

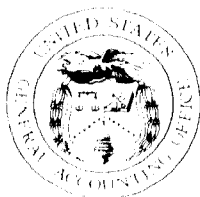
GAO

Briefing Report to the Chairman,
Committee on Government Operations,
House of Representatives

July 1991

VETERANS AFFAIRS IRM

Stronger Role Needed for Chief Information Resources Officer



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Information Management and
Technology Division

B-242706

July 24, 1991

The Honorable John Conyers, Jr.
Chairman, Committee on Government
Operations
House of Representatives

Dear Mr. Chairman:

On November 20, 1990, you requested that we review the July 1990 plan for reorganizing the Office of Information Resources Management (IRM) at the Department of Veterans Affairs (VA). You asked that we (1) report on the status of the reorganization, (2) determine the effects of the reorganization on automated data processing (ADP) acquisition skills, (3) evaluate whether the reorganization was consistent with the letter and spirit of the Paperwork Reduction Act of 1980¹ and the Department of Veterans Affairs Act,² and (4) evaluate the involvement of the chief information resources officer (CIRO) in IRM planning, budgeting, and ADP acquisition activities. On April 11, 1991, the Secretary announced another reorganization of IRM which placed the IRM and financial management responsibilities under the newly created Assistant Secretary for Finance and Information Resources Management. Our review also included, to a limited extent, the impact of this reorganization.

On May 15, 1991, we briefed your staff on the results of our review. As agreed with your office, this report documents the results of that briefing. The charts and accompanying narrative are presented as appendix I. Our objectives, scope, and methodology are detailed in appendix II.

Background

On October 25, 1988, the Congress enacted Public Law 100-527 establishing the Department of Veterans Affairs from the previous Veterans Administration. The act specifically provided for the designation of a CIRO at the assistant secretary level to be responsible for the Department's IRM activities. VA employs about 240,000 people, has a budget of over \$30 billion, and operates three major program components. These

¹Public Law No. 96-511 (Dec. 11, 1980), as amended.

²Public Law No. 100-527 (Oct. 25, 1988).

components are the (1) Veterans Health Administration, providing services through the nation's largest health care system; (2) Veterans Benefits Administration, providing benefits ranging from compensation and pension to education and insurance; and (3) National Cemetery System, providing burial service in 113 national cemeteries, as well as headstones for deceased veterans in private cemeteries.

VA's use of information resources is essential to accomplishing its mission. It relies on many automated information systems to provide veterans and their dependents with health care and other benefits. In fiscal year 1991, VA plans to spend about \$516 million for information resources. An important part of these plans are information systems modernizations that VA estimates will cost over \$1 billion by fiscal year 1994.

On July 27, 1990, the Secretary announced a reorganization of the Office of Information Resources Management. This reorganization involved two changes—(1) moving the management and day-to-day operation of four data centers from the IRM office to other VA components, and (2) reorganizing the central IRM office. On April 11, 1991, the Secretary announced another reorganization involving the central IRM office. Among other moves, the reorganization abolished the Assistant Secretary for IRM, and placed its responsibilities under a new Assistant Secretary for Finance and Information Resources Management.

Results in Brief

In May 1991, VA's two reorganizations became effective. These reorganizations have left VA with a fragmented IRM planning and budgeting process that does not give the CIRO authority to manage the development of information technology VA-wide. Instead, the process relies heavily on each component to formulate its own IRM plans and budgets. Further, the CIRO lacks adequate internal controls over VA's acquisition approval process for information resources. This situation has resulted in IRM acquisitions over \$50,000, which require CIRO approval, not being submitted for approval, and the acquisition of duplicate ADP systems.

VA's two reorganizations do not provide, in themselves, a solid foundation for IRM management. Rather than elevating IRM to a place of importance by increasing this office's responsibilities, VA has chosen to scale back and weaken the CIRO's role. While this approach is consistent with the Secretary's strategy to centralize policy direction and decentralize policy implementation, VA's major components continue to operate autonomously. As a result, VA's long-standing information exchange and

system integration deficiencies between its major components remain largely unresolved. We believe that the intent of the law is to align all agency IRM activities under a focal point in order to unify fragmented information resources management. Because the reorganizations fail to address this problem, we believe VA's actions may not meet the spirit of the law which is to provide for strong management of information resources by the CIRO.

Recommendations

To provide for strong VA-wide management of information technology, we recommend that the Secretary develop a Department-wide IRM management strategy linked to Department goals and objectives. This strategy should address the full spectrum of IRM activities identified in the Paperwork Reduction Act and the Department of Veterans Affairs Act. As part of this strategy, the Secretary should expand the role of the chief information resources officer to include responsibility and authority for these IRM activities.

We also recommend that the Secretary report inadequate control over ADP acquisitions as a material internal control weakness under the Federal Managers' Financial Integrity Act.

Our review was conducted from December 1990 to May 1991. As requested by your office, we did not obtain official agency comments on a draft of this report. However, we discussed key facts in the report with the Deputy Secretary and other senior officials of the Department, and have incorporated their views where appropriate. We performed our work in accordance with generally accepted government auditing standards.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution of it until 30 days from the date of this letter. At that time, we will send copies to the Secretary of Veterans Affairs; the Senate and House Committees on Veterans Affairs; the Senate and House Committees on Appropriations; the Director, Office of Management and Budget; and other interested parties. We will also make copies available to others upon request.

This report was prepared under the direction of Frank W. Reilly, Director, Human Resources Information Systems, who can be reached at (202) 275-4659. Other major contributors are listed in appendix III.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Ralph V. Carlone". The signature is written in a cursive style with a large initial "R".

Ralph V. Carlone
Assistant Comptroller General

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Abbreviations

ADP	automated data processing
CIRO	chief information resources officer
DPA	delegation of procurement authority
GAO	General Accounting Office
IMTEC	Information Management and Technology Division
IRM	information resources management
VA	Department of Veterans Affairs
VBA	Veterans Benefits Administration

Briefing Charts and Explanatory Narrative

**GAO INFORMATION MANAGEMENT
AND TECHNOLOGY DIVISION**

**DEPARTMENT OF VETERANS
AFFAIRS**

**Stronger Role Needed for
Chief Information Resources
Officer**

May 15, 1991

Appendix I
Briefing Charts and Explanatory Narrative

Briefing charts and explanatory narrative follow.

**GAO Objectives of Review
of IRM Reorganization**

- Report on status
- Determine effects on ADP acquisition skills
- Evaluate consistency with laws
- Evaluate CIRO involvement in IRM planning, budgeting, and ADP acquisitions

On November 20, 1990, we were asked to review the reorganization of IRM office at the Department of Veterans Affairs. Specifically, we were asked to (1) report on the status of the reorganization, (2) determine the effects of the reorganization on ADP acquisition skills, (3) evaluate whether the reorganization was consistent with the letter and spirit of the Paperwork Reduction Act and the Department of Veterans Affairs Act, and (4) evaluate the involvement of the chief information resources officer (CIRO) in IRM planning, budgeting, and ADP acquisition activities.

**GAO July 1990 IRM
Reorganization Plan**

- Move management and day-to-day operation of 4 data centers from IRM to other components (1,025 positions were transferred)
- Some central office personnel transferred were skilled and experienced in IRM

On July 27, 1990, the Secretary announced a reorganization of the Office of Information Resources Management. This reorganization involved two changes—(1) moving the management and day-to-day operation of four data centers from the IRM office to other VA components, and (2) reorganizing the central IRM office. Data center management was distributed among the Veterans Benefits Administration (VBA), Office of the Assistant Secretary for Finance and Planning, and Office of the Assistant Secretary for Human Resources and Administration. Included with the movement of the data centers was the transfer of 1,025 ADP and IRM support positions from the Office of the Assistant Secretary for IRM.

The transfer of ADP and IRM support personnel has in general reduced the available pool of ADP acquisition skills, knowledge, and experience in the central IRM office. Although the number of positions to be transferred appears large, IRM oversight activities, such as ADP acquisition, will not lose positions.

GAO July 1990 IRM
Reorganization Plan (cont.)

- Reorganize Central IRM Office
 - IRM planning and budgeting responsibilities reduced to advisory
 - Operational responsibility removed
 - Acquisition oversight remained unchanged

In addition to removing the management control and day-to-day operational responsibility for the data centers from the central IRM office, IRM responsibilities and functions have been reduced and redefined. The redefined responsibilities focus on IRM strategic planning, coordination, policy oversight, and telecommunications. The role of the CIRO in acquisition oversight has remained unchanged.

These redefined responsibilities shift the focus of the CIRO from providing active Department-wide IRM leadership to serving as an adviser and coordinator.

GAO **Status of
IRM Reorganizations**

- July 1990 reorganization has been approved by Congress
- An April 11, 1991, reorganization proposes to
 - Abolish Assistant Secretary for IRM
 - Place IRM and financial management into same office

The Department of Veterans Affairs Act requires VA to notify the House and Senate oversight committees of certain proposed reorganizations, including those affecting central office components. As a result, the Secretary notified the Congress of the July 27, 1990, reorganization plan. In May 1991 the Congress gave final approval of the reorganization.

On April 11, 1991, the Secretary announced another reorganization involving the central IRM office. Among other moves, the reorganization abolished the Assistant Secretary for IRM, and placed its responsibilities under a new Assistant Secretary for Finance and Information Resources Management. This move will result in responsibility for IRM and financial management functions residing under the same assistant secretary who is the chief information resources officer as well as the chief financial officer. VA does not plan to modify IRM responsibilities. According to a senior Department official, VA notified the Congress on April 19, 1991, of this reorganization plan, and the reorganization became effective May 19, 1991. This reorganization did not require congressional approval because there was no reduction or shift of staff-years involved.

GAO Statutory IRM Requirements

- Paperwork Reduction Act
 - A framework to address and control IRM activities and resources and designate a senior IRM official
- Department of Veterans Affairs Act
 - CIRO responsible for IRM functions

The Paperwork Reduction Act requires that an agency carry out its information management activities in an efficient, effective, and economical manner. The act further establishes a general framework of information activities that an agency must carry out in order to ensure that ADP, telecommunications, and other information technologies are acquired and used to improve service delivery, program management, and the quality of decision-making, while increasing productivity and reducing fraud and waste. For example, within this broad framework, an agency is responsible for the control of (1) IRM activities, including planning and budgeting for information and related resources, and (2) the use of these resources. The act also requires the designation of a senior official who reports directly to the Secretary and serves as the focal point for the Department's IRM activities. However, the act is not specific as to how that senior official is to carry out the Department's IRM responsibilities or what this official's authority is in that regard.

The Department of Veterans Affairs Act established a CIRO at the assistant secretary level. As such, the CIRO is also VA's designated senior IRM official and is responsible for the IRM activities required by the Paperwork Reduction Act. However, like the Paperwork Reduction Act, the Department of Veterans Affairs Act is largely silent on how this official is to carry out IRM responsibilities and what this official's authorities are in that regard.

GAO Are Reorganizations Consistent
With the Laws?

- Technically, yes
- The laws allow latitude
in setting up organizations

Given the broad framework set out in the law and the Department's latitude in choosing organizational options to address its IRM activities, both of VA's reorganizations are technically consistent with the law. Neither law expressly precludes limiting the CIRO's involvement in the full spectrum of IRM activities to an advisory role. The CIRO has retained all mandatory IRM responsibilities.

**GAO VA's Reorganizations Will Not
Lead to Better IRM**

- VA's IRM activities do not include:
 - Planning process integrated across components
 - Budgeting decisions based on VA-wide needs
 - Acquisition oversight to ensure sound ADP investment decisions

We do not believe that VA's reorganizations of IRM will result in better information resources management. VA has chosen to address its IRM activities in a decentralized manner, with the CIRO serving as the principal adviser to the Secretary on all IRM issues. This approach is within the general framework of the law. Although we do not believe that decentralization in and of itself is a problem, VA's reorganizations do not address the need for VA-wide IRM planning, budgeting, and acquisition. Rather than providing for centralized management control and authority for the full spectrum of IRM activities, VA has continued to allow its major components to operate in a highly autonomous environment with little regard for Department-wide control. We found that systemic problems continue to exist in key IRM activities. VA still lacks (1) a planning process that is integrated across its components, (2) a budgeting process in which decisions are based on VA-wide needs, and (3) an acquisition-oversight process to ensure that sound ADP investment decisions are made.

Therefore, we believe that because the reorganizations fail to address these problems, VA's actions may not meet the spirit of the law which provides for strong management of information resources by the CIRO.

GAO IRM Planning Is Fragmented and Lacks Focus

- Components develop own plans independent of CIRO
- No VA-wide information architecture to guide initiatives and acquisitions
- No central direction on how to meet VA-wide IRM goals

The CIRO does not have direct responsibility and authority over Department-wide IRM planning. Rather, VA's major components define and justify their objectives and plans independent of the central IRM office. VA's new Department-wide strategic management process, which encompasses IRM strategic planning, is deficient in that it limits the role of the CIRO to assisting Administration heads articulate IRM plans.¹

VA does not view information on veterans as a corporate resource, but rather as belonging to the major components, with no single repository of data on veterans existing. In addition, VA has not identified Department-wide information needs, nor has it established an architecture or provided specific guidance on how it will pursue its stated strategic goals of integration, interoperability, and interconnectivity. As a result, VA is continuing to experience problems with Department-wide information needs and integration projects that cut across components.

For example, VA has an ongoing project intended to address the need to automate the exchange of veteran information between regional offices and medical centers to allow for the adjustment of veterans' benefits. However, this project focuses on regional information exchange and does not address national information exchange needs or provide for the integration of this information into its current compensation and pension systems. We believe that without central office integration requirements and support, such projects may not fully meet veterans' needs.

¹Management of VA: Implementing Strategic Management Process Would Improve Service to Veterans (GAO/HRD-90-109, Aug. 31, 1990).

GAO **IRM Budgeting Lacks
VA-wide Focus**

- CIRO responsibility limited to advisory role
- VA-wide budget developed independent of CIRO
- April reorganization may improve focus of IRM budget on VA-wide needs

Prior to the April 1991 reorganization, the CIRO had no direct responsibility in Department-wide IRM budget issues. Although the CIRO's role was to advise the Secretary on information management activities, this official had little influence on the process of making information resources budgeting decisions.

As a result, the CIRO had no strong voice in deciding which IRM projects and initiatives would have priority. VA's budget process relied on the components to justify their individual projects as part of their overall budget review. This budget process did not address Department-wide priorities of IRM initiatives, nor were budget decisions based on the cost-effectiveness or economic tradeoffs of IRM initiatives across component lines.

One of the provisions of the April 11, 1991, reorganization plan will merge IRM and budget functions into the same office. This move could potentially address VA's budgeting problems.

GAO **IRM Acquisition Oversight
Role Is Inadequate**

- CIRO responsibility limited to DPA approval process
- Acquisition approval process lacks internal controls
- Individual procurements from components not submitted to CIRO for approval
- Duplicate procurements exist

The Paperwork Reduction Act and the Department of Veterans Affairs Act require that the CIRO be responsible and accountable for the conduct of all ADP acquisitions and ensure that the Department's systems do not overlap each other. The CIRO's role is limited to reviewing and approving requests for delegations of procurement authority (DPA) for acquisitions over \$50,000 or leases over \$2,500 per month. The CIRO does not, however, actively participate in acquisition planning or conduct reviews to determine if acquisitions have followed approved plans, budgets, and acquisition strategies.

There are insufficient internal controls in the process for approving ADP acquisitions. Specifically, the acquisition review office does not have a timely or systematic means with which to track individual acquisitions. For fiscal year 1990 we reviewed acquisition documentation for 54 medical facilities and found that 20 facilities were engaged in procurements over \$50,000 that had not received the required IRM central office approval.

Senior IRM and procurement officials identified several procurements that they feel could be combined, thereby reducing costs and promoting standardization. For example, VA has an ongoing project to modernize VBA systems and has recently awarded a contract to upgrade office automation equipment. Our analysis of the two projects found that requirements for the first stage of VBA's modernization for some workstations are identical to those in the office automation contract. In discussing this issue with IRM and VBA officials, they agreed that the two procurements were similar. However, IRM officials were not planning to question the soundness of VBA's proposed procurement.

The former CIRO stated that because of his perceived lack of support from the Secretary and the autonomous nature of VA's components, he could not ensure that VA was not acquiring duplicate ADP systems or was efficiently procuring resources that would meet user needs.

GAO **Concerns About CIRO
Role at VA**

- Reorganizations do not solve planning, budgeting, and acquisition problems
- Veterans and taxpayers may not obtain the benefit of high-quality systems or sound ADP investments

The main purpose of the Paperwork Reduction Act is to improve the way agencies manage information resources. A key part of the act envisioned a strong focal point in each agency to address all IRM activities and provide greater coordination and visibility for IRM overall. The Department of Veterans Affairs Act regarded VA's IRM activities important enough to be headed by a CIRO. We believe that the intent of these laws was to align all agency IRM activities under a focal point in order to unify fragmented information resources management.

Within a period of 9 months VA has implemented two major reorganizations to address its IRM. We are concerned that these actions have not provided a solid foundation for IRM because they have not established a strong role for the CIRO. Rather than elevating IRM to a position of importance by increasing the CIRO's responsibilities, VA has chosen to scale back and weaken the role. Further, the autonomy of VA's major components continues to impede the development of an efficient and effective IRM program. VA's reorganizations will allow these components to continue to operate independently of each other. In addition, the reorganizations fail to address the full spectrum of IRM activities and fail to address systemic problems in IRM planning, budgeting, and acquisition control.

Clearly, VA's problems in IRM indicate that greater authority needs to be given to the manager of information resources. We believe that VA's fragmented processes in IRM planning, budgeting, and acquisition control and the reduced CIRO role increase VA's risk that its IRM initiatives will not (1) meet Department-wide goals and needs, (2) result in high-quality systems that will better serve the veteran, and (3) represent sound ADP investment of taxpayer dollars. Therefore, we believe VA must address its fundamental agency problems and adopt the philosophy of a CIRO who actively defines and guides IRM for the entire Department.

GAO Recommendations

- Develop a Department-wide IRM management strategy
- Expand the role of the CIRO to include IRM planning and budgeting responsibilities
- Report inadequate acquisition approval process as a material control weakness

We recommend that the Secretary develop a Department-wide IRM management strategy linked to Department goals and objectives.² This strategy should address the full spectrum of IRM activities identified in the Paperwork Reduction Act and Department of Veterans Affairs Act. As part of this strategy, the Secretary should expand the role of the CIRO to include responsibility and authority for these IRM activities. At a minimum, the CIRO's responsibilities should include actively participating in decision-making for IRM planning, budgeting, and acquisition oversight.

We also recommend that the Secretary report inadequate control over the approval of ADP acquisitions as a material weakness under the Federal Managers' Financial Integrity Act.

²See also Information Resources: Management Commitment Needed to Meet Information Challenges (GAO/IMTEC-90-27, Apr. 19, 1990).

Objectives, Scope, and Methodology

On November 20, 1990, the Chairman of the House Committee on Government Operations requested that we review the management of information resources by the Department of Veterans Affairs (VA). Specifically, the Chairman requested that we (1) report on the status of VA's July 27, 1990, plan for reorganizing the Office of Information Resources Management (IRM) and any other contemplated changes; (2) report on the extent to which the reorganization calls for the transfer or decentralization of automated data processing (ADP) acquisition activities; (3) determine if the reorganization will result in the dilution of ADP experience, expertise, and knowledgeability; (4) determine if the reorganization is consistent with the letter and spirit of the law establishing VA and with the Paperwork Reduction Act; (5) determine how information resources management planning is occurring and the involvement of the chief information resources officer (CIRO) in that process; and (6) determine the CIRO's involvement in and responsibility over budgeting for information resources.

To ascertain the extent of the CIRO's involvement in the management of information resources and the status and future plans of the reorganization we interviewed top VA officials. We also discussed the CIRO's role with key officials at the General Services Administration. In addition, we reviewed (1) a contractor-developed study on how to implement VA's reorganization; (2) personnel histories; (3) IRM office functions and descriptions; (4) congressional hearings, the Department of Veterans Affairs Act, the Paperwork Reduction Act, and applicable criteria in the Federal Information Resources Management Regulation and Office of Management and Budget circulars; (5) Department directives, policies, and guidelines regarding IRM planning, budgeting, and acquisitions, plus Department and IRM strategic plans; and (6) VA's budgets as submitted to the Office of Management and Budget.

Additionally, we reviewed contract and acquisition documentation for the Veterans Benefits Administration and the Veterans Health Administration. This review included acquisition documentation from 54 medical facilities. We also reviewed a contractor-developed study analyzing the requirements of the first stage of VBA's modernization efforts and VA's office automation request for proposals.

Our work was primarily conducted at VA's central office in Washington, D.C. We visited two medical centers in Washington, D.C., and Baltimore, Maryland, to assess the adequacy of the CIRO's oversight of ADP acquisitions. We conducted our review between December 1990 and May 1991. We did not obtain official agency comments on a draft of this report.

However, we did discuss the key facts contained in this report with VA officials and have incorporated their views where appropriate. We conducted our work in accordance with generally accepted government auditing standards.

Major Contributors to This Report

**Information
Management and
Technology Division,
Washington, D.C.**

Douglas D. Nosik, Assistant Director
M. Rose Hernandez, Evaluator-in-Charge
William S. Franklin, Associate Director
A. Elizabeth Powell, Senior Evaluator
Scott M. Berger, Staff Evaluator

**Office of General
Counsel**

Peter A. Iannicelli, Senior Attorney

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