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VETERANS BENEFITS ADMINISTRATION

Progress and Challenges in Implementing the Results Act

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Veterans Benefits Administration: Progress and Challenges in Implementing the Results Act

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the Veterans Benefits Administration's (VBA) implementation of the Government Performance and Results Act of 1993 (the Results Act). The Congress has taken steps in recent years to fundamentally change the way federal agencies respond to management problems, which were so common among federal agencies that they demanded governmentwide solutions. The Results Act was passed to require agencies to clearly define their missions, set goals, measure performance, and report on their accomplishments.

VBA is responsible for administering the Department of Veterans Affairs' (VA) nonmedical programs that provide financial and other benefits to veterans, their dependents, and survivors. These benefits include disability compensation, pensions, rehabilitation assistance, education benefits, home loan benefits, and insurance coverage. In fiscal year 1997, VBA received over \$22 billion in appropriated funds to provide benefits and services to the nation's veterans and their families. My statement will address the progress VBA has made and the challenges it faces in implementing the Results Act. The information in this statement is based on reports we have issued over the past year on VA's efforts to develop a strategic plan, a review of VA's fiscal year 1999 performance plan and VBA's fiscal year 1999 business plan, and discussions with VBA officials.¹

In summary, VBA continues to make progress in setting goals and measuring its programs' performance but faces significant challenges in its efforts to successfully implement the Results Act. VBA has efforts under way to address these challenges, which if continued will help ensure success. For example, VBA is in the process of developing results-oriented goals and measures for each of its programs in response to concerns we and others have raised. Developing more results-oriented goals and measures will require VBA to address difficult and sensitive questions regarding specific benefit programs, such as whether disabled veterans are being compensated appropriately under the existing disability program structure. To address these questions, VBA is continuing its consultations with the Congress, begun last year in conjunction with VA's strategic planning efforts. VBA also has efforts under way to coordinate with agencies that support veterans' benefits programs, such as the Department of Defense, in achieving specific goals.

¹A list of related GAO products appears at the end of this testimony.

To successfully implement the Results Act, VBA must also develop effective strategies for achieving its performance goals and ensure that it has accurate, reliable data to measure its progress in achieving these goals. VBA is in the early stages of developing clear and specific strategies but has not yet clearly demonstrated how these strategies will help it achieve the intended results. Moreover, VBA does not yet have the data needed to effectively measure its performance in several key areas. For example, one goal is to ensure that VBA is providing the best value for the taxpayer dollar; however, VBA currently is unable to calculate the full cost of providing benefits and services to veterans. In addition, VBA officials and VA's Inspector General (IG) have raised concerns about the accuracy of data VBA is currently collecting. For example, completed and ongoing IG audits have identified internal control weaknesses with VBA data systems, including recently identified data integrity problems with VBA's claims processing timeliness data. VBA is currently determining how best to address these concerns.

Background

The Results Act is the centerpiece of a statutory framework provided by recent legislation to bring needed improvements to federal agencies' management activities. (Other parts of the framework include the 1990 Chief Financial Officers Act, the 1995 Paperwork Reduction Act, and the 1996 Clinger-Cohen Act.) Under the Results Act, every major federal agency must now ask itself some basic questions: What is our mission? What are our goals and how will we achieve them? How can we measure our performance? How will we use that information to make improvements? The act forces federal agencies to shift their focus away from such traditional concerns as staffing and activity levels and toward the results of those activities.

The act requires agencies to develop strategic plans, annual performance plans, and annual performance reports.² Recognizing that measuring the results of many federal programs will be difficult, the Congress permitted the Results Act to be phased in over several years. Agencies, including VA, submitted the first cycle of their strategic plans to the Congress in September 1997. Last month, VA submitted its first departmentwide performance plan to the Congress as part of its fiscal year 1999 budget submission. Certain VBA performance goals and measures are included in the departmentwide plan; a more complete set of VBA goals and measures

²Agencies are required to submit to the President and the Congress annual reports on program performance for the previous fiscal year; these reports review the agencies' success in achieving their performance goals. The first performance reports for fiscal year 1999 are due by March 31, 2000.

is included in VBA's business plan, also included in VA's fiscal year 1999 budget submission.

In previous testimony before this Subcommittee, we noted that VBA's planning process has been evolving.³ VBA first developed a strategic plan in December 1994, which covered fiscal years 1996 through 2001. The plan laid out VBA's mission, strategic vision, and goals. For example, the vocational rehabilitation and counseling (VR) goal was to enable veterans with service-connected disabilities to become employable and to obtain and maintain suitable employment. In addition, a program goal was to treat beneficiaries in a courteous, responsive, and timely manner. However, as VA's Inspector General noted, VBA's plan did not include specific program objectives and performance measures that could be used to measure VBA's progress in achieving its goals.⁴

In fiscal year 1995, VBA established a new Results Act strategic planning process that included business process reengineering (BPR).⁵ VBA began developing five "business-line" plans that corresponded with its major program areas: compensation and pension, educational assistance, loan guaranty,⁶ vocational rehabilitation and counseling, and insurance. Each business-line plan supplemented the overall VBA strategic plan—which VBA refers to as its business plan—by specifying program goals that are tied to VBA's overall goals. Also, each business-line plan identified performance measures that VBA intended to use to track its progress in meeting each plan's goals. In VBA's fiscal year 1998 budget submission, VBA set forth its business goals and measures, most of which were focused on the process of providing benefits and services, such as timeliness and accuracy in processing benefit claims.

³Veterans' Affairs: Veterans Benefits Administration's Progress and Challenges in Implementing GPRA (GAO/T-HEHS-97-131, May 14, 1997); Veterans Benefits Administration: Focusing on Results in Vocational Rehabilitation and Education Programs (GAO/T-HEHS-97-148, June 5, 1997).

⁴Office of the Inspector General, Review of the Implementation of VBA's Strategic Plan and Performance Measurements, 5R1-B18-100 (Washington, D.C.: Department of Veterans Affairs, Aug. 25, 1995).

⁵BPR is a systematic, disciplined approach for achieving dramatic and measurable performance improvements by fundamentally reexamining, rethinking, and redesigning the processes that an organization uses to carry out its mission. VBA began BPR with its compensation and pension program in October 1995.

⁶In its fiscal year 1999 business plan, VBA refers to this program as the housing program.

VBA Has Made Progress but Faces Significant Challenges in Implementing the Results Act

As with last year's business plan, VBA's fiscal year 1999 business plan continues to focus primarily on process-oriented goals and performance measures. VBA is, however, developing more results-oriented goals and measures for its five benefit programs. VBA officials consider this initial effort, which it hopes to complete by this summer, to be an interim step; final results-oriented goals and measures will be developed following program evaluations and other analyses, which VBA plans to conduct over the next 3 to 5 years. To help achieve its program goals, VBA has efforts under way to coordinate with other agencies that support veterans' benefit programs; these efforts will need to be sustained to ensure quality service to veterans.

VBA also faces significant challenges in setting clear strategies for achieving the goals it has established and in measuring program performance. For example, VBA considers its BPR efforts to be essential to the success of key performance goals, such as reducing the number of days it takes VBA to process a veteran's disability compensation claim. VBA is, however, in the process of reexamining BPR implementation; at this point, it is unclear exactly how VBA expects reengineered processes to improve claims processing timeliness. VBA is also in the process of identifying and developing key data it needs to measure its progress in achieving specific goals. At the same time, VBA recognizes, and is working to correct, data accuracy and reliability problems with its existing management reporting systems.

Focusing on Results

In its fiscal year 1999 business plan, VBA has realigned its goals and measures to better link with VA's departmentwide strategic and performance plans. In keeping with the overall structure of VA's strategic and performance plans, each business-line plan has been organized into two sections. The first section—entitled "Honor, Care, and Compensate Veterans in Recognition of Their Sacrifices for America"—is intended to incorporate VBA's results-oriented goals in support of VA's efforts to do just that. The second section, entitled "Management Strategies," incorporates goals related to customer satisfaction, timeliness, accuracy, costs, and employee development and satisfaction. This structure more clearly highlights the need to focus on program results as well as on process-oriented goals.

VBA has established specific goals and developed performance measures for its five benefit programs, which generally focus on the timeliness and accuracy of benefits and services provided to veterans as well as veterans'

satisfaction with VBA's efforts. VBA has also made some progress in developing results-oriented goals and measures for two of its five programs—VR and housing. In our assessments of VA's strategic planning efforts, we determined that perhaps the most significant challenge for VA is to develop results-oriented goals for its major programs, particularly for benefit programs.⁷

As VBA notes in its business plan, the objective of the VR program is to increase the number of disabled veterans who acquire and maintain suitable employment and are considered to be rehabilitated. To measure the effectiveness of vocational rehabilitation program efforts to help veterans find and maintain suitable jobs, VBA has developed an "outcome success rate," which it defines as the percentage of veterans who have terminated their program and who have met accepted criteria for program success.⁸ One major goal of VBA's loan guaranty—or housing—program is to improve the abilities of veterans to obtain financing for purchasing a home. The outcome measure VBA established for this goal is the percentage of veterans who say they would not have been able to purchase any home, or would have had to purchase a less expensive home, without a VA-guaranteed loan.⁹

While the results-oriented goals and measures VBA has developed to date are a positive first step, they do not allow VBA to fully assess these programs' results. The VR outcome success rate, for example, focuses only on those veterans who have left the program, rather than on all applicants who are eligible for program services. This success rate also does not consider how long it takes program participants to complete the program. In addition, by relying on self-reported data from beneficiaries, the housing outcome measure does not provide objective, verifiable information on the extent to which veterans are able to obtain housing as a result of VBA's housing program.

VBA has also developed what it considers an outcome measure for its educational assistance program, but this measure focuses on the extent to

⁷Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges (GAO/GGD-98-44, Jan. 30, 1998).

⁸VR program officials are in the process of defining "program success." In its business plan, VBA notes that obtaining suitable employment is the most desirable VR program goal but suggests that other benefits gained through program participation, such as alcohol rehabilitation, might also be considered successful outcomes.

⁹VBA's housing program revised its Veteran Survey in 1996 to measure the extent to which the housing program is assisting veterans. Veterans are now asked whether they could have purchased their homes without the use of their VA loan guaranty benefits.

which veterans are using their earned education benefit, rather than on program results. One of the purposes of this program is to extend the benefits of a higher education to qualifying men and women who might not otherwise be able to afford such an education. A results-oriented goal would focus on issues such as whether the program indeed provided the education that the veteran could not otherwise have obtained. One measure VBA could use to assess its progress in achieving this goal would be the extent to which veterans have obtained a college degree or otherwise completed their education.

In the past, VA has cited the lack of formal program evaluations as a reason for not providing results-oriented goals for many of its programs. Evaluations can be an important source of information for helping the Congress and others ensure that agency goals are valid and reasonable, providing baselines for agencies to use in developing performance goals and measures, and identifying factors likely to affect agency performance. VBA officials told us they now plan to develop results-oriented goals and measures for its three other programs—disability compensation and pensions, education benefits, and insurance coverage—by this summer. They consider these goals and measures—as well as those already developed for the VR and housing programs—to be interim, with final goals and measures to be developed following the completion of evaluations and analyses, which they plan to conduct over the next 3 to 5 years.

In focusing on program results, VBA will need to tackle difficult questions in consultation with the Congress. For example, the purpose of the disability compensation program is to compensate veterans for the average loss in earning capacity in civilian occupations that results from injuries or conditions incurred or aggravated during military service. Given this program purpose, results-oriented goals would focus on issues such as whether disabled veterans are indeed being compensated for average loss in earning capacity and whether VBA is providing compensation to all those who should be compensated. However, we have reported that the disability rating schedule, which has served as a basis for distributing compensation among disabled veterans since 1945, does not reflect the many changes that medical and socioeconomic conditions may have had on veterans' earning capacity over the last 53 years.¹⁰ Thus, the ratings may not accurately reflect the levels of economic loss that veterans currently experience as a result of their disabilities.

¹⁰VA Disability Compensation: Disability Ratings May Not Reflect Veterans' Economic Losses (GAO/HEHS-97-9, Jan. 7, 1997).

Issues such as whether veterans are being compensated to an extent commensurate with their economic losses are particularly sensitive, according to VBA officials, and for that reason, they plan to consult with key stakeholders—including the Congress and veterans' service organizations—over the next few months about the interim goals and measures VBA is developing. This will continue the consultative process, which VA officials, including those from VBA, began last year as part of VA's efforts to develop a departmentwide strategic plan.

Coordinating Related Performance Goals

As VBA develops more results-oriented goals and measures, it also needs to ensure that it is coordinating efforts with other parts of VA¹¹ as well as federal and state agencies that support veterans' benefits programs. For example, our work has shown that

- state vocational rehabilitation agencies, the Department of Labor, and private employment agencies also help veterans find employment once they have acquired all of the skills to become employable;
- VA has contracted for quality reviews of higher education and training institutions that have already been reviewed by the Department of Education;¹²
- VBA relies on the Department of Defense for information about veterans' military service, including their medical conditions, to help determine eligibility for disability compensation, vocational rehabilitation, and educational assistance programs; and
- in determining the eligibility of a veteran for disability compensation, VBA usually requires the veteran to undergo a medical examination, which is generally performed by a VHA physician.

VBA has efforts under way to coordinate with other federal agencies—including other VA agencies—as well as states and private entities to achieve specific goals. For example, VBA plans, in coordination with the Department of Defense, to improve the dissemination of information on education benefits to active duty service members who have elected to participate in the program.¹³ Participants would receive a

¹¹VA's major programs are divided among three components: VBA, the Veterans Health Administration (VHA), and the National Cemetery System.

¹²VA Student Financial Aid: Opportunity to Reduce Overlap in Approving Education and Training Programs (GAO/HEHS-96-22, Oct. 30, 1995).

¹³Upon entering military service, recruits can agree to have their pay reduced by \$100 per month for 1 year to establish their eligibility for education benefits under the Montgomery GI Bill. The vast majority of VBA's educational assistance beneficiaries receive assistance under this bill.

letter outlining their benefits and the requirements for maintaining their eligibility. VBA also is working with VHA to improve the quality of the disability exams VHA physicians conduct; the lack of adequate exams has been the primary reason why appealed disability decisions are remanded to VBA.¹⁴ VBA will need to continue to coordinate with the organizations that are critical to veterans' benefits programs to ensure overall high-quality service to veterans.

Developing Strategies to Achieve Performance Goals

In addition to requiring an agency to identify performance goals and measures, the Results Act also requires that an agency highlight in its annual performance plan the strategies needed to achieve its performance goals. Without a clear description of the strategies an agency plans to use, it will be difficult to assess the likelihood of the agency's success in achieving its intended results. A clear strategy would identify specific actions, including implementation schedules, that the agency was taking or planned to take and how these actions would achieve intended results.

VBA is in the early stages of developing clear and specific strategies. While it has identified numerous functions and activities as its strategies, VBA has not clearly demonstrated how these efforts will lead to intended results. For example, in its current business plan, VBA consistently refers to BPR as the key to achieving its performance goals. VBA states that with the implementation of BPR, it will reduce the time it takes to complete an original claim for compensation to an average of 53 days from the current estimate of 106 days. However, VBA does not describe the specific actions needed, set a timetable for implementing needed changes, or show a clear link between BPR initiatives and reduced processing times.

According to VBA officials, efforts to implement BPR are still under way and are now being reassessed. A major challenge VBA faces in developing clear and specific strategies for achieving performance goals will be effectively using BPR to identify what actions are needed to achieve performance goals and explain how these actions will lead to the intended results.

Measuring and Assessing VBA's Performance

Now that VA has published its first departmentwide performance plan, supported by the more detailed information presented in VBA's fiscal year 1999 business plan, VBA is increasingly focusing on the need for accurate, reliable data to effectively measure and assess its performance. Under the

¹⁴If a veteran disagrees with VBA's initial disability decision, the veteran may appeal to the Board of Veterans' Appeals. The Board may decide the claim or remand (return) it to VBA for further development and reconsideration.

Results Act, agencies are expected to use the performance and cost data they collect to continuously improve their operations, identify gaps between their performance and their performance goals, and develop plans for closing performance gaps.

However, in developing its performance measures, VBA has identified numerous data gaps and problems that, if not addressed, will hinder VBA and others' ability to assess VBA's performance and determine the extent to which it is achieving its stated goals. For example, one goal is to ensure that VBA is providing the best value for the taxpayers' dollar; however, VBA currently is unable to calculate the full cost of providing benefits and services to veterans. VBA's ability to develop complete cost information for its program activities hinges on the successful implementation of its new cost accounting system, Activity Based Costing, currently under development. In addition, VBA plans to measure and assess veterans' satisfaction with the programs and services VBA provides. The data VBA needs to make this assessment, however, will not be available until VBA implements planned customer satisfaction surveys for two of its five programs—VR and educational assistance.

In addition, VBA's recently appointed Under Secretary for Benefits has raised concerns about the accuracy of data contained in VBA's existing management reporting systems. Moreover, completed and ongoing IG audits have identified data system internal control weaknesses and data integrity problems, which if not corrected will undermine VBA's ability to reliably measure its performance. In its fiscal year 1996 audit of VA's financial statements, for example, the Inspector General reported that the accounting system supporting the housing program does not efficiently and reliably accumulate financial information. The Inspector General believes the system's deficiencies have the potential to adversely affect VBA's ability to accurately and completely produce reliable financial information and to effectively audit system data. Also, an ongoing IG audit appears to have identified data integrity problems with certain performance data, according to VBA officials. Specifically, in assessing whether key claims processing timeliness data are valid, reliable, and accurate, IG auditors found instances where VBA regional office¹⁵ staff were manipulating data to make their performance appear better than it in fact was. VBA officials told us they are in the process of assessing the data system's vulnerabilities so they can take steps to correct the problems identified.

¹⁵VBA processes claims at its 58 regional offices.

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and Challenges in Implementing the Results
Act**

Mr. Chairman, this completes my testimony this morning. I would be pleased to respond to any questions you or Members of the Subcommittee may have.

Related GAO Products

Agencies' Annual Performance Plans Under the Results Act: An Assessment Guide to Facilitate Congressional Decisionmaking (GAO/GGD/AIMD-10.1.18, Feb. 1998).

Vocational Rehabilitation: Opportunities to Improve Program Effectiveness (GAO/T-HEHS-98-87, Feb. 4, 1998).

Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges (GAO/GGD-98-44, Jan. 30, 1998).

The Results Act: Observations on VA's August 1997 Draft Strategic Plan (GAO/T-HEHS-97-215, Sept. 18, 1997).

The Results Act: Observations on VA's June 1997 Draft Strategic Plan (GAO/HEHS-97-174R, July 11, 1997).

Veterans Benefits Administration: Focusing on Results in Vocational Rehabilitation and Education Programs (GAO/T-HEHS-97-148, June 5, 1997).

The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven (GAO/GGD-97-109, June 2, 1997).

Veterans' Affairs: Veterans Benefits Administration's Progress and Challenges in Implementing GPRA (GAO/T-HEHS-97-131, May 14, 1997).

Veterans' Employment and Training Service: Focusing on Program Results to Improve Agency Performance (GAO/T-HEHS-97-129, May 7, 1997).

Agencies' Strategic Plans Under GPRA: Key Questions to Facilitate Congressional Review (GAO/GGD-10.1.16, ver. 1, May 1997).

Managing for Results: Using GPRA to Assist Congressional and Executive Branch Decisionmaking (GAO/T-GGD-97-43, Feb. 12, 1997).

VA Disability Compensation: Disability Ratings May Not Reflect Veterans' Economic Losses (GAO/HEHS-97-9, Jan. 7, 1997).

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