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Health, Education, and
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The Honorable Bob Stump
Chairman
The Honorable Lane Evans
Ranking Minority Member
Committee on Veterans' Affairs
House of Representatives

Subject: Results Act: Observations on VA's Fiscal Year 1999 Performance Plan

This letter presents our observations on the Department of Veterans Affairs' (VA) annual performance plan for fiscal year 1999. Our review was done in response to a January 26, 1998, request from several members of the House Majority Leadership to review the performance plans of the 24 federal agencies covered by the Chief Financial Officers (CFO) Act, which include VA. On April 20, 1998, we briefed your staff and staff of the Senate Committee on Veterans' Affairs on our observations.

The Government Performance and Results Act of 1993 (the Results Act) requires federal agencies to prepare annual performance plans covering the program activities set out in the agencies' budgets, beginning with plans for fiscal year 1999. VA submitted its first annual performance plan to the Congress in February 1998 as part of its fiscal year 1999 budget submission. These plans are to (1) establish performance goals to define levels of performance to be achieved; (2) express those goals in an objective, quantifiable, and measurable form; (3) briefly describe the operational processes; skills and technology; and human, capital, information, or other resources required to meet the goals; (4) establish performance measures for assessing the progress toward or achievement of the goals; (5) provide a basis for comparing actual program results with the established goals; and (6) describe the means to be used to verify and validate measured values.

GAO/HEHS-98-181R VA's FY 1999 Performance Plan

160645

BACKGROUND

In fiscal year 1997, VA spent over \$39 billion to provide a wide array of benefits and services to veterans. Unlike some departments and agencies that have programs serving disparate customers, VA has one set of customers: veterans and their families. VA's programs are administered by three major components:

- the Veterans Health Administration (VHA), which administers VA's health care system, including its 173 hospitals;
- the Veterans Benefits Administration (VBA), which administers nonmedical benefits for veterans, such as compensation for disabled veterans, Montgomery G.I. Bill educational assistance, home loan guarantees, vocational rehabilitation and counseling, and life insurance for veterans; and
- the National Cemetery System (NCS), which operates VA's system of cemeteries and provides burial benefits to the survivors of deceased veterans.

Before VA prepared its first performance plan, the Results Act required VA to prepare a strategic plan. VA submitted its strategic plan to the Congress in September 1997. Our review of this plan noted that VA made significant progress in making the strategic plan clearer, more complete, and more results-oriented than its June 1997 draft.¹ The earlier draft focused more on the process of providing benefits and services than on results of VA programs for veterans and their families. However, we found that the September 1997 plan needed improvement in four major areas: (1) development of results-oriented goals; (2) descriptions of how the goals are to be achieved; (3) discussion of external factors; and (4) discussion of coordination efforts with other agencies.

SCOPE AND METHODOLOGY

VA incorporated the performance plan into its fiscal year 1999 budget submission and described it as a "synopsis of the more detailed planning, performance, and resource information" presented elsewhere in the budget submission. Thus, in order to evaluate VA's performance plan, we also reviewed the more detailed information in VA's budget submission. The scope

¹Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges (GAO/GGD-98-44, Jan. 30, 1998), app. XV, "Observations on the Department of Veterans Affairs' Strategic Plan."

B-279792

of our review covered the 10 "business lines" administered by VA's major components:

- for VHA—medical care, medical education, and medical research;
- for VBA—compensation, pension, education, vocational rehabilitation and counseling, loan guaranty, and insurance; and
- for NCS—burial.

For purposes of our review, we collapsed the six requirements of the Results Act for the annual performance plans into three core questions: (1) To what extent does the agency's performance plan provide a clear picture of intended performance across the agency? (2) How well does the agency's performance plan discuss the strategies and resources the agency will use to achieve its performance goals? (3) To what extent does the agency's performance plan provide confidence that its performance information will be credible? These questions are contained in our February 1998 congressional guide and our April 1998 evaluators' guide for assessing performance plans, which we used for our review.² These guides integrated criteria from the Results Act, its legislative history, Office of Management and Budget (OMB) guidance for developing performance plans (OMB Circular A-11, part 2), and other GAO work on implementation of the act.³ We used the criteria and questions contained in the guides to help us determine whether VA's plan met the requirements of the act, to identify strengths and weaknesses in the plan, and to assess the plan's usefulness for executive branch and congressional decisionmakers. We performed our review from March through May 1998 in accordance with generally accepted government auditing standards.

²Agencies' Annual Performance Plans Under the Results Act: An Assessment Guide to Facilitate Congressional Decisionmaking (GAO/GGD/AIMD-10.1.18, Feb. 1998); and The Results Act: An Evaluator's Guide to Assessing Agency Annual Performance Plans (GAO/GGD-10.1.20, Apr. 1998).

³The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven (GAO/GGD-97-109, June 2, 1997); Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges (GAO/GGD-98-44, Jan. 30, 1998).

RESULTS IN BRIEF

Overall, VA's fiscal year 1999 performance plan, as supplemented by other parts of VA's fiscal year 1999 budget submission, contains performance goals and measures that (1) are presented in a manner that shows VA's intended performance, for comparison with actual performance; (2) cover all of VA's major business lines and the program activities in VA's budget request; and (3) are linked to VA's mission, strategic goals, objectives, and performance goals as stated in its September 1997 strategic plan. In addition, the performance plan and other portions of the budget submission (1) identify numerous crosscutting activities with other federal agencies, state and local governments, and the private sector; (2) describe strategies for achieving performance goals; and (3) discuss VA initiatives to improve the validity and reliability of performance data used to support the plan's performance measures.

The most significant challenge for VA in its performance planning under the Results Act is to develop performance measures, primarily for VBA's benefit business lines, that focus on results rather than on process. The performance plan's lack of results-oriented goals and measures for some VBA business lines reflects the lack of results-oriented strategic goals in these areas, as we noted in our comments on VA's September 1997 strategic plan. The performance plan includes a list of performance goals and measures organized around the two sections of the strategic plan. The first section, "Honor, Care and Compensate Veterans in Recognition of Their Sacrifices for America," is intended to provide results-oriented strategic and performance goals for VA's business lines. The second section, "Management Strategies," is intended to provide process-oriented goals such as improving the efficiency and reducing the costs of VA's operations, and improving customer satisfaction with VA services. As VA continues to develop results-oriented strategic goals over the next several years, it should be able to update future performance plans to incorporate more performance measures that focus on program results, better describe strategies for achieving performance goals, and identify data to be used to measure how well VA is achieving results. Other significant challenges for VA as it refines its annual performance plan in future years include

- improving the linkage between VA's performance goals and measures and the program activities in VA's budget accounts;
- identifying more opportunities to coordinate programs and activities with other federal agencies, state and local governments, and the private sector;

- improving the performance plan's discussion of the strategies and resources VA plans to use to achieve its strategic and performance goals; and
- improving, through improvements in VA's financial and information systems, VA's ability to obtain valid and reliable performance and cost data needed to measure VA's progress in achieving performance goals.

VA'S PERFORMANCE PLAN PROVIDES A
PARTIAL PICTURE OF INTENDED
PERFORMANCE ACROSS THE AGENCY

We found that VA's performance plan provides a partial picture of its intended performance across the agency, for comparison with its actual performance. The performance plan and the supporting information in VA's budget submission (1) provide measurable and quantifiable performance measures that will help VA track its progress in achieving performance goals; (2) cover all of VA's major business lines and the program activities in VA's budget request; (3) are linked to VA's mission, strategic goals, and objectives; and (4) identify numerous crosscutting activities as well as plans to coordinate with federal agencies and other entities.

VA's most significant challenge in providing a clear picture of intended performance across the agency is to fill in the performance plan's gap in a key aspect of performance—program results. VBA is still developing results-oriented strategic goals for some of its benefit programs, but it plans to have interim goals in place by the summer of 1998. Thus, VBA has few results-oriented performance goals to include in VA's performance plan. As VA improves its strategic plan to better define results, it should be able, in future performance plans, to include more results-oriented performance goals and measures. Another challenge in providing a complete picture of performance is to better link performance goals and measures to the program activities in VA's budget. While the program activity structures of VA's major budget accounts do not lend themselves to clear linkage with performance goals and measures, VA could improve the linkages identified in its fiscal year 1999 performance plan.

Defining Expected Performance

VA's performance plan includes a listing of selected performance measures by VA component and business line. Each of VA's 10 major business lines has at least two performance measures in this listing. The performance plan also includes more detailed discussions of 14 of these measures that VA has designated as "key" performance measures. Examples of these key measures

are the number of unique patients treated by the VA health care system, the percentage of eligible veterans using Montgomery G.I. Bill educational benefits,⁴ and the percentage of veterans with a burial option (in a VA or state veterans' cemetery) within 75 miles of their homes.

The performance goals in VA's performance plan are measurable and quantifiable and are presented in a way that facilitates the comparison of expected performance with actual performance. The performance measures show what will be measured, the strategic goal to be achieved,⁵ and how VA expects to progress toward the strategic goal in fiscal year 1999. For example, one of the medical care business line's measures is the percentage increase from fiscal year 1997 in the number of unique patients treated by VA's health care system. The performance plan states what will be measured (unique VA health care users), the baseline for measuring progress in achieving the strategic goal (3,142,000 unique users in fiscal year 1997), the strategic goal (a 20-percent increase by fiscal year 2002), and the progress VA expects to achieve in fiscal year 1999 (an 8.6-percent increase over fiscal year 1997).

The budget submissions for VA's components include additional performance goals and measures. Some of these performance goals do not have quantifiable measures; others have quantifiable measures that are being developed. The nonquantifiable measures describe actions VA plans to complete, such as

- creating a system of administrative review in the medical research business line, to help ensure that medical research projects are focused on VA's health care mission; and
- developing and distributing a planning model to help states in establishing veterans' cemeteries under the State Cemetery Grants Program.

Meanwhile, VBA is developing such additional quantifiable performance goals and measures as reducing the time needed to complete compensation and pension decisions appealed to the Board of Veterans Appeals. According to a

⁴Upon 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 G.I. Bill. The vast majority of VBA's educational assistance beneficiaries receive assistance under this bill.

⁵Most strategic goals are to be achieved in fiscal year 2003—the last fiscal year covered by VA's current strategic plan. Some strategic goals are to be achieved before fiscal year 2003; the performance plan notes the fiscal year in which each of these goals is to be achieved.

VA official, additional quantifiable performance measures will be added to the annual performance plan in the future as they are developed.

However, the performance plan does not provide a complete picture of the expected results for all of VA's business lines because some VBA business lines lack results-oriented performance measures. The performance measures in VA's performance plan address other key aspects of performance, such as the accuracy and timeliness of claims processing; unit costs of providing benefits and services; and customer satisfaction with VA services.

In addition to the list of performance measures by business line, the performance plan provides a list of performance measures along the lines of VA's September 1997 strategic plan. The first part of this list is related to the strategic plan's section on results entitled "Honor, Care and Compensate Veterans in Recognition of Their Sacrifices for America." This portion of the performance measure list includes no results-oriented performance measures for VBA's compensation, pension, and insurance business lines. Results-oriented measures are included for VBA's vocational rehabilitation and counseling and loan guaranty business lines. We recently testified that VBA's development of results-oriented performance goals and measures for two of its business lines is a positive first step. However, we also noted in that testimony that the goals and measures for the vocational rehabilitation and counseling and loan guaranty business lines do not allow VBA to fully assess program results:⁶

- The vocational rehabilitation and counseling business line has an "outcome success rate" measure, which VBA defines as the percentage of veterans who have terminated their program and have met accepted criteria for program success. We noted that this measure only focuses on veterans who have left the program, rather than on all veterans eligible for the program, and does not consider how long it takes participants to complete the program.
- The loan guaranty business line has a performance measure of "homeownership assistance," which is the percentage of veteran home buyers who say they would not be able to purchase their desired home without a VA loan guaranty. We noted that this is not an objective, verifiable measure of the loan guaranty program's results in terms of helping veterans purchase homes.

⁶Veterans' Benefits Administration: Progress and Challenges in Implementing the Results Act (GAO/T-HEHS-98-125, Mar. 26, 1998).

According to VBA officials, interim results-oriented strategic goals for the compensation, pension, insurance, and educational assistance business lines will be developed by the summer of 1998. Final results-oriented strategic goals that can lead to results-oriented performance goals and measures will be developed after VA has completed program evaluations and other analyses over the next 3 to 5 years. VA plans to complete its program evaluation schedule and begin contracting for evaluations by the end of fiscal year 1998. The interim results-oriented strategic goals could serve as the basis for interim results-oriented performance goals and measures in the fiscal year 2000 VA performance plan. In the longer term, these interim performance goals and measures can be updated to reflect the completion of final results-oriented strategic goals.

Connecting Mission, Goals, and Activities

VA's performance plan goals are linked to its mission and strategic goals, as stated in VA's September 1997 strategic plan, but could be better linked to program activities in VA's budget. VA's departmentwide mission statement is included in the performance plan:

“To administer the laws providing benefits and other services to veterans and their dependents and the beneficiaries of veterans . . . To serve America's veterans and their families with dignity and compassion and be their principal advocate in ensuring that they receive medical care, benefits, social support, and lasting memorials promoting the health, welfare, and dignity of all veterans in recognition of their service to this Nation.”

In addition, the performance plan includes a listing of selected performance goals and measures that are tied to the goals and objectives in VA's strategic plan. This listing follows the two major sections of VA's strategic plan: "Honor, Care and Compensate Veterans in Recognition of Their Sacrifices for America" and "Management Strategies." Most of the measures in VA's performance plan are numerical representations of goals in the strategic plan. For example, the strategic plan included a goal to provide headstones and grave markers that are undamaged and correctly inscribed 98 percent of the time by fiscal year 2003. This goal is represented in the performance plan by a measure of "percent of headstones and markers that are undamaged and correctly inscribed," and a performance goal of 96.2 percent in fiscal year 1999.

VA's performance plan includes some additional performance goals and measures that were not in the strategic plan. However, the performance plan

links these additional goals and measures to specific strategic goals and objectives in the strategic plan. For example, VA added a performance goal to increase Montgomery G.I. Bill educational benefit usage, and linked it to the strategic goal to ensure that VA's educational assistance programs meet the needs of veterans. Also, VBA added a number of administrative cost goals and measures to support the strategic goal of reducing benefit delivery costs and improving productivity. These additional performance goals and measures are discussed in the budget submissions for VA components.

In some other instances, goals and measures in the performance plan reflect changes in goals stated in VA's September 1997 strategic plan. Some examples follow:

- VHA had a goal to reduce the number of inpatient bed days of care to 1,500 days per 1,000 unique patients by fiscal year 2003. In the performance plan, VA states that it plans to meet this goal in fiscal year 1999 and plans to reduce inpatient bed days of care to 1,300 per 1,000 unique patients by fiscal year 2003.
- VHA also had a goal to have 300 community-based outpatient clinics by fiscal year 2003. In the performance plan, VA stated that it plans to have 501 community-based outpatient clinics by the end of fiscal year 1999 and 659 clinics by the end of fiscal year 2003.

VA's performance plan clearly covers all of the program activities in VA's budget, as required by the Results Act; VA could, however, improve its linkages of performance goals to program activities. The performance plan includes, for each of the 10 business lines, references to one or more budget accounts. These references cover all of VA's major budget accounts, including the accounts' underlying program activities. However, VA could have provided more accurate budget account references in two areas:

- The plan links the performance goals and measures for the medical education business line to the Health Professionals Scholarship Program, which is being phased out. A better reference would be to the Medical Care account, which is where VHA's budget submission addresses its medical education performance goals.

- A number of goals and measures for VHA's Special Emphasis programs were not referenced to any budget account.⁷ Most of these measures could have been linked to the Medical Care account's program activities.

We recognize that making such linkages is difficult in many of VA's major accounts. This is because VA's program activities are often structured according to benefits and services provided, rather than VA's strategic goals. For example, the Medical Care account's program activities are structured around the types of medical care VA provides. These program activities allow for some general linkages to VHA performance goals and measures; by showing decreases in spending for the acute hospital care program activity and increases in spending for the outpatient program activity, VHA can show the effect of its efforts to shift health care resources from inpatient to outpatient care. However, the Medical Care account's program activity structure makes it difficult to link program activities to VHA performance goals related to improving the quality of VA health care.

A VA official noted that VA is working with OMB to explore ways in which VA's budget might be restructured to facilitate linkages between the budget's program activities and performance goals. In the short term, VA could provide more specific linkages in its performance plan between its current program activities and specific performance goals and measures. Among the possible linkage are the following:

- VA could provide a more specific linkage of NCS' performance goals to program activities in five budget accounts that fund the burial business line: National Cemetery System; Compensation and Pensions; Construction, Major Projects; Construction, Minor Projects; and Grants for the Construction of State Veterans Cemeteries. The NCS budget submission includes a table that summarizes funding for NCS burial programs in these five accounts, but it does not clearly link this funding to specific performance goals.
- VHA's budget submission contains descriptions of the program activities of the Medical Care account, which could facilitate linkages between this account and some of VHA's Special Emphasis performance goals. For example, the description of the rehabilitative care program activity includes

⁷Special Emphasis programs include programs for women veterans; homeless veterans; and veterans with spinal cord injuries, substance abuse problems, and serious mental illnesses.

references to two Special Emphasis programs: spinal cord injury care and rehabilitation of blind veterans.

Recognizing Crosscutting Efforts

VA's performance plan discusses more thoroughly than its strategic plan VA's needs to coordinate crosscutting programs and activities with other federal agencies and other entities. In our comments on VA's September 1997 strategic plan, we noted that the strategic plan did not fully identify crosscutting areas with other federal agencies and other stakeholders. VA's strategic plan included an objective to identify overlaps and links with other agencies; the performance plan includes a lengthy list of crosscutting activities with other federal agencies, states and localities, and the private sector. The performance plan also includes a general discussion of VA's coordination plans and efforts to pursue "the numerous opportunities that exist with external entities for achievement of shared goals and objectives." In addition, the performance plan briefly discusses areas where VA is coordinating, or plans to coordinate, with other federal agencies, such as the following:

- VA medical facilities have numerous agreements to share services with Department of Defense (DOD) medical facilities, community hospitals, and medical schools.
- VA plans to coordinate with DOD, the Department of Education, and educational institutions to help achieve its goal to increase the usage of Montgomery G.I. Bill educational benefits. VA plans, in cooperation with DOD, to send letters to service members who have established their eligibility for Montgomery G.I. Bill benefits, informing them of the value of their benefits and of the requirements for maintaining their eligibility.
- VA plans to coordinate with the Department of Housing and Urban Development and other housing agencies to encourage home ownership among veterans. Encouraging home ownership would help VA achieve its goal to increase the percentage of veterans who tell VA that they could not have purchased their desired home without VA loan guarantees.

VA has additional opportunities to coordinate with other entities. Now that VA has identified a large number of crosscutting activities, some could be linked to its strategic and performance goals. For example, the list of crosscutting activities links VA medical research activities with DOD, the National Institutes of Health, and nongovernmental entities such as private drug companies. The performance plan and VHA's medical research budget submission provide a

brief discussion of VHA's plans to pursue collaborative research opportunities outside of VA. VHA could improve the medical research portions of the performance plan and budget submission by incorporating these crosscutting activities. Another opportunity for VA to improve coordination is to include discussions with other federal agencies in the process of developing results-oriented strategic and performance goals and measures. The discussion in VBA's budget submission of its efforts to develop results-oriented goals includes plans to identify coordination opportunities with other entities. As part of this effort, VBA might consider examining how other federal agencies measure performance in programs that provide benefits and services similar to those provided by VBA programs. For example, VBA could discuss the measurement of the results of its vocational rehabilitation and counseling programs with officials of the Department of Labor's Veterans' Employment and Training Service.

VA'S PERFORMANCE PLAN COULD MORE FULLY
DISCUSS HOW VA'S STRATEGIES AND
RESOURCES WILL HELP ACHIEVE ITS GOALS

VA's performance plan generally explains how its strategic and performance goals will be achieved. However, we found that, in some instances, the plan's strategies are unclear because VA is relying on future initiatives to identify the steps or processes required to achieve its goals. We also found that VA's plan does not provide an adequate discussion of the external factors that may affect its ability to achieve some of these goals. In addition, we found many instances where VA's plan does not identify the resources that will be required to accomplish its goals.

Connecting Strategies to Results

VA's performance plan provides a partial picture of its strategies for achieving performance goals. Some strategies clearly explain how the goal will be achieved. For example, one VHA goal in VA's strategic plan is to "increase the percent of customers rating VA health care services as very good or excellent to 95 percent [by fiscal year] 2003." The performance plan includes two related performance goals: one for inpatient care and one for outpatient care. For each of these goals, VA established a fiscal year 1999 performance goal of 79 percent. VA's strategy is to use information obtained from continual feedback from customers on their satisfaction with service and on their expectations through such efforts as surveys, focus groups, and complaint handling to revise performance goals and identify needed service improvements. This performance goal is also linked to VA's "customer satisfaction" strategic goal.

VBA is in the early stages of developing clear and specific strategies for achieving its performance goals. VBA is relying on business process reengineering to help achieve such process-oriented goals as reducing the time required to process compensation and pension claims. According to VBA officials, while implementation of business process reengineering is still under way, VBA is reassessing this initiative.

In some instances, the performance plan's discussions about the external factors affecting VA's ability to achieve performance goals are incomplete. For example, one of VA's performance goals is to increase the number of unique patients treated in its health care system by 20 percent by fiscal year 2002. VA's plan states that its ability to achieve its goal is dependent on approval of a Medicare subvention demonstration in 1998.⁸ It does not acknowledge that other external factors such as veterans' preferences and the extent to which veterans have other health insurance will also affect VA's ability to achieve this goal.

Connecting Resources to Strategies

VA's performance plan provides a partial explanation of how capital, human, financial, and other resources will be used in its strategies for achieving performance goals. In many instances, VBA identifies the types of resources required for initiatives related to performance goals for VBA programs. However, these initiatives and their related resources are not clearly linked to VBA performance goals. For example, to "ensure the best value for the taxpayers' dollar," VBA's strategy includes reducing the administrative cost per educational assistance trainee. The plan points out that the development of VBA's activity-based costing model is needed to identify and trace costs. The plan identifies the development of this model as an ongoing and crosscutting initiative and identifies the financial resources required. It does not, however, link the types of resources—human and financial—that will be required to develop the activity-based costing model to cost-based performance goals in the performance plan.

⁸Under Medicare subvention, VA would be able to collect reimbursements from Medicare for the health care services provided to certain Medicare-eligible veterans. The Balanced Budget Act of 1997 (P.L. 105-33) directed VA and the Department of Health and Human Services to develop an implementation plan for a Medicare subvention demonstration project.

In addition, the performance plan generally does not clearly identify the resources required to achieve VHA and NCS performance goals. For example, part of NCS' strategy to achieve its strategic goal to "assure that all eligible veterans have reasonable access to a burial option" involves the construction and expansion of VA's national cemeteries. Among the resources that will be required to support the NCS strategy are construction funding for the new and expanded VA cemeteries and additional personnel and equipment to operate and maintain the new and expanded cemeteries. The NCS budget submission includes additional funding in fiscal year 1999 to support the opening of four new VA national cemeteries. However, NCS does not link these additional resources to its fiscal year 1999 performance goal of increasing to 75.2 percent the eligible veterans with reasonable access to a burial option.

Another example is VHA's strategy for improving the quality of the health care it provides to veterans to help achieve its strategic goal to "improve the overall health care of veterans." This strategy involves the implementation of standard quality measures to be used throughout the VA health care system. VHA has three performance goals to improve specific quality indicators. However, while VHA discusses the implementation of the quality indicators, it does not clearly identify the financial, human, or capital resources that will be required to help achieve improvements in these indicators. VA, in commenting on a draft of our observations, noted that this issue has not been resolved within VA and the broader health care community, but VA plans to address it in the future.

VA'S PERFORMANCE PLAN
PROVIDES SOME CONFIDENCE
THAT VA'S PERFORMANCE
INFORMATION WILL BE CREDIBLE

We found that VA's performance plan gives some confidence that its performance information will be credible. VA needs reliable and valid performance measures, based on reliable and accurate data, in order to identify gaps between its performance goals and actual performance, and to develop plans to close performance gaps. VA's performance plan, and the supporting information in its budget submission, identifies data sources and collection methods for many of its performance measures, but it provides little information on how these data will be verified and validated.

However, VA's performance plan and budget submission indicate that VA recognizes the need to address several issues that could affect its ability to produce the performance and cost data it needs. The performance plan describes VA initiatives to assess the validity and verifiability of key

performance measures, provide assistance to VA programs in developing adequate performance measures, address the year-2000 computer issue, and develop cost accounting systems. Issues that VA needs to address include internal control weaknesses in its financial systems, and the computer security issue.

Verifying and Validating Performance

VA's performance plan provides some information on how it will ensure that its performance and cost information is sufficiently complete, accurate, and consistent. VA's performance plan contains a general discussion of the major data sources supporting its performance measures and briefly describes verification and validation procedures. The budget submission supplements this discussion by identifying more specific data sources for discrete performance measures. However, while the budget submission identifies data sources for many of VA's performance goals, VA generally does not identify how the data will be verified and validated. For example, VHA describes how the quality measures that will be implemented throughout the VA health care system will be calculated. VHA will have contract peer reviewers review randomly selected patient charts, extract the data needed for each quality index, then calculate each index. However, VHA does not identify how these data will be verified or validated.

VA's performance plan, and other information in its budget submission, indicates that VA has begun to address the need to ensure that its data can be verified and validated. VA's performance plan identified two initiatives related to data verification and validation. VA's Inspector General (IG) has begun a review of key performance measures to determine whether related performance data are valid and reliable, and achieve a high degree of integrity. The IG identified 11 key performance measures; it plans to report on its review of the first three measures—average days to complete claims for original compensation, reopened compensation, and original disability pensions—by the summer of 1998. For each measure, the IG is (1) examining data processing systems to assess whether data are processed accurately and whether data processing controls are adequate and (2) matching source documents to inputs into data processing systems. VA's other initiative is to establish an Office of the Actuary. This office's responsibilities will include working with VA program offices to help ensure that VA's performance data are reliable and valid.

Also, VBA has recently begun to take actions to improve the reliability and accuracy of its performance data. The performance plan's discussion of VBA's data systems noted that VBA is currently reviewing its need for benefits data,

and it will address the need for independent verification and validation. As we recently testified, VBA's efforts to develop performance measures has revealed numerous data gaps and problems that, if not addressed, will make it difficult to assess VBA's performance. For example, an ongoing IG audit of key VBA performance measures has, according to VBA officials, identified data integrity problems with these measures. These problems included instances in which VBA regional office⁹ staff manipulated data to make their performance appear better than it was.

Recognizing Data Limitations

VA's performance plan identifies some significant data limitations and their implications for assessing the achievement of performance goals. The supporting discussions for many of VA's performance goals and measures in the budget submission describe the data to be used to measure performance and the information systems from which the data will be obtained. Some of these discussions identify how the data will be used. This information can be used to identify limitations in the reliability and accuracy of performance data.

However, there are a number of issues affecting the reliability and accuracy of VA's performance and cost data that cut across VA's business lines. As discussed, VBA has identified data integrity problems that can lead to unreliable and inaccurate measurements of performance. For example, the manipulation of data identified by VA's IG could limit VBA's ability to reliably and precisely measure the accuracy and timeliness of benefit claims processing.

Ensuring that VA has reliable and accurate performance data also requires that VA address two significant information technology issues—the year-2000 computer problem and the need to improve computer security. Because these are governmentwide issues, we have included them in our list of high-risk management issues in the federal government.¹⁰ The year-2000 problem is critical for VA because VA may not be able to rely on its computerized information systems to perform such important functions as processing benefit payments or providing accurate data on workload and costs unless VA has corrected the problem by January 2000. The computer security issue is significant because of the potential for tampering with data in computerized information systems.

⁹VBA processes claims at its 58 regional offices.

¹⁰High-Risk Series: Information Management and Technology (GAO/HR-97-9, Feb. 1997).

VA's performance plan notes that fixing its existing information systems to avoid the year-2000 computer problem will be VA's top information technology focus during fiscal years 1998 and 1999. However, neither the performance plan nor the section of the budget submission for VA's Office of Management provides plans and time frames for completing the conversion of VA's computer systems.¹¹ The computer security issue, meanwhile, is not addressed in either the performance plan or in the Office of Management's budget submission.

Also, VA needs to make improvements in its financial and cost accounting systems to ensure that it has reliable and accurate cost data. The performance plan includes a number of cost-based performance goals and measures, such as (1) average cost per VA health care patient, (2) direct labor cost per educational assistance trainee, and (3) direct labor cost per issued loan guaranty. The audit of VA's fiscal year 1996 financial statement by VA's IG identified several material internal control weaknesses that could affect the accuracy and reliability of VA's financial data and, in turn, VA's ability to measure costs. For example, the IG found that the accounting system supporting VA's loan guaranty business line does not efficiently and reliably accumulate financial information. The IG believes this 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. This could hinder VBA's ability to maintain such housing program performance measures as a cost per issued loan guaranty. VBA and VHA are implementing cost accounting systems—the activity-based costing model and the Decision Support System, respectively. These systems will require reliable and accurate cost data in order to provide information on the costs of VA's services.

AGENCY COMMENTS

On April 16, 1998, we discussed a draft of our observations with VA officials. On April 22, 1998, the Assistant Secretary for Management provided written comments. These comments expressed VA's pride in its first performance plan and noted that VA and we have identified areas where improvements are needed. To address some of these areas of improvement, VA plans to do the following:

- develop results-oriented goals for its benefits business lines and continue to refine and strengthen goals and measures for VA's other programs (results-

¹¹The Assistant Secretary for Management serves as VA's Chief Information Officer.

oriented goals and measures have been drafted for all business lines; VA will obtain comments on them from the Congress, OMB, veterans service organizations, and other stakeholders);

- share its draft list of program evaluations with VA's primary stakeholders in order to obtain agreement on which programs will be evaluated and the order in which they will be evaluated;
- improve on the performance plan's discussion of crosscutting activities by linking specific crosscutting activities to relevant performance goals;
- increasingly focus on the reliability and validity of performance data; and
- develop options to modify VA's budget account structure to align it with VA's business lines (joint effort between VA and OMB; as effort progresses, VA will consult with its congressional authorization and appropriations committees).

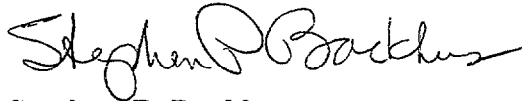
VA also provided several more specific comments on our draft, which have been incorporated where appropriate.

- - - - -

We will send copies of this letter to the Chairman and Ranking Minority Member, Senate Committee on Veterans' Affairs; the Speaker of the House; the House Majority and Minority Leaders; the Chairmen and Ranking Minority Members of the House and Senate Committees on Appropriations and the Budget; the Chairmen and Ranking Minority Members of the Senate Governmental Affairs and House Government Reform and Oversight Committees; the Secretary of Veterans Affairs; and the Director, Office of Management and Budget. We will also send copies to other interested parties on request.

B-279792

Please contact me on (202) 512-7101 if you have any questions. Major contributors to this correspondence were Shelia Drake and Greg Whitney.

A handwritten signature in black ink that reads "Stephen P. Backhus". The signature is written in a cursive style with a large, prominent initial "S".

Stephen P. Backhus
Director, Veterans' Affairs and
Military Health Care Issues

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

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