

# FOLLOW-UP OVERSIGHT HEARING ON GI BILL IMPLEMENTATION

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## HEARING BEFORE THE SUBCOMMITTEE ON ECONOMIC OPPORTUNITY OF THE COMMITTEE ON VETERANS' AFFAIRS U.S. HOUSE OF REPRESENTATIVES ONE HUNDRED TENTH CONGRESS

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## **FOLLOW-UP OVERSIGHT HEARING ON GI BILL IMPLEMENTATION**

**WEDNESDAY, SEPTEMBER 24, 2008**

U.S. HOUSE OF REPRESENTATIVES,  
COMMITTEE ON VETERANS' AFFAIRS,  
SUBCOMMITTEE ON ECONOMIC OPPORTUNITY,  
*Washington, DC.*

The Committee met, pursuant to notice, at 1:00 p.m., in Room 340, Cannon House Office Building, Hon. Stephanie Herseth Sandlin [Chairwoman of the Subcommittee] presiding.

Present: Representatives Herseth Sandlin, Donnelly, McNerney, Hall, Boozman, Moran, and Scalise.

Also present: Representative Filner.

### **OPENING STATEMENT OF CHAIRWOMAN HERSETH SANDLIN**

Ms. HERSETH SANDLIN. Good afternoon, ladies and gentlemen. The Committee on Veterans' Affairs, Subcommittee on Economic Opportunity, follow up oversight hearing on the implementation of the GI Bill will come to order.

The hearing we had on September 11th gave the Subcommittee a brief insight into the U.S. Department of Veterans Affairs (VA) current status on the outsourcing for the GI Bill implementation. Unfortunately, it left us with more questions than answers and the primary purpose of last week's hearing was to give the VA an opportunity to brief Congress on how they intend to implement Public Law 110-252. We wanted to know the primary plan, VA's contingency plan, and how the contractor fit into VA's vision. In that hearing we received testimony from the VA that the original timeframe to develop and implement a new information technology (IT) system was 2013. Implementation of this IT system 4 years ahead of schedule, as mandated by Public Law 110-252 increases my apprehension about VA's capabilities to successfully implement the new GI Bill on time. This is a major concern and we will continue to observe the VA's progress every step of the way.

My main concern is over the VA's lack of information on the implementation plan as required by Public Law 110-252 and a contingency plan should the contractor fail to perform on schedule. Rather than providing us with peace of mind over the implementation process the VA was unable to discuss the implementation plan or the contingency plan in much detail. According to the VA, they should have a complete contingency plan 30 to 45 days after awarding the contract. My colleagues and I have serious doubts that VA is yet planning for the worst case scenario. The Sub-

committee and all stakeholders seek assurance from the VA that no matter what is done VA will be able to process veterans' education benefits on August 1, 2009.

Today we hope to learn more about the VA's plan to implement Public Law 110-252. The Subcommittee needs to have a clear understanding of the VA's primary plan and the private contractor's vision for meeting the VA's goal.

Finally, I am glad to know that we have a witness from the U.S. Department of Defense (DoD) today. Having a DoD witness will also allow us to address any concerns or issues that might arise from this important partnership. We all know that VA and DoD will be working together to execute Chapter 33 benefits and the Department of Defense plays an important role in this partnership by sharing important data elements and confidential information.

We all want to ensure that this is done successfully, not just for the VA but obviously for the veterans that they serve and who earned this benefit. I look forward to working with Ranking Member Boozman, Members of this Subcommittee, the Chairman of the full Committee as we continue to provide oversight on the implementation of the new Montgomery GI Bill requirements. I now recognize Mr. Boozman for opening remarks he may have.

[The prepared statement of Chairwoman Herseth Sandlin appears on p. 50.]

#### **OPENING STATEMENT OF HON. JOHN BOOZMAN**

Mr. BOOZMAN. Thank you, Madam Chair. When we met 2 weeks ago to begin our oversight of how VA intends to implement the new GI Bill, there was considerable discussion about whether VA should develop the new information technology system in-house or hire a contractor for development and possibly some clerical support. I believe that that is probably not the right question. Rather, I think we should be discussing the following.

First, does VA have sufficient numbers of the right people on staff that are required to manage the development program? And with the technical qualifications needed to develop the necessary computer codes? VA says they do not. Second, what are the critical milestones and what are the critical functions and requirements that must be met to proceed to the next development milestone. In other words, how will VA define success along the way?

Third, what are the key functions or performance parameters of the new IT system, and what are the limitations of the current system that make it unable to implement Chapter 33?

Fourth, if neither the contractor or in-house staff are able to complete development to meet the August 2009 implementation date, what are VA's fall back plans to compensate for incomplete or failure?

And fifth, what happens when VA ultimately pushes the on button and digital Armageddon causes all the lights to go out at 810 Vermont and the White House?

Any IT systems engineer or program manager will tell you that basic program management principles apply to any project regardless of who is doing the development. So I would note that these questions apply whether VA develops the system in-house or through a contractor. I would also note that even if VA developed

the system in-house it is highly likely support contractors would be used. As I said last week, there is ample history of IT development failure by both in-house staff and contractors. I would also remind our witnesses that the only agenda here today is how to meet the needs of the veterans. And I think that goes without speaking. As former VA Administrator General Omar Bradley said, "We are dealing with veterans, not procedures—with their problems, not ours."

Finally, the question remains regarding VA's plans for the existing workforce. They have stated before that no one will lose their VA job and I hope to hear more details about that today. And I yield back my time. Thank you, Madam Treasurer.

[The prepared statement of Congressman Boozman appears on p. 50.]

Ms. HERSETH SANDLIN. Thank you, Mr. Boozman. I would now like to recognize the distinguished Chairman of the full Committee, Mr. Filner, for opening remarks.

#### **OPENING STATEMENT OF HON. BOB FILNER**

Mr. FILNER. Thank you, Madam Chair. And I want to thank you and Mr. Boozman both for the incredible work on the original bill that brought us here, everybody around the country is excited about these new benefits and I think you have done a great job. You realized right away that the implementation is just as important as the original bill and you have held timely hearings on the issue. This follow-up hearing is just another example of your commitment. So thank you, both of you, for your leadership.

When I first heard of the contracting decision, my immediate response was, "why can't we do it in-house?" Those were my initial thoughts. Even though it was part of the computer system, and eligibility, it was not the entire GI Bill program that we were contracting out. When I saw the Request for Proposal (RFP), which is about 150 pages, I said, "If you have the expertise to do the RFP," which I think is harder than the actual implementation, "why do we not have the expertise to do the actual program?"

As I listened to the testimony in the first hearing my concerns deepened and went beyond the contracting out. I think you spoke very appropriately, Madam Chair, of the questions that were left with us after that testimony. I think we ended the hearing with less confidence than when we started the hearing that this was going to be handled correctly.

The two issues that concerned me after I left here was number one, we are calling it a contingency plan. But what we are really talking about is continuing the same procedures that we had before. We have had a GI Bill program for 64 years. We have been implementing the program through VA. We have received letters about employees who have the expertise, knowledge, and relationships with the Department of Defense. You have the employees and could do it along the same lines as we were doing. Now, it is not as high-tech or as quick, and I appreciate the intent to do the computer program which will give us a 2-minute eligibility type of response. We should continue that, but it is more important to have the benefits in place. You might think of having a longer range contract to bring that program online while at the same time keeping

the system that you have in place to deal with these issues. I think that would be a smart thing to do, as Dr. Boozman said, considering a history of failures in both the private and public sector of this type of contracting. We ought to have what you are calling the "contingency plan." I am looking at the system that has served us for six decades or more.

A third issue, which I hope we will address, is the issue of the limited number of bids. I recently wrote a letter to the Secretary asking for a briefing on this issue but we have not had an official response. We had some staff response yesterday, I believe. The original pool of contractors for the bid was limited to a certain list of 32 companies. I do not understand that at all, frankly, if someone will answer why there was a certain "approved list." When you are getting in the IT field I do not believe the old lists matter. There are new companies, new technology, there is more expertise available. Maybe somebody in Arkansas or in South Dakota would have the answer to this. But we are not giving them the chance which is why the list of 32 concerns me.

We have had all kinds of rumors, although there was no official word, that there are four finalists. We heard that there were conflicts of interest in those finalists and we heard all kinds of nefarious things. Yet we do not know the reality of the list of contractors or the four finalists. I asked the Secretary to come and brief us if necessary in private or executive session so we could have that process transparent at least to the Members of Congress before a contract was awarded, not after the contract was awarded.

These are the issues that concern me, Madam Chair. The in-house/out-house, we will call it the out-house kind of approach. I am still concerned about that. But most importantly, is that we get the benefits, as you stated, ready to be delivered on time in the coming school year. I want to make sure that this contracting process did not eliminate firms that might help, and too, of course, that there was no conflict of interest in the bidding process.

I thank you again for the procedure that you have set up here.

Ms. HERSETH SANDLIN. Thank you, Mr. Chairman. We do have a pending series of votes, three votes. I am going to invite our first panel of witnesses up and introduce them. Then we will probably recess for those three votes so no one feels rushed in their opening statements. We will come back and hear from all five of the individuals on our first panel.

As you come up let me remind you that your complete written statement has been made part of the hearing record. Please limit your remarks so that we have sufficient time to follow up with questions once everyone has had the opportunity to provide their testimony.

Joining us in our first panel is Mr. Patrick Campbell, Chief Legislative Counsel for the Iraq and Afghanistan Veterans of America (IAVA); Mr. Joseph Sharpe, Jr., Deputy Director of Economic Commission for the American Legion; Mr. Raymond C. Kelley, National Legislative Director for American Veterans (AMVETS); Mr. Dennis Cullinan, Director of National Legislative Service for the Veterans of Foreign Wars (VFW) of the United States; and Colonel Robert F. Norton, Deputy Director of Government Relations for the Military Officers Association of America (MOAA).

I think we have 10 minutes remaining in the vote. We will go ahead and get started, Mr. Campbell you are recognized for the first 5 minutes in your opening statement.

**STATEMENTS OF PATRICK CAMPBELL, CHIEF LEGISLATIVE COUNSEL, IRAQ AND AFGHANISTAN VETERANS OF AMERICA; JOSEPH SHARPE, JR., DEPUTY DIRECTOR, NATIONAL ECONOMIC COMMISSION, AMERICAN LEGION; RAYMOND C. KELLEY, NATIONAL LEGISLATIVE DIRECTOR, AMERICAN VETERANS (AMVETS); DENNIS CULLINAN, DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES; AND COLONEL ROBERT F. NORTON, USA (RET.), DEPUTY DIRECTOR, GOVERNMENT RELATIONS, MILITARY OFFICERS ASSOCIATION OF AMERICA**

**STATEMENT OF PATRICK CAMPBELL**

Mr. CAMPBELL. I guess I get to go first, awesome. Madam Chair, Ranking Member, Mr. Chairman, thank you on behalf of the Iraq and Afghanistan Veterans of America for this opportunity. It is good to be back. I have been gone for about six weeks.

As you know, after we passed the Post-9/11 GI Bill servicemembers all around the world are dreaming bigger dreams because of this new opportunity. And I am very happy that this Committee is focusing on making sure that those dreams will be delivered on time. And just a personal experience, when I was demobing out of Iraq in 2005, I remember getting a slide briefing where they said, "All right, you served 14 months overseas. You will be entitled to \$660 a month for education under the Reserve Education Assistance Program (REAP) Program, Chapter 1607. When I came home I re-enrolled in school 2 months later. I took out financial aid based on the fact that I would be getting that \$660 only to find out after a month into school that I was not actually going to get the \$660. The REAP Program, which had been passed a year before, could not be implemented in time by the VA. So even though hundreds of thousands of veterans and servicemembers overseas were being told that they were getting one benefit, they came home to another one.

Now, as you can imagine, this put us in a really big bind, because I could not even make my rent anymore. And they said, "Eventually, you will get a check." And that check came about a year later. So that experience, to me, has colored, when we were debating this original GI Bill, the need to have a year period of time to process, to get the things in place, so that when veterans are promised, "You will get a benefit," that that benefit will be delivered on time.

Now, you asked us for our specific opinions about three different issues. The first is that IAVA believes first and foremost, with the implementation of the new GI Bill, is that veterans must get their benefits on time. I do not care how you do it. The veteran getting their benefit is the customer and is the reason why this bill was passed. And anyway we get to that, we just need to make sure that is delivered.

We do believe that whatever process we do choose, the VA must retain the ability to make final determinations about benefits. I

know that you have been getting plenty of letters from constituents. I know that we have all been getting emails from our members. And I know the VA has been getting thousands of very specific questions. I know from my personal experience in the military, no one ever fits the exact mold. Individual cases that fall out of the system, that do not quite make sense, should be determined, the final determinations must be made by VA employees. Also, direct interaction with veterans should also be made by VA employees.

Now, I believe that Keith Wilson, throughout the discussion of the GI Bill, was very clear in saying, "If you want this GI Bill to be done internally I need two years to do it." Now, I think all of us, when we were debating on what we wanted to happen with the new GI Bill said, "Two years is too long. That is 400,000 veterans going to school without a GI Bill for another year." We said, "We are going to give you a year and that is all you are going to get." So pretty much we knew at that point that we were going to have to go outside the system to make sure these benefits are delivered.

Now, I spent the first 2 months after the GI Bill was passed in kind of going into a hole, and spent those 2 months developing our Web site, <http://gibill2008.org>, developing a calculator which is very much similar to the benefits system that the VA is going to develop. It was an extremely trying process. Who knew there were 47,000 zip codes out there? Who knew that the postal service did not know that 5,000 of them do not have States associated with them? That was just in developing this calculator. But what I learned in that process is once you are able to develop the rules-based system, it is actually remarkably easy to input very little information about the veteran and output whether or not you are qualified for the claim, or how much benefits you should be entitled to.

Mr. FILNER. So you did that alone in about 2 months?

Mr. CAMPBELL. Me and two web designers. But the thing—

Mr. FILNER. That is worth about \$100 million according to the VA.

Mr. CAMPBELL. I mean, mine only tells you—

Mr. FILNER. I will give you \$50 million and I will take the system.

Mr. CAMPBELL. We can talk afterward. I mean, in that experience I believe that, I realized that because this GI Bill, although it seems complicated, it is essentially a rules-based system. You can answer certain questions, and if you ask the right questions and make sure that it is intuitive for the person using it, that you can streamline responses. Now people not only understand what they are entitled to, but also makes the whole process more understandable for them.

The last things I just want to say is that whatever system that we do develop we need to make sure that it is field tested, both by this Committee, the veterans service organizations (VSOs), and the customers. Which means that it is not ready in July. It needs to be ready months ahead of time and we need to basically break it down over and over again. Like we did with our calculator. I was done after a month. But we spent a month playing with it to make sure we caught as many of the bugs we could get out.

Thank you for this opportunity to testify. I look forward to any of your questions.

[The prepared statement of Mr. Campbell appears on p. 51.]

Ms. HERSETH SANDLIN. Thank you. We will take a short recess and be back following votes. Then we will resume with Mr. Sharpe. Thank you.

[Recess]

Ms. HERSETH SANDLIN. Okay, thank you for your patience during that series of votes. We will now resume with our next witness. Mr. Sharpe, you are now recognized for 5 minutes.

#### **STATEMENT OF JOSEPH SHARPE, JR.**

Mr. SHARPE. Thank you. Madam Chairman and distinguished Members of the Subcommittee, thank you for the opportunity to present the views of the American Legion regarding the GI Bill implementation.

Historically, the American Legion has encouraged the development of essential benefits to help attract and maintain servicemembers in the armed services, as well as to assist them in making the best possible transition back to the civilian community. The Servicemembers Readjustment Act of 1944, the GI Bill of Rights, is a historic piece of legislation authored by the American Legion that enabled millions of veterans to purchase their first homes, attend college, obtain vocational training, receive quality healthcare, and start private businesses.

The successful and timely transformation from one education benefit to the next, starting with the Servicemembers Readjustment Act of 1944, leading to the Montgomery GI Bill, has been administered and implemented by existing VA employees within the Veterans Benefits Administration (VBA). Currently the VBA Education Service employs more than 700 full-time employees. These employees have intimate knowledge of veterans' often unique needs and how best to serve them. The American Legion is extremely disappointed that the VA feels it does not have the capabilities in Education Service in information technology to implement this critical service.

While the American Legion supports improving the delivery of education benefits it should not lead to the VA removing itself from the process. Any changes to the administration of the GI Bill benefits should aim toward reaching the performance goals, as outlined in the recent RFP, while allowing VA to retain ownership.

The American Legion also recommends that once the software and automated process is developed, VA should train its Education Service personnel so the IT component can be placed under its responsibilities. It is important that VA retain ownership of one of its more significant and successful programs.

The new GI Bill has been hard earned and is currently well deserved for the men and women who have protected, sacrificed, and served our country honorably. An automatic, efficient delivery of education benefits must ultimately remain with VBA Education Service.

In conclusion, the American Legion strongly supported the enhancement to the Montgomery GI Bill and is grateful that the House and Senate have passed this bill, and that the President

signed this vital piece of legislation on June 30, 2008. On behalf of the American Legion I would like to thank the Chairman and this Subcommittee for presenting us with the opportunity to make our thoughts and considerations known. Thank you.

[The prepared statement of Mr. Sharpe appears on p. 53.]

Ms. HERSETH SANDLIN. Thank you, Mr. Sharpe. Mr. Kelley, you are now recognized.

#### **STATEMENT OF RAYMOND C. KELLEY**

Mr. KELLEY. Madam Chair, Ranking Member, Members of the Committee, thank you for this opportunity to appear before you today to provide AMVETS views and discuss the VA's strategy for implementing the Post-9/11 GI Bill.

The Montgomery GI Bill was enacted in late 1984 for servicemembers who completed 24 months of active-duty service if that service began after June 30, 1985. This provided VA with more than 30 months to develop a system to deliver the benefit. With only 13 months to meet the statutory requirements of the new Educational Assistance Program it is necessary for VA to rely on contractor support to develop an IT solution that will accurately determine benefits eligibility so our servicemembers and veterans will be able to receive their Chapter 33 benefits in a timely manner.

By VA's own admission, they do not have the proper IT manpower to develop an acceptable solution by August 2009. Development of software demands a narrow scope of work over a relatively short period of time, and the most efficient way to solve an IT problem when current staff, for whatever reason, cannot produce the solution is to hire a software development firm to take on the task. Furthermore, for VA to process the new claims through manual processing while they develop an in-house IT solution, VA would be required to hire hundreds of new claim processors for a temporary period of time. This would be at an increased cost to VA and only provide temporary employment for any veteran who might benefit from the hiring increase.

Because of the scope of the IT solution and the limited time in which VA has to implement this program, AMVETS does not fault VA for their management of the proposal process. Although AMVETS prefers to see a more open bidding process, which would include disabled veteran-owned companies, under the circumstances VA was required to select a contractor in a timely manner. Streamlining the acquisition process was a response to the limited time.

When VA took over the acquisition process, only four contractors had agreed to enter into the bidding competition. Therefore, VA requested proposals from only those four companies.

AMVETS is completely confident that no VBA employees will lose Federal employment because of the software development by an outside source. VA will continue to process Montgomery GI Bill claims as well as take on processing claims that are denied by the IT solution. There will also be positions within the new system that will move claims processors into oversight roles and any other employees will be properly trained to work in similar positions within VBA.

Madam Chair, this concludes my testimony and I will be happy to answer any questions.

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

Ms. HERSETH SANDLIN. Thank you, Mr. Kelley. Mr. Cullinan, welcome. You are now recognized for 5 minutes.

#### STATEMENT OF DENNIS CULLINAN

Mr. CULLINAN. Thank you very much, Madam Chairwoman, Ranking Member, distinguished Members of the Committee, Chairman Filner, of course, on behalf of the men and women of the Veterans of Foreign Wars, I want to express our deep appreciation for inviting us to testify here today. This is an essential and vital issue for us, and its effective and efficient implementation is a key goal of all of us.

The VFW commends this Subcommittee for working to ensure that the new GI Bill is implemented and managed properly. This Committee has demonstrated unified bipartisan dedication to improving the GI Bill. The VFW urges this Subcommittee to continue to exercise careful oversight throughout the implementation of the new GI Bill. We thank you for holding hearings on this issue and shedding light on the GI Bill implementation process.

As one of the leading advocates for this GI Bill, the VFW supports using outside contracting in order to get this program fully operational. We are deeply concerned, however, that under this standard government Request for Proposal, contracting proposal may jeopardize the future efficient running of the program. It is our reading that under this particular proposal, may result in allowing the contractor to own the software and the source code of the benefits delivery system. Essentially, this contract allows the contractor to sell the license to VA and when the contract for that license expires the contractor can set the pricing items on their terms. In this case, the company may bid low to obtain the contract and then once the initial period of service expires the company may increase its price because there is no other cost effective option for the VA.

I would just add to this, I have had a number of my staff take a look at this contract proposal. It was their estimation that indeed that both the software and, I believe, the source code would at some point revert to VA. In our National Veterans Service we have an attorney on staff who reviewed it. I guess that is a good thing. And it was his opinion that, no, indeed the contractor would hang onto the software. And at the very least the source code. This is indeed problematic. We urge that the VA own the software and the source code so it may eventually operate and further develop this program using its own resources. Without the source code, even if the software reverts to VA, they would have to further develop it on their own. Similar to what happens if you own Microsoft Windows. You may own the software on the licensing agreement and of course not share it with others. But if you want to change something with respect to what Windows can do for you, you cannot do it without the source code. That is a key issue here for us.

While we believe VA is capable of administering this program, we are gravely disappointed that leadership has not been more open about its decisionmaking process, or more consistent in its

messaging. VA leadership only started engaging the VSO community in discussing the contracting situation when the press started to report on the issue. This was only after rumors had been circulating that VA Educational employees would be terminated and replaced by computers and the administration of all veterans' education programs was to be outsourced. VA's response was clearly too little and too late.

We also share the Subcommittee's concern that VA has not articulated its fail safe plan. The American public, and our veterans, need to know what VA will do if the software or contractor fails to deliver services so that the GI Bill benefits will be paid by August 1, 2009.

And with that, I will conclude, Madam Chairwoman, and thank you very much.

[The prepared statement of Mr. Cullinan appears on p. 55.]

Ms. HERSETH SANDLIN. Thank you. Colonel Norton, you are now recognized for 5 minutes.

#### **STATEMENT OF COLONEL ROBERT F. NORTON**

Colonel NORTON. Thank you, Madam Chair, and thank you Ranking Member Boozman, Chairman Filner, and Members of the Subcommittee. On behalf of the Military Officers Association of America, I am deeply honored to appear before you today on this very important subject. But first I want to say on behalf of all of our members, that MOAA is deeply grateful to all Members of Congress for enacting the Post-9/11 GI Bill. Our Nation's warriors have stood in the breach for more than 7 years and they have dearly earned these new benefits.

As indicated in my prepared statement, MOAA does not have a position on whether the information management system that will support Chapter 33 benefits administration should be built inside the VA Education Service or contracted out. In either case, the VA may well need contractor support due to the inherent challenges in capturing and managing data of all the stakeholders. Those stakeholders include the Department of Defense and the Services.

DoD will be on the hook to validate the qualifying post-9/11 service, including the qualifying service of National Guard and Reserve servicemen and women, and to furnish locality based basic allowance for housing rates for servicemembers in grades E5 with dependents.

The VA will be responsible for maintaining information on veterans with Chapter 33 service, interacting with postsecondary institutions, and the U.S. Department of Education, and administering payments.

Veterans themselves will apply for and provide information documenting their Chapter 33 service and school enrollment information.

There is no doubt that this will be a complex, challenging undertaking. We are, however, confident that applications similar to commercial tax preparation software, like "Turbo Tax," can be used for this purpose. Millions of American citizens use these kinds of applications. Maybe not as good as the one Patrick Campbell has developed. And we believe that they can be developed to serve as the interface for administering Chapter 33 payments. The features

of any system developed to support Chapter 33 administration should, in our view, be simple, efficient, fast, accurate, secure, and cost effective.

This concludes my statement. I look forward to your questions, Madam Chair.

[The prepared statement of Colonel Norton appears on p. 56.]

Ms. HERSETH SANDLIN. Thank you all for your testimony. Looking back on other changes that we made to the GI Bill, the Montgomery GI Bill, let us start there. I believe that it took 32 months, am I right on that? Thirty-two months for the VA to implement the Montgomery GI Bill. When we were debating the Post-9/11 GI Bill, were each of your organizations aware of the past implementation issues of new education benefits? Did each of your organizations, support the 1-year timetable that was included in the Post-9/11 bill? Mr. Campbell.

Mr. CAMPBELL. I remember there was actually pretty intense negotiations about that. The VA had asked for a longer period of time. We wanted it to be shorter. With Keith Wilson and Senator Webb and our organization we did agree to the, I think I was the one who said, "Why do we not start it next school year?" And there was kind of a general nod after that. The next school year is about the proper time politically and administratively.

Ms. HERSETH SANDLIN. And that put it at the 13 months?

Mr. CAMPBELL. Well, it was August, I just said the beginning of next school year, whenever it passed that would give them that period of time until August 1, 2009.

Ms. HERSETH SANDLIN. Okay. Mr. Sharpe.

Mr. SHARPE. It was not an issue that we really debated. But we agreed with the 1-year timeframe.

Mr. KELLEY. Yes and yes to your answers. Yes, we understood the length of time last time and yes we agreed to the 1-year time.

Mr. CULLINAN. With respect to the VFW, we questioned whether VA would be able to get it up and running within the year or 13 month period. Of course, we wanted it functioning as soon as possible. But also understand that this is a difficult task. The only way to add to that is, I mean VA was provided a number of months ago a \$100 million in appropriation to initiate this. And that is not just software development. That is bringing the requisite personnel. Whether they went ahead in a timely fashion with that I guess I should leave that to VA to respond to. But that is the extent of our involvement.

Colonel NORTON. I was on active duty at the time of the implementation of the Montgomery GI Bill working on the task force in the Office of the Secretary of Defense. So I was aware of that, the long start up period to get the Montgomery GI Bill up and running. We did not take a position on the time to implement the new GI Bill but we knew it would take some period of time.

Ms. HERSETH SANDLIN. Mr. Campbell, I think you had mentioned that there should be extensive field testing by the Committee, VSOs, and the customers, the veterans themselves who would be eligible. So the program needs to be ready to be field tested months earlier than August 1, 2009. How many months earlier?

Mr. CAMPBELL. I would say the, any type of public interface at least a month, if not two. I know that with our calculator that we

developed, it does not output or send checks, we had done a month ahead of time before we even gave it out to anyone. Had people run through it.

Now, I did forget one group of people. Not only do the veterans also have to use it, but the schools. Those are the people who will be receiving checks. So they would be another person who would need to field test this.

Ms. HERSETH SANDLIN. Are you familiar with whether or not the RFP specifies any dates for field testing, I will pursue this with our witnesses and with the VA as well. But have you had a chance to review the RFP?

Mr. CAMPBELL. I have, but I do not remember that specific part.

Ms. HERSETH SANDLIN. Mr. Cullinan, your concern with the RFP is the issue of whether or not the software reverts in terms of ownership to the VA. Since the RFP has already gone out, as this process unfolds, if that issue cannot be rectified, in light of the fact that the RFP has already gone out, and we may be looking at a delay. Do you feel that the issue that you have raised with us rises to the level of concern and importance, perhaps if a delay is necessary, that it warrants a delay to get this right and make sure that the VA is able to retain the software and the source codes?

Mr. CULLINAN. Madam Chairwoman, it would be very unfortunate if it were to come to that. And we would trust that something would be worked out. Although it is a very important issue, because down the road if VA cannot, you know, administer this software, develop it, and make the changes, because undoubtedly there could be a number of changes. Even its initial implementation, even during the field testing period, we can foresee, you know, big changes will be in order. If they cannot do it themselves they will be locked into a situation which could cost VA and indirectly veterans money and make the system less effective. So, yeah, that is something that would really have to be pursued.

Ms. HERSETH SANDLIN. Okay. Hopefully, I agree with you, it will not come to that and it can be worked out. There are a lot of questions that the Committee has and will continue to have about the RFP and the process and how the contractor fulfills the requirements.

Mr. Boozman.

Mr. BOOZMAN. Thank you, Madam Chair. I appreciate your testimony. It was really very helpful. But, the good thing is that we are debating a subject and it is great that we are having the debate. I mean this is by all accounts a massive expansion of the GI Bill and that is great news for everybody. What we do not want is the situation that you went through, Mr. Campbell, of it being something that we want to get online, it is not there, everybody is all excited. And then, for many individuals, the money is just not there. You know, if it is not provided in a timely way. So that is the purpose of the hearing, that is why we had the last one. And we are going to, I am sure under the Chairman's leadership, we will have as many as we need to, you know, again to be helpful in trying to get this thing done.

Mr. Kelley, let me ask you, you made some comments in your testimony about the bidding process?

Mr. KELLEY. Yes.

Mr. BOOZMAN. Can you expand on that? And then also, Mike was telling me that you were in Iraq and in a very dangerous part of Iraq. We appreciate your service very, very much.

Mr. KELLEY. It is my understanding from looking back to the bidding process that, and from my recollection I thought it was ten, that had been sent to bid and four had responded. And at that point there had been some amendments to that bidding process. And VA, at that point, took over the bidding process. Since they had only had four responses they sent back out to only those four. That is from my recollection.

Mr. BOOZMAN. Mr. Norton, in your testimony you had noted that Chapter 33 payments can vary infinitely and that MOAA believes a Turbo Tax-like approach automation would service as a model, perhaps. Is it fair to say that you support a rules-based processing system as a necessary tool to meet the new GI Bill's payment requirements?

Colonel NORTON. Yes, absolutely. And I think I would add to that, too, that as you know there is a technical amendments draft legislation that is in the works in the Senate. So any rules-based system will also have to be flexible and scalable in order to accommodate needed changes as amendments to the basic program are made.

Mr. BOOZMAN. Thank you, Madam Chair. I yield back.

Ms. HERSETH SANDLIN. Thank you, Mr. Boozman. Mr. Filner.

Mr. FILNER. Thank you, Madam Chair. Let me just make one contextual statement. While I think we all agreed what a great step forward the educational benefits were, when we look back at the GI Bill of 1944 it had two major parts: education and homeownership or, the home loan program. I have said many times that I am here because of the GI Bill because my father was able to buy a house for about \$2,000. And we became part of the middle class. I am disappointed that part was left out of the new GI Bill that was passed. My bill had a section covering the home loan program. I want you to know that we have two omnibus bills that are coming from the Senate today on health and benefits issues. Most of the housing provisions that were in my GI Bill are also in the Senate benefits bill to raise the value of home loans, take off the cap for refinancing, and reduce the equity required. These are some very important things that not only will help, any first-time homeowner but will also help veterans that are caught in this incredible crunch right now. The VA had become irrelevant to their situation because of these restrictions. I think we are going to pass the bill today which will alleviate most of these restrictions and make the VA Home Loan Program relevant to today's veterans and helpful given the current mortgage crisis. I see the staff shaking their heads, so I hope I characterized that properly.

Mr. CULLINAN. Again from the VFW, we just want to thank you for those changes. Because not only does it make the program relevant during this current mortgage crisis, but you did it within what the VA Home Loan Program is. You did not try and make it into a lender or something different. With respect to lowering refinance rates, raising the caps on some of these things, you are helping veterans but you did not undermine the program. So we really salute you for doing that.

Mr. FILNER. Thank you. Of course, VA will probably come back and say they need to contract that out. I share the concerns of the Chair about the repercussions of a delay if we do not import the program on time. I do not think, Madam Chair, that if they set up the contingency plan properly that a delay in the software development does not necessarily mean a delay in the provisions of benefits. Because if they are doing it right they have to have a back up if anything goes wrong. If the program fails, if we do not negotiate these source codes, they have to have a back-up system that provides the benefit. So I do not believe we should be thinking of playing off a delay in the software development as meaning a delay in the benefits. They are separate issues. If they have to take more time to develop the software, they must have a proper contingency plan. I think we ought to just keep those ideas separate and we will be talking to the VA folks about that.

Mr. Kelley, I was interested in your statements about the fact that there were four finalists. I had asked the VA, in the last hearing, how many finalists were there and the VA said they could not tell us. It was a secret. How do you know this stuff?

Mr. KELLEY. Evidently, it is not secret anymore.

Mr. FILNER. I know it too, but they would not answer me in public.

Mr. KELLEY. I had asked through sources through the VA earlier this week.

Mr. FILNER. Interesting. Do you know the names of them, by the way? Can you tell me?

Mr. KELLEY. No, I do not.

Mr. FILNER. I appreciate the information because the VA would not give it to us. Yet we have had, as I said in my opening statement, sources tell us the information and it seems everybody knows it, but yet it is a secret.

Mr. KELLEY. And that may be the case for me, also.

Mr. FILNER. So you are under arrest for giving the information out, or whoever told you is, but I will not ask for your source. Madam Chair, again, I think this panel has raised, as Mr. Boozman said, some very important issues and I think we need to separate the software development from the benefits implementation because of these questions. If we do not like the fact that we will not get ownership of the program, should we say, "Well, let us negotiate that more?"

Ms. HERSETH SANDLIN. Would the gentleman yield?

Mr. FILNER. Sure.

Ms. HERSETH SANDLIN. For purposes of clarifying my question, from the testimony I heard from these witnesses is that at least three, if not four, out of the five anticipated that there would be some contractor support necessary to implement this new benefit. So my concern is that even with a contingency plan, and this is what we will explore with the VA, are we going to insist on a contingency plan separate from any IT component? Separate from any contractor component? Because if that is what we are going to mandate that is what we have to discuss here. Four out of the five witnesses on this first panel are indicating that their organizations anticipated some level of contractor support and if it is primarily the IT function then if we have some concerns about how the RFP

went out to perform that IT function. I want to make sure there is not a delay either, but I do not know that we can completely separate them in light of some of the testimony that we have heard.

Mr. FILNER. I think we can. If it is a catastrophic failure of the whole system we had better have a back up. But, if it is a failure of policy recommendations we still have the same back up. That is all I am saying. Thank you, Madam Chair.

Ms. HERSETH SANDLIN. Mr. Hall, do you have questions for the witnesses?

Mr. HALL. Yes, thank you Madam Chair. And I am very much interested in Mr. Cullinan's comments about ownership of source code. And I think the discussion about that is extremely important. To prevent the VA from being in the position down the road, it could be during the trial period or the test period, it could be 10 years or 20 years from now, of being tied to a particular corporation that has a monopoly. If the VA goes down the road that they appear to be going down they are going to contract out for the writing and the creation of a particular program that has one application. It is not like Microsoft Word that will be sold to millions of people around the country or around the world. This is something that would be sold to the VA and used by the VA. It is created, we can dictate the terms because we are the only customer. And so I would say that this should absolutely be one of the terms, that the source code is open to us and that we are able to make changes internally. Or if we wish, VA can hire a different contractor to make changes, knowing the source code. That is something I would say that the VA should not yield on in negotiations.

And I am curious, just a couple of comments here. Maybe Mr. Campbell you could tell me if you have heard whether the VA, at any point, gave their own employees a chance to compete for these jobs before deciding that they could not do it in-house? Or if any of the panelists have information about that?

Mr. CAMPBELL. I have not heard anything like that. But I know that even before the GI Bill passed the VA did say, "This is how much time we would need to do it internally," and we did not give, we being the veterans groups and people associated with the Post-9/11 GI Bill, did not give them that amount of time.

Mr. HALL. Would IAVA have an objection, I know that initially at least my impression is that you would prefer for VA to do this in-house, as was my first reaction. But would you have a problem with a contract being done for the initial development, testing, and implementation of this and then having the VA's own employees who have been handling these benefits and similar benefits for years trained to run the software, and take that job over? So in other words, the contractor would be phased out on an as needed basis.

Mr. CAMPBELL. That is my impression on what should be happening, is that the contractor, once the software, the rules-based system is developed, the contractor would only be held on to do minor adjustments and data entry. Which, you know basically means keeping the data. That is what I heard from the VA a couple of weeks ago when they had their conference call with the VSOs.

Mr. HALL. I just maybe would ask each member of the panel if they would answer the same question, and maybe comment in that framework on the opportunities for veterans to, as one of the objects that the Secretary has initiated and we all have been asking for, to hire more disabled vets to work for the VA. And so this is, you know, the more the jobs are retained in the VA, the more possibility there is for that to happen. So if an outside contractor designs the software, tests it, gets it underway and implemented, and then we have VA employees trained an actually carrying it out, going out to the future, is that acceptable to you, Mr. Sharpe?

Mr. SHARPE. We prefer that it is done in-house. And that if additional expertise is needed that they hire those additional experts. However, if some portion of it has to be contracted out, we want to make sure that VA is definitely involved, that they have oversight, and that it eventually comes back to the VA employees, who are the ones trained in the implementation of the program.

Mr. HALL. Thank you. Mr. Kelley.

Mr. KELLEY. AMVETS also agrees that contracting out is probably the only solution and that at some point I think the contract now looks like mandatory 3 years with an optional 2 more years for the ownership. And then I do not know, I did not get the inside information on the ownership. But the ownership should come back to the VA and VA employees should maintain, do the administrative work and management of that at that point.

Mr. HALL. Okay.

Mr. CULLINAN. Mr. Hall, again, thank you for the question. I would certainly agree with what my predecessor just said here. You know, additionally VA is not only going to need people to operate the program. They are going to need programmers to actually be able to keep it up, make the requisite changes. It seems to us that would be an excellent opportunity to bring in veterans with the requisite skills to carry out those jobs. You have two areas. You have those who run the programs, operate them, for like typing on Word, to extend that analogy. And those who are actually going to rewrite the things to make them work better and appropriate to the circumstances.

Mr. HALL. Thank you. Colonel Norton.

Colonel NORTON. It is certainly one approach and we would not object to it if that is what is worked out.

Mr. HALL. Okay. A concise answer and my time is up, thank you, Madam Chair.

Ms. HERSETH SANDLIN. Thank you, Mr. Hall. Mr. Boozman, did you have any follow up questions? Mr. Filner. Okay. I thank you all for your testimony today and taking our questions. Thank you for your service to the country and all the work that you are doing on behalf of our veterans. Thank you.

Now I would like to invite our second panel. Joining us on the second panel is Mr. Leonard Smith, a member of the American Federation of Government Employees (AFGE); and Dr. Pradeep Khosla, Dean of the College of Engineering at Carnegie Mellon University. Gentlemen, welcome to the Subcommittee. Thank you for being here. We look forward to your testimony. Mr. Smith, we will begin with you and you are recognized for 5 minutes.

**STATEMENTS OF LEONARD SMITH, VETERANS CLAIMS EXAMINER, EDUCATION DIVISION, VETERANS BENEFITS ADMINISTRATION, ATLANTA REGIONAL OFFICE, U.S. DEPARTMENT OF VETERANS AFFAIRS, ON BEHALF OF THE AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, AFL-CIO; AND PRADEEP K. KHOSLA, PH.D., DEAN, COLLEGE OF ENGINEERING, CARNEGIE MELLON UNIVERSITY, PITTSBURGH, PA**

**STATEMENT OF LEONARD SMITH**

Mr. SMITH. Thank you, Madam Chairwoman and distinguished Members of the Subcommittee. My name is Leonard Smith. I am a 20-year service-connected disabled veteran myself. And I work in the Education Division at Atlanta as a Veterans Claims Examiner.

Every day employees like myself help veterans obtain education benefits through our offices out of Buffalo, St. Louis, Muskogee, and like I mentioned, Atlanta. It is my honor to share our perspective with you. In addition, AFGC would like to submit a supplemental statement to respond to the Subcommittee's questions about IT and possible restructuring on more detail.

It is my belief that VA's own employees would do a far better job than any contractor. The VA wants the contractor to achieve an objective of an accuracy rate of 98 percent. My office already has an accuracy rate of 95 percent in Atlanta, and 98.8 percent in Buffalo. The VA also wants the vendor to process original claims in 10 days and supplemental claims in 7 days. Our office right now for original claims is at 20.2 days and supplemental claims at 9.8. The vendor, who does not know the work at all, can only promise to reach their goals. We say at much more assurance at additional hiring and our long experience and great track record we can bring those numbers to even a better rate.

So why does VA let vendors compete for this work but, you know, but not us? They say we, the work is new and that we do not have the right to compete. But, I mean, I get quarterly training briefs on, at a minimum, on new laws and regulations and benefits. And quite honestly, Chapter 33 will not be that different than the current law. We already process dependant claims for 100-percent service-connected disabled veterans who are killed in action, or service connected disabilities. And if we have to go to making payments to schools directly, that is just a matter of inputting a bank number or account number.

VA says we have no right to compete for these jobs because we will not be harmed by the outsourcing. But if I have to be retrained for something unfamiliar and leave the job that I love and know so well, and face the possibility of reassignment and relocation, and I know for me personally with two young kids, a wife that has just started a new job, that would be, I would be worse off. I would run the risk of being downgraded. In other words, and even if my pay is saved, that would not be good for my career.

I am not an IT expert and I am someone, I am just someone who knows through my experience as an aircraft electrician and also teaching electronics at the United States Army Aviation Logistics School, and also through my studies, that is also as a result of VA benefits, that is what I know about IT. And I know a lot more

about what I do process as far as, the process that I do use each day for my veterans.

I do not believe any software can replace the role of a claims examiner, especially doing the original claims. I am constantly having to do different overrides because of the different, dealing with the different documents that I have and the discrepancies within those documents. The software that we already have, it handles six Veterans Education Programs. I do not know why VA will not have its own IT employees and why we cannot at least be given the opportunity to compete with developing the software for Chapter 33, when we already know so much about the Education Division, or they already know so much about the Education Division.

I also know when it comes to IT support, it would be much more difficult for me to get in touch with the outside contractor as opposed to the ones that are already there on site with me in the event of a glitch in the system.

Again, I do not understand why, you know, we want to have a contractor replace experienced, dedicated employees like myself who are in the best position to train new employees and implement the new laws. Also, hiring more disabled veterans coming home from combat, which is exactly what Secretary Peake recently said he wanted the VA to do. At least give us the opportunity to compete for the work.

Thank you for the opportunity and I would be happy to address any questions.

[The prepared statement of Mr. Smith appears on p. 58.]

Ms. HERSETH SANDLIN. Thank you, Mr. Smith. Dr. Khosla, thank you for being here. You are now recognized for 5 minutes.

#### **STATEMENT OF PRADEEP KHOSLA, PH.D.**

Mr. KHOSLA. Chairwoman Herseth Sandlin, Chairman Filner, Ranking Member Boozman and Members of the Subcommittee, thank you for this opportunity for being here today. I have the distinct honor of being the Dean of the College of Engineering at Carnegie Mellon. The College is ranked top ten in the country and is housed in what I consider to be a spectacular School of Engineering and Technology. As a steward of higher education, it is an honor to be here today as we examine the best ways to support the delivery of enhanced educational benefits to the military.

It has been well documented that the end of World War II, the original GI Bill had a profound impact on the United States. As Edward Hume states in his book, *Over Here*, that GI Bill allowed us to create 14 Nobel Prize winners, 3 Supreme Court Justices, 3 U.S. Presidents, 12 Senators, in addition to 67,000 doctors and 91,000 scientists who contributed in a very tremendous way to the economy of this country and to the quality of life as we see it today.

So I am particularly interested in the technological advancements that came to the fore from these individuals. It is also my hope that your efforts today will similarly help others achieve their academic dreams and support additional economic and technological sea changes.

I have been asked to comment from a technical perspective on four different areas of concern related to the Chapter 33 benefits implementation RFP language. These are overall feasibility of the

proposal; August 1, 2009, implementation deadline; possible problems that may be encountered in creating the program; recommendations on industries' best practices in creating a similar program. So let me start addressing these issues now.

Regarding feasibility, the RFP specifies in reasonable detail the objectives of the project. It clearly identifies that the VA is responsible for specifying the "what" and the contractor for delivering the "how." I believe this allows for adequate flexibility on the offeror's part to propose a state-of-the-art and scalable solution based on industry best practices.

The ability to support more than half a million students requesting benefits annually, including about 1.4 million claims, is certainly feasible provided the contractor is skilled in the implementation of large scale IT projects and handling personally identifiable information, PII, and processing financial benefits. Areas that could undermine the feasibility and success of this project include selecting the right technology, I mean hardware and software both, and ensuring that the interoperability and system interconnection issues are addressed up front and factored into the technology selection process. This should include personal identity authentication and authorization.

Ensuring that the contractor has the skills and experience to properly handle, store, process, and transit large amounts of PII and financial data and meet the security requirements set forth in the RFP, including compliance with the Privacy Act 1974, FISMA, which is the Federal Information Security Management Act, privacy requirements of the E-Government Act of 2002, National Institute of Standards and Technology (NIST) guidance and standards, and other regulatory guidance or requirements, as set forth in the RFP. Security of PII, both during transmission and storage, is of paramount importance. PII is usually disclosed through one of many means that include, for example, a dishonest insider, lost or stolen computer, hacking, and lost or stolen backup tape.

But while I do not see any technical barriers it is important to recognize that the requested secure solution can be technically complicated to implement. Project management capabilities, especially with respect to managing the implementation of goals to ensure that a secure solution is implemented by the target deadline; stakeholders stay involved throughout the project; testing of the system, including pilot trials, are carefully orchestrated and planned to meet the requirement of a seamless transfer of data with uninterrupted service.

The RFP requirement that VA IT resources will not be provided to support the development of a solution is too stringent. VA needs to have liaison personnel working closely with the contractor to ensure that the solution meets the benefit needs of the veterans and has a successful implementation without IT or public relations problems. This does not mean that the VA IT resources need to be used; but to clarify, VA personnel need to be available and assigned to interface with the contractor from the beginning through implementation.

Best practices in outsourcing call for careful management from the company outsourcing the work. This is discussed further in my section on best practices.

Implementation deadline. As I mentioned earlier, the implementation of this project can be expected to be complicated and complex. Therefore, I believe that the timeframe of implementation by August 1, 2009, may be too aggressive.

Successful implementation within the requested timeframe would require that the evaluation of responses to the RFP be thoroughly evaluated, including, if possible, a site visit to the offeror for an in-depth analysis of their capabilities. A more reasonable implementation deadline would be 12 months after the award of contract.

The evaluation process will involve multiple considerations, as noted above, that will require various areas of expertise and review by VA personnel. A reasonable timeframe for review of complex proposals and assessment of the offerors' capabilities is about 3 months. Even with an aggressive schedule and the RFP going out next week, it is unlikely that proposals could be received, evaluated, and a contract awarded prior to February 2009. This would leave the contractor only six months to bring the team together, develop the solution, have the system undergo certification and accreditation, prepare and receive approval of a privacy impact assessment, and implement the solution. The deadline may well undermine the objectives of the project.

In addition, the project plan should contain—I think I am going to skip some of this in the interest of time. The RFP mandates a response time of 10 days for original claims and 7 days for supplemental claims. In addition, it requires that there exist a capability for the claims to be handled both electronically and in paper form, and also a capability for electronic and check payments. Given the number of claims that are expected to be filed, it is likely that the deadline imposed for processing paper claims may require a significant amount of staff resources. This would especially be true if most of the claims were submitted around the same time. For example, most university tuition payments are required within a few weeks of classes starting and, therefore, fall within a common timeframe. Surge periods must be anticipated and planned for in the system requirements. The 10- and 7-day processing requirements may be too stringent for surge periods, especially for paper claims.

Let me comment on the best practices. The RFP adequately addresses the standards and best practices as related to security and financial administration. FISMA has strong security standards and NIST guidance is world class and consistent with internationally accepted best practices and standards.

Outsourcing best practices also call for contract clauses that will protect operational data, business processes, and compliance requirements. The offeror selected for this work should be required to meet best practices for financial outsource providers. The Financial Roundtable and Federal Financial Regulators have compiled excellent guidance on managing outsource providers and security risks. The VA would benefit significantly and provide important leadership to this project if it examined these materials and included relevant portions in the RFP.

It is my hope that my testimony has helped to clarify some of the major technical matters and logistics associated with the RFP for Members of the Subcommittee. I fully realize how important it is for Members of the Subcommittee to have trust and confidence in

the IT solutions sought for in the RFP to deliver education benefits to our Nation's veterans. As leaders in the realm of technology and innovation, please know that myself and the College of Engineering at Carnegie Mellon stand ready to assist you in dealing with technical matters as they relate to your efforts to craft a sound public policy and implement VA projects. We applaud you for your diligence in reviewing this specific matter. Thank you.

[The prepared statement of Dr. Khosla appears on p. 60.]

Ms. HERSETH SANDLIN. Thank you, Dr. Khosla. I have a couple questions at the outset for points of clarification before recognizing Mr. Boozman. Now recognizing that we are going to be pursuing with the VA separately a contingency plan, let us just focus on the IT solution, the 6-year solution that they are seeking. In your opinion, can a secure solution be developed and implemented by the target deadline?

Mr. KHOSLA. I believe it is possible but highly unlikely. It would depend on the contractor and how much experience the contractor already has in this area of business, which to the best of my knowledge, I would doubt anybody has significant experience and has developed significant software already that could be used in the context of this project.

Ms. HERSETH SANDLIN. Okay. How long should the testing period be before it is launched? Do you think that there is sufficient time to do that? Is that one of the reasons you think it is highly unlikely, because you do need a longer testing period before it would be launched and fully operational, by August 1, 2009?

Mr. KHOSLA. Testing periods I think have to be split into two categories. One is testing the technology and making sure it is working right. And as a previous speaker mentioned, testing the usability of the technology from a user's perspective and making sure that the usability considerations are being met. So I would think between 30 and 90 days would be a reasonable testing period to convince ourselves that the security requirements are being met, the privacy requirements are being met, the financial requirements are being met. And that reasonable users are able to use the system without being overwhelmed by it.

Ms. HERSETH SANDLIN. Okay. I will come back to some other questions. I will recognize Mr. Boozman.

Mr. BOOZMAN. Thank you, Madam Chair. Dr. Khosla, several years ago someone in the IT sector developed a set of rankings to describe an organization's ability to develop IT systems. Are you familiar with what I am talking about in that regard?

Mr. KHOSLA. You are talking about Software Engineering Institute's CMM—

Mr. BOOZMAN. Ranking system?

Mr. KHOSLA. Sir, it is a capability maturity model. It does not necessarily rank companies. But it gives you an idea of your ability to develop, follow best practices, and reasonable solutions.

Mr. BOOZMAN. How would, if you looked at the VA ability now, how would you rank VA's ability to develop the new IT system using only in-house staff?

Mr. KHOSLA. I could offer an opinion, uninformed, because—

Mr. BOOZMAN. That is fine.

Mr. KHOSLA [continuing]. I have not looked at the VA's abilities.

Mr. BOOZMAN. We have lots of uninformed opinions that are on this side of the table and that side.

Mr. KHOSLA. I am sorry, I do not remember the name of that project. But a few years ago there was a project that the VA was implementing. There was an IT project, which did not have a very good outcome at the end. Given that and some other random opinions I might have heard, I would say in general it would be mediocre to low.

Mr. BOOZMAN. Let me ask you too, one of the things that I know businesses get into with this is that you, if you did have the ability to go in-house, and then the technology changes, two or three, which it is going to do. I guess at some point it will not, but the chances are great that it will continue to change. Is it easier to continue to have that, a continual upgrade when you have the system outside versus inside?

Mr. KHOSLA. So that depends on the type of systems. But for example, if you look at universities and if you look at their financial and administration systems and Human Resource management systems, most universities outsource them because it is always good to have a specialist who does it for a living day in and day out to develop a system for you and deployed at your place. Having said that, the systems are then deployed within the university, run by university personnel. And then you go out for consulting help when you need an upgrade.

Mr. BOOZMAN. Thank you. Thank you, Madam Chair.

Ms. HERSETH SANDLIN. Chairman Filner.

Mr. FILNER. Thank you. Just briefly, Mr. Smith thank you for being here and I hope you will convey to your coworkers how much we appreciate them. You did not refer to your written text, the section which I found very upsetting, that this was all a surprise. The management of your own units did not know what was going on. It was unclear which people were going to keep jobs in the same area, where they were going to be relocated, or be retrained, and your own confusion in this process. This is not a way to run the VA, in my opinion. You deal with employees in an up-front way, talk it through, and also give them a chance to see if they can compete. So, I appreciate your giving us a sense of what was going on internally. I think it strengthens my view that they probably should have stayed in-house.

Dr. Khosla, thank you for your, I almost went to what was then called Carnegie Tech. It used to be called that, right?

Mr. KHOSLA. It still is.

Mr. FILNER. Okay.

Mr. KHOSLA. The College of Engineering is Carnegie Tech.

Mr. FILNER. You heard the discussion earlier about these source codes and ownership. After the initial set-up is phasing out and then letting in-house people take over, is that an important part of this whole process as far as you are concerned? I mean—

Mr. KHOSLA. Actually, I was thinking about it as the conversation was happening. And I think it could be important. But one has to be careful in how one interprets what source code it needs. For example, look at the implementation of most rules-based systems, which is what this is going to be. It would be based on some rules-based processing engine database sold by some database manufac-

turer. And I cannot imagine that a person who, a company that is selling a rules-based processing engine is going to give you the source code for their engine. They would give you the ability to add new rules, modify the rules. But the source code that decides how these rules are, how the infrastructure, I doubt very much that somebody would sell that to you. Like, no database manufacturer will tell you the source code for the database. They will sell you the ability to add to the database, to query the database, to process the data from the database.

Mr. FILNER. Well, could you require that in an RFP? I mean, you said you doubt that they would do it. But could you require it?

Mr. KHOSLA. This is the U.S. Government. You can require whatever you want.

Mr. FILNER. I mean, we can give them \$700 billion if they agree to give us the bad source code or something.

Mr. KHOSLA. But actually I think one has to ask oneself, owning, or having the ability to process rules, if that is the case then why would you want to own software that you will not be able to change anyway because that is a commercial product? But what I am trying to say is that there are two systems out here. One is the infrastructure, just like Microsoft's operating system. And the other is an application layer built on top of it, which is what the VA is paying for. VA is not going to pay for the basic infrastructure. So I think owning the application layer is going to be important. But trying to go too far and own the basic infrastructure would actually be expensive if at all you can do it.

Mr. FILNER. But the ownership, then, of the applications is important?

Mr. KHOSLA. Ownership of applications, ownership of data. In fact, what is really important is VA's ability to migrate the system to the next generation, to upgrade the system, to modify the system, is of paramount importance. Whether it happens through ownership of everything or only parts of the system is something that the program management should decide.

Mr. FILNER. Did you read the whole RFP that was—

Mr. KHOSLA. Actually, believe it or not, that is what I was doing over the weekend. One-hundred fifty-two pages.

Mr. FILNER. You need to get a life. But, thank you.

Mr. KHOSLA. If it was not for this Committee and how important I think the veterans are, I would not be spending my weekend reading the RFP.

Mr. FILNER. We do appreciate it very much that you have done this. I hope you will sell us your source code, no—did they require that in the RFP? Do you recall?

Mr. KHOSLA. I was just scanning it. And it turns out they do not require it. In fact, they clearly state that the software would be owned by the contractor but all the data would be owned by the VA.

Mr. FILNER. But the applications, then, are not owned by the VA?

Mr. KHOSLA. They do not quite go to that level of data. They just say the software would be owned by the contractor. And I read this right, I was just reading it while you were asking the question.

Mr. FILNER. That may be a problem as far as what we would like to see as a policy. But we thank you again. I know you took this on as a—

Mr. KHOSLA. Because I believe in it.

Mr. FILNER [continuing]. Helpful citizen. Thank you so much for doing that and we really do appreciate it. Thanks so much. Thank you, Madam Chair.

Ms. HERSETH SANDLIN. Thank you, Mr. Chairman. Mr. Smith, I appreciate the concern of the employees at the VA who feel that you should be given the opportunity to compete based on the expertise that is developed over time in house to process the claims under the current Montgomery GI Bill. If you were to be given the opportunity to compete, do you think you could do so within the remaining amount of time?

Mr. SMITH. It would be only speculation if I answered a question like that, because I am not sure of all of the variables. But I mean I do not see why we would not be able to within our, you know, IT be able to perform at a quicker rate than an outside contractor was simply because we already know what we need within house as far as there are particulars about the claims.

Ms. HERSETH SANDLIN. Does your membership feel that you have all of the expertise necessary already in house to develop the system for implementing and administering the benefits? There is nothing that you have seen in the RFP that requires a certain amount of expertise, including software development, that already is not available within and among the employees at the VA in the Education Service?

Mr. SMITH. Well that question, Madam Chairwoman, I would have to make sure that they address in a supplemental because I really do not, I cannot give you a, it would only be speculation what I gave you.

Ms. HERSETH SANDLIN. I appreciate, if you can get back to, just because we understand those concerns.

Mr. SMITH. I do.

Ms. HERSETH SANDLIN. If we are looking at developing something, and this may become part of a contingency plan that we see, we would just like more information in terms of the ability and the expertise that is currently available in meeting the demands. Including again the IT demands, necessary for implementing the new benefit.

Dr. Khosla, again, let me also add my thanks to the time that you have spent preparing for today's hearing and for providing the testimony that you have today. Mr. Chairman, did you have a follow up for Mr. Smith?

Mr. FILNER. No, when you are finished.

Ms. HERSETH SANDLIN. Oh, okay. The 7- to 10-day processing requirement, you stated in your testimony that you thought was too stringent. What would you recommend based on your experience?

Mr. KHOSLA. I would not be able to answer that quite accurately because it depends. The reason I said it was too stringent, you can certainly do it in 7 to 10 days. But you have to employ 500 people to do that in 7 to 10 days only for 1 month every 6 months.

Ms. HERSETH SANDLIN. Based on the timing of when the claims come in?

Mr. KHOSLA. That is right. Then you have to wonder what these people are doing for the other 5 months and it causes a big glitch. So I think one has to think in terms of what is the right level of resource you want to deploy and based on that what is the right level of response time that you can, to respond to it without creating an imbalance in the system.

Ms. HERSETH SANDLIN. Mr. Smith, did you want to comment on that?

Mr. SMITH. No, ma'am.

Ms. HERSETH SANDLIN. Do you agree with the statement of Mr. Kelly in the first panel, that if it were to be done internally without any outsourcing that it would require the hiring of hundreds of additional new employees?

Mr. SMITH. My opinion, it would. They would have to hire more employees, yes.

Ms. HERSETH SANDLIN. Okay. A final question, Dr. Khosla, you state in your written testimony that the project plan should contain subplans for various aspects critical to implementation. Could you elaborate on what you mean by that?

Mr. KHOSLA. Because—

Ms. HERSETH SANDLIN. Because this may be important as we pursue with the VA contingency plans within the contractor process versus a separate contingency plan based on my understanding of what you meant by that.

Mr. KHOSLA. I am trying to look at where it was where I said that. Because I think the project management, I think we talked about subplans in terms of areas that are critical to implementation. So if you look at a project like this, selection and testing of hardware. So you can create a project plan, which says in the first 20 days I am going to select hardware. But then a subplan would then go on to say, what are the criteria that you are going to use to select the hardware, the software solution. The same thing for privacy impact assessment. How are you going to go about doing that? How long will it take? What parameters would you use? That is what I meant. I meant they have to offer a little bit more detail than they did.

Ms. HERSETH SANDLIN. Okay.

Mr. KHOSLA. Now if I may, Madam Chairwoman, I just want to come back to Chairman Filner's comment. It states out here clearly, page 22 of the RFP, "the contractor shall retain ownership of the secure solution (except for any items that may be furnished by the Education Service) including hardware and software." So—

Ms. HERSETH SANDLIN. So the answer is it does not require ownership of the application?

Mr. KHOSLA. Quite the opposite.

Ms. HERSETH SANDLIN. Right.

Mr. KHOSLA. Because the contractor, they own everything. It is page 22 of 152.

Ms. HERSETH SANDLIN. Except for the data?

Mr. KHOSLA. Right.

Ms. HERSETH SANDLIN. Provided by the Education Service?

Mr. KHOSLA. That is right.

Ms. HERSETH SANDLIN. No mention of the Department of Defense.

Mr. KHOSLA. Not that I can tell.

Ms. HERSETH SANDLIN. One final question, then. Is one of the reasons you are concerned about the likelihood of being able to implement the secure solution on time is the difficulty for which a private contractor is going to have to interface with the Department of Defense, the Department of Veterans Affairs, universities, and the U.S. Treasury perhaps?

Mr. KHOSLA. Absolutely. But in addition, implementing a secure solution is a nontrivial task. And there are a lot of technology components that have to come into play. They have to interoperate with each other. Communications between all of these various systems, and I am not on top of what these various systems are and what standards they follow, has to happen and that will be part of the testing and the certification process. So it is a very complicated project.

Ms. HERSETH SANDLIN. I appreciate that concern. That has been one of the concerns of the Subcommittee and the full Committee, is the interoperability issues between the Department of Defense and the VA. To a degree some of what we have encountered, and of course our witness here from the Department of Defense can certainly respond to this statement, we have had issues of interoperability even within a certain agency. I do think that this task is a rather overwhelming one for any private contractor undertaking the task.

Chairman Filner, did you have any follow up questions?

Mr. FILNER. Just quickly, if I may. A couple of weeks ago when we had our first hearing on this, we had a little discussion on penalties for failure to produce on time. And I was shocked by the answer, that the RFP says, "Oh, the contractor will propose the penalties." Do you have any comment on that in general? Should the maker of the RFPs not talk about the penalties?

Mr. KHOSLA. I think if I was writing the RFP and I was buying a system, I would have penalties. But now having said that, a project of this type which is so important, I think going in, we need to have enough qualified personnel in the VA who are on top of this. Failure is not an option. And it is an extremely remote possibility. So we should not be dealing with veterans' benefits, especially education benefits, assuming that, "Oh, if it does not work I am going to penalize you \$10 million." But the veterans are the ones who are paying the price. And there is not enough penalty for that.

Mr. FILNER. No, I agree. Each one of us serves on other committees, and have been in Congress several years or more. These contracts, in many cases, have not performed, whether it is a weapons system, or an IT system, and they have just collapsed. Boeing got a \$2 billion contract on the border, to do border security near my district and nothing worked after they got a couple billion dollars. So we have some illustrations of the potential and we may be setting a precedent in the bills we are talking about now if you fail, you get bailed out by the government anyway. So—

Mr. KHOSLA. I believe, especially for, this is, in my mind, is an acquisition contract. It is not a research and development contract like Defense Advanced Research Projects Agency (DARPA) would give out when I used to be at DARPA. I think in the context of an

acquisition there has to be a clear understanding of what quality of service, what quality of product is expected, and what is the penalty, or the liability, or the warranty for not delivering.

Mr. FILNER. You would think. I agree with you.

Mr. KHOSLA. I would hope so. It is my money, too. I am a taxpayer.

Mr. FILNER. Stay and listen to the testimony and see if you have confidence when you are finished. Thank you, sir.

Mr. KHOSLA. Thank you.

Ms. HERSETH SANDLIN. Mr. Boozman.

Mr. BOOZMAN. Dr. Khosla, you mentioned, you read from the contract, the statement, that it would be owned by the company that develops or whatever. But earlier in your testimony, was I correct in understanding that, you said no one would bid on the contract if that was not. I guess what I am trying to understand is, when you go outside, when you contract outside, is that standard procedure that it is done that way?

Mr. KHOSLA. That is what I was trying to, and I am trying to find a way, so for example, when I go out and buy, let us say, an Oracle database nobody ever in their right mind would give me access to the source code which implements that database. But on the other hand, if I buy the license to the Oracle database and I hire a contractor to write a rules-based engine that is going to implement my rules on this Oracle database, then that was a job done specifically for me that I would have access to and that I have the right to own. So what I am trying to say is, and both are pieces of software. So one has to be able to differentiate between software, which is an application that was written just for you, versus software that is infrastructure that is being sold on a daily basis that costs hundreds and hundreds of millions of dollars to develop.

Mr. BOOZMAN. So in your opinion, which is this?

Mr. KHOSLA. This system would have both components. And this is why the VA has to have really top notch technically trained people who can figure out the difference between the infrastructure versus the application layer that is written just for the VA. And that they should own.

Mr. BOOZMAN. Okay, very good.

Mr. FILNER. But you did say also that the Federal Government can do anything?

Mr. KHOSLA. That is true.

Mr. BOOZMAN. The other thing is, Mr. Smith, be sure and convey to your colleagues how much we appreciate them. I have been to the Muskogee Center and I know that there is lots of hard work being done there. And hopefully 1 day we can get out to the Atlanta Center and you can show us around there. But we really do appreciate your efforts. And I know that you want, we want, what is best for the veterans and what is best for the taxpayers. Thank you very much.

Mr. KHOSLA. Can I add one more thing I just remembered? I think a work of this type would most likely be performed by a systems integrator. A systems integrator is one that typically has no ownership of any software. So software that the house buys, or the systems integrator company buys from outside would be one thing. But then they would have to write pieces of code to integrate all

of these systems together to build this complete system. That is the type of code which is custom written just for this contract, just for the VA. It is probably not much use for anyone else. It should be owned, controlled, by the VA over time.

Ms. HERSETH SANDLIN. Thank you both very much for your testimony and for offering your insights and your expertise today. Thank you again for being here.

I would now like to invite up our third and final panel for today. Joining us on this third panel is Dr. Curtis Gilroy, Director for Accession Policy, Office of the Under Secretary of Defense for Personnel and Readiness, U.S. Department of Defense; and Mr. Keith Pedigo, Associate Deputy Under Secretary for Policy and Program Management, Department of Veterans Affairs. Mr. Pedigo is accompanied by Mr. Keith Wilson, Director of the Office of Education Service, Veterans Benefits Administration, Department of Veterans Affairs; and Mr. Stephen Warren, Principal Deputy Assistant Secretary of the Office of Information and Technology, Department of Veterans Affairs. Thank you gentlemen for being here, and for hearing the testimony of the prior panels. Mr. Gilroy, welcome back. We appreciate your being here. You are recognized first for 5 minutes.

**STATEMENTS OF CURTIS L. GILROY, PH.D., DIRECTOR, ACCESSION POLICY, OFFICE OF THE UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS, U.S. DEPARTMENT OF DEFENSE; AND KEITH PEDIGO, ASSOCIATE DEPUTY UNDER SECRETARY FOR POLICY AND PROGRAM MANAGEMENT, VETERANS BENEFITS ADMINISTRATION, U.S. DEPARTMENT OF VETERANS AFFAIRS; ACCOMPANIED BY KEITH WILSON, DIRECTOR, OFFICE OF EDUCATION SERVICE, VETERANS BENEFITS ADMINISTRATION; AND STEPHEN W. WARREN, PRINCIPAL DEPUTY ASSISTANT SECRETARY, OFFICE OF INFORMATION AND TECHNOLOGY, U.S. DEPARTMENT OF VETERANS AFFAIRS**

**STATEMENT OF CURTIS L. GILROY, PH.D.**

Dr. GILROY. Thank you, Chairwoman Herseth Sandlin, Ranking Member Boozman, Chairman Filner, Subcommittee, and staff; is a pleasure, Madam Chair, to return to the Committee to testify, this time to discuss the Department of Defense's role in implementing the Post-9/11 GI Bill. And also to discuss the extent to which we are working with our colleagues at the Department of Veterans Affairs to implement the new GI Bill.

The implementation and the administration of this new piece of legislation, of course, is the responsibility of the Department of Veterans Affairs. But we have a fundamental interest as well as a very important role to play in the program's success. And we take that role very seriously.

As soon as the bill was enacted, I asked a senior member of my staff to guide our efforts in concert with staff at Veterans Affairs. Mr. Robert Clark immediately established liaison with staff at the Veterans Affairs' Office of Education Service to coordinate the effort. Mr. Clark has formed four working groups, and senior mem-

bers of the VA Education Service are integral parts of each of those groups.

The first group is what we call the Data Working Group, critical and extremely important to the implementation of the new GI Bill. This involves extremely close cooperation between the Department of Defense, the Department of Veterans Affairs, and the Defense Manpower Data Center. Many of you may know that the Defense Manpower Data Center is the official repository of all DoD personnel records and information on Active duty and Reserve component members. And we have a file manager at the Defense Manpower Data Center whose primary responsibility and function is to manage the GI Bill education benefits data. She is already playing a primary role in this effort and is working directly with my office and Keith Wilson in the Office of Education Service. We are confident, and this is an extremely important point that I make, that we will have the data Veterans Affairs needs by March 2009, a critical date because that is the first important milestone for the VA contractor.

The second group is an Implementation Working Group which is examining the impact on the force of the new legislation. I have testified before our concerns we have about the retention effects of this new legislation. This working group will be looking at that as well.

In addition, there is a Transferability Working Group which is developing policies and procedures to implement this unique feature of the bill for which the Defense Department is most grateful for your support.

The fourth is a Strategic Message and Outreach Working Group, which is focused on how to best market the program both internal and external to the Department.

DoD is most committed to the success of the Post-9/11 GI Bill and has been working very closely with the Department of Veterans Affairs since its enactment. We will continue to work with our colleagues there providing the requisite data within 5 to 6 months to successfully implement this legislation. I thank the Committee again for its continued and dedicated support for our men and women both serving now and having served, and I stand ready to answer any questions. Thank you.

[The prepared statement of Dr. Gilroy appears on p. 62.]

Ms. HERSETH SANDLIN. Thank you very much, Dr. Gilroy. Mr. Pedigo, welcome back. We appreciated your testimony from a couple of weeks ago and look forward to your testimony today. We do have three votes. But it is 15 minutes and it gives you time for your opening statement and perhaps some questions. You are now recognized.

#### **STATEMENT OF KEITH PEDIGO**

Mr. PEDIGO. Good afternoon, Madam Chairwoman and Members of the Subcommittee. I appreciate the opportunity to appear before you today to discuss the Department of Veterans Affairs strategy for implementation of the Post-9/11 GI Bill. Accompanying me today are Mr. Stephen Warren, Principal Deputy Assistant Secretary for Information and Technology at VA, and Mr. Keith Wilson, Director of the Office of Education Service.

Madam Chairwoman, in your September 16 letter of invitation you raised eight issues about VA's implementation plan. We have addressed all of these in my written testimony, but due to time constraints I will only address a few of those in my oral testimony.

Upon arrival at the Cannon Building today, I just wanted to mention to you we dropped off two binders that contain a large number of documents that are being used in the planning process for the GI Bill. We provided one to the majority staff and one to the minority staff. And I think that you will find that some of the information in there is very enlightening as to the approach that we will be talking about this afternoon.

You raised the issue of why VA is using a contractor to support the development of a solution to implement the new program. This approach is being used because we do not believe that we could deliver the systems necessary to administer the program within the timeframe required utilizing our existing technology resources. VA has experienced difficulty in being able to deliver advanced technology solutions, especially ones that have a very short timeframe for development; in this case 13 months.

The resources and technical expertise necessary to deliver an IT solution before August 1, 2009, do not presently exist within the VA. Consequently it was determined that the most prudent course of action was to seek a contractor to assist in developing a solution. If VA were to develop an in-house IT solution that addresses the unique provisions of this program, 24 to 36 months would be required. During this development period, it would be necessary to use the legacy system that was used to deliver benefits for the Vietnam-era GI Bill and would result in a highly labor intensive and largely manual process. VA estimates that processing benefits in this manner would require hiring up to 805 additional Education Service employees, additional employees whose services would not be required once the new payment system was in place.

I would now like to talk about VA's management of the proposal process. On July 17, 2008, at VA's request, the Office of Personnel Management (OPM) provided an invitation to vendors approved for OPM's Training and Management Assistance (TMA) contracting vehicle, also known as TMA, to submit their capabilities and qualifications based on VA's statement of objectives. This vehicle provides a streamlined process for contracting for services. Ten vendors responded to OPM's request for proposals. OPM then issued a solicitation for a task order competition to the ten vendors on August 11, 2008. Only four vendors elected to participate.

At this point, VA's counsel became aware that OPM's counsel had serious concerns regarding OPM's authority to conduct this specific type of acquisition. Therefore, VA took control of the acquisition process. Because of the compressed timeframe created by the legislation, VA determined that urgent and compelling reasons existed to seek proposals from limited sources. Thus, VA solicited proposals from the same four vendors that had previously agreed to participate in the task order competition. On August 29, VA issued the request for proposal solicitation. VA is currently in the process of reviewing documents submitted in response to the solicitation and we expect to make an award by the end of this month.

Another issue you requested comment on was any plan to restructure the Education Service. Because the contractor will only be responsible for development of the IT solution and general administrative and data entry functions, VA will continue to need claims processing personnel to support the existing education programs that were in existence prior to the implementation of the Post-9/11 GI Bill. Additionally, VA personnel will handle claims that cannot be processed automatically, conduct oversight, operate a nationwide customer call center, and respond to all online inquiries.

Extensive planning to include establishment of critical milestones could be effected in the event of vendor failure are key elements of VA's approach to successfully implementing the program. Our primary contingency plan is a largely manual process, essentially the same as what we would have implemented if we had opted to build the system with the existing VA IT resources.

Madam Chairwoman, you also asked about actions required by DoD. Because VA does not currently receive all the necessary service data from DoD to determine the appropriate payment levels in the new program, we have been working very closely with DoD to arrange to receive that information. Both agencies anticipate signing a memorandum of understanding (MOU), and data sharing, and a computer matching agreement. The details of these agreements, however, cannot be fully implemented until some of the elements of the IT solution are available.

Madam Chairwoman, this concludes my statement. I would be pleased to answer any questions that you or any Members of the Subcommittee may have.

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

Ms. HERSETH SANDLIN. Thank you, Mr. Pedigo. Mr. Boozman.

Mr. BOOZMAN. Thank you, Madam Chair. In the interest of time what we would like to do is submit some questions in writing. Dr. Gilroy, when we were in South Dakota at a field hearing, we learned there that the DD-214 was taking up to 90 days. And that is creating problems, not only with the GI Bill but with several other things. Could you look into that, and give us a report as to what is going on in that regard? And those are things that we have got to get worked out for these other systems to work. But it did seem like that really is a problem.

Mr. GILROY. Absolutely, I would be happy to do that. But I can report to you now that you will be happy to know that we will not be using the DD-214 form for the purposes of our transfer of data to VA. We will be transferring those data practically in real time using the activation files through our DEERS system at the Defense Manpower Data Center. So we have made great strides in that regard. But I will get back to you with a formal response.

[The following was subsequently received from DoD:]

The Department could not find specific examples of members failing to receive their DD Form 214s in a timely manner in South Dakota, but asked the Military Departments to inform the Department of Defense (DoD) if they are experiencing inordinate delays. A delay is not consistent with the Department's policy.

DoD policy, as well as that of each Service, specifies that upon release or discharge from active service, the original copy of the DD Form 214 will be physically delivered to the member prior to departure from the separa-

tion activity. This occurs on the effective date of separation, or the date on which authorized travel time commences. Copies of the DD Form 214 are then distributed within 24 hours of the effective date of separation. When emergency conditions preclude physical delivery of the DD Form 214, or when the recipient departs in advance of normal departure time (e.g., on leave in conjunction with retirement, or at home awaiting separation for disability), the original DD Form 214 is mailed to the recipient on the effective date of separation.

There may be instances in which the separation activity is unable to complete all items on the DD Form 214. At those times, the form is prepared as completely as possible and delivered to the member. The member is advised that a DD Form 214 will be issued when the missing information becomes available.

The Department will contact Representative Boozman's office upon completion of our queries into this issue.

Ms. HERSETH SANDLIN. I believe we are going to recess and come back for sufficient time for questions. We will be coming back shortly before 4:00, but let me pose a couple of questions now. Mr. Pedigo, you heard the testimony from some on the first panel, and I believe Dr. Khosla as well, the importance of sufficient time for field testing. You know, testing within the VA, that the Committee is aware, the VSOs are aware, the customers are aware, the universities, a lot of field testing that will be necessary. How confident do you feel in the timetable that we are looking at in using the outside contractor for the rules-based IT solution that you have sufficient time for the field testing that many testified earlier is so important prior to the August 1, 2009, deadline?

Mr. PEDIGO. Madam Chairwoman, that certainly is a concern that we have given the short time frame. We know that getting this solution awarded to a contractor and completing development by August 1, 2009, is going to be extremely challenging. We have laid out what we think is a very aggressive set of milestones to make sure that we accomplish everything that is required to develop this solution. It includes two to 3 months to do testing. On March 1, we intend to make a decision on whether or not the solution that the contractor is developing for us is going to work. That is what is commonly known as a go/no go decision. If it is a go decision, we will begin testing that system and over the course of the next 2 to 3 months we will complete that testing. And while that is an aggressive timeframe, at this point we believe that we can accomplish full testing.

Ms. HERSETH SANDLIN. Thank you for that response. Obviously, it will be very important to meet your March 1 self-imposed deadline in that regard, about the relationship with the Department of Defense and the data sharing agreement. Has the data sharing agreement as well as the computer matching agreement, and the MOU already been done? If not, when do you anticipate that it will be done?

Mr. PEDIGO. I am going to ask Mr. Wilson to comment on that, Madam Chairwoman.

Ms. HERSETH SANDLIN. Okay.

Mr. WILSON. I know those issues are in negotiation right now. I am not aware that they actually have been signed. And I will have to find out the specific timetable for those. I do not have that with me.

Ms. HERSETH SANDLIN. Okay. Has a specific timetable to get the MOUs signed, and the other agreements, a specific deadline been set?

Mr. WILSON. I believe so.

Ms. HERSETH SANDLIN. Okay. Well, if you could follow up with us, I would appreciate that.

[The information was provided in the Post-Hearing Questions and Responses for the Record, which appears on p. 67.]

Mr. WILSON. Yes, I will. Mr. Gilroy, Dr. Gilroy, you state that you are confident that the Department of Defense can begin to pass to the VA the data necessary to implement the program on time. Is it also going to be necessary, based on your understanding of how this is unfolding with the RFP being out, that you are also going to be passing that data to the contractor directly? Or is this all going to be flowed through the VA?

Mr. GILROY. The plan right now is to provide those data directly to the Veterans Affairs.

Ms. HERSETH SANDLIN. To the Education Service, which will then pass it on?

Mr. GILROY. Education Service, Veterans Affairs, that is exactly right. We will have nothing to do with the contractor, per se.

Ms. HERSETH SANDLIN. Which highlights the issue of the compatibility, then, of getting this information over and shared?

Mr. GILROY. Absolutely. Now, and in that regard, that is a very important point. We will have to provide the data to Veterans Affairs for the contractor with the specifications stipulated by both the contractor and Veterans Affairs. We will just not send a file over there.

Ms. HERSETH SANDLIN. Okay.

Mr. GILROY. It needs to be in the correct form, the usable form. And we are prepared to provide those data in that form.

Ms. HERSETH SANDLIN. Okay. Well, since my colleagues move a little faster than I do these days, I had better get going over to the vote. We will see you just shortly. We will take a short recess.

[Recess]

Ms. HERSETH SANDLIN. Mr. Boozman has to manage a few bills on the Floor. He is hoping to make it back but may not make it back for the balance of the hearing. He indicated that we should go ahead, and so let me just ask one question before turning it over to Mr. Filner. Dr. Gilroy, the Reserve forces, was there a working group that has been set up to deal with this? You said with transferability and some other issues, how about in terms of Reserve forces? Since their benefits are going to improve incrementally, is there a separate working group to deal with that? And if not, how easy or difficult is it going to be for DoD to capture the Reserve mobilizations and update the VA in a timely basis with that information?

Mr. GILROY. That is a good question. Yes, there are additional challenges for the Reserve component. But there is no special working group for the Reserve component. We are dealing with those Reserve data issues in all of the working groups that Mr. Clark is chairing. With respect to the Reserve component data, I can report to you now, if my numbers are right, that we have captured probably 80 to 90 percent of what we need, what we think we need to

capture in terms of accuracy of those personnel records. The active-duty data, we are nearly 100 percent there. So across the board, in terms of periods of service, our measuring of the data which will provide the eligibility determination, we are at about 90 percent good in terms of the data that we need to provide to Veterans Affairs at this point. By March, we will be 100 percent, no question. But we are making wonderful progress through the Defense Manpower Data Center at this point. But the Reserve component numbers are a bit of a challenge.

Ms. HERSETH SANDLIN. Thank you. Mr. Filner.

Mr. FILNER. Thank you, Madam Chair. We apologize that a series of votes keeps us from moving along. Thank you for staying here. I have expressed frustration to Secretary Peake many times, but let me share with you, too, that we put the VA on the last panel so you can hear the testimony of all the witnesses. Issues were raised, questions were asked and I would think that you would want to answer them. However, you stuck to your prepared statements. It is as if we have got to ask the exact, right question in the exact, right language, otherwise we are not going to get an answer. We are in this together. We are trying to make this program work. We have an oversight role in this. You have a role as implementer. We have to work together. I do not understand why you do not just get into the issues, for example, that came up during the previous testimony. If I do not ask the questions, I guess you are never going to answer them.

Let me just follow up on the last question, Mr. Gilroy, you said something slightly different than what you wrote. "We are confident we begin to pass the VA the data necessary to implement the program by March." I mean, you must have the data now. It is a question of what, the format? Or, perhaps I do not understand what the problem is.

Mr. GILROY. Oh yes, it is. It is a question of the format. We really do not know right now the degree of specificity and in what form the contractor and/or VA would like the data. And that is one of the reasons why we do not have an agreement just yet in terms of the data passthrough. So once that is determined, I think that it will be not nontrivial to get the data to VA, but it will not be difficult. But that is consistent, though, Mr. Chairman with what I said just a moment ago. That we are in good shape in terms of capturing the active-duty data at about that 100 percent level right now.

Mr. FILNER. Okay, but you have the data? It is a question of—

Mr. GILROY. We do have the data, oh, absolutely yes. Yes, we do. So we are in very good shape. And I think the Committee needs to know that and to feel assured that in fact we are working closely with Veterans Affairs, and that we will have the data to them clearly by March.

Mr. FILNER. Do you think they ought to have a contingency plan for a whole lot of things, not just the fact that your data has to be given to them?

Mr. GILROY. Well—

Mr. FILNER. I mean, there are other constraints on them.

Mr. GILROY. Well, sure, I mean everyone I think needs a contingency plan. There is no question about that. In my office we do too.

Mr. FILNER. Well, that is what we asked last time and we did not seem to have one. Mr. Pedigo, you started with saying that there was a binder delivered to the staffs? I did not understand that. What is in the binder that you delivered to us?

Mr. GILROY. In that—

Mr. FILNER. Is there any secret information in there, that I should rush to review? Is it about the process and the bidders, or not?

Mr. PEDIGO. My list of what is in that binder? There is nothing secret in that binder. In that binder is a copy of the request for proposal, a copy of the draft of the regulations to implement Chapter 33 which we needed in the Education—

Mr. FILNER. And why did we need this binder that we did not have before? Did you think we did not have this information or what?

Mr. PEDIGO. At the last hearing, Mr. Chairman, you appeared to be concerned that we were not being very forthcoming—

Mr. FILNER. Yes, and I sent a letter to the Secretary specifying what I wanted and it does not sound like the binder has anything in there that I asked for.

Mr. PEDIGO. The purpose of the binder was to provide more information to you.

Mr. FILNER. Yes, but I asked specifically, did you see the letter I wrote to the Secretary?

Mr. PEDIGO. I did see that letter.

Mr. FILNER. So, is any of that information in the binder?

Mr. PEDIGO. I do not know if any of the information you requested in that letter—

Mr. FILNER. So what good is the binder if you are not giving me anything I requested? Giving me more data so I have to read a whole big binder of papers? I mean, come on. I asked for the names of the 32 bidders. I asked for the names of the finalists. I asked for the process that you went through and I do not have any of that. Why not?

Mr. PEDIGO. However, the Secretary is in the process of responding to the letter that you sent, and—

Mr. FILNER. I asked for all this information before—

Mr. PEDIGO. [continuing]. As opposed to the information that we are able to provide.

Mr. FILNER. I asked for this information before a contract was awarded so we do not have to say, "I wish you had done this and that and that." Well, we will see if the Secretary responds. You just give me another binder of information that does not answer any questions? I guess that is the kind of response we get, sir. It is not very helpful. You are not helping us. You are putting stuff in the way of us trying to understand what is going on.

Let me go back to the process that you went through. Is there any legal requirement for you to let your employees know that there is a bid going out, and whether they should be open, or they should be eligible for bidding on this if they feel like they are capable? It seems like this was sprung on everybody. Nobody understood what was going on. There were a lot of rumors going on which we then had to respond to. People, as you heard from Mister, I forgot his name, I am sorry, Leonard?

Mr. SMITH. Leonard Smith.

Mr. FILNER. Mr. Smith, that nobody knew what was happening. Their own supervisors and managers did not know what was happening. Why was this sprung on them in this way? Is there no requirement that a full and open competition include those employees?

Mr. PEDIGO. Mr. Chairman, we discussed this issue with our General Counsel. One of the concerns was whether or not VA would be required to do an A-76 study, which would in effect provide the VA and VA staff with an opportunity to make a proposal as to how they could implement Chapter 33. And the decision that we got from our General Counsel was that because Chapter 33 represents a totally new program, that it is not required that an A-76 process be conducted.

Mr. FILNER. I do not know if that is true or not. But maybe there would be a suit on that, which would hold up everything anyway, right? But wouldn't the spirit of an A-76, say you should do this? You have employees. This is a service operation. This is not a cut-throat, profit-oriented system. You have employees who are committed to serving veterans. Involve them in the process. What is the difference if you were required to or not?

Mr. PEDIGO. Well, one of the concerns was that if we had gone through an A-76 process, it is quite protracted. I have personally directed an A-76 process in the VA Home Loan program. It took over 2 years to go through that whole process. By the time—

Mr. FILNER. Why don't you explain that to us, or to the employees? Communication is a part of running an operation, right?

Mr. PEDIGO. We did communicate with the employees that we would be seeking contractor support to provide a solution. There was a conference call with the field station staff, the four regional processing offices for the Education Program, and the information—

Mr. FILNER. Is there anything in writing on that?

Mr. PEDIGO. I believe we can get—

Mr. FILNER. Put that in the binder that you leave me next time.

Mr. PEDIGO. I would be glad to do that.

Mr. FILNER. Okay, why did you only send out the original request to 32 contractors?

Mr. PEDIGO. Because of the time constraints of getting a solution in place by August of 2009, we were looking for a streamlined procurement vehicle that would eliminate the long process that is usually involved with the typical full and open competition. And we identified the Training and Management Assistance vehicle that the Office of Personnel Management administers. And under that vehicle, there were 32 contractors.

Mr. FILNER. Is that a public list?

Mr. PEDIGO. That is available.

Mr. FILNER. So, I asked for the list. Did I get that in the binder?

Mr. PEDIGO. Those 32 are not listed in the binder.

Mr. FILNER. Can you give me some samples of who was on the list?

Mr. PEDIGO. We can get the full list of 32 from—

Mr. FILNER. Well tell me a few who are on there now. You must remember some of them.

Mr. PEDIGO. I was not privy to the list. It was protected.

Mr. FILNER. Okay. First of all, not only did you not adequately notify or communicate with employees, now you have a restricted list of 32 contractors. You are in a field that is changing by the minute and people have solutions to things that we would not have even have considered.

Mr. PEDIGO. Well——

Mr. FILNER. It seems to me that you restricted yourself. The fact that only ten or something responded, and you got down to four who really responded, seems to me that your list was pretty bad to begin with. You told me last time this is a possible \$100 million contract. Only four people in the Nation want to respond to this?

Mr. PEDIGO. I can only tell you that the process for the OPM vehicle resulted in 10 of the 32 vendors being interested in making preliminary proposals. And those proposals were reviewed and it was decided that four of those contractors——

Mr. FILNER. Okay, I asked for the names of those four and if you have to tell me in an executive session, tell the Secretary that I want to know the four finalists. I cannot believe that in this kind of contract in IT, which is moving so rapidly and people are so involved in development of new companies, that only four people are interested in a \$100 million contract. It is just inconceivable to me.

Mr. PEDIGO. Mr. Chairman, can I ask Mr. Warren, who is our Principal Deputy Assistant Secretary for Information and Technology to address——

Mr. FILNER. Sure, and you could send the binder, too, if you think that would help.

Mr. WARREN. Sir, to your point about why a certain number competed and why that number started to narrow down, I think in large part it is the time that is available for an organization to provide the service to build the system——

Mr. FILNER. Did you hear the testimony of Patrick Campbell?

Mr. WARREN. Yes, sir, I did.

Mr. FILNER. I could find a tech guy to do this project and I could offer him \$1 million to do it. I am going to save you 99 percent of your contract. We have these kids all over the country who can do this stuff. I do not know why you think this is so special, or, this is a standard kind of request. There may be more people, it may be a little more complicated, but in general this is a trivial request. It is for managing data in a secure way.

Mr. WARREN. Actually, it is a little bit more complex than managing data. I believe this is——

Mr. FILNER. Did you look at his calculator?

Mr. WARREN. I have looked at his calculator.

Mr. FILNER. And how is that, by the way?

Mr. WARREN. It is a nice calculator, but it is only a piece of the work that needs to happen here.

Mr. FILNER. So, give him another month and he will do the other piece.

Mr. WARREN. I would gladly give him 10 percent, if you will, of that amount to deliver the full system, which is not just that front end, which is a calculator. It is taking into consideration the yellow ribbon components, it is taking into consideration the payment

components, it is taking into consideration all the things necessary to ensure that payments happen——

Mr. FILNER. I understand but it is manipulation of data. It is not conceptually very difficult. If you gave me \$1 million, I would take off from this great job and do it, actually. Or, I would get a few kids and pay them \$1,000 dollars each and they would do it for me. I cannot tell if people are shaking their heads, thinking that I am stupid or what but I can tell you, conceptually this is not a difficult issue.

Mr. WARREN. The difference between conceptually is not a difficult issue and putting all the pieces in place to ensure the payments take place on time and it happens on time——

Mr. FILNER. I understand.

Mr. WARREN [continuing]. Is huge.

Mr. FILNER. I cannot believe that only four people in the country can do it. I think you have narrowed it down. You started off in secret. You continued in secret. It continues now in secret. Nobody knows.

Let me ask you about the conversations we had earlier. Ownership of the system in some way, whether it is, source codes, or applications, why was that not in the RFP? It was specifically written according to the testimony that ownership would stay with the contractor.

Mr. WARREN. If I can give you an analogous situation. I had the pleasure of working on the National Do Not Call Registry, the Telemarketing Bill. Everybody was very satisfied with——

Mr. FILNER. I am sorry. The which? I did not hear you.

Mr. WARREN. The Telemarketing Bill. Telemarketers no longer call you. That system was built using this same model. At the Commission, the Federal Trade Commission where I was Chief Information Officer, we brought that system online in 100 days and we got no code out of it. In fact, we changed contractors before I left the Commission from one vendor to another, no transfer of code, functionality took place.

Mr. FILNER. What am I supposed to learn from that? What is the moral?

Mr. WARREN. What you can learn from that, sir, is this model of buying a service, not a product, is something that works in the marketplace and it is used——

Mr. FILNER. And they did it in 100 days?

Mr. WARREN. We did it in 100 days, sir. A 9-month preparation period to put all the pieces in place to do that. And we have said all along, for this system it is going to be hard to get there, which is why we have contingencies in place. But it is the only way we could see getting there. Using our staff and our existing system and existing tools and skill sets would not get us there. And it is difficult for a leader of an organization to say, "My people cannot do it." I would love to have done that in a period of time. But the question was, do we deliver the benefit on time——

Mr. FILNER. And you are saying the ownership is standard, but that is not an answer.

Mr. WARREN. It——

Mr. FILNER. It does not mean we should not own it just because that is standard operating procedure.

Mr. WARREN. And my question for you, sir, is what is the value of owning the system?

Mr. FILNER. Well, I am just going by the testimony of the experts we had who said that there is value.

Mr. WARREN. I believe we had one individual who spoke to the value of some components, the interface components.

Mr. FILNER. The applications, he said.

Mr. WARREN. And if you sit down and lay out how we are providing this solution, there are actually three components. The piece that the vendor is putting together is a service. The interface, how the data moves in and out, that is actually being built by the VA using SPAWARS, Navy Engineering Command, to build that piece.

Mr. FILNER. They are in my district. I am very aware of them.

Mr. WARREN. A pretty critical component. We will own that. It is for us. We will learn from how they do it. The data flows internal to the Department, in terms of making sure all the stuff coming from DoD as well as all the other veteran information that fits in the multitude of systems that are pulled together, we will be doing that. So we are not outsourcing the full task. What we have done is, we have taken the component we believed we could not do, gave it out, bring that in, so we could meet the dates so the veteran got the benefit.

Mr. FILNER. Well, I hope you are right. How about the phasing out of the contract, and in-house people doing the work over time?

Mr. WARREN. The way this is structured, sir, is it is a 3-year contract. The intent is in that 3-year period we will be building the capability within VA with our staff to understand what is this technology and have the capability to build it. So there is a business decision that can be made at the end of 3 years, about do we bring it back in? Do we keep it out? Or do we do something else? That truly is a business decision. It should not be and will not be an IT decision.

Mr. FILNER. Were you here at the last hearing?

Mr. WARREN. No sir, I was not. I did not have the fortune to be here.

Mr. FILNER. I wish you were. I appreciate your responses. They give me a little more confidence. What is the issue on penalties? Why do we not state the penalties? Because it is not standard practice?

Mr. WARREN. I think we actually have not done a good job of communicating how this vehicle with the vendor actually has penalties built into it. There are two types of payment that will be taking place on this contract. There will be several payments as critical stages are met. The vendor will not get paid unless they successfully process registration or payment. So if it does not work, they do not get paid. That is a pretty high penalty.

Mr. FILNER. It says that in the RFP?

Mr. WARREN. Sir?

Mr. FILNER. It says that in the RFP?

Mr. WARREN. The payment schedule in terms of how we ask the vendor to pay—

Mr. FILNER. Do you work for them, or do they work for you?

Mr. WARREN. We are in parallel organizations. I am the—

Mr. FILNER. Because I asked that same question last hearing and I got a different answer.

Mr. WARREN. I cannot explain that, sir.

Mr. FILNER. You said the contractor provides the penalties. You are saying you have a payment schedule and there are penalties built in?

Mr. PEDIGO. Can I, I think I can clarify that. If we said that what we really meant to say was the contractor would propose penalties and incentives.

Mr. FILNER. Right.

Mr. PEDIGO. It does not mean we accept what they propose. That forms the basis to begin a negotiation.

Mr. FILNER. Mr. Warren is saying that there are penalties built in because of the payment schedules. That is not what you said last time.

Mr. PEDIGO. What I am telling you is that we are asking the vendor to give us what they think would be a good starting point for negotiating what the penalties and incentives would be.

Mr. FILNER. I think we should have done that.

Mr. PEDIGO. And then VA would make the final decision.

Mr. FILNER. I still think we should have suggested the penalties to begin with. Let me just ask, as I stated in my opening statement, that I am most concerned about, getting to a point where we have this computerized in the way you described. That would be great. We all want that to happen. We are all deathly afraid that it will not happen on time. Take as much time as you need as long as we have a contingency plan in place. The last time we asked about that, I got an answer that there was none. Your written statement did not go into much more detail. What is the contingency plan if this fails at any given point along the way?

Mr. PEDIGO. Mr. Wilson, would you like to discuss in some detail what we have developed so far as to a contingency plan?

Mr. WILSON. Yes. When we talk about contingency plan I think it is important that we draw distinctions between two things, I believe as Madam Chair did earlier. The contingency for ultimate failure if a contractor cannot deliver versus contingencies based on fall back positions for decision points within the contract or proposal.

The contingencies based on the contract or proposal were the points that we were making at the last hearing and perhaps we did not do a good job of articulating that. Irregardless of that, obviously we have a baseline contingency that we are implementing. And that contingency is based on our original understanding of the legislation in terms of what we could do and manually process awards. We know we have the capability of manually processing awards, award payments if that is what is needed. That is our base contingency if a contractor is absolutely unable to deliver.

Mr. FILNER. All right. Are you training, people on the new law now?

Mr. WILSON. Yes. People are already being trained on the new law. They have been for some time now. There will be decision points as we go forward concerning how much more of the contingency we will roll out. One of the key periods during this will be the March 1 timeframe. And that will be at the point where the

contractor is expected to demonstrate the viability of their system. If that does not happen, that is a key go/no go decision point. At that point we will—

Mr. FILNER. Then you will be able to train people or bring up their training in a sufficient fashion where we will be able to start processing these on August 1st?

Mr. WILSON. Correct.

Mr. FILNER. That is what your plan is?

Mr. WILSON. Yes.

Mr. FILNER. Okay, well that sounds a little different than what we heard before. I appreciate that. That is not what you said last time. You said, "Well, we have not started any contingency plan." Remember that?

Mr. WILSON. Yes, I do. And again, I think perhaps the discussion was focused too much on the contingencies for the contractors and less focused on the base contingency for contractor failure. I am hoping to emphasize that we have a base contingency for contractor failure. And that is—

Mr. FILNER. We have the people in place who are able to do this manually, correct?

Mr. WILSON. Right now, no. The March 1st timeframe will be a key decision point that if we have to go forward with the contingency plan we will be doing hiring in some manner at that point. In addition to our existing staff, of course.

Ms. HERSETH SANDLIN. Would the gentleman yield?

Mr. FILNER. Yes, please.

Ms. HERSETH SANDLIN. Are your current employees who are manually processing being trained? You also recognize based on the testimony from others that it will require hiring probably hundreds of additional people which there is \$100 million minus whatever the contracting cost is to do that. Are you confident, and I think that is the Chairman's question, that while you are training people currently in the VA that the March 1st to August 1st gives you enough time in the new hiring and training? Do you feel confident that gives you enough time?

Mr. WILSON. I am confident that gives us enough time. We will have several groups, perhaps, of employees that we will be hiring. Some of those will be decision makers. But a large segment of the work that we will have to do to manually process payments will be administrative type work, and that simply will not take the level of training that a full claims adjudicator or authorizer would be required to do.

Ms. HERSETH SANDLIN. Okay.

Mr. FILNER. Thank you for giving me leeway, Madam Chair. I am still not confident that we are not going to have to go through this and still not have to end up using the manual system. In terms of this whole process, I have concerns about whether you did this whole process correctly. The only way I can determine it is by repeating, and I hope you will tell the Secretary, and the General Counsel, that before the end of the week, I need to have the list of 32 contractors, the list of the 10 who submitted, and the list of the 4 who responded. If there is any legal problem, they should tell me so we can try to settle it. Remind the Secretary that we have subpoena power. I would like to have the information we need to

see if this whole process was carried out in a way that we have confidence in the process.

I still have problems in the way that the employees were treated and the restricted list that you started off with given the constellation of people who have IT knowledge. You are in an area where you have all kinds of people with knowledge that will blow your mind. They may have the solution already, but we did not have the chance to ask them. I bet you they are the same companies and the same people that everybody knows and you feel very comfortable with them. I do not think that is the way to go on this kind of contract which is why I need that information. Please let the Secretary and your General Counsel know. If there are any problems, rather than just saying that I cannot have them, I want to find out why I cannot have them. Thank you, Madam Chair.

Ms. HERSETH SANDLIN. Thank you, Mr. Chairman. One of the questions I posed earlier was with regard to the timetable for the MOUs being signed, and you are going to get back to me on that. Mr. Wilson, how soon will the VA finish the MOUs with all the universities that is also required by the Public Law 110-252?

Mr. WILSON. We are working with our General Counsel right now to develop the formula that we are looking for in terms of the information that will need to be reported to VA by each school. And I will have to go back and look at my notes for the exact timetable, but in the spring sometime is the latest at which we would expect information to be going out to the schools concerning what they would need to report to participate in that program.

Ms. HERSETH SANDLIN. Do you need that information prior to the March 1 deadline? Is that something that will not be necessary to test the viability of the contractor IT solution?

Mr. WILSON. We have the specifics of how the program would be administered. That is largely in statute—

Ms. HERSETH SANDLIN. Okay.

Mr. WILSON [continuing]. Concerning the variables that we would have to account for.

[The information was provided in the Post-Hearing Questions and Responses for the Record, which appears on p. 69.]

Ms. HERSETH SANDLIN. All right. Mr. Warren, can you comment on VA's technological capabilities. As Dr. Khosla testified, it is going to take a lot of moving parts. It is going to take some pretty sophisticated folks within the VA to stay on top of what is going to be required of the contractor. I assume that will be your office that has to have that technology capability to stay on top of this?

Mr. WARREN. In conjunction with the Education Service, because—

Ms. HERSETH SANDLIN. They will bring, right.

Mr. WARREN [continuing]. They will bring the program view. We will bring the technical view.

Ms. HERSETH SANDLIN. Can you respond specifically to a couple of points that Dr. Khosla made? One, the issue of ownership of the applications. There seemed to be a difference of opinion of the source codes versus maintaining the data, which it is clear that the RFP does. But then the applications, versus getting into the source codes and the actual system. Then on what your thoughts were on

what I think Dr. Khosla was talking about in terms of the importance of a systems integrator.

Mr. WARREN. Certainly. The question about what is this thing that we are getting and who should own it if you change how you are going to do it? So this question of do you own the source code or not? One of the dramatic changes that has taken place in the IT community is, most organizations actually no longer own the source code of the thing that allows them to do their business. Oracle was a great example. If you use a database and you happen to use the Oracle product in your business, you do not own that source code. Most of America that runs on Oracle, all of America that runs on Oracle, does not own that source code. What they own is the data structure they put into it. Their intellectual knowledge, their business rules about how they do their business. So in the past, when you custom built things, because the state of technology was that you had to build it, piece by piece by piece, you owned the source code because it actually was your intellectual knowledge built into the tool. And it was one of the reasons why IT has been so expensive in the past, why it is so hard to quickly deliver things in the past, because things were so tightly coupled.

As an example, you have the interface on the Web where you do something, there is an engine or something that says what you do with the information that comes in, then you have a place where the data goes. Most of the Code that exists, not the new generation, most of the Code at the VA, those three layers are like this. So if I change the data field on the outside I have to change everything in and everything back out again. It is one of our liabilities, if you will, in terms of our existing infrastructure. It is why it is so difficult for us to do things quickly, is we have this legacy, which is tightly bound.

The Chairman is correct in terms of the new technology that is out there. Those things are broken into layers, and when folks are able to do things quickly, it is not because they are building the layers. They are building the rules that connect the layers together. Those rules in this case are the eligibility that we are specifying. We own that intellectual knowledge and we are giving it to the vendor to say, "In the tool, lay the rules in." Those are our rules. We validate them, we come up with them, it is the inherently governmental portion. Our rules, how you do it.

The connection to the Treasury in terms of who you pay and how you pay. It is a rule based on a database, the data that we are asking them to give back to us. So the things that are fundamental to this work, using the latest technology, not the VA way, the latest technology that we are looking for these vendors to bring to the table, we are asking for the critical components that would allow any vendor to bring those, the technology available today to deliver what we need.

So if we were asking them to build what we have, which is standard practice, and Boeing is a great example, though absent any knowledge on my part, that contract was giving me something. Bring me a rock. The contract was bring me a rock. Give me the source code, give me the machines, I will tell you what I need. They probably gave them what they asked for, what they knew to ask for. What we are trying to do is, this is the outcome we need. We

do not care how you do it. Here are the rules you need to follow. Bring your creativity, bring your knowledge, bring your experience to the table to meet the date we need to make. That is one of the key differences on this. If that helps answer that question.

System integrator? Yes, there is a system integrator. For any of this stuff to happen they will be reaching out to the knowledge, the experience, those young kids, if you will. The ones that are out there that are breaking ground, to bring them in to do this.

Ms. HERSETH SANDLIN. I appreciate that. From my perspective and for purposes of the record, Mr. Campbell's testimony in the first panel was very interesting. We would like to get more information on how you are going to have different VSOs that are going to want to help their members to be able to make accessing the benefit easier. It simply stood in contrast, at least from my perspective, and the testimony of Dr. Khosla, who clearly believes this is a really complex strategy that has to be undertaken to get this done in this timeframe. I think it requires the Subcommittee to get more information from Mr. Campbell on what he has been working on as well as the information that we are getting from you and Dr. Khosla.

Mr. WARREN. I hope my remarks did not minimize the complexity and the challenge of what needs to happen.

Ms. HERSETH SANDLIN. No, quite the opposite from what I am hearing. Mr. Pedigo and Mr. Wilson, I appreciate the clarification on the baseline contingency plan. If you could provide us in writing a more descriptive summary and description of what you are undertaking in the event of a contractor failure to perform, so that we can see the timelines and what you are already doing to train individuals.

[The information was provided to the Subcommittee in a subsequent hearing held on November 18, 2008, entitled "U.S. Department of Veterans Affairs Short- and Long-Term Strategies for Implementing New GI Bill Requirements."]

I share the Chairman's concern about the miscommunication with employees in the regional offices. I think this has caused some confusion, about their ability to bid and to compete with what is being outsourced. Mr. Pedigo, your explanation to the Chairman's question about how you had directed something like this under the A-76 study and it had taken 2 years to do so helps us understand a little bit better some of the decisions that you have made. But I think it is important that you are communicating not just to us proactively, but to the employees in the regional service as well and in the regional offices.

My concern is, what do you anticipate then over the course of the 3 years contract and then the options to renew? What is going to happen, if we assume that the contractor can perform on time, what happens to the existing employees over that period of 5 years? Are they still going to be necessary and have jobs? Based on your testimony from our hearing 2 weeks ago, that they are the ones that are going to be doing the direct interaction. We are going to have transferability issues that I think are going to be hard to do in a rules-based system right away. You are going to have the Reserve forces component. Colonel Norton's testimony mentioned the varied types of calculations that are going to go into these dif-

ferent benefits is substantial. So just tell me, have you made any kind of analysis? Has that been done, or will it be done? How will that be communicated to your current employees in the regional offices about what to expect if indeed this goes forward in developing the IT rules-based solution with the latest technology? What happens to the existing workforce during that time?

Mr. PEDIGO. Let me make a couple of comments on that and then Mr. Wilson can add something to it. But I think it is safe to say that at this point we do not know with much certainty how many staff we are going to need once this solution is implemented, or how many we are going to need after that, because we have not seen the solution yet. By the end of this month, we expect to award, and then we will be able to sit down and closely analyze what the proposal is, and then start developing a very detailed plan with regard to how existing staff will be utilized when we implement the proposal.

But I can tell you that our expectation at this point is that a significant number of staff will initially be needed to handle what is likely to be a significant number of what we will call exceptions. These would be cases that the automated system could not handle. And because making a decision on those exceptions is an inherently governmental function, we could not allow a contractor to perform that function. So we would utilize existing Education Service staff to do that. We also intend to use some component of the existing staff to do the outreach and to man the call center in Muskogee, Oklahoma. Oversight will be a responsibility of VA staff, and some other functions. So at this point, we expect that a significant number of present staff will be needed at least initially when we implement this program.

But we also have told the employees that no one will lose a job. Our intention is to make sure that everyone continues their employment.

Mr. FILNER. Yes, but you heard, what we heard, that employees say that leads to an incredible amount of uncertainty, fear, etcetera. That yes, they will have a job, but what job? Are they going to be transferred? If they do not agree to a transfer will they lose their job? Are they going to be retrained? The questions go on and on and on. That kind of statement, which you have given to us as some sort of certainty that it protects everybody, has created fear—nobody knows what that means.

Mr. PEDIGO. We will assure all the employees that they will not lose their employment. They will be able—

Mr. FILNER. That is what I just said. That is not enough.

Mr. PEDIGO. Well, sir, if you would let me finish maybe I can provide enough.

Mr. FILNER. Does that mean they are going to be transferred? Does that mean they have to be retrained? Does that mean they have a lesser job but with the same pay? What does that mean?

Mr. PEDIGO. Our plan is to continue using whatever level of employees we need for the new program. For those that we no longer need in the education program, we have other positions in the regional offices that house the four regional processing offices for the education program that we plan to transfer these employees to. We will not reduce the salary of any of these employees for the first

2-year period. Any training that is required for them to do on the new job will be provided. And I would add that we have a long history in the Veterans Benefits Administration of making sure that our employees have a soft landing when we make significant consolidations in operations.

Mr. FILNER. Again, 2 weeks ago all you said was, "Nobody is going to lose a job." Now you are saying, "Well, they will, at least for 2 years keep the salary." Now you are saying they are going to be in the same division. I do not even know if that means the same city, or that they may have to go to Oklahoma, or wherever. As I said, think of the kind of uncertainty and fear that that gives an individual employee. You are not giving them enough information.

Mr. PEDIGO. We intend to continue providing information as it becomes available. And a lot revolves around seeing that proposal from the vendor. Once we see it and we have had a chance to analyze it, then we will be able to provide more detailed information to our employees, as well as to this Committee.

Mr. FILNER. Well, you should have given them a chance to put in a proposal since you do not even know what you are getting. Ask your employees to give you one, too. I am sorry, Madam Chair.

Ms. HERSETH SANDLIN. If I have any further questions I will submit them in writing to you. But just for point of clarification Mr. Warren, or Mr. Pedigo, the VA could have built new IT system internally if it had been given enough time. Is that correct?

Mr. WARREN. Yes. We could have built a new system. The reason I hesitated a moment is, a new system, and this is the—

Ms. HERSETH SANDLIN. But it would have been using the technology, existing technology.

Mr. WARREN. Existing systems and existing limitations. One of the things that we are trying to do and it is one of the benefits of the consolidation, the IT consolidation, of starting to bring in professional project and program managers, is starting to train and build a skill set to use the new technology. Not just use it, but know how to build with it. They are very focused on delivering systems that are obsolete when they arrive because it is dependent on what we know from the past. So a new system, yes, we could have built one using internal stuff, internal systems, internal connections, internal tools. And that was the 24 to 36 months in terms of how long would it take us to have built something using the skills and the tools that are out there today. I could not come up with a clean answer of what that would take because we do not have the skill set internal from the VA top to do that.

Chairman Filner, you had asked a question earlier on about, "Oh, you build all this stuff yourself anyway." In fact, the VA, over 50 percent of the development work in the VA is using contractors. So already a large amount of work that we do is contract workforce.

Mr. FILNER. Yes, they may be, but if I asked you a question about something and you did not know the answer, you would ask somebody in the field. You can call somebody.

Mr. WARREN. I do, sir.

Mr. FILNER. Yes, and everybody else does that within the system too. So to say we would rely on the existing system, with enough time and if they had the intelligence, anybody could build a system.

They asked Patrick Campbell and he developed a system. I do not think this is as complicated in theory, in concept, as you keep saying. You lay out this incredible, bureaucratic plan and I can tell you that if you promised the prospect of \$100 million, I would solve your problem in 90 days. I would just call the right people and get them to work, and I would have it delivered, and I would test it out. It just boggles my mind what you have decided to go through when, if you called in Mr. Gates and said, "Hey, for your country do this," he would call in the right people and get it done.

Mr. WARREN. Could I posit a choice for you, sir?

Mr. FILNER. A what?

Mr. WARREN. Could I posit a choice for you?

Mr. FILNER. Yes, but only if it would not hurt your career, I would nominate you for Secretary. But, you could get fired because of that.

Mr. WARREN. If, as a steward, and I do look at myself as a steward of the tax dollar, if the choice was \$100 million for a system in ninety days or \$20 million for a system in 13 months, which one should I take?

Mr. FILNER. I agree, it would be tough if that was the choice.

Mr. WARREN. And all of our choices—

Mr. FILNER. I do not know if that is the choice. I do not know that.

Mr. WARREN. And remember the—

Mr. FILNER. That is what you said it was. I do not know that it is fact.

Mr. WARREN. As the risk or the—

Mr. FILNER. I would ask eight different people the same question and see what they told me.

Mr. WARREN. In the pricing, in terms of when you ask somebody for something, the higher the risk the higher the cost. Because it is 90 days, I am going to ask for a lot of money because I have to deliver it in 90 days and so I am going to run multiple things. Balancing always is the risk, the higher the risk the higher the dollar. The higher the surety, the higher the dollar. And what we were trying to do—

Mr. FILNER. I think we understand that.

Mr. WARREN [continuing]. Was deliver it with a reasonable amount, with what we had, always trying to find that balance. And sir, not everybody is going to be happy with those choices. Our goal is to—

Mr. FILNER. Who actually wrote the RFP?

Mr. WARREN. The RFP was made up of a team of 25, 30 folks. We actually had some, there were representatives—

Mr. FILNER. So you brought together the necessary people to come up with a product that you had to do within X amount of time.

Mr. WARREN. Yes, sir.

Mr. FILNER. You had the expertise and as I said, I think the RFP is harder than answering the contract because you have to think in a vacuum rather than answering a question. So you brought together what you needed. I think you could do the same thing with the system, frankly.

Mr. WARREN. And we, sir, you could be right. We were not willing to risk the delivery of the benefit on the date it needed to happen. That is truly what it came down to. Whether to say, you know, hope and wishful thinking are on my team and we hope we can get there using wishful thinking—

Mr. FILNER. Well, you are still hoping because you have not seen the product. I understand that and I appreciate your outlining that dilemma. And you may be right that after balancing the risk that this is the best way to do it. I am not convinced yet, but that is the way we are going. I just want to make sure that since we are going in this direction that it will not lead us to a Halliburton kind of contract. If that is what this leads us to, we are going to have some problems. Thank you.

Ms. HERSETH SANDLIN. Just to wrap up the hearing, if I could summarize my understanding of what we have heard today as well as a couple of weeks ago. The VA had intended to move in this direction over the course of the next 4 to 5 years with a timetable of 2013. Is that correct?

Mr. PEDIGO. That is correct.

Ms. HERSETH SANDLIN. Were you planning to do that both with internal changes to bring in newer technology and do the type of training in-house the way Mr. Warren described as well as using outside contractors to help assist in developing that expertise to bring in the latest technology to move to the rules-based system. Is that correct?

Mr. PEDIGO. That is correct.

Ms. HERSETH SANDLIN. You made a determination based on the law that we just passed to implement a new law within a year's time that while you wanted to speed up that process, you could not do it all internally, or you could not do some of the aspects of it internally that you thought you would when you were working on a 2013 timetable, which led to the development of the RFP. Is that correct?

Mr. PEDIGO. I would say that is correct. Would you agree?

Mr. WARREN. Yes, ma'am.

Ms. HERSETH SANDLIN. In the last Congress this Committee, the full Committee, undertook a series of oversight hearings based primarily on the available information technology and secure systems following the stolen laptop at the VA. That is correct?

Mr. WARREN. Hearings took place, yes, ma'am.

Ms. HERSETH SANDLIN. Okay. We were concerned about the state of the information technology system at the VA. Based on the testimony that we heard in the first panel, some of the VSOs that were in support of the new law also recognized as they negotiated and pushed for a 12- to 13-month timeline, that there was an anticipation that there would be some contracting that would have to happen. Is that how you heard the testimony? Is that how the three of you heard the testimony this morning, or earlier this afternoon?

Mr. WARREN. I believe what they said was, it would be a challenge for the VA to do it whether they used in-house resources or contracted resources.

Ms. HERSETH SANDLIN. You anticipate awarding the contract by the end of the month, correct?

Mr. PEDIGO. Correct.

Ms. HERSETH SANDLIN. Within 30 to 45 days you can develop a contingency plan that is specific to the performance of the contract or the baseline contingency plan in the event of a contract failure?

Mr. WILSON. Baseline contingency is already underway.

Ms. HERSETH SANDLIN. Which you are going to provide the Subcommittee.

Mr. WILSON. Correct.

Ms. HERSETH SANDLIN. You will provide it in greater detail in writing. The 30 to 45 days that you need is the contingency plan associated with the award under the RFP?

Mr. WILSON. Correct.

Ms. HERSETH SANDLIN. Okay. I am just trying to get a little bit of what I think the Chairman has been getting at, with Mr. Boozman and others. The timeline imposed has created a challenge for the VA. And you were working from a timetable in which to move in this direction anyway and made modifications to that to try to get the latest technology integrated within that year time frame. Mr. Warren, you had to make a difficult decision based on that time frame to say, "We cannot do it all internally in that time frame." And that is what led to the RFP?

Mr. WARREN. Yes.

Ms. HERSETH SANDLIN. Okay. Well then we would really appreciate if you could follow up as quickly as possible, even though Congress may or may not be in session next week and the following weeks. As you know, we are going to stay on top of this regardless. We would appreciate it if you can follow up with what we requested with the timetables for the MOUs, the description of the baseline contingency plan, the information that the Chairman has requested, and if that cannot be provided, the legal basis for not providing it. We really hope that you will be quick and responsive to us. Because I think it is clear that you can tell the interest in all of us to want to work with you to make sure that this is done on time, whether it is through the contract or whether it is through a contingency plan while simultaneously communicating effectively not only with each other but with the folks in your regional offices. Okay?

Mr. PEDIGO. We concur with what you said. We will.

Ms. HERSETH SANDLIN. All right. Well, thank you for your testimony and for answering all of our questions, and your patience this afternoon in light of the series of votes that we had to leave to take. Again, thank you for your service. Thank you to the Department of Defense for gathering this data. It sounds like the percentages are reassuring in terms of where you are with gathering that data but obviously we may want to hear more from you and your working groups with regard to transferability and some other issues that are more complicated in administering the new benefit.

The hearing stands adjourned.

[Whereupon, at 4:57 p.m., the Subcommittee was adjourned.]

## A P P E N D I X

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### **Prepared Statement of Hon. Stephanie Herseth Sandlin, Chairwoman, Subcommittee on Economic Opportunity**

The hearing we had on September 11, gave the Subcommittee a brief insight into the Department of Veterans Affairs (VA) current status on the outsourcing for the G.I. Bill implementation. Unfortunately, it left us with more unanswered questions than answers. The primary purpose of last week's hearing was to give VA an opportunity to brief Congress about how they intend to implement Public Law 110-252. We wanted to know the primary plan, VA's contingency plan and how the contractor fit into VA's vision.

In that hearing we received testimony from the VA that the original time frame to develop and implement a new IT system was 2013. Implementation of this IT system 4 years ahead of schedule as mandated by Public Law 110-252, increases my apprehension toward VA's capabilities to successfully implement the new G.I. Bill. This is a major concern and we will continue to observe VA's progress every step of the way.

My main concern is over the VA's lack of information on the implementation plan as required by Public Law 110-252 and a contingency plan should the contractor fail. Rather than providing us with peace of mind over the implementation process, the VA was unable to discuss their implementation plan and their own fail safe plan. According to the VA, they should have a complete contingency plan 30 to 45 days after awarding a contract. My colleagues and I have serious doubts that VA is planning for the worst case scenario. The Subcommittee and all stakeholders seek assurance from the VA that no matter what is done, VA will be able to process veterans educational benefits on August 1, 2009.

Today we hope to learn more about the VA's plan to implement Public Law 110-252, the Subcommittee needs to have a clear understanding of the VA's primary plan, and the private contractor's vision for meeting the VA goal.

Finally, I am glad to know that we have a witness the Department of Defense (DoD) today. Having a DoD witness will also allow us to address any concerns or issues that might arise from this important partnership. We all now that VA and DoD will be working together to execute Chapter 33 benefits, DoD plays an important role in this partnership by sharing important data elements and confidential information. We all want to ensure that this is done successfully, not just for the VA but for those veterans who have earned this benefit.

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### **Prepared Statement of Hon. John Boozman, Ranking Republican Member, Subcommittee on Economic Opportunity**

Good afternoon everyone. When we met 2 weeks ago to begin our oversight of how VA intends to implement the new GI Bill, there was considerable discussion about whether VA should develop the new information technology system in-house or hire a contractor for development and possibly some clerical support.

I believe that is not the right question. Rather, we should be discussing the following:

First, does VA have sufficient numbers of the right people on staff who are qualified to manage the development program and with the technical qualifications needed to develop the necessary computer code. VA says they do not.

Second, what are the critical milestones and what are the critical functions and requirements that must be met to proceed to the next development milestone? In other words, how will VA define success along the way?

Third, what are the key functions or performance parameters of the new IT system and what are the limitations of the current system that make it unable to implement chapter 33?

Fourth, if neither the contractor or in-house staff are able to complete development to meet the August 09 implementation date, what are VA's fallback plans to compensate for incomplete or failure?

And fifth, what happens when VA pushes the ON-button and digital Armageddon causes all the lights to go out at 810 Vermont and the White House?

Any IT systems engineer or program manager will tell you that basic program management principles apply to any project regardless of who is doing the development so I would note that these questions apply whether VA develops the system in-house or through a contractor. I would also note that even if VA developed the system in-house, it is highly likely support contractors would be used.

As I said last week, there is ample history of IT development failure by both in-house staff and contractors. I would also remind our witnesses that the only agenda here today is how to meet the needs of veterans. As former VA Administrator General Omar Bradley said, "We are dealing with veterans, not procedures—with their problems, not ours."

Finally, the question remains regarding VA's plans for the existing workforce. They have stated before that no one will lose their VA job. I hope to hear more details about that today.

I yield back.

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**Prepared Statement of Patrick Campbell, Chief Legislative Counsel,  
Iraq and Afghanistan Veterans of America**

Madam Chairwoman, Ranking Member, and Members of the Subcommittee, on behalf of Iraq and Afghanistan Veterans of America (IAVA), thank you for the opportunity to testify today regarding the VA's plan to implement the Post-9/11 GI Bill. Servicemembers and veterans alike have been dreaming bigger dreams since the passage of this new GI Bill and I am pleased to see that this Committee is working to ensure that those dreams are going to be realized on time.

When I was demobilizing from Iraq in 2005, I remember being told that I would qualify for a new GI Bill program called the Reserve Education Assistance Program (Chapter 1607—REAP). I was promised \$660/month in education benefits, an increase of almost \$400/month. When I reenrolled in school I was depending on that money to pay for school/expenses. Unfortunately, what I did not know was that although I qualified for this new benefit at this point in time the VA did not have the capacity to start processing applications for, nor distributing the new REAP benefits. I was counting on that money when I planned my budget for things like an apartment and not having those promised benefits put me in a tough bind financially. It took over a year for me to finally get my REAP benefits, which was almost 2 years after REAP was signed into law.

With that experience still fresh in my memory it is incumbent on all of us to ensure that veterans applying for their new GI Bill benefits actually receive an accurate and timely benefit. This Subcommittee has requested our views on the following specific implementation issues:

- 1. Should the new information technology system be developed by an outside contractor or VA employees? If not, what are the advantages and disadvantages, if any, of developing the new information system by using VA employees, including whether current VA staffing is sufficient to complete development by August 1, 2009?**

IAVA's first and foremost concern with the implementation of the new GI Bill is that veterans depending on this new education benefit are able to apply for and receive Chapter 33 benefits no later than August 1st, 2009. IAVA is not opposed to VA contracting out its IT services for Chapter 33 implementation so long as final benefit determinations and direct interaction with veterans will continue to be done by VA employees.

Throughout the debate leading up to the passage of the Post-9/11 GI Bill there were a number of discussions with the VA about their capacity to implement the education benefit program. Keith Wilson, the head of education services at the VA, was very clear during those discussions that given the VA's current outdated IT infrastructure that they needed at least 18–24 months to successfully implement the new program. A shorter deadline meant that the VA would need additional monetary resources and broad implementation authority in order to comply. Senator Webb and many of the supporting veterans groups, such as IAVA, felt that waiting up to 2 years to implement the new GI Bill would let too many veterans fall through the cracks and an August 2009 com-

promise deadline was set. These deliberations are important because IAVA feels that the VA has been very candid and frank about their incapacity to meet an August 2009 deadline without outside contracting.

Given my personal experience with the implementation of the REAP benefits and discussions with employees within the education services department, I concur with the VA's assessment that they would not be able to internally develop a new IT system capable of dealing with the new benefit system by the August 2009.

**2. How VA managed the proposal process that resulted in two requests to industry, including the industry response to the two requests.**

IAVA has no relevant or useful comments on this issue.

**3. The VA's plan for restructuring the education service if there is outsourcing.**

The need to outsource IT development, however, does not immunize the VA from some tough questions about the future restructuring of education service department. IAVA shares some of the concerns raised in the September 11th hearing, such as the potential lack of accountability, the challenge of coordinating VA and DoD technology, and the need for a back-up plan, should the private company selected by the VA fail to live up to their contract.

In the past, a number of efforts to privatize benefits delivery and eligibility determination have been disastrous for the benefits recipients. One recent report on efforts to automate benefits delivery in Texas and Indiana concluded,

“the use of private entities in determining eligibility raises very troubling questions about the appropriateness of private entities having a key role in benefits delivery and whether such privatization can be cost-effective and accountable.”<sup>[1]</sup>

IAVA strongly believes that any final determination of eligibility for benefits must be made by VA employees to ensure both accountability and accuracy. VA employees have years of experience dealing with these types of issues, especially the minute intricacies in dealing with individual cases. However, this does not preclude the VA from outsourcing the creation of computer system that will follow a rules based model in making initial determinations of education benefits. Admittedly, while the Post 9/11 GI Bill is not the simplest benefit to understand by reading the statute, my personal experience developing an education benefits calculator for [www.gibill2008.org](http://www.gibill2008.org) has shown me that a well thought out benefits system technology can simplify the process for both the veteran and the approving employee at the VA. The benefits calculator on this website is actually a rough version of what the VA will be outsourcing and I recommend anyone interested in this subject to see why it is so helpful.

Historically, the VA has also had its share of serious contractor mishaps. Among the common causes of failed IT privatization initiatives are the lack of a pilot program, and an inadequate opportunity for public input and oversight. While a pilot program in this instance may not be possible, it is critical that the VA have its program up and running in enough time for beta testing and public comment. The Veterans Affairs Committees, the Veteran Service Organizations (VSO's) and the VA Council on Education (VACOE) should be intimately involved in the development of this new system. Lastly, future beneficiaries should be able to take the program for a test run in order to make sure most of the technical issues are worked out. IAVA is willing to help whomever develops this system to ensure that it functions properly and is ready to go online by August 1, 2009.

Above all, there must be clear and continued oversight from the Congress and the VA throughout the development of the benefits-delivery system, so that every Iraq and Afghanistan veteran gets the education benefits they have earned. Thank you again for this opportunity to testify.

Respectfully submitted.

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<sup>[1]</sup>Mannix et al, National Center for Law and Economic Justice, “Public Benefits Privatization and Modernization: Recent Developments and Advocacy,” *Clearing House Review: Journal of Poverty Law and Policy*, May-June 2008.

**Prepared Statement of Joseph Sharpe, Jr., Deputy Director,  
National Economic Commission, American Legion**

**EXECUTIVE SUMMARY**

Historically, The American Legion has encouraged the development of essential benefits to help attract and retain servicemembers into the Armed Services, as well as to assist them in making the best possible transition back to the civilian community. The Servicemen's Readjustment Act of 1944, the GI Bill of Rights is a historic piece of legislation, authored by The American Legion, that enabled millions of veterans to purchase their first homes, attend college, obtain vocational training, receive quality healthcare and start private businesses.

The successful and timely transformation from one educational benefit program to the next, starting with the Serviceman's Readjustment Act of 1944, the Korean Veterans, Vietnam Veterans, Veterans Educational Assistance Program, and the Montgomery GI Bill, has been competently administered and implemented by existing VA employees within the Veterans Benefits Administration (VBA) Education Service. Currently, VBA Education Service employs more than 700 full-time employees. Those employees have intimate knowledge of veterans often unique needs and how best to serve them. The American Legion is extremely disappointed that the VA feels it does not have the capabilities in Education Service and Information Technology (IT) to implement this critical service.

While The American Legion supports improving the delivery of the educational benefits it should not lead to VA removing itself from the process. Any changes to the administration of GI Bill benefits should aim toward reaching the performance goals as outlined in the recent RFP while allowing VA to retain ownership:

- Ten (10) days or fewer to complete original claims;
- Seven (7) days or fewer to complete supplemental claims; and
- A 98 percent administrative and payment accuracy rate.

The American Legion also recommends that once the software and automated process is developed, VA would train its educational services personnel, so the IT component can be placed under its responsibilities. It is important that VA retain ownership of one of its most significant and successful programs. This New GI Bill has been hard earned and is certainly well deserved for the men and women who have protected, sacrificed, and served our country honorably. An automated, efficient delivery of educational benefits must ultimately remain with VBA Education Service.

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Madam Chairwoman and distinguished Members of the Subcommittee, thank you for the opportunity to present the views of The American Legion regarding the GI Bill implementation.

**MONTGOMERY GI BILL**

Historically, The American Legion has encouraged the development of essential benefits to help attract and retain service members into the Armed Services, as well as to assist them in making the best possible transition back to the civilian community. The Servicemen's Readjustment Act of 1944, the "GI Bill of Rights" is a historic piece of legislation, authored by The American Legion, that enabled millions of veterans to purchase their first homes, attend college, obtain vocational training, receive quality healthcare and start private businesses.

The American Legion strongly supported the Montgomery GI Bill evolving with this new generation of wartime veterans because of significant changes in the country's existing social and economic cultures. The *Post-9/11 Veterans Educational Assistance Act of 2008* became Public Law 110-252 when the President signed H.R. 2642, the Emergency War Supplemental Appropriations Bill, on June 30, 2008. The American Legion vigorously advocated for years for this new benefit that provides major enhancements to the package of educational assistance available to those individuals who have served on active duty on or after September 11, 2001 in this country's greatest hour of need.

The inclusion of benefits such as a full 4 years of tuition up to the cost of the most expensive public universities in the states, a full \$1,000 per academic term for books and supplies, monthly housing stipends and more are precisely the sort of improvements to this system which have been so richly deserved by these courageous individuals who have sacrificed so much for their country. We have long advocated that the country must pay back those who have been willing to selflessly answer the call to duty.

### **GI BILL IMPLEMENTATION**

The successful and timely transformation from one educational benefit program to the next, including the Serviceman's Readjustment Act of 1944, the Korean veterans, Cold war, Vietnam veterans, Veterans Educational Assistance Program, and the Montgomery GI Bill, have been competently administered and implemented by existing VA employees within the Veterans Benefits Administration (VBA) Education Service. Currently, VBA Education Service employs more than 700 full-time employees. Those employees have intimate knowledge of veterans' often unique educational needs and how best to serve them. The American Legion is extremely disappointed that VA feels that it does not have the capabilities in Education Service and Information Technology (IT) to implement this critical program.

The American Legion supports improving the delivery of educational benefits. However, that should not lead to VA removing itself from the process. Any changes to the administration of GI Bill benefits should aim toward reaching the performance goals as outlined in the recent RFP while allowing VA to retain ownership:

- Ten (10) days or fewer to complete original claims;
- Seven (7) days or fewer to complete supplemental claims; and
- A 98 percent administrative and payment accuracy rate.

The American Legion also recommends that once the software and automated process are developed, VA would train its educational services personnel, so the IT component can be placed under its responsibilities. It is important that VA retain ownership of one of its most significant and successful programs.

### **CONCLUSION**

The American Legion strongly supported the enhancements to the Montgomery GI Bill and is grateful that the House and Senate have passed this bill, and that the President signed this vital piece of legislation on June 30, 2008. This New GI Bill has been hard earned and is certainly well deserved for the men and women who have protected, sacrificed, and served our country honorably. An automated, efficient delivery of educational benefits must ultimately remain within VBA Education Service.

On behalf of The American Legion, I would like to thank the Chairwoman and this Subcommittee for presenting us with the opportunity to make our thoughts and considerations known on this matter and to thank you for taking the time to thoughtfully deliberate on the points we have made clear today. Thank you as well for your service and good judgment on behalf of this Nation's veterans.

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### **Prepared Statement of Raymond C. Kelley, National Legislative Director, American Veterans (AMVETS)**

Chairwoman Herseth-Sandlin, Ranking Member Boozman, Members of the Subcommittee, thank you for the opportunity to appear before you today to provide AMVETS' views and discuss the VA strategy for implementing the Post-9/11 GI Bill.

The Montgomery GI Bill was enacted in late 1984 for servicemembers who completed 24 months of active duty service if that service began after June 30, 1985. This provided VA with more than 30 months to develop a system to deliver the benefit. With only 13 months to meet the statutory requirements of the new educational assistance program, it is necessary for VA to rely on contractor support to develop an IT solution that will accurately determine benefits eligibility so our servicemembers and veterans will be able to receive their Chapter 33 benefits in a timely manner.

By VA's own admission, they do not have the proper IT manpower to develop an acceptable solution by August 2009. Development of software demands a narrow scope of work over a relatively short period of time and the most efficient way to solve an IT problem when current staff, for whatever reason, cannot produce the solution is to hire a software development firm to take on the task. Furthermore, for VA to process these new claims through manual processing while they develop an in-house IT solution, VA would be required to hire hundreds of new claim processors for a temporary period of time. This would be an increased cost to VA, and only provide temporary employment for any veterans who might benefit from the hiring increase.

Because of the scope of the IT solution and the limited time in which VA has to implement this program, AMVETS does not fault VA for their management of the proposal process. Although AMVETS prefers to see a more open bidding process, which would include disabled veteran-owned companies, under the circumstances,

VA was required to select a contractor in a timely manner. Streamlining the acquisition process was a response to the limited time. When VA took over the acquisition process only four contractors had agreed to enter into the bid competition. Therefore, VA requested proposals from only those four companies.

AMVETS is completely confident that no VBA employees will lose Federal employment because of the software development by an outside source. VA will continue to process Montgomery GI Bill claims as well as take on processing claims that are denied by the IT solution. There will also be positions within the new system that will move claims processors into oversight roles and any other employees will be properly trained to work in similar positions within VBA.

Ms. Chairwoman, this concludes my testimony. I will be happy to answer any questions regarding our opinion on these matters.

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**Prepared Statement of Dennis Cullinan, Director, National Legislative Service, Veterans of Foreign Wars of the United States**

Mr. Chairman and Members of the Subcommittee:

On behalf of the 2.4 million men and women of the Veterans of Foreign Wars of the U.S. (VFW) and our Auxiliaries, we appreciate the opportunity to present our views on the implementation of the GI Bill.

The VFW commends this Subcommittee for working to ensure that the new GI Bill is implemented and managed properly. This Committee has demonstrated unified bipartisan dedication to improving the GI Bill. The VFW urges this Subcommittee to continue to exercise careful oversight throughout the implementation of the new GI Bill. We thank you for holding hearings on this issue and shedding light on the GI Bill implementation process.

The VFW, as a leading advocate for the new GI Bill (Chapter 33), supports the outside contracting and development of a computer program that will administer the GI Bill to student veterans. We are concerned that the VA, while using a standard government Request for Proposal (RFP) contract language, is putting the future of this benefit in jeopardy. The leading advocates for the new GI Bill recognized, prior to its enactment, that it would be both prudent and necessary to administer the new program electronically. While we believe VA is able to administer this program, we are gravely disappointed that VA leadership has not been more open about its decisionmaking process or more consistent in its messaging. We also share this Subcommittee's concerns that VA has not articulated its "fail safe" plan. The VFW is not fundamentally opposed to contracting to provide the best solutions at a fair market price, if the government is unable or unequipped to provide the industry standard.

We have come to understand that VA lacks an Information Technologies (IT) department sufficient to design and develop a rules-based software system to administer the GI Bill benefit. Any software program developed to administer the new GI Bill benefit will be web-based allowing veterans and VA employees to access the program online. The software will require input from DoD, VA, Veterans, and possibly colleges. It will then communicate with the VA, Veterans, colleges, and the Department of the Treasury. The RFP demands a highly accurate and timely computer system. The goals defined by the VA in the RFP are goals that the VA is not currently capable of meeting with the much simpler Chapter 30, Montgomery GI Bill (MGIB), claims powered by a personal centric system.

The new GI Bill is more intricate than all previous programs. The 1944 GI Bill distributed two payments: tuition paid to the universities or trade schools capped at \$500 a year and a living stipend based on dependents. The new GI Bill makes three very precise payments: the highest in-state tuition paid to colleges and universities, a variable housing allowance (Basic Housing Allowance [BHA]) determined by the zip code of the school based on an E-5 with dependents, and \$1000 annually paid to the student veteran for books. Any software designed to track this information and administer these payments must be continually updated. We would like to see the VA take primary responsibility in managing the software, but we do not believe the VA can develop software or deal with the ever-occurring programming fixes and system maintenance, at this time.

The VFW has serious reservations with allowing the contractor to own the software and source code of the benefits delivery system. Essentially, the RFP allows the contractor to "sell a license" to the VA and when the contract for that license expires; the contractor can set the pricing terms of the contract. The type of system developed by a contractor will likely have no other potential user. The only customer of this product will be the VA Education Service. In this case, the company may

bid low to obtain the contract and then once the initial period of service expires the company may increase its price because there is no other cost effective option for the VA.

We want the VA to own the software and source code. We expect every security measure and industry standard for IT to be applied in the implementation and administration of the GI Bill. When a customer buys Windows they only get a license. If the customer is unhappy with the purchase, they must seek a different company and product to fill the void left by terminating the contract with Windows. We DO NOT want to see VA and veterans held hostage by the only GI Bill software company available.

During the crafting of the **Post-9/11 Veterans Education Assistance Act of 2008**, now section 5001 of Public Law 110-252, Veterans Service Organizations (VSO) were aware that in order to implement this program, contracting is necessary to meet the August 1, 2009 deadline. The VSO community realized that with placing \$100 million dollars in the appropriation for this program we would contract for IT as a component. We also realized that the IT build would draw on DoD's BHA table already in use and the cost of tuition at all accredited institutions across the Nation maintained by the Department of Education. These two components alone are very detailed and maintained by other government organizations outside of VA, thus making it harder for VA to import mechanisms that duplicate other government functions. A contractor can deal with these other systems, possibly gain access to them or reverse engineer these systems into a software that saves VA the annual pain of tracking all of this data that is far beyond their immediate concerns.

VA leadership has contributed to the confusion surrounding the GI Bill contracting issue. For months, rumors have circulated that VA education employees would be terminated and replaced by computers and contractors that administered and adjudicated the GI Bill benefit. VA leadership only started engaging the VSO community and discussing the contracting situation when the press started to report on the issue. Instead of enlisting our support to tell the story of this policy's success and educate the public, they closed the doors and ignored the VSOs. We find this counterintuitive, the VSO community could be a close ally of VA in trying to manage expectations and deliver sound information. Once again, the VA leadership has squandered any trust the community was willing to place in the VA. Our confidence is shaken in VA's ability to make sound decisions.

Without confidence in VA's leadership and decisionmaking, we are extremely concerned that the VA has yet to discuss a "fail safe" plan. The American public needs to know what the VA will do if the software or contractor fails to deliver services, so that GI Bill benefits will be paid by August 1, 2009. The VFW recognizes that all VA Education Service employees should still be employed in their current positions on August 1, 2009. Considering that Chapter 30 and 31 benefits must continue to operate in tandem with Chapter 33, the RFP does not call for an outsourcing for the current MGIB, Vocational, Rehabilitation, and Employment (VR & E) programs we expect they will continue to process all education claims. We have a number of questions about how VA will manage this transition.

We thank this Subcommittee for the opportunity to share our views. We welcome any questions.

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**Prepared Statement of Colonel Robert F. Norton, USA (Ret.), Deputy  
Director, Government Relations, Military Officers Association of America**

Madam Chairwoman and Distinguished Members of the Subcommittee, on behalf of the nearly 370,000 members of the Military Officers Association of America (MOAA), I am honored to have this opportunity to present the Association's views on implementation of the Post-9/11 GI Bill legislation (P.L. 110-252).

MOAA does not receive any grants or contracts from the federal government.

**STATEMENT**

The Subcommittee requested MOAA's views on issues concerning the implementation of P.L. 110-252 GI Bill benefits as codified in Chapter 33, 38 U.S. Code.

Specifically, the Subcommittee is examining three issues at this hearing:

1. Should the new information technology system be developed by an outside contractor or VA employees? If not, what are the advantages and disadvantages, if any, of developing the new information technology system by using only VA employees, including whether current VA staffing is sufficient to complete development by August 1, 2009.

2. How VA managed the proposal process that resulted in two requests to industry, including the industry's response to the two requests.
3. The VA's plan for the restructuring the education service if there is outsourcing.

**Should the new information technology system be developed by an outside contractor or VA employees? If not, what are the advantages and disadvantages, if any, of developing the new information technology system by using only VA employees, including whether current VA staffing is sufficient to complete development by August 1, 2009.**

MOAA has no position on these questions. However, we offer for the Subcommittee's consideration a perspective on implementing the Post-9/11 GI Bill that may help to answer them.

The Post-9/11 GI Bill program is a radical departure from GI Bill programs of the past 50 years. Major differences include the calculation of benefits, direct payments to institutions, a new housing stipend and an annual book stipend.

Unlike the Montgomery GI Bill, Chapter 33 benefits are calculated up to the cost of the highest in-state public college or university tuition rate. MGIB rates, on the other hand, are based on a table of set monthly rates that are based on only two variables: the length of the contract that established entitlement and the number of credits or training taken—not the tuition charged at the institution where the veteran is enrolled. In short, the calculation of benefits paid under Chapter 33 can vary “infinitely” by the number of enrolled veterans.

In addition, Chapter 33 benefits will be paid directly to institutions rather than to the veteran.

The housing stipend is based on the Dept. of Defense's basic allowance for housing (BAH) of servicemembers in grade E-5 with dependents. The BAH stipend is further tied to the veteran's zip code of residence.

The third payment stream in Chapter 33 is an annual book stipend of \$1000.

These calculations in themselves should be considered “business process” transactions that can and should be supported by modern data processing technologies. In other words, the calculations are not in themselves a “veteran's benefit”. In this sense, it is not critical that the new claims processing system should be established either inside the VA or contracted out.

#### **Outcome Measures of Merit**

MOAA believes that a claims processing system for Chapter 33 can be set up along the lines of commercial tax return products like “Turbo Tax”. Millions of private citizens use such commercial products to submit their annual tax returns to the Federal Government's Internal Revenue Service (IRS). A similar approach may be desirable for administering Chapter 33 benefits.

Commercial taxpayer software tools have certain features in common:

**Simplicity.** Users follow a set of simple questions and data entry prompts. Backup information, government forms and instructional videos are available to understand more complex tax-related issues.

**Efficiency.** Millions of taxpayers pay taxes owed and receive refunds on their taxes through online transactions between their financial institutions and the IRS. Studies have indicated that the government and taxpayers benefit by using such tools.

**Speed.** Submissions of tax returns online has increased exponentially in recent years and greatly accelerated the turnaround time for receipt of tax refunds directly into bank accounts.

**Accuracy.** Studies would suggest that commercial tax software products are at least as accurate as cumbersome calculations using multiple, confusing paper forms.

**Reduced cost.** Commercial tax software products have greatly reduced government and taxpayer paper transactions and handling costs.

**Security.** An overriding concern of the VA must be protection of a veteran's personal information. Commercial tax preparation software appears to have met government requirements for privacy and data protection.

MOAA believes that technologies can be developed for administering Chapter 33 benefits that could link government entities (The Dept. of Veterans Affairs and the Dept. of Education, primarily), educational and training institutions and veterans in a collaborative partnership.

**How VA managed the proposal process that resulted in two requests to industry, including the industry's response to the two requests.** MOAA has no information upon which to offer comment on this issue.

**The VA's plan for the restructuring the education service if there is outsourcing.** MOAA has no information upon which to offer comment on this issue.

MOAA is grateful to the Subcommittee's continuing interest in and leadership on the implementation of the Post-9/11 GI Bill program. We recommend that appropriate oversight hearings be conducted as needed to ensure that the policies, procedures and technologies supporting the new program are in place by 1 August 2009.

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**Prepared Statement of Leonard Smith, Veterans Claims Examiner, Education Division, Veterans Benefits Administration, Atlanta Regional Office, U.S. Department of Veterans Affairs, on behalf of American Federation of Government Employees, AFL-CIO**

As the exclusive representative of the employees who process claims at the VBA Education Division, AFGE is very concerned about the impact of proposed outsourcing on the hundreds of employees who are currently processing claims for education benefits, and at a very competent level. More than half of the workforce are veterans themselves. The VA's plans to outsource this work and transfer most of these trained and high performing employees elsewhere, to be replaced by contractors with no experience, are a disservice to taxpayers and veterans as students and as federal employees.

AFGE's witness, Mr. Leonard Smith, is a frontline employee and service-connected disabled veteran who brings a unique dedication and compassion to his work processing these claims. He and his colleagues have been told regularly by management that their performance is excellent. Yet, without warning, they have been told that a contractor will replace them to better serve veterans when the new GI bill takes effect. Mr. Smith and his co-workers have implemented many changes in the law in the past effectively and do not understand why outsourcing is necessary for this next change in the law.

They are also anxious about the possibility of having to be retrained, reassigned and downgraded, as per statements made by Mr. Walcoff in pleadings provided to AFGE in connection with AFGE's pending protest with GAO.

AFGE requests the opportunity to address questions presented by the Subcommittee regarding information technology, the bidding process and restructuring of the education service in a supplemental statement following the hearing. To reiterate, there is substantial evidence that the VA plans to outsource claims processing work, not solely IT work. AFGE is also troubled by VA's insistence on a closed bidding process and its refusal to provide any legal justification for ignoring legal requirements for competitive bidding and for public-private competitions that cover all federal agencies.

Thank you for allowing me to testify today on behalf of my union, the American Federation of Government Employees, AFL-CIO.

My name is Leonard Smith. I have worked in the Education Division of the VBA Regional Office in Atlanta as a Veterans Claims Examiner since February 2007. I work on the Original Claims Processing Team. My duties are to determine eligibility of veterans based on their period of service and then process those claims appropriately. I was recently recognized for outstanding performance for the third quarter of 2007 for performing above the standard production rate, at 113 percent.

I myself am a veteran of twenty years and served in two combat zones: Operation Just Cause in Panama and Operation Desert Storm. I am 60 percent service-connected disabled due to injuries to my knees and back. I currently attend school using a VA administered program myself, so I know what it takes to service a veteran properly.

I used my veteran's preference to get my job at the VA. Before this job, I worked at the Postal Service for 2 years but it was a more manual job with lots of lifting and it was not good for my health and hurt my knees and back. This is the same reason I was not able to stay at my earlier job at the Atlanta airport working for the contractor Airmark where I had to constantly go up and down stairs to inspect planes and in and out of vehicles. I also left Airmark because it was the contractor for Delta which was having problems and I felt the federal government would be more secure. In my current job, I sit at a computer. My job also involves phone contact with the veterans I am helping.

At the end of July, my coworkers and I heard about the contracting out during a full staff meeting. There were no handouts. What management told us was that they had no information but they had directions from the Secretary that the work

would be going to a contractor. They said a few people would be left in the section. The rest would be more likely to go up to the Veterans Service Center where disability claims are processed. Management did not mention IT work at all. But they specifically said the processing work was going to be contracted out.

People asked if they should look for other jobs and whether they would be able to do these other VBA jobs. They were told they would be trained to learn the new work. I am a little nervous about having to retrain all over again. I have a real comfort level at Education because I know how to do the job so well.

Management kept saying that they themselves did not know anything else and they were not given any specific date for when this would all happen or when they would be given more information. Management admitted at this meeting that they were just as surprised as we were to hear about plans to contract out.

I just found out that now there's a hiring freeze in Education. But our managers keep telling us to do the work just like before so we can show that we are still doing a good job, and if by chance the work is not contracted out, we would still be in line to do the work.

I am proud to say that we are still providing the same excellent service in the face of losing our jobs. In fact, even after we were told about the contracting out, management has continued to encourage us to reach our Tier 2 goal. That's a rewards program where the employees get a monetary award based on the performance of the entire office. The award is based on a combination of accuracy and timeliness of claims processing. Management has been telling us for a while that we were close to our goal and could be the first ones in the Atlanta office to win this award.

I also just learned that last year, Central Office put out a press release praising the excellent work we do in Education. Although no one ever showed it to us, I am not surprised because I know how good our work is.

The contracting out announcement was a big surprise but not the new GI bill. We had been expecting it for a while and we were expecting the work to be done by us, just like in the past. There are always changes in the law and benefits programs that we get briefed on. It's a regular part of the job. When management talked to us about getting trained to implement Chapter 33, it was described just like what we had done to implement past changes, nothing different or any bigger. Since I started at Education, I have had to learn to implement changes after my initial training, such as how to ask for different types of information from the veterans and a different way to develop the claim. When they announced new reserve guard benefits, we learned about it at our quarterly training on new benefits.

As someone getting these benefits, I have also been through several changes. In fact, I started receiving benefits under Chapter 32 which is a contributory program. Now I work with Chapter 32 in my job. I know my knowledge of Chapter 30 will still be needed for veterans who convert to Chapter 33.

The initial training I got at the Education Division was one of the better training programs I have experienced. After I got the job at VBA, I was sent for classroom training to learn how to read regulations, process claims and determine eligibility. The classroom training lasted 9 months and it was mixed in with floor experience. When we were finally released on the floor, we were still heavily supervised for three more months.

I like many things about being a Veterans Claims Examiner. Most of all, I like helping people like myself. I know where they are, I've been there. It is gratifying because the person I am helping is not just a number but someone who was in my position. When I was told I would be transferred, I felt bad, because who was going to take care of these guys who need their education? The contractor won't give them the same service, without a doubt. They're in it for a profit. I have heard a lot about contractors wasting taxpayer dollars and giving poor service.

I know my coworkers would agree with me that we would have wanted the chance to compete with the contractor to keep this work inside the VA if given the chance. In fact, I am sure that we would have blown them away in the competition. That's because we as veterans are the ones who really know how to take care of other veterans. I don't believe a contractor could be as passionate about caring for my veterans as me and my colleagues. I take my job very seriously because I know how deserving of quality service our Nation's defenders are. We can not pay these men and women their worth with money. The very least we can do is show them we care by taking care of them while they take care of us. If the Education Division needs more help implementing the new law, why don't they just hire more veterans like me who will really understand what these veterans are going through?

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**Prepared Statement of Pradeep K. Khosla, Ph.D., Dean, College of  
Engineering, Carnegie Mellon University, Pittsburgh, PA**

Chairwoman Herseth Sandlin, Ranking Member Boozman, and Members of the Subcommittee, thank you for the opportunity to testify today on the implementation of the Post-9/11 G.I. Bill Support Services Project, Chapter 33 benefits.

I have the distinct honor of being Dean of the College of Engineering at Carnegie Mellon University. The College of Engineering is ranked as a top 10 school for both undergraduate and graduate education and is housed at one of the most respected research universities in the country. Our commitment to providing an unparalleled educational experience to our students extends outside of the country as well. Today, we offer 12 different degree programs in 10 countries, and have institution building, joint degree programs, and formal collaborative research activities in Singapore, Taiwan, India, China and Portugal. Additionally, we have an official presence in Greece, Qatar, Japan, and Australia. As a steward of higher education, it is an honor to be here today as you examine the best ways to support the delivery of enhanced education benefits to members of the military.

It has been well documented that at the end of World War II, the original G.I. Bill, the Serviceman's Readjustment Act of 1944, had a profound impact of the United States. This impact was, and is still felt, at the individual, economic, and larger societal level. From my perspective as an academic, I can think of no other stand alone piece of federal legislation that has also had an equally profound effect on institutions of higher education. It has been estimated that at the time of its enactment, less than 2/5 of those serving in World War II had even a high school education. This makes the fact that 10 million soldiers went on to college a even more astounding outcome.

I think we would all agree that the "middle class" in America of the time would not have been created if not for this landmark legislation. The human factor is also worth stressing. In *Over Here: How the G.I. Bill Transformed the American Dream*, Edward Humes sites that it helped to produce 14 Nobel Prize winners, 3 Supreme Court Justices, 3 U.S. presidents, and 12 U.S. senators. It also, however, helped to train an estimated 67,000 doctors and 91,000 scientists. No small feat. As you might assume, I am particularly interested in the technological advancements that came to the fore from these individuals. It is my hope that your efforts today will similarly help others achieve their academic dreams and support additional economic and technological sea changes.

I have been asked to comment from a technical perspective on four different areas of concern related to the Chapter 33 benefits implementation RFP language. These areas are: 1) overall feasibility of the proposal; 2) August 1, 2009 implementation deadline; 3) possible problems that may be encountered in creating the program; and 4) recommendations on industries' best practices in creating a similar program.

Before I begin my comments about these areas of concern, I do want to acknowledge my awareness of the tension surrounding the implementation of the program as it relates to outsourcing and the possible displacement of current employees. In the Department of Veterans' Affairs testimony from the Subcommittee's initial September 11, 2008 hearing, it was emphatically stated that "no VA staff will lose federal employment as a result of the Post 9-11 G.I. Bill". It is my sincere hope that this matter is sufficiently addressed to the satisfaction of the Committee and Members of the full House such that efforts can move forward with providing enhanced educational benefits to today's veterans.

#### *Feasibility*

The RFP specifies in reasonable detail the objectives of the project. It clearly identifies that the VA is responsible for specifying the "What" and the contractor is responsible for delivering the "How". This allows for adequate flexibility on the offeror's part to propose a state of the art, and scalable solution based on industry best practices.

The ability to support more than a half million students requesting benefits annually, including approximately 1.4 million claims is certainly feasible provided the contractor is skilled in the implementation of large scale IT projects and handling personally identifiable information ("PII") and processing financial benefits. Areas that could undermine the feasibility—and success—of this important initiative include:

- Selecting the right technology (hardware and software) and ensuring that interoperability and system interconnection issues are addressed up front and factored into the technology selection process. This should include personal identity authentication and authorization.

- Ensuring that the contractor has the skills and experience to properly handle, store, process, and transmit large amounts of PII and financial data and meet the security requirements set forth in the RFP, including compliance with the Privacy Act 1974, the Federal Information Security Management Act (“FISMA”), privacy requirements of the E–Government Act of 2002, NIST guidance and standards, and other regulatory guidance or requirements, as set forth in the RFP. Security of PII both during transmission and storage is of paramount importance. PII is usually disclosed through one of many means that include, for example, a dishonest insider, lost or stolen computer, hacking, and lost or stolen backup tape.

While I do not see any technical barriers, it is important to recognize that the requested secure solution can be technically complicated.

- Project management capabilities, especially with respect to managing the implementation goals of to ensure that:
  - A secure solution is implemented by the target deadline;
  - Stakeholders stay involved throughout the project and have a reasonable means of providing input without creating unnecessary changes or disruptions that could jeopardize project implementation;
  - Testing of the system, including pilot trials, are carefully orchestrated and planned to meet the requirement of a seamless transfer of data with uninterrupted service (stakeholder input could be particularly valuable at this stage);
  - The VA provides the contractor with necessary system data and access to VA personnel to enable the contractor to develop the solution without using VA IT resources.

The RFP requirement that VA IT resources will not be provided to support development of the solution (including unit, integration, and performance testing) is too stringent. The VA needs to have liaison personnel working closely with the contractor to ensure that the solution meets the benefit needs of veterans and has a successful implementation without IT or public relations problems. This does not mean that VA IT resources need to be used, but to clarify that VA personnel need to be available and assigned to interface with the contractor from beginning through implementation.

Best practices in outsourcing call for careful management from the company outsourcing the work; this is discussed further in the section on best practices.

#### *Implementation Deadline*

As I mentioned earlier, the implementation of this project can be expected to be complicated and complex to implement. Therefore, I believe that the timeframe of implementation by August 1, 2009 (as requested in the RFP) may be too aggressive.

Successful implementation within the requested timeframe would require that the evaluation of the responses to the RFP be thoroughly evaluated including, if possible, a site visit to the offeror for an in-depth analysis of their capabilities. A more reasonable implementation deadline would be twelve (12) months after the award of the contract.

The evaluation process will involve multiple considerations, as noted above, that will require various areas of expertise and review by internal VA personnel. A reasonable timeframe for review of complex proposals and assessment of the offerors’ capabilities is about 3 months. Even with an aggressive schedule and the RFP going out next week, it is unlikely that proposals could be received, evaluated, and a contract awarded prior to February 2009. This would leave the contractor only 6 months to bring the team together, develop the solution, have the system undergo certification and accreditation (C&A), prepare and receive approval of a privacy impact assessment (PIA), and implement the solution. The deadline may well undermine the objectives of the project.

In order to minimize this risk, the RFP correctly requests weekly meetings to discuss various aspects of the project including risk reduction (Section C, item 4), and the offeror’s approach to risk management as part of the project management plan (Deliverable for Task 1).

In addition, the project plan should contain sub-plans for various aspects critical to implementation, such as the selection and testing of hardware, the preparation of the required PIA, the system C&A, testing, and pilot implementation. This will help ensure that stakeholder involvement is included at critical points in these areas and will help avoid implementation bottlenecks and delays.

*Possible Problems*

The RFP mandates a response time of 10 days for original claims and 7 days for supplemental claims. In addition it requires that there exist a capability for the claims to be handled both electronically and in paper form, and also a capability for electronic and check payments. Given the number of claims that are expected to be filed, it is likely that the deadline imposed for processing paper claims may require significant amount of staff resources. This would be especially true if most of the claims were submitted around the same time. For example, most university tuition payments are required within a few weeks of the start of classes and, therefore, fall within a common timeframe. Surge periods must be anticipated and planned for in the system requirements. The 10- and 7-day processing requirements may be too stringent for surge periods, especially for paper claims.

*Best Practices*

The RFP adequately addresses the standards and best practices as related to security and financial administration. FISMA has strong security standards and NIST guidance is world-class and consistent with internationally accepted best practices and standards.

Outsourcing best practices also call for contract clauses that will protect operational data, business processes, and compliance requirements. The offeror selected for this work should be required to meet best practices for financial outsource providers. The Financial Roundtable and Federal financial regulators have compiled excellent guidance on managing outsource providers and security risks. The VA would benefit significantly and provide important leadership to this project if it examined these materials and included relevant portions in the RFP.

It is my hope that my testimony has helped to clarify some of the major technical matters and logistics associated with the RFP for Members of the Subcommittee. For non-technical practitioners, I recognize that digesting the details and evaluating the merits of the concepts put forth in the 152 page document is no easy feat. Without question, the task posed by the Subcommittee required me to call upon all of my professional experiences: educator, engineer, DARPA program manager, security researcher and technical advisory board member.

I fully realize how important it is for Members of the Subcommittee to have trust and confidence in the IT solutions sought for in the RFP to deliver education benefits to our Nation's veterans. As leaders in the realm of technology and innovation, please know that the College of Engineering at Carnegie Mellon University stands ready to assist you in dealing with technical matters as they relate to your efforts to craft sound public policy and implement VA projects. We applaud your diligence in reviewing this specific matter.

Again, thank you for the opportunity to testify. I would be happy to answer any questions the Subcommittee might have.

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**Prepared Statement of Curtis L. Gilroy, Ph.D., Director, Accession Policy, Office of the Under Secretary of Defense for Personnel and Readiness, U.S. Department of Defense**

Good afternoon Madam Chairwoman and Members of the Subcommittee. I am pleased to appear before you today to discuss the Department of Defense's role in the implementation of the Post 9/11 GI Bill, as enacted in Public Law 110-252, and codified in Chapter 33, title 38, United States Code. There is little doubt that this new educational assistance program represents the most sweeping change in post-service education benefits since World War II.

The original "GI Bill of Rights," created at the end of World War II, gave returning Servicemembers a comprehensive package of benefits to compensate for opportunities lost while in the military, and to ease their transition back into civilian life. The noted economist, Peter Drucker, described that GI Bill by saying, "Future historians may consider it the most important event of the 20th century." Perhaps the most far-reaching provision of the GI Bill was the financial assistance it made available for veterans to attend college. The GI Bill offered returning Soldiers, Sailors, Marines, and Airmen payment for tuition, fees, books, and supplies, along with a living stipend, at the educational institution of the veteran's choice. With over 7.8 million veterans receiving education or training, this landmark program changed the face of higher education, and many have said directly led to the creation of the American middle class.

Although there have been several GI Bills since the original, the Post 9/11 GI Bill is the first to directly mirror this original milestone program, again offering the re-

turning Soldiers, Sailors, Marines, and Airmen payment for tuition, fees, books, and supplies, along with a living stipend, at the educational institution of the veteran's choice. However, the original GI Bill was designed to ease the transition to civilian life from a conscripted military force during a massive drawdown. Today's military is much different—since 1973 we have defended this Nation with a volunteer force, and our military forces are growing, not drawing down. In recognition of this difference, the Post 9/11 GI Bill offers career Service members the opportunity to share or transfer their earned, but unused, education assistance benefits with their immediate family members. GI Bill transferability has been at the top of military family issues for several years and was mentioned by President Bush in his 2008 State of the Union address. We greatly appreciate this provision and believe it will have a significant impact on the retention of our career force.

For today's hearing, you asked me to comment on the role that the Department of Defense (DoD) will play in the implementation of the Post 9/11 GI Bill and how DoD and the Department of Veterans Affairs (VA) will work together to ensure success in the roll-out of this new program.

Implementation and administration of the Post 9/11 GI Bill is the responsibility of VA; however, we recognize that DoD has an important role in its success, and we take this role very seriously. Immediately after enactment of Public Law 110-252, I charged a senior member of my staff with the responsibility to guide the DoD efforts in support of this new program. He is in constant contact with senior staff in the VA Education Service. DoD and VA formed four working groups comprised of representatives from the Services, the Joint Staff, other parts of the OSD staff, data management staff from the Defense Manpower Data Center (DMDC)—the official repository of all DoD personnel data—and senior representatives from the VA Education Service.

The Post 9/11 GI Bill **Data Working Group** is the one that epitomizes the cooperation between DoD and VA. The road to becoming a veteran always entails passage through service in the military. Accurate reporting of that service is vital to the determination of eligibility for post-service education benefits. We recognize our role in that reporting. To meet this end, our greatest emphasis is being placed on this working group. The GI Bill file manager from DMDC is in constant contact with VA staff and has made two visits to VA Education Service to establish the data requirements and rules. We are confident that we can begin to pass to VA the data necessary to implement the program by March 2009.

The overall Post 9/11 GI Bill **Implementation Working Group** is focusing on the impact to the force of the introduction of this new program, with particular emphasis on developing the policies necessary to establish the provisions of Sec 3316, Supplemental education assistance: members with critical skills or specialty; members serving additional service, which allows the Services to continue the use of "kickers" to assist in steering high quality youth into critical and hard-to-fill military specialties. Senior members of VA Education Service are integral to this working group. The policies and procedures developed by this group will result in an internal DoD Instruction (DoDI) this coming spring.

The Post 9/11 GI Bill **Transferability Working Group** is developing the policies and procedures to implement this vital new program in support of the Services' retention programs. Senior members of VA Education Service are also integral to this working group. The policies and procedures developed by the Transferability Working Group also will be included in the DoDI this coming spring.

The Post 9/11 GI Bill **Strategic Message and Outreach Working Group** is focusing on how DoD and the Services will market this new program both internally and externally with a clear and consistent message. Senior members of VA Education Service in this group are helping us develop our marketing strategy.

As you can see, DoD is committed to the success of the Post 9/11 GI Bill, and has been working very closely with VA Education Service since enactment, and plans to continue working side-by-side with them. The Post 9/11 GI Bill will have major impacts on DoD recruiting and retention and, as you know, few areas, if any, are more important to us than those in implementing this program. We recognize our duty to staff the All-Volunteer Force with high-quality, motivated, and well-trained men and women. As we move through the 21st Century, we must continue to build upon the remarkable legacy of the visionaries who crafted preceding versions of and improvements to the GI Bill. I thank this Committee for its dedicated support to the men and women who currently serve, and those who have served, our great Nation.

**Prepared Statement of Keith Pedigo,  
Associate Deputy Under Secretary for Policy and Program Management,  
Veterans Benefits Administration, U.S. Department of Veterans Affairs**

Good afternoon Chairwoman Herseth Sandlin, Ranking Member Boozman, and Members of the Subcommittee. I appreciate the opportunity to appear before you today to discuss the Department of Veterans Affairs (VA) strategy for implementation of the Post-9/11 GI Bill (chapter 33 of title 38, United States Code). Accompanying me today is Mr. Keith Wilson, Director, Education Service and Mr. Stephen Warren, Principal Deputy Assistant Secretary for Office of Information and Technology. My testimony will address the specific issues regarding implementation of the Post-9/11 GI Bill as requested by the Subcommittee.

The Post-9/11 GI Bill will provide veterans, servicemembers, and members of the National Guard and Selected Reserve with educational assistance, generally in the form of tuition and fees, a monthly housing allowance, and a books and supplies stipend, to assist them in reaching their educational or vocational goals. This program will also assist in the readjustment to civilian life, support the armed services recruitment and retention efforts, and enhance the Nation's competitiveness through the development of a more highly educated and productive workforce.

**Reason for Contractor Support**

Our strategy to implement the Post-9/11 GI Bill relies on contractor support to build upon and accelerate what we had developed as our longer term strategy to employ rules-based, industry-standard, technologies in the delivery of education benefits. The chapter 33 program contains eligibility rules and benefit determinations that would work well with rules-based technology that requires minimal human intervention.

We plan to award a contract for this support before the end of this month. Pursuant to the contract, which includes potential penalties for failure to perform, the contractor will be accountable for providing timely and accurate education claims processing by completing original claims within 10 days, supplemental claims within 7 days, and achieving a 98 percent accuracy rate. The technological solution and services provided will be under the close direction and oversight of Veterans Benefits Administration (VBA) employees.

VA is seeking contractor support to implement the Post-9/11 GI Bill because we do not believe that we could deliver the systems necessary to administer the program within the time required utilizing our existing information technology (IT) resources. Our focus is to pursue a path that we believe will provide the highest level of assurance that we can deliver this benefit by August 1, 2009. VA's existing IT systems, which do not include a capacity for rules-based claims processing, would require major modifications to accommodate the unique eligibility criteria and complex payment structure. Modifying our existing system to the extent required for the new benefit is not a viable option, given its age and technical limitations. Consequently, VA will need to develop a new payment system that includes the capability to exchange data with the Department of Defense (DoD), determine eligibility, automatically generate letters, streamline or automate payment calculations, generate payment transactions, and perform accounting functions. VA has experienced difficulty in being able to deliver advanced technological solutions, especially ones that have a very short timeframe for development; in this case, 13 months. The resources and technical experience necessary to deliver an IT solution before August 1, 2009, do not presently exist within VA. Consequently, it was determined that the most prudent course of action was to use a contractor to harness the creativity, knowledge, and experience of business enterprises to assist in developing a solution.

When the Montgomery GI Bill (MGIB) was enacted in October 1984, individuals could begin using benefits after completing 24 months of active duty service that began after June 30, 1985. Thus, VA had approximately 32 months to prepare to deliver benefits. VA received 5,760 claims for MGIB benefits through 1988. In contrast, the Post-9/11 GI Bill, with its far more complex payment requirements, allows VA 13 months to develop a payment system for what likely will be hundreds of thousands of claimants who will be immediately eligible for benefits August 1, 2009.

**Impact of VA System Development**

An in-house IT solution that addresses the unique provisions of the new program would require VA 24-36 months to develop. Such a lengthy development phase would require VA to process claims largely through manual processing in the interim. As part of the manual process, VA would need to utilize the legacy system that was used to deliver benefits for the Vietnam Era GI Bill (chapter 34), since the current benefits delivery system does not have functionality to make payments to schools as well as trainees. The chapter 34 system has limited functionality, but

does allow for entry of one-time payments. VA would have to enter individual entries for each student for each monthly housing allowance, each tuition payment, and each book stipend. Security controls exist for one-time manual payments so as to ensure program integrity. Each one-time payment requires two distinct actions. First, an employee manually enters the necessary fiscal information into the legacy system. Second, another employee, an "Authorizer" reviews the prepared fiscal information to ensure correctness and then authorizes the action, which releases the payment. This separation of duties is intended to limit the possibility of fraud and abuse, but also significantly increases the time and resources required to deliver benefits.

Currently VA releases approximately 400,000 payments each month. VA anticipates a similar volume of monthly payments under the new program for the housing allowance. Monthly payments, such as the housing allowance payable under this program, are paid at the end of the month after a student verifies his or her attendance. This verification is to limit overpayment of benefits. These student verifications normally occur the last week of the month. Therefore, VA would have to manually process 400,000 housing allowance payments over a 7-day period at the end of each month.

VA estimates that processing benefits in this manner would require hiring up to 800 additional Education employees whose services would not be required once the new payment system was in place.

#### **Program Executive Office**

To manage the development of the overall process for administering the Post-9/11 GI Bill, VA has established a Program Executive Office within Education Service comprised of senior business-line managers, management analysts, individuals with program and project management experience, and administrative support. This office will be responsible for coordination of all the projects within the VA comprehensive management plan to successfully implement the Post-9/11 GI Bill.

#### **Management of Proposal Process**

On July 17, 2008, on behalf of VA, the Office of Personnel Management (OPM) submitted an invitation to vendors under OPM's Training and Management Assistance (TMA) contract to submit their capabilities/corporate qualifications based on VA's statement of objectives. The TMA contract allowed a streamlined acquisition process for VA to contract for services. Ten vendors responded to OPM's request for proposals. After an amendment to VA's requirements, OPM issued a solicitation for a task order competition to the 10 vendors on August 11, 2008. Only four vendors elected to participate.

At this point, VA's General Counsel became aware that OPM's General Counsel had serious concerns regarding OPM's authority to conduct the acquisition. Therefore, VA took control of the acquisition process. Because of the compressed timeframe created by the legislation, VA determined that urgent and compelling reasons existed to seek proposals from limited sources. Thus, VA solicited proposals from the same four vendors that had previously agreed to participate in a task order competition. On August 29, 2008, VA issued the request for proposal solicitation. VA is currently in the process of reviewing documents submitted in response to the solicitation. VA anticipates awarding a contract this month.

#### **Restructuring Education Service**

Based on the implementation strategies being pursued, VA does not anticipate the loss of federal employment for any present employees associated with VA's Education programs. It is important to understand that the contractor will not have full responsibility over the administration of the Post-9/11 GI Bill. Instead, the contractor will be responsible for development of the IT solution, and general administrative and data-entry functions. The technological solution and services provided by the contractor will be accomplished under the close direction and oversight of Veterans Benefits Administration (VBA) employees.

VA will continue to require claims processing personnel to support the existing education benefit programs we administer and to process Post-9/11 GI Bill claims that cannot be processed automatically through the vendor's solution. We also anticipate increasing our compliance survey activities and oversight visits due to direct payment of tuition and fees to schools. VA will utilize existing claims processing resources to address the increased compliance staffing needs. VA employees will continue to staff and operate our Nationwide customer call center in Muskogee, Oklahoma. VA employees will also continue to respond to all online inquiries received through the VA website, including Post-9/11 GI Bill inquiries.

We anticipate reassigning any remaining affected employees to similar positions in the Compensation & Pension Program. Such transfers may involve positions with

similar duties. Employees may also be reassigned to support other benefit programs within VA. In any case, VA will provide affected employees with the training necessary to perform their new duties successfully.

#### **Critical Milestones and Contingency Planning**

To meet the effective date of August 1, 2009, VA will require delivery of critical services (milestones) by the vendor. In addition, VA will require weekly progress meetings throughout development. As soon as the contract is awarded, VA subject matter experts will work in collaboration with the vendor to document business requirements and process flows. VBA Education Service is currently preparing detailed requirements which will be given to the selected contractor after contract award.

The first critical milestone will occur March 1, 2009, when the contractor will be required to demonstrate its IT solution capabilities. At this time VA will begin testing the contractor's program. On May 1, 2009, after 2 months of testing and debugging, the system must be able to demonstrate to VA subject matter experts the ability to make correct eligibility and entitlement decisions based on service data and data pertaining to prior VA benefit usage. VA has established June 1, 2009, as the critical date on which the contractor must be able to demonstrate the ability of the system to issue award letters, make full benefit payments, properly document accounting, and all other required functionality. At this point, we anticipate the contractor will begin receiving applications and processing claims. However, payments will not be generated. Finally, on August 1, 2009 the system must be certified and fully operational.

Due to the short timeframe to implement this program, VA is concurrently working on contingency plans. Our main contingency plan is the same largely manual process discussed earlier in this testimony that we would have pursued had we chosen to build the system with existing VA IT resources. The contingency plan requires modifications to the existing chapter 34 payment system and temporary additional staffing to assist in the manual data entry, eligibility determinations, and recordkeeping required until the automated system is up and running. We are going forward with this plan so that in the event of vendor failure, we are ready to implement manual processing and deliver benefits August 1, 2009.

At the first critical milestone date of March 1, 2009, VA will determine if it is necessary to implement manual processing. We intend to work very closely with the vendor in order to meet the statutory deadline for delivery of benefits to our Nation's veterans.

#### **Contractor Approach**

Since VA is presently in the process of evaluating the documents submitted in response to the request for proposals, we are not yet able to discuss the vendor's approach due to acquisition rules.

#### **Actions Required by DoD**

Since eligibility for the Post-9/11 GI Bill is based on cumulative service, whereas the MGIB is based on service commitment, the data VA currently receives from DoD will have to be modified. The Department of Defense, including the Defense Manpower Data Center, is working closely with VA to determine the data requirements and to establish an interface to exchange data for the Post-9/11 GI Bill program. DoD will be required to provide VA with the data elements, such as active duty service periods, needed to make eligibility determinations. Further, DoD will be required to provide those data elements in a format which is compatible with the IT solution being developed for optimum functionality of the rules-based system.

#### **VA-DoD Agreements Required**

Under the existing benefit programs, VA has a long history of successful cooperation and partnership with DoD, and we fully expect that relationship to continue under the Post-9/11 GI Bill.

To exchange Post-9/11 GI Bill data between VA and DoD, both agencies anticipate signing a memorandum of understanding, data-sharing agreement, and computer matching agreement. These agreements cannot be implemented until some of the elements of the IT solution are available.

Madam Chairwoman, this concludes my statement. I would be pleased to answer any questions you or any of the other Members of the Subcommittee may have.

**MATERIAL SUBMITTED FOR THE RECORD**

Committee on Veterans' Affairs  
 Subcommittee on Economic Opportunity  
 Washington, DC.  
 October 2, 2008

Hon. James B. Peake, M.D.  
 Secretary  
 U.S. Department of Veterans Affairs  
 810 Vermont Ave., NW  
 Washington, DC 20420

Dear Secretary Peake:

I am sending you a deliverable in reference to a hearing from our House Committee on Veterans' Affairs Subcommittee on Economic Opportunity *Follow Up Oversight Hearing on G.I. Bill Implementation* on September 24, 2008. Please answer the enclosed hearing questions by no later than Wednesday, November 7, 2008.

In an effort to reduce printing costs, the Committee on Veterans' Affairs, in cooperation with the Joint Committee on Printing, is implementing some formatting changes for material for all full committee and subcommittee hearings. Therefore, it would be appreciated if you could provide your answers consecutively on letter size paper, single-spaced. In addition, please restate the question in its entirety before the answer.

Due to the delay in receiving mail, please provide your response to Ms. Orfa Torres by fax at (202) 225-2034. If you have any questions, please call (202) 226-4150.

Sincerely,

Stephanie Herseth Sandlin  
 Chairwoman

**QUESTIONS FOR THE RECORD**

**September 24, 2008**

**Question 1:** Is the data sharing agreement, computer matching agreement, and MOU already done? If not, when will they be done?

**Response:** The Department of Veterans Affairs (VA) has developed both short and long-term strategies to support the new claims processing and benefit payment methods required under the Post-9/11 GI Bill. To process and pay claims by the legally mandated date of August 1, 2009, manual processing procedures will be used and existing information technology (IT) systems will be modified. At the same time, development of an automated system that will become the longer term strategy for Post-9/11 GI Bill claims processing will be pursued.

A data sharing agreement is required for both the short and long-term strategies. VA and the Department of Defense (DoD) are working together to solidify the data element requirements necessary to implement the short-term strategy. A data sharing agreement will be completed once all data element requirements are finalized. The data sharing agreement should also fulfill the requirements for the long-term strategy.

A computer matching agreement is not required for VA's short-term strategy. VA's long-term strategy may require a computer matching agreement; however, not enough information is available to determine if one will be required.

A memorandum of understanding (MOU) between VA and DoD is required for both the short and long-term strategies. VA and DoD are working together to draft a MOU that would fulfill the requirements for both strategies. We anticipate the MOU will be finalized by December 2008. If modifications to the MOU are needed for the long-term strategy, they will be made when more detailed information becomes available.

**Question 2:** How soon will the VA finish the memorandum of understanding with all the universities in the country as mandated by Public Law 110-252?

**Response:** VA's Office of General Counsel is working to finalize an agreement template that schools can submit to allow them to participate in the Yellow Ribbon Program. The template will be sent to all Institutions of higher learning by Education Service. The schools will need to return this agreement to VA by February 15, 2009, to participate in the program.