business processes and use of information technology. He likewise charged VA's regional offices with implementing innovative changes aimed at speeding the traditionally slow claims-processing system.

To its credit, VBA has responded to the Secretary's call and has taken initial steps aimed at eventual change. For example, it has installed new computer equipment in each VA regional office, which has increased the ease with which information can be accessed. It also has set goals for improved processing times for several key types of claims. Further, it has begun implementing a package of over 40 recommendations submitted by a blue-ribbon panel that was tasked with identifying how claims-processing times and the backlog of disability claims could be reduced. Among other things, VBA has responded to these recommendations by developing four organizational models to guide regional offices in realigning claims processing duties. Finally, VBA's Reengineering Work Group has identified 18 projects to improve VBA's service in all benefit areas.

[1]The other components are the Veterans Health Administration and the National Cemetery System.

Although VBA has achieved some reductions in backlog and processing time, by VBA's own estimates, at the end of this fiscal year about *400,000* compensation and pension claims will await action and veterans will wait, on average, over 5 months for decisions about original compensation claims. We do not underestimate the difficulty VBA faces in gaining control over its claims-processing workload, yet such control is critical.

QUESTIONS ABOUT VBA's MODERNIZATION STRATEGY

For the past 3 years we have raised questions about VBA's modernization strategy. Key issues include that VBA was purchasing equipment before determining what its business processes should be--in essence putting the cart before the horse; establishing service goals that were not based on customer needs; and performing analyses that did not identify how the new system would improve service. In addition, VBA has been unable to determine what the overall cost and benefits of the new system will be. We have also noted that the role of the Department's chief information resources officer lacks the authority to resolve problems with the modernization effort and ensure that VBA's new system will deliver improved service.

In 1993, VBA established several service-improvement goals to be met by the end of fiscal year 1998. However, these goals were not based on customer expectations or expected process improvements. For example, VA set a goal that an initial compensation claim will be processed within 106 calendar days. However, surveys of veterans performed by both us and VA showed that veterans expect this service to be delivered much faster--within 68 days on average.[2] Currently, VBA is

[2]Veterans' Benefits: Lack of Timeliness, Poor Communication Cause Customer Dissatisfaction (GAO/HEHS-94-179, Sept. 20, 1994).

beginning to explore ways to deliver this service within 65 days; however, it has not changed its official service-improvement goal.

In conjunction with establishing service-improvement goals, a thorough analysis of business processes should be conducted. Such an analysis allows an organization to understand how long each step in their process takes and why, and promotes the basis for identifying new ways of doing business. In a May 1994 report, we outlined how leading public and private organizations apply information technology to improve mission performance.[3] We concluded that accomplishing order-of-magnitude performance improvements nearly always requires streamlining or reengineering of critical work processes and that information systems projects that do not consider business process reengineering typically fail or reach only a fraction of their potential. VBA has not conducted such an analysis, but we are now beginning to work with them to do so. Further, VBA has not been able to specify overall systems development and life-cycle costs, and expected benefits remain unquantified even though it has conducted over 130 various studies ranging from feasibility and systems design to economic analyses.

In addition to these problems, our work on VBA's modernization effort has noted that the role of the Department's chief information resources officer (1) lacked the authority needed to resolve problems with VBA's modernization effort and (2) had no active role in ensuring that VBA's proposed acquisitions would deliver improved service. Instead, the chief information resources officer's involvement has largely been limited to reviewing procurement documentation for information technology resources. In 1993, in an effort to strengthen Department oversight over information resources management, VA established a senior Information Resources

[3]Executive Guide: Improving Mission Performance Through Strategic Information Management and Technology (GAO/AIMD-94-115, May 1994).

Management Council consisting of Administration heads and assistant secretaries (including the Department's chief information resources officer) to provide guidance and oversight in using technology to improve the quality and efficiency of service to veterans. To date, the Council has made no specific recommendations regarding VBA's modernization effort.

NEED FOR ROAD MAP TO IMPROVED SERVICE

We are concerned that VBA is implementing modernization in concert with numerous other initiatives without an overall implementation strategy or adequate approach to evaluate key initiatives, such as regional office restructuring.

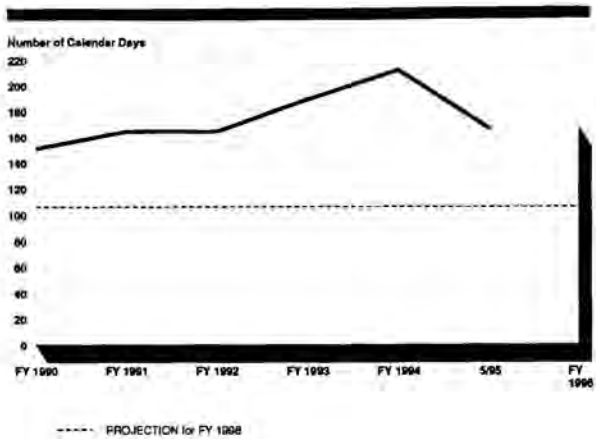
VBA has not articulated how each of its key initiatives will work together to reach the overall goal of providing the best possible service to veterans. For example, it is not clear how ongoing changes in regional office alignments will be accommodated in the modernized system as it is being concurrently designed. In the summer of 1994, we discussed with the Department's chief information resources officer this lack of integration and the need for a designated manager to coordinate VBA's various initiatives. He agreed.

Also, VBA's planned approach to evaluating initiatives will need to be strengthened to provide the necessary information to guide continued improvement and ensure accountability. VBA currently plans to assess overall and individual regional office performance in the areas of timeliness, quality, and productivity. It is also developing a customer survey that should enable it to assess and track customer satisfaction as changes are implemented. This approach may provide VBA with some general knowledge of which offices are improving. However, without an implementation strategy and sound evaluation approach, VBA will not be able to

monitor the progress and assess the success or failure of key initiatives, including modernization, or determine the impact of factors beyond its planned actions, such as changes in workload or staff turnover.

The challenges facing VBA can be illustrated by examining the history of VBA's handling of original compensation claims. Figure 1 shows that the number of calendar days it took, on average, to process these claims jumped from 151 days for fiscal year 1990 to 212 days for fiscal year 1994. But then something interesting happened: as of May 1995, the average number of days dropped to 166. Why did this reduction occur? VBA officials cite recent initiatives, including implementing recommendations from the blue-ribbon panel and modernization, as well as other actions--such as increasing the number of raters by 46 percent and instituting stopgap measures, such as overtime and shifting workloads among regional offices. However, VBA cannot determine which of these actions was most influential in helping it improve timeliness, or the cost of these actions. Knowing how such a reduction was attained increases the likelihood that it can be repeated. Additionally, VBA will be able to judge the relative merit and cost-effectiveness of each of its actions.

Figure 1: VA's Processing Time for Original Compensation Claims, 1990-1995



OTHERS--INCLUDING CNA--VOICE COMMON CONCERNS

GSA and OMB have both expressed concerns with VBA's actions to procure new hardware and software while *concurrently* wrestling with the question of reengineering.[4] In late 1994, VBA tasked CNA with conducting a two-part assessment of its modernization in response to many of these outside concerns. CNA recently completed the first of its two assessments. We reviewed this assessment, which focused on VBA's organizational structures and processes used to plan, integrate, and manage its modernization and found it to be consistent with our prior conclusions. CNA concluded that VBA is trying to accommodate a rate of change that its operational management infrastructure cannot handle effectively. CNA sees VBA as having two choices: continue the current schedule of modernization, with the current level of risk and potentially greater risks ahead; or selectively constrain modernization in the near term while preparing a structure to

[4]Veterans Benefits: Redirected Modernization Shows Promise (GAO/AIMD-94-26, Dec. 9, 1993).

effectively manage and integrate modernization on a longer term basis. CNA recommended the second option.

Figure 2 illustrates the commonality of concerns shared by us and other organizations that have studied VBA. For example, OMB, GSA, and CNA have all noted that life-cycle modernization costs were indeterminate, and that performance measures were lacking. In May 1994, GSA suspended VBA's delegation of procurement authority for additional computer equipment for a period of 4 months because of concerns with VBA's modernization approach. With this suspension, VBA was prohibited from purchasing this equipment without GSA approval.

Figure 2: Concerns With VBA's Approach to Modernization, 1992-1995

	GAO	OMB	GSA	CNA
Strategic Planning	X			X
Process Analysis	X	X		
Service Delivery Goals	X	X	X	X
Performance Measures and Evaluation	X	X	X	X
Acquisition of Information Resources	X	X	X	X
Overall Modernization Costs	X	X	X	X
Systems Development Approach	X			X
Management Infrastructure	X	X		X
Systems Integration			X	X
Overall integration	X		X	X

Historically, VA and VBA have generally not agreed with our conclusions and recommendations. However, VA and VBA have recently begun actions to address some of our long-standing concerns--exploring ways to complete initial compensation claims within 65 days, identifying reengineering opportunities throughout the organization, and strengthening the Department's oversight over the modernization, to name a few.

CONCLUSION: PROCESS CHANGE A PREREQUISITE TO MEANINGFUL IMPROVEMENT

Mr. Chairman, we appreciate the enormity of the challenge facing VBA. VBA has undertaken numerous actions to improve service to veterans. These actions, however, are not enough. Additional actions must be taken to ensure the probability of success of VBA's modernization effort, including designating a central point of authority charged with making the vision of significantly improved and cost-effective service to veterans a reality. If, after thorough analysis, an overall framework can be created into which individual initiatives can coalesce, the chances of a truly reengineered organization and modernized system making a difference to veterans will be markedly enhanced. We are prepared to support this Subcommittee and VBA in taking on this difficult challenge.

This completes my prepared statement. I would be happy to respond to any questions you or other members of the Subcommittee may have at this time.

(511186)

STATEMENT OF

RAYMOND H. AVENT

DEPUTY UNDER SECRETARY FOR BENEFITS

DEPARTMENT OF VETERANS AFFAIRS

BEFORE THE

SUBCOMMITTEE ON COMPENSATION, PENSION,

INSURANCE AND MEMORIAL AFFAIRS

COMMITTEE ON VETERANS' AFFAIRS

HOUSE OF REPRESENTATIVES

JUNE 22, 1995

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the status and plans for the Veterans Benefits Administration's comprehensive modernization program.

Modernization is a multi-faceted program, affecting many aspects of VBA's business operations. VBA employees are heavily dependent on the use of information to serve our nation's veterans and their families. That dependence is even more crucial in the environment facing VBA today -- one that has joined the increased complexity of our workload with higher standards of quality and service, while simultaneously reducing unnecessary layers of bureaucracy. From its inception, modernization has emphasized the role of information technology in meeting VBA's needs.

Significant evolution, both technological and programmatic, within the veterans benefits programs has occurred since its

inception. We are proud of the progress we have made to date but we are well aware that much remains to be done. In the past two years we have undertaken a comprehensive review that is helping us determine the actions we must take to enhance our ability to deliver effectively on the modernization promise. Our purpose at this hearing is to address our information technology activities as well as other aspects of modernization and the important relationship among all the elements.

My presentation this morning will address seven areas:

1. The initial reason for and our basic approach toward modernization;
2. Subsequent environmental changes which have impacted our modernization strategy;
3. The benefits we received from external assistance;
4. The status of our VETSNET initiative;
5. Business process changes;
6. Early results from modernization; and
7. The role of the Department's Chief Information Officer (CIO) in VBA's modernization efforts.

THE INITIAL REASON FOR MODERNIZATION

In the mid-1980s, modernization began as a response to the obsolescence and inadequacies of the Honeywell-based Benefits Delivery Network (BDN). The BDN is essentially a payment system with minimal support for the regional office (RO) actions necessary to process claims and keep us and claimants informed of the status of

their claims. The BDN provides a means for tracking folder location, but we know that the available tracking and control processes are inadequate, resulting in lost and duplicate folders. Because the information stored in the BDN is limited, processing a claim is highly dependent on access to the physical folder and on the labor intensive activities related to gathering evidence and making decisions.

Besides its limited functionality, the BDN was limited in its accessibility to RO staff. Many employees had no workstations or had to share workstations. Meanwhile, isolated efforts to implement solutions to specific problems (the earliest version of automated access to hospital data, for example) led to deployment of workstations that could be used for only one purpose. As a result, many employees had to leave their desks or defer work to gain access to the information they needed to do their jobs.

Because of its age, the BDN hardware needed to be replaced. Replacement required a fully competitive acquisition and thus required a significant investment. Recognizing that the BDN level of functional support did not provide the mission capabilities needed to meet current, much less future, requirements, we determined that a major investment in replacement of the BDN must yield a substantially improved system, providing the level of support our customers demand. We also realized that comprehensive improvements could take a number of years and therefore modernization must also provide a framework for making incremental improvements while pursuing longer term goals. Our approach to

modernization embodies the concept of "managed evolutionary development."

VBA'S APPROACH TO MODERNIZATION

Modernization is being executed on multiple fronts simultaneously:

Acquisition and implementation of an information technology infrastructure to both provide a viable and stable framework for evolutionary growth and also expand access to and usability of existing applications;

Reengineering of business processes to improve customer service, reduce rework, and simplify work flows. Many of these efforts are moving ahead independent of technology, but the presence of modernized technology will assist in exploiting their full business potential;

Development of interim applications to supplement or fill in specific gaps in the current BDN support;

Comprehensive replacement of the BDN through implementation of a business driven, redesigned system that is veteran-centered, supportive of changes in the business processes and capable of supporting evolutionary growth. This comprehensive, redesigned system has come to be known as VETSNET.

ENVIRONMENTAL CHANGES

As we progressed with modernization, both the information industry and the VBA environment changed dramatically. We have adapted modernization plans to respond to those changing circumstances. Although modernization encompasses all of VBA, we are giving special emphasis to the processing of Compensation and Pension (C&P) claims. VETSNET will be developed incrementally and C&P will be the first benefit program addressed. Consistent with recommendations of the Blue Ribbon Panel, we are also pursuing interim C&P initiatives in parallel with VETSNET. In pursuing both interim and VETSNET development we are responding to a variety of external factors as well which include:

- military downsizing;
- an increase in the number of original claims and the number of issues per claim;
- rulings from the Court of Veterans Appeals;
- expanded requirements for due process notification;
- reductions in VBA support staff.

These changes and accompanying initiatives have placed a considerable strain on our business and technical resources. While adapting modernization to focus on systemic aspects of our business, we also have had to marshal operational resources to get immediate control of our large backlog of claims. And our technical staff has had to maintain existing operations in parallel with extensive participation in modernization. We have now reduced our pending

workload and are beginning to see the effects of the first of the systemic improvements.

EXTERNAL ASSISTANCE

We now know that our original plans for modernization had not anticipated fully the degree and rate of change that would need to be accommodated. In the last few years reviews by GAO and, more recently CNA, have helped us realize that we need to better organize our management and integration processes to ensure effective control.

In response to GAO's recommendation that we identify specific goals for improved service we established a formal agreement with OMB in June of 1993. This agreement highlighted average timeliness goals for critical types of claims. CNA noted that these goals were too broad to provide meaningful direction for articulation of VETSNET requirements, so we developed operational design-guidelines that reflect time saving goals for component steps in the claims process. This instructs our VETSNET development teams to focus on processes that can be streamlined or eliminated through automation. We are proud of this effort but we do acknowledge that the development of these guidelines is not entirely scientific. The paucity of tracking information in our current BDN system limits the statistics available as a basis for measuring anything other than overall claims processing timeliness. We also prepared companion design-guidelines addressing customer service goals. These are based on analysis of common themes reflected in 16 focus group sessions held with both veterans and VBA front-line service personnel.

In November 1992, a GAO study recommended that we analyze our current business processes and develop a clear understanding of the deficiencies and problems modernization, and particularly, VETSNET would resolve. Essential to our concept of VETSNET has been the idea that VETSNET would center its support around the veteran and avoid the problems experienced today by veterans who ask "Why is it that each time I deal with VBA I have to start from scratch?" Although this concept was reflected in the early functional requirements on which the modernization infrastructure design was based, we wanted to add depth as we initiated actual VETSNET development. This led to the formulation of the Business Model Working Group, which produced the VBA-wide business model in September 1992. This model articulates 39 business goals, 14 of which have been identified as high priority, for the VETSNET design. Recently revalidated, these goals represent a coherent vision of the meaning of service to the veteran. In addition, the VBA business model incorporates automated identification and analysis of the fundamental data and processes needed to meet these goals. These data and process models ensure that as VETSNET grows, the important business need for consistent data sharing among all VBA benefit programs will be met.

In its 1992, report GAO also commented on the need for VBA to take steps that would ensure effective participation and communication between senior business and IRM managers. VBA has responded through the appointment of a CIO, one with business rather than technology expertise, and through the establishment of the VBA Policy Board.

At the outset, VBA had established joint program/IRM management of VETSNET with regular reporting to the CIO and other key officials. In its recent review, CNA noted these actions but helped us see that refinement of our approach was needed to improve effectiveness. CNA offered several recommendations which are currently under various stages of review and implementation.

CNA recommended that VBA create common, cross-program goals to drive process and information system design -- consistent with performance measures. We agree with the recommendation and are working with CNA to develop a VBA-wide VETSNET concept of operations which is scheduled to be completed at the end of this calendar year.

CNA recommended that VBA control changes selectively and improve integration management. CNA further recommended that VBA create an ad hoc, interim analysis entity to assess new initiatives and prioritize them within existing projects. In response to those recommendations, we:

- are defining an expanded role for VBA's CIO to include an analysis function to systematically assess the large number of near-term initiatives underway and prioritize them against new initiatives. We will be taking appropriate action to support that role with procedures and staff once it is defined. The new role will be defined and the organization established by the end of September 1995.

- have appointed a VETSNET/C&P project manager to strengthen business focus, especially during the requirements analysis phase, and streamline the VETSNET reporting chain.

- are formalizing our planning process, by developing a documented plan that articulates the strategic vision and identifies major initiatives throughout VBA, addresses their impact on VETSNET and other IRM intensive efforts, and establishes a mechanism for continuous oversight and integration of such initiatives. This process will be our primary method for ensuring that business reengineering and VETSNET development initiatives are properly synchronized and will also allow us to balance initiation of new projects with the resources available.

- are preparing a single document to serve as a unified, synthesized description of the VETSNET/C&P capabilities as they will appear to end users and veterans. CNA noted that the elements of this description exist, but in multiple forms and documents, making it subject to many diverse interpretations and making it hard to control the pressures for excessive change that are inevitable in a highly dynamic environment.

CNA also recommended that VBA implement a range of effective program management procedures to create an environment for more effective planning and control. VBA agrees with the recommendations and is addressing them in the second phase of the CNA study as well as by an internal assessment of all VBA

headquarters activities with the goal of restructuring them into a staff organization integrating all program management processes and functions. We recognize that we must enhance VBA's central office ability to lead, respond to, and support service delivery changes in the field. We expect to have an organization plan in place by September 30.

GAO has also provided us with many valuable recommendations which we have included in our plans.

GAO identified the need for an updated economic analysis - We have kept extensive cost data and contracted with CNA to complete a comprehensive updated economic analysis. In conjunction with this task we have also asked CNA to assess the viability of the original technical architecture; propose changes; and based on a new assessment of functional objectives and incremental development, provide and apply improved techniques for estimating software development costs.

GAO recommended we provide applicants with realistic estimates about how long it will take to complete their claims and develop data on applicants whose claims are denied. We have instructed VETSNET development teams to include requirements for automatic generation of an acknowledgment letter indicating approximately how long it will take to complete each claim. This information will be based on current processing timeliness for the RO responsible for processing the claim. We will periodically inform the claimant of the status of the claim and inform the claimant as

evidence is received of what remains outstanding. VETSNET will also keep data on denied applicants. In fact, a key element of VETSNET requirements includes maintenance of additional data to characterize claim types and claim processing status and time frames, so that management will have more data on which extensive analyses of process effectiveness can be performed.

Both GAO and the Blue Ribbon Panel expressed strong interest in RO-based initiatives to restructure the way claims were processed. GAO focused especially on the need to improve plans for evaluating the effectiveness of these initiatives. In November 1994, the Under Secretary for Benefits released information to all ROs describing possible model structures that support the goals of team processing and decentralized decision making, reduce layers of management and streamline work processes, particularly by eliminating case hand-offs. With this framework in place we have now established a Modeling Support Committee that is responsible for overseeing the implementation of the model structure appropriate for each RO. The committee will assist in the development of project requirements and timeline estimates, performance indicators and outcome measures, resource requirements, training requirements and systems for tracking implementation and sharing information.

We have found the GAO and CNA recommendations to be valuable inputs and have appreciated their assistance. CNA is now continuing its efforts through a comprehensive analysis of many technical issues associated with modernization architecture and size and cost estimating techniques. We anticipate significant benefits

from the application of CNA technical expertise to our technical strategy, particularly with regard to VETSNET.

THE VETSNET INITIATIVE TODAY

We are continuing with our intensive effort to complete analyses of requirements for VETSNET/C&P. This new system will enhance and synthesize the limited capabilities available today from the BDN and the transitional applications. VETSNET will encompass the entirety of compensation and pension benefits delivery, responding to the redesigned claims process and the new vision of customer service. The following are examples of the many ways VETSNET will support the compensation and pension program:

- It will utilize rule-based technology to assist with the development of claims. This will ensure that all evidence is requested at the earliest opportunity and that requests are submitted to the proper provider. It will identify whether evidence that has been received is critical for a decision. It will also prompt decision makers as soon as all essential evidence is received.

- Rule-based technology will also be applied to other areas of the adjudicative process. VETSNET will assist rating specialists by providing suggested decisions based on data input via interfaces, by employees, or by other authorized individuals.

- Data used to make the rating decision will usually be sufficient to generate the ensuing award and will also generate notification to the claimant. Very little, if any, additional employee effort will be required.

- VETSNET will provide immediate update of client and claim information stored in the data base, overcoming the information gaps experienced with the delayed cycle-processing of the BDN system

- The information in VETSNET will be sufficient for our veterans benefits counselors to reply to most inquiries without the need for review of the claims folder. We intend to capture within the system brief summaries of prior contacts with claimants so we can respond to subsequent inquiries without requiring the individual to rehash previous conversations.

- VETSNET will provide the platform for VBA to make available to claimants and their representatives the opportunity to electronically file claims. They will also be able to access the system to obtain information specific to their claim or general information relating to benefits and services offered by VA.

- Automated interfaces with other government agencies and electronic data interchange with business partners will be exploited. Expansion of data interchange within VA will also be a significant factor as development proceeds.

Definition of detailed requirements to achieve these improvements began in March 1994 with the formulation of 12 teams and the assignment of 24 component projects to those teams. The teams are using an information engineering (IE) methodology to define and record requirements through the development of structured definitions of both the data required to perform tasks and the logical processes that operate on those data to achieve results. In response to observations made by CNA, we have made some changes in the VETSNET project structure and reduced both the number of the teams and the number of sites at which teams are located. We have a full time, business-oriented VETSNET project manager. The teams are composed of both IRM analysts and business specialists, most coming directly from regional offices rather than central office staff. The management chain is drawn entirely from the business community. As this effort evolved we began to realize that our level of IE expertise, critical to requirements analysis, was not adequate. CNA confirmed this conclusion and we have placed one IE specialist on each team. We have a well defined plan that calls for completion of our requirements analysis by September 1995. This will give us the firm basis we need to estimate the actual development cost and time frames for completing VETSNET/C&P.

BUSINESS PROCESS CHANGES

We noted earlier that modernization encompasses redesign of business processes as well as information technology improvements. We have discussed a number of actions that are in place to ensure that business processes affecting VETSNET design are integrating with

and are properly directing VETSNET development. Other business changes are underway, as well:

Consolidation of Education Claims

We are currently in the process of consolidating education-claim processing into four sites, in order to improve timeliness of benefits delivery and operational efficiency. As of June 1995, all but four regional offices had transferred their education-claim cases to the four sites. By the end of the calendar year 1995, it is expected that all stations will have transferred their claims to the four sites. This positions us to maximize the benefits of image processing interoperating with BDN processing of education claims, as has been prototyped at our St. Louis regional office. The image processing component of modernization can bring interim improvements to education while VETSNET is focusing initially on C&P processing.

Service Medical Records Center

We now have agreements with the military departments of the Department of Defense whereby they send the service medical records of recent dischargees to VA's Service Medical Records Center in St. Louis. The Center, in turn, forwards those records to the regional office of jurisdiction if the veteran has filed a claim, or stores the records until such time as a claim is filed. This procedure significantly expedites processing of disability claims.

Medical Evidence

We have implemented several initiatives to reduce delays in obtaining the medical information needed to process disability claims.

The "Physician's Guide to Disability Evaluation Examinations" has been updated, modernized, and made available to examining physicians in computerized version for easy access. For psychiatric examinations, we may now, in many cases, accept examinations performed by clinical psychologists. Previous guidelines dictated that only examinations by psychiatrists would be accepted, ignoring the important roles played by clinical psychologists.

The important role of nurse practitioners has also been recognized. Examinations conducted by nurse practitioners may be accepted for rating purposes if signed by a physician who also concurs in the diagnoses and clinical findings.

Under a memorandum of understanding (MOU) between VBA and VHA, VA medical facilities have made a concerted effort to process C&P examinations in a timely manner. In response to concerns over the quality of the examinations, a recent amendment to the MOU added a specific quality element to reinforce the original intent of the timeliness requirement.

A regulation change in mid-1994 increased the number of situations in which our rating boards could accept private physicians' statements for rating purposes. However, in original compensation claims, a VA examination was still required. By enacting section 301(b) of Public Law 103-446, Congress prompted us to rethink that policy. A proposed amendment to our regulations, now under Departmental review, would permit rating boards to accept private physicians' reports in all types of claims without need for

confirmation through a VA examination. The reduction in examination requests resulting from these two regulatory amendments will allow VA medical facilities to handle the remaining requests more expeditiously. We also will see improved timeliness in claims where private physicians' statements are acceptable for rating purposes.

Rating Board Initiatives

The most technical aspects of claims processing are handled by the rating boards. Rating specialists routinely review medical evidence to decide service connection for disability or death and the degree of impairment caused by disabilities. Their decisions lie at the very heart of the compensation and pension programs and, therefore, have received close scrutiny by the Court of Veterans Appeals. The decisions of the Court have had a tremendous impact on rating activities. They have expanded the amount of evidence required to be reviewed. They also require rating specialists to write decisions in a more detailed and explicit manner. This has benefited our claimants but also has increased the workload and decreased the productivity of our rating boards. We have taken steps to address this fact.

We have redirected resources to the rating boards. The number of rating specialists nationwide increased from 530 in September 1992 to more than 800 today. Because two years are required for a rating specialist to become fully trained, the benefit of the shift did not begin to be felt until late 1994. Improvement will continue as the rating specialists gain even more experience.

We have encouraged establishment of positions at the regional offices to support rating board activities. Several regional offices now employ rating technicians or rating analysts to assist in the initial review of claims and development of evidence. In this way rating specialists may concentrate on cases ready to rate or involving more complex issues.

Traditionally, the majority of rating decisions have been prepared by one rating specialist and then reviewed and co-signed by two other rating specialists. After a period of testing and evaluation, we determined that most routine ratings can be promulgated as "single-signature" ratings without a loss of quality. This reduces the review and processing time required to promulgate a rating decision. Guidelines published in 1994 permit Adjudication Officers to authorize rating specialists with the requisite expertise to prepare one-signature rating decisions. Decisions involving complex issues still require review by two rating specialists.

Perhaps the most important initiative to ensure accuracy and consistency in rating decisions is the complete review and revision of the rating schedule currently being undertaken by the Compensation and Pension Service. To date we have published final revisions of sections dealing with three body systems: the genitourinary and dental/oral systems in January 1994, and the gynecological system in April of this year. We also have published proposed revisions for the sections covering 8 other body systems, the final revisions to which are now in various stages of preparation. The proposed revisions for 5 more body systems are also in various stages of preparation.

Extensive training packages will support this effort as final regulations are published.

Evidence and Development

In the last few months, we have taken steps to ensure that all required evidence is requested as early in the claim-review process as possible. This can significantly reduce the time required to decide claims.

In January of this year, we began distributing to the regional offices development checklists for burial, compensation, pension, and DIC/death pension claims. Concerted use of these checklists will help identify all evidence needed and will assist supervisors as they review the status of long-pending claims.

In September 1994, we published an interim rule that eliminated the requirement for submission of certified copies of dependency documents in support of claims and allowed acceptance of photocopies. We also have recently submitted for Departmental review a final rule permitting acceptance in certain instances of a claimant's signed statement as proof of marriage, termination of marriage, birth of a child, and death. This rule is consistent with section 503 of Public Law 103-446, and we expect that it will have an even more favorable impact on timeliness.

We are currently testing a redesigned Veteran's Application for Compensation or Pension at three regional offices. The redesigned form will assist in obtaining the information needed to successfully

"develop" a claim as early as possible. This was endorsed by the Blue Ribbon Panel and grew out of our comprehensive analysis of the rules for developing a claim that took place in conjunction with our efforts to apply "expert" or "rule-based" information technology to the claims process.

Eligibility Verification Reports (EVR) Workload

The volume of incoming work will drop due to recent legislation (Public Law 103-271) giving VA discretionary authority to reduce the number of eligibility verification reports that claimants must file annually. In 1994, EVRs accounted for more than 24 percent of the workload (800,000 actions). We believe that, under the discretionary authority of the new legislation, and given the income verification matches with the IRS and the SSA, we can reduce the EVR volume by 65 percent, while maintaining program integrity. A proposed regulation to implement this discretionary authority was published in May 1995.

EARLY RESULTS FROM MODERNIZATION

As mentioned earlier, our strategy for modernization recognized the need to acquire an enabling infrastructure as a basis for evolutionary improvement. The substantial part of our infrastructure was provided by our Stage I contract, awarded in December 1992. The VBA-wide implementation of RO equipment and networks through Stage I, have improved dramatically the RO workplace and have expanded our access to existing capabilities. We have increased workstations available to RO staff from 3,650 to

10,752. In addition, through the infrastructure design and the development of various gateways, we have made these workstations multi-functional. Now RO employees can access all the information processing capabilities they need through a single workstation at their desktops. To illustrate the impact of this effort, we quote the reaction of a veterans benefits counselor who had previously shared a BDN terminal with three other counselors: "Now I can take as much time as I need to respond fully to a veteran on the phone, because I know that no one else is waiting for the terminal."

The Stage I infrastructure in the ROs provides the essential prerequisite for deployment of both local and standard applications that can address critical business needs. It has also allowed us to improve the value of applications whose operations in the old environment were so burdensome as to impede use.

We now are able to provide adjudication personnel direct access to hospital data from their own desktops. Access to data is at least four times faster than before. This frees the workstation and user to perform other tasks. In addition, the capabilities of our new VBA workstations permit staff to perform multiple tasks simultaneously. Furthermore, expansion of automated communication with and use of VHA data is now feasible because of the modernization network capabilities.

Through a creative combination of data and word processing capabilities, modernization has given adjudicators a flexible and easy to use system for generating letters to claimants. Data that exist in

the BDN are combined with standard paragraph and letter libraries to produce a letter tailored to each claim. By presenting the letter to the adjudicator as a word processing document we can still obtain the benefit of personal review and editing to ensure accuracy before the letter is released. Standard forms and other attachments are also computer generated and appended directly to the letter. Recently we incorporated specialized style and formatting options to further enhance readability. This application eliminates most of the need for dictated and transcribed letters and makes correspondence easier to understand.

Many regional offices had adopted a computer application known as WARS (Word Assisted Rating System) developed by the New Orleans and Atlanta Regional Offices for the Stage I environment. This system allowed rating specialists to use word processing technology to prepare their own rating decisions, thereby eliminating the need for dictation and transcription. WARS reduced the number of keystrokes necessary to complete a decision by using standardized glossary and macro routines to supply pre-formatted phrases and paragraphs -- in short, a word-processing package. In early 1995, we deployed nationwide a more advanced computer application, known as Rating Board Automation (RBA). Its sophisticated programming and large database organized by diagnostic codes make use of standardized phrases, sentences, and paragraphs. RBA permits preparation of a rating decision with only minimal keyboard use. This application will make rating decisions more consistent and easier to understand.

VBA has begun replacing most of its printed manuals and directives with the automated reference materials system (ARMS). ARMS is a CD-ROM application that allows adjudicators easy access to VA laws, regulations, and directives. The system can be quickly updated to reflect changes resulting from legislation, court decisions, or revised regulations and procedures. This system is also available to veterans service organizations, our partners in service to veterans.

Although there are a number of additional examples, we want to provide specifics on one more application enabled by our modernization infrastructure. The recent legislation authorizing payment of claims to Persian Gulf veterans in certain cases of undiagnosed illnesses, in combination with other special requirements related to Persian Gulf, led to the need for a new data collection and statistical analysis capability. The basic concept, design and development of the necessary automation support were done by RO staff, who had access to end-user development capabilities provided to all ROs as part of the standard Stage I implementation. The application was exportable to other ROs because of this standardization and the necessary reporting and consolidation of data were easily implemented because of the Stage I network design. The period from initial concept to full implementation was less than six months, because some of the work could be done by end users rather than ADP specialists. Maximizing use of RO talent in conjunction with ADP specialists is an important aspect of our modernization concept.

In parallel with VETSNET we are also developing an application to improve control of folder locations within and among ROs. Using bar code technology, various locations within an RO will be able to easily update an RO data base to show when they have physical custody of a folder. Various functions are included to assist in locating folders when incoming mail arrives. The potential benefits of this application were demonstrated on our Wang equipment but Wang limitations prevented nationwide deployment. The modernization version of this application will be available this fall to all ROs, and will be the first to take advantage of the relational data base management system and distributed capabilities of Stage I. As part of this effort we have developed automated links to the master locator component of the BDN, ensuring synchronization between field and central systems. The network and gateway facilities of the modernization design make this possible and the facilities of our new distributed data base management system allow us to implement system controls to ensure accuracy. Such integration with the BDN or across the network was not feasible with the Wang prototype version.

All of us who care about veterans know that modernizing the delivery of benefits is an imperative. Doing nothing is not an option. Information technology is the primary enabler for modernization but we believe it is essential that technology-intensive improvements be based on a comprehensive and coherent view of the future of the way we conduct our business. The planning and preparation that have led to our current level of automation are integral, not isolated, steps that will make possible sustained, evolutionary growth. We have

achieved demonstrable results despite a rapidly changing environment, increasing workload and declining staff. We know that this is just the beginning, but it is a beginning based on a solid foundation.

INTERACTION WITHIN THE DEPARTMENT

VBA is engaged in a dialogue with Department representatives which will result in a strengthened role for our CIO and closer ties with the Department information resources structure and with other parts of VA (such as the Veterans Health Administration and the Board of Veterans Appeals). Under the VA-OMB agreement, VA was to make funding for modernization contingent on demonstration of improved service to veterans. We have made good on this commitment. VA also agreed to strengthen the role of the Department's Chief Information Resource Officer (CIRO) in the prioritization, review, approval, and control of major automation projects such as VBA's modernization efforts. We are optimistic that this increased presence and participation by the CIRO will be a positive force serving to diminish the constant distractions and pressures of the many reviews, audits, and studies by external organizations to which we have been subject.

We believe that this heightened commitment will benefit all of our information technology efforts, especially modernization. And because modernization means more than a set of procurements, we are collaborating with others across VA to capitalize on today's technology to focus on veterans' needs. This includes working

towards fulfillment of the promise of the Master Veteran Record (MVR) concept, an effort which attacks bureaucratic inefficiencies and simultaneously enhances compassion in the delivery of service to our clients.

It also includes exploring new ways of delivering service, such as computer-telephone interface (or CTI) which allows veterans to obtain information through their home telephone directly out of our databases, and even use of the INTERNET to exchange forms and other data on an "information highway" which has become nearly second nature to our younger veteran population. The demographics of the population we serve is changing, and our modernization effort must accommodate the entire population.

CONCLUSION

With the help of GAO and CNA, we are carefully assessing where we are and what we must change to improve the probability of success in the work that remains. We are committed to this effort. The timeliness goals that we have established for 1998 in our agreement with OMB are very ambitious. However, we believe that these goals are attainable through full implementation of our modernization, reengineering, and training initiatives, and through enhancing the skills of our claims processing workforce.

We welcome your interest and all opportunities for cooperative effort in delivering to veterans and their families the benefits they deserve, in the compassionate and customer-focused manner to which they are entitled.

Mr. Chairman, this concludes my statement. I will be happy to respond to any questions that you or other members of the Subcommittee might have.

STATEMENT OF CAROL RUTHERFORD, ASSISTANT DIRECTOR
NATIONAL VETERANS AFFAIRS AND REHABILITATION
THE AMERICAN LEGION
TO THE SUBCOMMITTEE ON COMPENSATION, PENSION,
INSURANCE AND MEMORIAL AFFAIRS
COMMITTEE ON VETERANS AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
June 22, 1995

Mr. Chairman and Members of the Subcommittee, The American Legion appreciates the opportunity to comment on the Veterans Benefits Administration (VBA) computer modernization program.

For many years, repeated projections of improvements in productivity and the timeliness of claims processing associated with planned modernization and replacement of VBA's TARGET computer system have been used to justify substantial cuts in regional office staffing. Although some changes and upgrades were made to TARGET, little real progress was made toward achieving the goal of improved efficiency and service. As a result, VBA's initial program eventually had to be scrapped and a new computer modernization plan developed. The current program will gradually replace the TARGET system and equipment in three stages and is scheduled for completion in 1998.

Since 1990, VBA has implemented a wide variety of organizational, administrative, and procedural changes in an effort to streamline and improve the quality and efficiency of regional office claims processing. These ongoing initiatives have coincided with the installation of new computer hardware in all regional offices, under Stage I of VBA's long-term computer modernization program. Stage I also includes the implementation of a number of new software programs which include the Automated Reference Materials System (ARMS), Rating Board Automation (RBA), Claims Processing System (CPS), Construction and Valuation (C&V), and Personal Computer Generated Letters (PCGL). Most stations are currently using these programs. This Fall, the new Control of Veterans Records System (COVERS) will be introduced and is designed to improve the physical management and tracking of claims folders.

As an interested outside observer, The American Legion has often expressed concern about problems with VBA's computer modernization efforts and the apparent lack of progress toward substantial improvements in productivity, efficiency, and timeliness, including the long overdue replacement of the TARGET system.

In its November 1992 report (GAO/IMTEC-93-6), the Government Accounting Office (GAO) criticized VBA's current modernization effort and cited poor planning, lack of effective leadership, and ineffective communication. In response, VBA made a number of changes in the plan. GAO reviewed the modernization program again in 1993 and in their report (GAO/AIMD-94-26) indicated that it appeared many of the previous problems had been overcome and the program was moving in the right direction.

As Stage I nears completion, VBA is preparing to begin Stage II of the program which will involve the purchase of additional computer equipment, including optical disc technology, and the continued deployment of additional software.

Mr. Chairman, in previous testimony this year The American Legion discussed the recent findings of a study of the modernization program conducted at the request of the General Services Administration (GSA) performed by the Center for Naval Analysis (CNA). This study concluded that VBA was trying to accommodate a rate of change that its management infrastructure could not effectively accomodate. In light of the experience under Stage I, it was felt that VBA's timetable for implementation under Stage II was perhaps too ambitious. GSA has decided to place a hold on the

purchase of equipment scheduled under Stage II pending the findings of a follow-up study by CNA. In the meantime, VBA has acknowledged that it is also re-examining its Stage II projects.

From our perspective, we observe that the regional offices have indeed had to cope with a staggering number of changes within a relatively short period. Adjudication staff have been under pressure to quickly learn how to operate the new PC equipment and the various new programs being installed. At the same time, they are expected to maintain productivity, quality, and timeliness. Adding to the workload pressure has been a steady series of major administrative, procedural, and regulatory changes associated with the recommendations of VA's Blue Ribbon Panel on Claims Processing and other management initiatives. In addition, precedent decisions of the Court of Veterans Appeals and the related changes must also be integrated into the adjudication process.

One of the reasons for GSA's decision to place a hold on procurement of Stage II equipment was the apparent lack of improvement in claims processing directly attributable to Stage I initiatives. Regional office staffs may have, in fact, been overwhelmed by the demands placed on them. It takes time to be trained and to assimilate these many changes and develop proficiency in utilizing the new computer tools that are now available.

The American Legion believes it is essential that VBA continue with its computer modernization program. However, in our view, it is neither cost-effective nor productive to maintain an unnecessarily ambitious time-frame, if experience shows that some revision of the schedule is appropriate. The American Legion believes the findings of the pending CNA study will be important for GSA and VBA in evaluating whether or not changes or modifications are needed with regard to any of the initiatives scheduled for Stage II.

In conjunction with VBA's modernization program, it has been necessary for the veterans service organizations to establish or upgrade their office computer systems. VBA has provided a list of hardware and software specifications which would be needed for a compatible hookup to the VA system. Our service officers report that VA staff has been very supportive in providing information and training on the new computer programs. Such direct access can provide information on the status of a pending claim, as well as access to VA reference materials, such as VA regulations, manuals, and guidelines, and other important information which enables our service officers to provide better and faster service to veterans and their families.

Mr. Chairman, The American Legion is very concerned by the potential loss of funding for VBA's continuing computer modernization effort, under the various budget proposals for FY 1996 now under consideration in Congress. The Senate budget resolution proposes to maintain the 1995 level for GOE funding less a $25 million allocation in the FY 1995 budget for Stage III modernization initiatives. The House would freeze funding at the 1995 level. The net effect of such cutbacks in funding will be to negate the strides VBA has made over the past two years to improve overall service to veterans. The backlog of pending claims will increase and veterans will have to wait longer and longer for a decision on their claims.

We, therefore, believe it is essential that Congress fully support VBA's computer modernization program and maintain adequate funding to ensure the full implementation of Stage II and III. We are also cognizant of the need for continued oversight by this Subcommittee of VA's progress toward modernizing its information systems.

Mr. Chairman, that concludes our statement.

STATEMENT OF
JOSEPH A. VIOLANTE
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DISABLED AMERICAN VETERANS
BEFORE THE
SUBCOMMITTEE ON COMPENSATION, PENSION, INSURANCE
AND MEMORIAL AFFAIRS
VETERANS AFFAIRS COMMITTEE
U.S. HOUSE OF REPRESENTATIVES
JUNE 22, 1995

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

On behalf of the more than 1.2 million members of the Disabled American Veterans (DAV) and its Women's Auxiliary, we welcome and appreciate this opportunity to present our views on Department of Veterans Affairs' (VA) computer modernization program.

We commend you, Mr. Chairman, for convening this oversight hearing to examine the status of the VA's automated data processing modernization program, and to solicit our observations and permit our comments on the efficacy of these programs for members of the veterans' community.

Mr. Chairman, we are pleased to take this opportunity to publicly acknowledge and compliment the VA for the very effective way in which the initial aspects of the modernization program have been implemented.

The benefits and services Veterans' Benefits Administration (VBA) delivers exert an impact on the lives of millions of Americans. Effective and timely delivery of these benefits and services requires a sophisticated information processing environment. The primary goal of VBA's automated data processing modernization program is to use modern technology to improve the delivery of benefits and services to veterans, their dependents, and survivors.

The VBA's modernization goals were developed during a number of interactive workshops. These goals include:

* providing faster, better service;

* improving communications and information access;

* streamlining processing; and

* providing a system built with the user in mind.

VBA's modernization program was designed to be accomplished in three stages. Stage I is the purchase of hardware and software; Stage II is the acquisition of imaging technology; and Stage III is the creation of a national data center that incorporates and enhances all of the previously instituted applications. This system will interface with central file locations and other agencies.

Stage I is complete and all installations were completed successfully. Training classes were conducted and the VA has reported that: 7,000 employees completed the End-User curriculum; and 60 employees completed the Management Overview session; approximately 250 employees completed Tricord server classes; 40 employees completed Sequent processor classes.

There are nineteen Stage I transitional applications, described below.

(2)

ADVISOR: Performance Enhancement Training System. Provides training lessons in the various benefit areas for the Regional Office Veterans Benefits Counselors.

AMIE: Automated Medical Information Exchange. Dramatically improves AMIE access and response time through use of Stage I local area networks and other communications facilities. AMIE provides regional offices direct access to medical center data on admissions, discharges, and compensation and pension examinations.

ARMS: Automated Reference Materials System. Automated text retrieval system that supports all VBA programs by including reference materials, such as Court of Veterans Appeals decisions, VBA policies and procedures, and VBA program directives, manuals, and circulars. The data will be stored on both CD-ROM and hard disk (magnetic) devices.

COVERS: Control of Veterans' Records. Barcodes veterans' folders. Tracks folder location within the Regional Office. Folders will be barcoded and scanned each time a record changes within the Regional Office.

COWC: Committee on Waivers and Compromises. Provides the benefits of Stage I (enhanced access and improved user interfaces) to the tracking of requests for waivers of debt.

CPS: Claims Processing System. Provides automated support for gathering of evidence and documents required for processing original disability compensation claims. Includes a special feature to generate a claim application in situations where clients are interviewed.

C&V: Construction and Valuation. Tracking system that manages and controls construction monitoring and property valuation activities at a regional office. It allows lenders to access the system to request appraiser assignments and status inquiries, thereby reducing the volume of data entry, phone answering, and "folder pulling" by the staff, allowing them to devote more time to other tasks.

EMPLOYEE PROPERTY CHECKLIST: Employee entry on duty records. Needs such as badges, key-cards, equipment issued, and issuance information are entered into the system.

EVR: Eligibility Verification Report. Modifies processing of EVR responses to permit client identification data to be entered by wanding of barcodes rather than by key entry.

HOLAR: Hearing Officer Letters and Reports System. Provides the benefits of Stage I (enhanced access and improved user interfaces) to maintaining Hearing Officer schedules and data to generating Hearing Officer letters.

LOCAL TRAINING SYSTEM: Local Training System. Tracks all training received, required, planned and scheduled. Prepares, provides and distributes required forms for student training needs.

PCGL: Personal Computer Generated Letters. Provides enhanced facilities for generating custom letters to compensation and pension claimants. Includes automatic access/use of benefits delivery network data, simplified menus for letter/paragraph selection and automatic generation of required enclosures and forms.

QSR: Quarterly Statistical Report. Uses Stage I technologies to improve efficiency and user interfaces in the collection of statistical data for education benefit programs.

RBA: Rating Board Application. Provides rating specialists the ability to create quality rating board documents in a timely manner through access to stored formats and text. Workstation point-and-click technologies will minimize keyboard input.

RIMS: Records Inventory Management System. Provides the benefits of Stage I (enhanced access and improved user interfaces) to the tracking and disposition of large record holdings.

SLS: Single Log-on System. The Single Log-on System will allow users to log-on to host systems such as the BDN and Wang without re-entering previously supplied USER IDs and passwords. The security information required by individual applications will be automatically transmitted with no user intervention required.

SUPERVISORY PERSONNEL SUPPORT: Provides commonly needed information, such as position description, performance plans, performance evaluations, recruitment and status on outstanding personnel items.

TRAVEL AUTHORITY: Travel Authority/Voucher Preparation. Automates production of forms, relates authority to voucher, generates maximum information. Provides automated routing and concurrences.

VRAMS: Vocational Rehabilitation Automated Management System. Wang VS-based application provides an automated means to track veterans' cases. The veterans' case is tracked from initial contact through final case closure. Through VRAMS case letters, forms, agendas and reports are automatically generated.

These transitional applications are either complete and in use or in various stages of development. The ten applications in use are ADVISOR, AMIE, EVR, ARMS, PCGL, C&V, RBA, VRAMS, SLS, and RIMS.

Currently, the Chief Information Officer (CIO) works closely with VBA in the identification, development, and reporting of performance measurement information that can be used to monitor the impact of major automation projects. This information is tracked monthly by the CIO. Presently, the factors being measured are timeliness standards for the processing of claims in four categories: original disability compensation, original disability pension, original indemnity compensation, and original death pension.

Due to concerns of the General Services Administration, VBA has acquired the services of the Center for Naval Analyses (CNA) Corporation to conduct a comprehensive program review of the modernization program.

In March, 1995, CNA assessed the VBA modernization program. The review was mixed. CNA concluded that VBA implemented a number of significant steps in 1993 and 1994, and noted that the findings of its study "should not diminish the significance of what VBA has achieved or tarnished [sic] the vision VBA has established." The report went on to state that the concern was not with the merits of VBA's goals, but rather the means, i.e., strategies and plans, of accomplishment and the organization's infrastructure capabilities.

We will not go into detail on the specific recommendations made by CNA; however, it is our understanding that VBA has implemented some of those recommendations and is analyzing the report and other data to determine how best to approach and

manage this herculean task of modernizing the VA's computer network.

Another component of that review is the development of performance measures (metrics) to quantify the programmatic benefits of improved processing times documented in agreements between Office of Management and Budget (OMB) and the VA. CNA will also develop metrics to quantify other productivity or service improvements which have been identified through the studies at the Baltimore and St. Petersburg Regional Offices (ROs). The processes defined by CNA in developing performance measures will position VBA to update performance measure criteria as new business processes and technologies are implemented. The CNA task to develop these measures and metrics is scheduled to be completed by the end of the year.

Stage III is delayed pending the CNA review. The delay associated with this study will, in all likelihood, prevent VA from meeting some of its previously set deadlines.

The DAV is firmly convinced that the modernization program will improve services to veterans, provide cost savings to the government, allows changes in organization and program structures, and improve the productivity of the VBA staff. We also are concerned that the modernization program be implemented properly, so that this program will be a win-win situation for both veterans and the VA. The ideal system would allow VBA access to the Veterans Health Administration's (VHA's) records in the adjudication of veterans' claims. However, we are not certain that the current system will allow for such access. Direct access to a veteran's VA health care records would speed up the adjudication process and, if feasible, VBA should have a system compatible with VHA's computer system.

Mr. Chairman, we believe that it is important to ensure that the VBA modernization program is in fact headed down the right path. The study being conducted by CNA and the exercise of this Subcommittee's oversight capability, as is presently being conducted, should ensure that this project is managed properly.

We are also mindful that the study by CNA is expected to cost $1 million and it will be paid out of money budgeted for hardware. As noted previously, it will prevent VA from meeting some of its deadlines. While we can appreciate the need for certain studies, we hope that the computer modernization program will not be studied to death.

While the DAV is not naive enough to believe that the modernization program is the panacea for the backlog or the long delays in adjudicating claims, we do believe that it will improve the adjudication system and expedite the process.

Again, the DAV commends the Subcommittee for convening this oversight hearing and for taking this meaningful step to ensure that VBA computer modernization is headed in the proper direction.

WRITTEN COMMITTEE QUESTIONS AND THEIR RESPONSES

CHAIRMAN EVERETT TO DEPARTMENT OF VETERANS AFFAIRS

Questions from the Honorable Terry Everett, Chairman
Subcommittee on Compensation, Pension, Insurance and Memorial Affairs
VBA Computer Modernization Hearing
June 22, 1995

1. **In his testimony regarding the CIO, Mr. Avent stated that "as we make decisions, we are sharing those." It appears that the VA CIO is merely informed of decisions with no real authority. How does that situation comply with the OMB agreement?**

   Answer: The Assistant Secretary for Management (AS/M), as the Chief Information Resources Officer (CIRO), reports directly to the Secretary to carry out Department responsibilities under the Paperwork Reduction Act, Public Law (PL) 96-511 as amended by PL 99-500, and pursuant to 44 U.S.C., Section 3506(b). The CIRO oversees the Department's IRM planning, budget and implementation processes which are executed in collaboration with senior officials across the VA.

2. **What changes in management structure has VA put in place since receiving the CNA report?**

   Answer: Upon review of the findings of the CNA report, VBA is implementing a new integrated planning process to be led by a senior executive. The first phase of this process, scheduled for completion in September, will incorporate VBA's various business reengineering and business modeling activities, as well as our ongoing technology, applications development and training initiatives. The plan will relate initiatives to VBA's strategic vision and goals and also show how initiatives relate to each other. VBA has also appointed a senior business manager as the VETSNET project manager, replacing the business/technical team approach that had been in place previously.

3. **The 1993 agreement with OMB lists seven items with regard to the authority and responsibilities of the VA CIO. In her testimony, the DAS IRM noted she was not involved at key decision points. Her testimony also suggests no real authority has been vested in VA's CIO, and brings to question VA's intent to comply fully with the letter and intent of the agreement. Please describe actions VA has taken to comply with those commitments.**

   Answer: The following are eight items (rather than seven) listed in the agreement, that the VA CIO is to accomplish and the actions that have been taken to comply:

   (1) Work with VA components to establish acquisition and implementation priorities and to resolve any problems.

   The Assistant Secretary for Management (AS/M) is implementing a VA CIO program within VA to reflect the current needs of the Department. The Administrations are currently working towards finalizing the structure requirements that must be in place in their organizations to implement this program. VHA has developed a CIO structure as part of their overall reorganization proposal which should be approved this summer. The new role a CIO will bring to the Administration will be an independent and objective fulcrum between the program (business) side and the information technology side. The CIO will broker the best compromise between programs and IRM to ensure the Administration is responsive to its business priorities and needs. The CIO concept was first introduced within VA in 1993, when the Under Secretary for Benefits, with the concurrence of the AS/M designated his Chief of Staff as CIO. To further strengthen the CIO function and permanently install the CIO program within VA's two Administrations, the Deputy Assistant Secretary for IRM (DAS/IRM) has defined the role and authorities of a CIO, the process for selecting and confirming a CIO, the participatory requirements of a CIO on the VA Senior IRM Council and IRM Steering Committee, the performance indicators for a CIO, and linkage of these indicators to threshold levels of delegation of authority to a CIO.

(2) Organize and appoint a group of experts as independent advisors to the senior management council.

The Senior Management Council of 1993 provided a forum for information exchange among VA's Administration heads and Assistant Secretaries; therefore, there was no need at that time for independent advisors. Along with restructuring the Department's IRM program, the AS/M initiated the VA CIO program and is re-establishing the Council at the CIO level. These initiatives will be implemented concurrently.

(3) Review and approve all major automated information systems at pre-defined milestones (See response following item 6);

(4) Evaluate and approve all significant information technology acquisitions above $2.5 million (See response following item 6);

(5) Work with the VA components to develop decision criteria for controlling systems development and operations life cycles of these major information project (See response following item 6); and

(6) Develop performance review and reporting requirements to identify the net benefits actually realized from major automation projects.

As a normal business practice, the Office of the DAS/IRM works with all VA organizational elements to ensure that acquisitions, and subsequent implementations, are in keeping with both the goals of the Secretary and the objectives of the program offices. As VA organizational elements define objectives in support of the goals enunciated by the Secretary, they develop IRM initiatives to implement those objectives. These initiatives are profiled within VA's 5-year information technology plan, the VA's IRM Program.

As a subpart of this process, the Office of the DAS/IRM reviews the requirements analyses and benefit/cost analyses for IRM acquisitions that exceed $250,000. The acquisition requests are also reviewed against the approved IRM Program and coordinated with the Offices of Budget, General Counsel, and Acquisition and Materiel Management. If significant changes are made to an initiative (such as an increase in budgeted funding levels, the addition of new functionality, or significant delays in the project schedule), a new IRM plan is required before the acquisition can be given review consideration.

The Office of the Assistant Secretary for Management (AS/M) is finalizing a new directive which strengthens the policy and responsibilities for VA's IRM Program. This directive defines structured processes to assist Department IRM officials in meeting their responsibilities under mandated Governmentwide policies and procedures. This policy provides the foundation for IRM planning, budgeting, acquisition, and review of VA's information systems.

The Office of the Deputy Assistant Secretary for Information Resources Management (DAS/IRM) will review information systems or IRM initiatives at key decision points including the IRM planning and performance measurement phase, the budget review and submission phase, the acquisition phase, the implementation phase, and the post-implementation review phase. The first use of this new IRM process is VA's PAY-VA initiative which has been granted a conditional IRM approval that permits the program office to proceed up to a defined point. Continuing IRM authority for this project will be contingent upon specific implementation plans and briefings requested by the DAS/IRM. This performance-based IRM approval program provides further assurance that VA's information technology initiatives will meet their objectives and milestones, efficiently and economically.

(7) Develop, in conjunction with the CFO, full and accurate information on major automation project expenditures (including capital and investment expenses and all agency staff expenses for conducting VA IRM responsibilities).

Annually, the Office of the DAS/IRM reviews the Department's proposed IRM plans for the upcoming budget cycle and provides an analysis of the plans, complete with recommendations to the Office of Budget, for use in the VA's internal budget hearings. Once the budget process is completed, the plans are finalized, published and the initiatives tracked through implementation.

IRM plans are reviewed by VA's top business executives for evaluation prior to submission to the Office of Budget. This new process facilitates improved use of VA's information technology.

In April 1995, the AS/M issued the Department's first joint IRM-Budget call. This was the result of work begun in 1994, in collaboration with representatives from VA's major organizations, to streamline and enhance the value of these planning calls by focusing customer attention on their interrelationships. Merging the processes allows organizations to view program and budget development as a coordinated effort, rather than disparate exercises. Customer organizations access data, such as FTE, once to complete both documents. This ensures the budget and program documents are "in sync" with each other. Customers will also understand the support each of these documents provide to the other--IRM plans will support the budget better; the budget will support IRM plans better. Finally, this support ensures information technology initiatives are more thoroughly understood by the Office of IRM, through attention being paid to critical issues such as FTE devoted to specific projects, allowing IRM to more effectively examine these efforts during the budget development process.

In May 1994, the Office of the DAS/IRM implemented an IRM Acquisitions tracking system to ensure timely accounting for actions being processed. The system tracks acquisitions submitted for review by all components (generally those that have a total project life cycle that exceeds $250,000). Each action is tracked from date of receipt of the Agency Procurement Request (or other document) to notification to the customer of approval or disapproval or other appropriate action. An IRM number is assigned, and key dates, such as the date a review is completed, date forwarded to GSA (if appropriate), and date of approval or disapproval are recorded. The system serves as a reference for planned and ongoing initiatives that have reached the OIRM approval stage, and facilitates coordination and IRM reporting requirements internally and to oversight agencies.

(8) Centralize and coordinate common IRM functions to ensure Departmentwide issues are considered. Specifically, use of interoperability standards and technical architecture's among VA's line organizations; establish information standards to enable exchange of data among VA line organizations, e.g., master veteran record; and centralize and coordinate information sharing with other Federal agencies.

In the area of interoperability standards and technical architectures among VA line organizations the AS/M recognizes that effective interoperability of systems is needed to improve service to VA's customers. To this end, the DAS/IRM ensures that major automation projects incorporate all Federal Information Processing Standards that the National Institution of Standards and Technology mandates for information technology. Specifically, major technology acquisitions, such as VBA modernization, adopt and integrate Federal open systems standards as part of their long term information technology strategy for supporting VA business requirements. In addition, VA is implementing Electronic Data Interchange standards.

In order to provide this improved service, VA is focusing on three concepts that will help build a standards-based technical architecture. These concepts are:

A) Leveraging information across the Department and other agencies. Under the Master Veteran Record project, VA is identifying and implementing enhanced access to standard veteran information of interest to multiple VA organizations.

B) Moving information access closer to the point of service delivery. Each major information technology development effort, e.g., VBA modernization, expansion of VHA applications, will be using intelligent networked terminals to provide improved customer service.

C) Building systems adaptable to rapidly changing information requirements and business conditions. Where applicable the major information technology development efforts are researching vendor developed software to facilitate the implementation of their systems.

(The Master Veteran Record project is discussed in response to question 8)

4. **I understand the Austin Center has state of the art computer technology that features both MVS and open systems architecture.**

Can the Austin Automation Center support the requirements for Stage 3?

Answer: Yes, the Austin Automation Center (AAC) can support the requirements for Stage III as currently defined. The AAC can meet VBA's basic objectives of a state of the art processor, upgrade capabilities, facilities for data warehousing, archival storage capability, increased sharing of data and local access to data, electronic data interchange (EDI) service for communications with VA and non-VA entities, increased communications capabilities with field facilities, and interoperability with the Stage I and Stage II local area networks (LANs) and associated components. The cost effectiveness of Austin AC supporting these requirements needs to be completed. The VA CIO and VBA are working together to make this determination.

5. **VA is consolidating educational claims processing and has previously consolidated other programs like home loans and Insurance. Consolidation can certainly be viewed as one option in business process reengineering.**

What are the benefits of consolidation?

Are you considering any further regionalization of other types of claims processing? If so, what?

Answer: The benefits of consolidation have been numerous. We have a cadre of personnel trained and committed to providing better and more cost effective service to veterans and other program participants on a full time basis. Consolidation and centralization of functions have resulted in major improvements in efficiency due to the reduction of overhead costs and by allowing for specialization in handling of certain types of claims. Consolidations of offices have resulted in reduced supervisory and clerical overhead positions as well as reductions in the costs of facility maintenance.

Centralizing the processing of GI Bill - Active Duty (Chapter 30) Education claims at four processing centers has resulted in significant improvements in both quality and timeliness. Based on these successes, we are consolidating all education claims processing at those four sites. Consolidation is expected to be completed by the end of this calendar year.

Our experience with the recent New England consolidation of Loan Guaranty divisions has been positive. Moderately sized Loan Guaranty divisions offer better and more cost effective service to veterans and other program participants. We have been consolidating other Loan Guaranty workloads as appropriate (e.g., supplemental servicings of guaranteed loans in Michigan are handled by the VARO in Cleveland). We envision consolidations on a greater scale upon completion of the redesign of the Loan Service and Claims System. This will enable VA to manage loan defaults from regional centers in a manner similar to large private mortgage companies.

Recently, we have consolidated some of the Persian Gulf claims. Actual adjudication of Persian Gulf claims based on environmental or undiagnosed illnesses has been centralized at four regional offices, one in each of the four VBA administrative areas. These Area Processing Offices (APOs) are Philadelphia, PA; Louisville, KY; Nashville, TN; and Phoenix, AZ.

There is currently an initiative to consolidate our two Insurance Processing Centers into one. This proposal has been approved under the Vice President's Reinventing Government II to consolidate the St. Paul Insurance activities into the Philadelphia Insurance office. Substantial savings will be achieved through this initiative.

6. **In their testimony, GAO found that "department's" chief information resources officer a) lacks authority, b) has no active role in systems acquisition, and c) is limited to reviewing documentation."**

What has VA done to address this issue?

Answer: The Office of the Assistant Secretary for Management (AS/M) recently finalized a new directive which strengthens the policy and responsibilities for VA's IRM Program. This directive defines structured processes to assist Department IRM officials in meeting their responsibilities under mandated Governmentwide policies and procedures. This policy provides the foundation for IRM planning, budgeting, acquisition, and review of VA's information systems.

The Office of the Deputy Assistant Secretary for Information Resources Management (DAS/IRM) will review information systems or IRM initiatives at key decision points; including the IRM planning and performance measurement phase, the budget review and submission phase, the acquisition phase, the implementation phase, and the post-implementation review phase. The first use of this new IRM process is VA's PAY-VA initiative which has been granted a conditional IRM approval that permits the program office to proceed up to a defined point. Continuing IRM authority for this project will be contingent upon specific implementation plans and briefings requested by the DAS/IRM. This performance-based IRM approval program provides further assurance that VA's information technology initiatives will meet their objectives and milestones, efficiently and economically.

7. **CNA found that VBA's modernization project is a massive and complex project that requires a type and level of management that differs radically from VA's day-to-day operations and is overly aggressive in its scope.**

Would you comment on those findings?

Answer: On the whole, VBA finds CNA's analysis, findings and recommendations thorough and balanced. We welcome their insights regarding our modernization activities. In response to this specific issue identified by CNA, as well as those recently raised by your subcommittee, VBA concurs that we are an organization that has been focused primarily on the day-to-day mission of providing benefits and services to veterans. We also recognize that, as reflected in the CNA study, VBA is an organization in the midst of tremendous change. In terms of business, technology, skills and culture, this organization is changing dramatically, and we understand the importance of planning and managing that change in a proactive and disciplined manner.

In response to CNA's observations, VBA is implementing a new integrated planning process. The first product of this process, scheduled for completion in September, will incorporate VBA's various business reengineering and business modeling activities, as well as our ongoing technology, applications development and training initiatives. The plan will relate initiatives to VBA's strategic vision and goals and also show how initiatives relate to each other. VBA has appointed a senior executive to lead this process. VBA has also appointed a senior business manager as the VETSNET project manager, replacing the business/technical team approach that had been in place previously. In the interim, VBA is proceeding slowly but deliberately on our in-progress modernization initiatives and will focus, in the short term, primarily on completion of the Compensation & Pension (C&P) modernization Requirements Analysis effort, the Stage II imaging initiative, and the comprehensive assessment of modernization technical architecture plans and capacity requirements.

8. **The CIO will centralize and coordinate common IRM functions to ensure Department-wide issues are considered. These issues include: interoperability standards and technical architectures among VA's line organization; information standards to enable exchange of data among VA line organizations, e.g. master veteran record; and information sharing with other Federal agencies.**

VBA has appointed people from the IRM Directorate and regional offices to participate in the MVR project.

Question 8A: What are VA's milestones for achieving Federal Open Systems Standards (GOSIP), POSIX, OSI) in VBA's modernization?

They are not yet determined.

Question 8B: What are the milestones for developing and implementing the MVR?

Answer 8B: MVR is being implemented as a collection of short and long term improvements. Short term improvements completed through FY 1995 include pilots of: inquiry capabilities for bankruptcy declaration, appeal status and medical treatment locations available to particular field operations, and the sharing notice of death with the Board of Veteran Appeals. The long term business solution for MVR spans FY 1995 - FY 1998. Milestones for the short and long term are listed below:

	START		COMPLETE	
Tasks/Milestones:	Planned	Actual	Planned	Actual
(1) Initiate Two Short Term Enhancements (BIRLS Indicators)	01/94	01/94	10/94	09/94
(2) Pilot a national patient care locator	04/94	04/94	10/94	01/95
(3) Pilot some sharing of death notices	10/94	10/94	11/95	
(4) Conduct business analysis contract	05/95	06/95	10/95	
(5) Specify and Pilot the network capability	08/95		05/96	
(6) Staged implementation of business solutions on messaging	05/96		11/97	

Question 8C: Under the Master Veteran Record project, what are the standard veteran information of interest and how are you implementing them?

Answer 8C: A cross organizational team of VA representatives targeted eight business areas for service delivery improvements. These are: notice of death; change of address; change of family status; change of representation; bankruptcy; appeal; patient care location; and burial location. Two key tasks to be completed in 1995 are the development of MVR technical and functional specifications. The functional specifications for data sharing are presently being developed by a VA/contractor partnership. The technical specifications will be developed by a VA technical team. Future implementation of solutions based on these specifications will depend on budget availability.

Question 8D: What is the scope of the MVR Requirements Study Report (Feb. 24, 1994) and the Benefit-Cost Analysis (Nov. 1994)?

Answer 8D: The scope of the two studies is Department-wide service delivery improvement. These studies document eight specific areas where MVR will enable more unified service to veterans. VA maintains large amounts of data on veterans and beneficiaries that currently resides in many separate and independent systems. The goal of MVR is to share veteran information among VA staff allowing them to more promptly and completely serve the full spectrum of veteran needs. The Requirement Study focuses on capabilities with a direct impact on veterans. The Benefit-Cost Analysis (BCA) evaluates options for accomplishing the MVR objectives.

Question 8E: What are the other four problem areas related to the handling of veteran information and how are you addressing them?

Answer 8E: As noted above, eight business areas have been targeted for service delivery improvements. Contractor assistance has been obtained in order to develop specifications in four of these areas: exchange of veteran information for addresses; family status; representation; and death. These are the most complex and difficult ones among the eight identified.

The other four areas are: bankruptcy; appeals; patient care location and dates; and burial location. Partial solutions to these are being addressed within current business practices and information systems. Bankruptcy and appeals indicators have been established in VBA's Beneficiary Identification and Records Locator System (BIRLS). The Patient Care Location pilot makes the locations and dates of medical treatment available on an inquiry basis. Work is underway to develop a burial location pilot that will allow certain offices to query burial location of veterans. The paper burial location records are being computerized. After this process is completed in 1996, MVR is envisioned as the vehicle to permit burial location inquiry on a broader scale.

Question 8F: Explain the information sharing opportunities that you have identified and your long term solution.

Answer 8F: The MVR work group, consisting of representatives from OIRM, VHA, VBA, NCS, and BVA, targeted eight priority service delivery improvements. It also examined technical alternatives and associated costs for the long term MVR solution and concluded that a networked "messaging" architecture would work best. This network will permit information systems from each organization to access and share vital veteran information in a timely manner. Technical experts subsequently outlined the steps needed to develop the messaging architecture.

Question 8G: Why are other components of VBA (i.e. Education, Insurance, Loan Guarantee, etc.) not represented on the MVR team?

Answer 8G: When first established 1993, the MVR work group had limited representation from each organization. It has since spawned subgroups to accomplish specific purposes. The network specification subgroup will involve one or more experts from the VBA IRM organization. The business analysis subgroup is currently developing detailed business specifications for four information sharing areas. This subgroup includes a mix of headquarters and field based subject matter specialists in the four areas from VBA, VHA, VBA, and NCS. The first meeting of this subgroup involved field and VACO experts from Compensation and Pension Service, Veterans Assistance Service, and the Insurance Center. Efforts are underway to broaden VBA representation to include the other VBA program areas.

9. Two years ago, VBA launched an initiative called the Service Record Data initiative. In August 1994, this initiative resulted in the ongoing transfer of DOD data tapes for all new enlistees.

What is the status of the project?

How are you integrating the DOD data on service information into your current system?

Answer: DOD's Defense Manpower Data Center is transmitting data tapes to VA on a monthly basis identifying new military service enlistees. This information is used to establish a BIRLS record. The initial BIRLS record contains the following information: Name; Social Security Number; Date Entered on Active Duty; Branch of Service; and Unit of Service. We plan to expand the data elements being provided to VA to include awards, training, severance and retired pay, dependency information, etc., thereby reducing reporting burdens by claimants. This would dramatically reduce the number of 3101 requests VA sends to military records centers and would facilitate the processing of claims because of the immediate availability of the DD 214 data. We anticipate expanding the data elements during FY 1996. We will conduct an economic analysis early in FY 1997 once all desired data elements are electronically transmitted to VA.

10. You note that OMB, GSA, and CNA all agree that life cycle costs are indeterminate and performance measures are lacking.

Can you estimate the cost of phase 1 to date?

Can you estimate the total phase 3 life cycle cost?

Answer: The total cost of the Stage I technology acquisition to date is $69,806,814. Modernization technology acquisition costs requested for FY 1996 include $13.2 million for Stage III.

The original cost benefit analysis for modernization was completed in 1990. Many changes, significantly impacting VBA and modernization, have occurred since that time. Updated life cycle costs, including those associated with Stage III, will be available in the first quarter of FY 96, following the completion of Task Four of the CNA Corporation's current contract with VBA.

11. VA has approximately 4,000 employees who perform computer-related functions ranging from programming to systems administration to data input.

Do you think the presence of such a large number of in-house computer personnel detracts from VA's ability to efficiently design and implement new computer systems?

Answer: The computer personnel support VA's medical, benefits, fiscal, and cemetery programs. These human resources that have institutional knowledge of VA's program requirements are the backbone of the success VA has achieved in the ADP arena to date. Recent successes in the development and implementation of financial systems, medical systems, and logistic systems are credited to VA's computer personnel.

More than half of VA's computer personnel support VHA's Decentralized Hospital Computer Program which provides comprehensive and standardized information processing capabilities to health care facilities in support of the overall mission of the VHA. Another 15 percent of VA's computer personnel support VA's centralized processing, consisting of payroll, fiscal, logistical, and VHA's centralized medical management information systems.

Approximately another 25 percent support VBA processing at the Benefit Delivery Centers, Systems Development Centers, and provide on-site assistance at the regional office level. Much of the above support is to provide maintenance and enhancement changes to the many systems that run in the VA. This also includes some type of operational responsibilities at all VA facilities. The VA requires this level of commitment in order to effectively administer the program requirements. These same staff, in most cases support the newer replacement systems that are being planned and/or implemented.

VBA
For 1995, VBA is authorized a total of 944 positions performing information resource management functions. Of these, 217 are located in the field at Regional Offices and Sector Sites. These field positions were established specifically to support the distributed processing concepts of the VBA Modernization program, and have been well trained to meet these requirements. They are essential to successful implementation of new computer systems and demonstrated their value in the VBA-wide implementation of the Stage I workstation and local area network technologies, completed earlier this year.

A total of 341 are assigned to the Systems Development Service (SDS). The SDS is simultaneously maintaining existing applications, (more than five million lines of code) and supporting the development and implementation of a wide range of modernized applications. The SDS has made extensive use of contractor assistance in recent years as a means of applying expertise in new technologies. SDS employees have been essential in managing these efforts to ensure necessary and proper synchronization between contractor and VBA initiatives and to ensure that contractor deliverables will operate successfully in the complex VBA environment which integrates many diverse and evolving technologies. The SDS employees managing or supporting contractor initiatives also are necessary to ensure the maintainability of contractor products and deliverables. To date, in applications such as Personal Computer Generated Letters (PCGL) and Construction and Valuation (C&V), for example, SDS employees have demonstrated exceptional success in assuming maintenance responsibility for contractor products. SDS personnel have in fact, not detracted from the design and implementation of new computer systems but have been enablers for the effective use of contractors in developing and deploying modernized systems. The SDS inventory now includes at least a dozen applications using modernized software development technologies and more are underway.

Another 354 positions are assigned to the Benefits Delivery Service (BDS), which is responsible for the acquisition, implementation, operation, and management of all information technology systems used by VBA. The BDS is responsible for maintaining all current systems and for developing prototype information technology systems and integrating them with user requirements into current systems. It is responsible for assessment and acquisition of hardware, software and data base management systems and for implementation of new technology to meet VBA information processing goals.

Operational responsibilities include all aspects of data center and central systems operations and support to 58 Regional Offices (ROs) nationwide, including planning, policy, performance, customer support, acquisitions, environmental issues, configuration, network systems, capacity management, and inventory. It works closely with the SDS to ensure that cross-cutting issues are properly coordinated and addressed. BDS personnel are responsible for assuring continuity of hardware, software and procedures at ten regional Sector Service Centers and all ROs. This includes installing hardware, software and data communications associated with the implementation of VBA's modernized information system - VETSNET. The Service is also responsible for operations and support of VBA's central office ADP and telecommunications operations. It is responsible for the management, control, operation, implementation and maintenance of equipment and automated systems acquired or developed to support veterans' benefits, medical and administrative programs. In addition, the Service supports a nationwide processing system for the Veterans Insurance System, incorporating over four million insurance records in a telecommunications environment.

The BDS staff manages a comprehensive process to identify and incorporate into VBA contracts the information technology necessary to satisfy evolving VBA technology requirements and provides direct support to the Trail Boss (Project Manager) of the VBA information processing program. It also ensures that the VBA information processing program complies with Federal and VA acquisition regulations. BDS personnel are instrumental in ensuring the effective use of contractors in developing and deploying modernized systems and ensuring that maintenance of existing systems continues at the highest levels in support of the veteran population.

The remaining 32 positions in VBA's information technology program are responsible for overall direction and management of the program and for day-to-day management and administration of the organization, including budget, personnel, security, policy development and planning support.

VHA
VHA has 2,900 employees involved in IRM activities. Over 75% of these are employees at VA medical centers (VAMC) who provide technical and operational support for patient care activities and data-driven management of VHA healthcare facilities. Operational IRM support of these activities reflects the increased reliance on electronic (rather than paper-based) information sources, and is growing as VAMC directors deem appropriate to respond to customer demand for an expanded information environment supported by new technologies.

Only a small subset of IRM staff are involved in designing, developing, acquiring, and implementing the information environment which support our VA healthcare settings. This information environment is comprised of a mix of commercial and in-house systems. With a relatively small staff investment, VHA has developed an effective mechanism for designing and implementing new computer systems. In the spirit of continuous quality improvement, VHA is presently engaged in a business practice re-engineering effort that will identify alternatives to improve the process of providing information technology products and services.

How much has VA expended on computer consultants, and what has been the main functions of these consultants? How many dollars in FY 94 - 99?

Answer:
VBA
VBA utilizes a variety of consultants with expertise in a wide range of technology disciplines to support the analysis, evaluation, development, and maintenance of modernization program technologies. Consultants provide technical support in the determination of FAR, FIRMR requirements analyses, systems sizing, systems training, hardware specifications, technology integration, information engineering, data and database administration, and applications development. Consultant support enables VBA technology managers to dedicate the majority of in-house resources to current systems, while utilizing knowledgeable consultants to support modernized systems design and acquisition specifications on an as-needed basis.

In FY 1994 and FY 1995, VBA will have expended $20.620 million on computer consultant contracts in support of the VBA modernization program. This includes transitional and VETSNET applications activities and $2 million for two CNA reviews of VBA modernization management which were recommended by GSA. VA's FY 1996 request sought $8.670 million

for such support. Estimates for FY 1997 and beyond will be available once CNA's current analysis of modernization architectures and cost is complete.

ADP CONSULTANT CONTRACTS
GENERAL ADMINISTRATION
(dollars in thousands)

Office	1994	1995	1996	1997	1998	1999
BVA	$82	$82	$82	$82	$82	$82
AS/Man Finance	$8,183	$6,464	$7,416	$7,416	$7,416	$7,416
IRM	$7,875	$212	$60	$60	$60	$60
Total Gen Admin	$16,140	$6,758	$7,558	$7,558	$7,558	$7,558

Finance projects include PAY-VA and FMS.

VHA

VHA's expenditures for computer consultants were $3,819,000 in FY 1994 and $4,531,000 in FY 1995. We plan to expend $3,281,000 in FY 1996. Since VHA is currently undergoing a major organizational restructuring, it is difficult to accurately estimate expenditures for FY 1997 and beyond at this time. After the new Chief Information Officer (CIO) is in place, a needs assessment will be performed and a revised strategic IRM plan developed. The future role of consultants in supporting new VHA goals and objectives will be clearly defined at that time

VHA has employed the services of computer consultants in a variety of ways. Recent contracts have included

- technical expertise associated with other HOST activities;
- technical support for developing a Event Driven Reporting system;
- a technical assessment of VHA's computer systems to support a managed care environment;
- a data modeling effort to determine information elements for a consolidated national patient database; and
- a data variance between VHA's and DoD's hospital information systems.

The strategic use of knowledgeable computer professionals on a consultant basis has enabled VHA to apply staff resources to the growing demand for increased information systems support and also perform the tasks required to transition to systems that will meet the needs of tomorrow's clinicians and managers.

12. In the Secretary's 1993 agreement with OMB, VA agreed to strengthen the IRM oversight role of the Chief Information Officer.

Does VA's Assistant Secretary for Management have the authority to approve or disapprove major computer system procurements or improvement programs within VHA and VBA? If not, why?

Answer: Yes. The Assistant Secretary for Management (AS/M), as the Chief Information Resources Officer (CIRO), reports directly to the Secretary to carry out Department responsibilities under the Paperwork Reduction Act, Public Law (PL) 96-511 as amended by PL 99-500, and pursuant to 44 U.S.C., Section 3506(b).

The AS/M has taken several steps to strengthen IRM oversight within the Department. A Chief Information Officer (CIO) program is being established in the Department. The AS/M has revised the structure of the Senior Information Resources Management Council to include the CIOs, the Assistant Secretary for Policy and Planning and a senior representative from the National Cemetery System. Additionally, the Office of the AS/M recently finalized a new directive which strengthens the policy and responsibilities for VA's IRM Program. This directive defines structured processes to assist Department IRM officials in meeting their responsibilities under mandated Governmentwide policies and procedures. This policy provides the foundation for IRM planning, budgeting, acquisition, and review of VA's information systems.

13. GAO states that the Senior IRM Council has not made any recommendations to date. Is that true?

If not, what decisions have the Council made to prioritize major automation projects? If not, what actions have the Council taken to identify problems with VA's major automation projects?

If not, what actions have the Council taken to resolve the problems?

If not, what actions have the Council taken to identify and resolve problems in VBA's modernization program?

Answer: A Senior Information Resources Management Council was chartered in 1993. The Council, which consisted of the Administration heads and Assistant Secretaries, met several times on major departmental technical initiatives and governmentwide issues such as electronic commerce and national performance review. The Council set out to provide a business review of information systems and guidance to VA's senior IRM officials on ways to improve VA's use of information technology. However, primarily because of the composition of its membership, the Council agendas focused on communicating issues to VA's top management through presentations and discussions on major information technology initiatives with Departmentwide impact.

To move the Council's focus from a top management awareness forum to a decision making body, the Assistant Secretary for Management (AS/M) is re-establishing the Council, changing the membership composition. The Council was Chaired by the Deputy Secretary of Veterans Affairs, Co-Chaired by the Assistant Secretary for Management and membership included the Administration heads and Assistant Secretaries. The re-chartered Council will be Chaired by the AS/M, Co-chaired by the DAS/IRM and comprised of the Department's two CIOs along with a senior official from the National Cemetery System, and the Assistant Secretary for Policy and Planning. This change in participants brings to the Council those Departmental key officials who are most knowledgeable about the relationship between business practices and information technology in planning, developing and implementing new Departmental initiatives.

The new Council membership will be seated concurrent with the implementation of the Departmental CIO program. The Council will provide guidance and oversight in using technology to improve the quality and efficiency of VA's services to the veteran. The Council decides on capital investments in information technology to improve corporate business processes, eliminates duplication, and generally unifies the Department's information management activities.

Specifically, the Council will:

- Present VA-wide IRM issues to the Secretary for resolution;
- Advise the Secretary on ways to improve VA's use of information technology;
- Review systems with total costs in excess of $10 million for any one year, or systems with total costs through the deployment phase in excess of $50 million, or systems otherwise designated by the Secretary as priority initiatives;
- Advise the CIRO on major VA automation projects including progress towards resolving outstanding problems;
- Review and provide advice to the CIRO on the semi-annual report to OMB and GSA; and
- Designate, on an ad hoc basis, task forces comprised of appropriate technical and/or programmatic staff to address specific issues of concern to senior management.

14. VBA recently told the Regional Offices to pick from among 4 organizational models.

How do you plan to access the Regional Offices' initial choice of models?

Will this committee be responsible for tracking and assessing changes in performance?

If a Regional Office's performance changes after it adopts one of the models, how do you intend to determine what caused the changes in performance?

Have all Regional Offices chosen one of the 4 models? If not, is there a plan to impose a model on a reluctant regional office?

Is there a plan to impose one or more of the models system-wide if those particular models prove to be most effective? If not, don't you think that is a proper role for Central Office?

Answer: A Modeling Support Group has been assigned the responsibility to review the efforts of the regional offices to reorganize to meet the four goals of:

Goal 1. Improve overall service with an emphasis on customer satisfaction and heightened interaction with veterans and their dependents.

Goal 2. Develop a team environment and decentralize decision-making authority, gradually blurring unnecessary division lines.

Goal 3. Reduce the numbers and layers of unnecessary management.

Goal 4. Streamline the work processes and significantly reduce hand-offs, with a focus on elements of the case management process.

The group completed a review which showed that all stations plan, within the next five years, to meet the four fundamental goals by conceptively reorganizing into one of the prototype models, combining elements of more than one model, or adopting a model and modifying it to help fit local conditions. These are acceptable approaches in that they have identified ways in which they will embrace the established goals. The group has completed its initial work and has offered recommendations to VBA's Policy Board on assigning responsibility for and maintenance of a tracking system. The GPRA measures are being designed to determine our success and will be used to identify performance improvements. We will also have local station measures which will establish baseline information and be used for comparison purposes to assess those activities that are contributing to or impeding our progress. Our primary concern is to improve our service to veterans and their dependents. By allowing stations the flexibility to experiment with various organizational structures, we can maximize the use of the creativity and experience of our employees while minimizing the risk of deteriorated service. The local facilities are in the best position to understand their customer's needs and staffing capabilities. Consequently, it is anticipated that future changes will be made to the organization of our regional office with general direction and considerable latitude provided by Central Office.

15. Your testimony highlights the use of rule-based technology to assist rating decisions.

Does that mean that VETSNET will recommend a disability rating level provided enough information is available?

Answer: Yes. Based on the data available from many sources including examination reports and service medical records, VETSNET will suggest an evaluation for most disabilities. The VETSNET rating team is currently working on the rules that will result in these suggested decisions.