

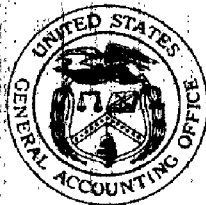
GAO

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

December 1993

VETERANS
BENEFITS

Redirected
Modernization Shows
Promise



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United States
General Accounting Office
Washington, D.C. 20548

Accounting and Information
Management Division

B-252087

December 9, 1993

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

Dear Mr. Chairman:

On December 8, 1992, the Veterans Benefits Administration (VBA), Department of Veterans Affairs (VA) awarded the first of its planned three-stage modernization procurements. This 8-year contract was awarded to Federal Data Corporation with a maximum value of \$300 million. Concerned about the benefits expected from this contract, you requested that we evaluate VBA's effort in implementing its modernization effort. Based upon your March 30, 1993, letter and several follow-up discussions, we were specifically requested to discuss (1) the status of VBA's business process redesign and its service improvement goals, (2) the validity of VBA's cost estimates for the modernization, and (3) VBA's contention that existing computer equipment failures were frequent and causing severe benefit service problems.

Between April and June 1993 we provided several extensive briefings to your Committee on the results of our review. We also briefed the Secretary of VA and officials from the Office of Management and Budget (OMB). On June 24, 1993, VA and OMB entered into an agreement to redirect VBA's modernization effort. You requested that we comment on this agreement as well. This report summarizes our review results and provides comments on the VA/OMB agreement. Details of our scope and methodology are discussed in appendix I.

Results in Brief

We had serious concerns with VBA's initial approach toward modernizing its information systems. First, VBA was proceeding with plans to deploy computer equipment even though it had not determined how that equipment would improve the delivery of benefit services to the veteran. Specifically, VBA lacked operational goals and performance measures. Without these, VBA was unable to (1) determine whether it was procuring the proper equipment or (2) assess the impact of modernization on improving service to veterans. Second, VBA's life-cycle cost estimates could not be validated because of mistakes and omission of critical components. As a result, the costs for the entire modernization are indeterminate.

Finally, although VBA maintained that equipment from the stage I contract was needed to immediately alleviate service problems caused by its aging regional computer equipment, we could not substantiate that contention.

The agreement that VA entered into with OMB to redirect the modernization effort is an important step in addressing our concerns. Under the agreement, VA is to, among other things, establish service improvement goals for VBA's current and redesigned business processes, make funding contingent on the demonstration of improved service to veterans, restrain spending under the stage I contract, and update the economic assessment for the modernization in cooperation with OMB. VA also agreed to improve Departmental oversight by strengthening the role of the chief information resources officer (CIRO) in the prioritization, review, approval, and control of major automation projects such as VBA's modernization effort.

We believe that VA has been responsive to Committee and GAO concerns as evidenced by this agreement. In linking modernization funding to the achievement of service improvement goals, VA has established clear accountability and has set a noteworthy example for other agencies to follow. In addition, the schedule for the modernization should be periodically updated based in part on a credible economic analysis.

Background

VBA is responsible for delivering nonmedical benefits to almost 27 million veterans and their dependents. These benefits include compensation and pension, insurance, education, vocational rehabilitation, loan guaranties, and burial services. Compensation and pension, the largest benefit area, provides assistance to veterans whose earning potential has been reduced because of service-connected disabilities and pensions to eligible veterans based on need. In fiscal year 1992, VBA paid about \$16.3 billion for approximately 4.4 million new and existing compensation and pension claims.

VBA administers benefits claims through 58 regional offices. These offices are supported by two centralized information systems—one for compensation and pension, education, and burial claims and the other for insurance claims—as well as office automation equipment for applications such as electronic mail and word processing.

VBA acknowledges that its compensation and pension processes are not providing good service and has identified them as a top priority for the

modernization effort. For example, in November 1992,¹ we reported that for the first 4 months of fiscal year 1992, VBA took an average of 151 days to complete an original compensation claim. VBA later reported that as of February 1993, an original compensation claim required an average of 177 days to complete.

VBA's centralized systems have two problems that make them a poor platform for providing better service to veterans. First, they were designed to support specific benefit programs and therefore cannot consistently collect, share, and update veteran information across all program areas. Second, the systems are nearing the end of their useful life and, although not adversely affecting operations, they will eventually need to be replaced.

VBA's modernization effort seeks to replace its aging computer systems with a new integrated, decentralized information system. VBA developed a three-stage procurement plan to acquire the necessary hardware and associated software. In December 1992, VBA awarded a \$300 million, 8-year contract to Federal Data Corporation for the first stage of modernization. This contract is for computer and communications equipment, packaged software products, and services to support both headquarters and regional office operations. The packaged software products include software development tools that VBA programmers are to use in developing and testing the modernized system's software. The second stage, which is scheduled for award in late 1993, is expected to provide VBA with an imaging capability, and the last stage, scheduled for award in 1994, is planned to replace the mainframe computers at its data centers.

As of March 1993, VBA had ordered about \$5.9 million worth of equipment, software, and services from its contract. These orders were primarily used to establish a test bed for familiarizing staff with the tools they will need in developing applications for the modernized environment.

On June 24, 1993, to address concerns raised by the House Committee on Government Operations and GAO and to ensure that VBA proceeds with a successful framework for modernization, VA and OMB entered into an agreement to redirect the modernization effort. The key principles of the agreement include (1) establishing outcome-oriented performance goals for the modernization effort, (2) controlling VBA modernization program

¹Veterans Benefits: Procurement of Information Resources for Modernization Is Premature (GAO/IMTEC-93-6, Nov. 4, 1992).

cost, and (3) strengthening the Department's CIRO oversight over major automation projects.

VBA's Initial Approach to Modernization Was Imprudent

We had serious concerns with VBA's initial approach toward implementing its modernization program. In particular, (1) VBA had not defined the specific service improvement goals it was attempting to achieve in part through the use of automation, and (2) its cost estimates could not be validated because of mistakes and omission of critical components. Further, although VBA maintained that equipment from the stage I contract was needed to immediately alleviate service problems caused by its aging regional computer equipment, we could not substantiate its contention.

VBA's Plans to Deploy Computer Equipment Were Premature

Our past reviews of different agencies have shown that successful modernization programs require that a comprehensive strategy, including explicit service improvement goals, be developed before information resources are acquired and deployed. Specifically, an agency should first analyze its business processes (in this case, VBA's benefit claims processing) to identify inefficiencies and uneconomical practices. Next, the agency should establish operational improvement goals, such as speeding up claims processing or reducing pending claims backlogs, as well as specific projects and milestones for accomplishing these goals. These projects should specify how the agency will change its policies, procedures, practices, and technology to significantly improve service. Only then, after these steps have been taken, should an agency begin to acquire and deploy computer equipment.

VBA, however, chose to acquire computer equipment and develop applications software while simultaneously analyzing its business processes. This analysis included an effort to reexamine, from the perspective of veterans, how it conducts business and then determine changes needed in its processes, systems, and organization to better serve veterans. VBA developed high-level qualitative goals and objectives for future VBA operations. In addition, VBA developed a compendium of milestones for 191 projects to guide the transition to its modernized environment. However, VBA has not developed specific service improvement goals nor has it developed a link between its high-level objectives and individual software projects. As a result, VBA could not show the extent to which the projects would improve service delivery. This approach increased the risk that the information technology VBA acquired would not support its redesigned business practices and could

ultimately have resulted in expensive cost overruns, false starts, and overall failure.

Similarly, even though VBA had not yet established service delivery improvement goals, it was proceeding with plans to begin deploying computer equipment to its regional offices in July 1993. Without such service improvement goals, VBA could not adequately measure progress in improving service or provide accountability for modernization expenditures. For example, VBA is taking increasingly more time to process original compensation claims. In November 1992, we reported for the first 4 months of fiscal year 1992, VBA took an average of 151 days to complete original compensation claims. By February 1993, VBA reported that original compensation claims required an average of 177 days to complete. Nevertheless, VBA had not set a goal for reducing original compensation claims processing times.

VBA Modernization Life-Cycle Cost Estimates Remain Unsubstantiated

VBA's original modernization life-cycle cost estimate in June 1989 was \$223 million, and its most recent cost estimate in April 1993 was \$478 million.² Federal Acquisition Regulation Subpart 7.1, pertaining to acquisition plans, requires the development of a credible life-cycle cost estimate. However, we were unable to validate VBA's life-cycle cost estimates for the modernization.

We found mistakes and omissions of critical components in the estimates. For example, VBA misused data extracted from an August 1990 economic assessment that was prepared for VBA under contract. VBA's original estimate for the stage I, II, and III procurements for the modernization—\$94 million—was erroneously low because the program office mistakenly used the wrong figure from the economic assessment. VBA officials acknowledged the mistake and stated that the estimate for the three procurements should have been \$212.9 million. Additionally, unit cost estimates in the economic assessment could not be verified because the contractor was unable to provide any documentation that describes the derivation of the estimates. Further, the economic assessment—upon which VBA cost estimates were based—did not include key technology components such as expert systems, applications software development

²All costs are presented in current dollars.

tools, and workstations to be acquired through an existing departmentwide contract for office automation equipment.³

While credible modernization costs are difficult to estimate in the absence of a definitive overall plan, when VBA's mistakes are corrected, the cost figure it should be citing is about \$669 million, based on its assumptions and methodology.⁴ However, this \$669 million figure does not include necessary items such as data conversion costs. Including these missing items would substantially increase overall life-cycle costs. In addition to these costs, through January 1993 VBA had spent about \$10.5 million for approximately 2,546 workstations purchased under the Department's nationwide office automation contract. The cost for these workstations brings the estimated cost for computer hardware for the modernized system to approximately \$680 million.

VBA's Systems Are Aging, but Not in Danger of Imminent Failure

In November 1992,⁵ we reported that there was no significant risk, in the near term, of a failure of existing systems that would jeopardize service to veterans. However, after VBA awarded the contract, it asserted that the stage I equipment was needed to immediately alleviate service problems caused by its aging regional computer equipment and that any further delay in procuring computer equipment would jeopardize the benefits delivery system. VBA contended that serious equipment failures occur frequently and adversely affect VBA's ability to provide adequate and timely service to veterans.

VBA was unable to show how specific equipment failures have led to serious service disruptions. For example, in analyzing 800 outage hours reported by VBA, we found the actual outage to be about 11 hours because 789 hours did not result in any impact on end users and the systems were not shut down. These 11 hours had little or no direct impact on service delivery. While VBA's existing systems are up to 20 years old and will eventually need to be replaced, we believe that VBA data center personnel and their experienced maintenance contractor are managing operations of the existing systems to minimize service disruptions.

³In July 1991, we identified a potential duplication in two VA procurements for workstations for the modernized system. In November 1992, we reported that VBA had removed the requirement to acquire approximately 4,000 basic workstations through the stage I contract and decided to purchase these workstations through the Department's nationwide office automation contract.

⁴While we do not endorse the assumptions and estimating methodology used by VBA, these were used to ensure consistency.

⁵(GAO/IMTEC-93-6, Nov. 4, 1992).

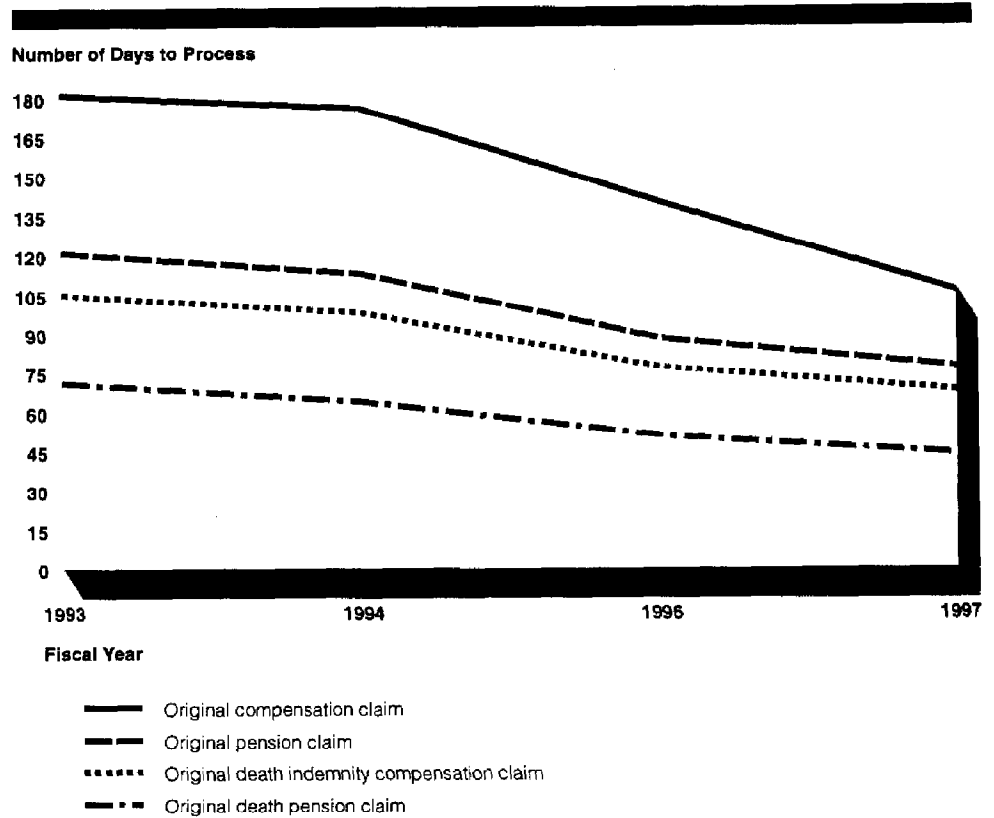
VA/OMB Agreement to Redirect Modernization Effort

In the June 1993 agreement to redirect the modernization, VA committed VBA to (1) achieving measurable benefit delivery service improvement goals for the modernization effort and (2) controlling modernization program costs and funding. In addition, VA agreed to strengthen the Department's CIRO oversight over major automation projects. (The full agreement between VA and OMB is contained in app. II.)

With regard to the first issue, VA agreed to an initial set of measurable service improvement goals for the overall modernization effort, as well as the development of specific goals and milestones for the business process redesign. VA is also to include, where possible, measurements of veterans satisfaction with the services it is providing. VBA also committed to a series of service improvements over the next 4 to 5 years based on the modernization and business process redesign.⁶ Figure 1 lists the service improvement goals for processing compensation and pension claims.

⁶The agreement does not include service improvement goals for the insurance or education benefit areas.

Figure 1: VBA's Service Improvement Goals for Compensation and Pension



As part of its plan to improve service, VBA also agreed to establish test sites in Baltimore, Maryland, and St. Petersburg, Florida, to take initial measurements that are to be used to establish national baselines for the overall modernization effort.⁷ VBA is to sample these sites every 6 months to measure progress toward its goals.

In addition to establishing service improvement goals, VA agreed to require project planning and measurements for the modernization effort, including business process redesign. In that regard, VBA is to develop a detailed project plan with priorities for subprojects, actions critical to achieving progress, and business processes subject to redesign.

VA also agreed to complete the three modernization procurements for hardware, packaged software products, and support services within the

⁷The agreement is silent as to why these sites were chosen.

original estimate of \$94 million. Additionally, VA agreed to make the funding contingent upon (1) assessing in-house software development skills, (2) successful field testing of software prior to deployment, and (3) demonstration of improved service. Finally, VA stated it would limit spending under the stage I contract and reevaluate the requirements for the stage III procurement. The agreement is silent with regard to the stage II procurement.

Under the agreement, OMB is to control VA's modernization spending through the apportionment and budget formulation process. Accordingly, VA is to establish evaluation milestones and assessment criteria to better control software development costs. Additionally, to control computer hardware deployment, VA identified criteria to be met before equipment can be deployed. For example, equipment must be

- needed in conjunction with business process redesign,
- an economical replacement for older hardware, or
- used for training purposes.

By agreement, VBA is to continue to use modernization funds to purchase workstations through the Department's nationwide office automation contract. Other computer equipment, systems development software, and associated support services needed to establish a software testing and development system and an integration facility are to be purchased, as originally planned, through the stage I contract. Lastly, VA is to update the modernization's economic assessment, and the detailed project plan is to include "thorough cost estimates" for the overall modernization effort and its components.

VA's new agreement also calls for the CIRO to centralize and coordinate common information resources management functions, such as standards and architectures, to ensure that departmentwide issues are considered. For major automation projects, the CIRO is to:

- work with VA components to (1) establish acquisition and implementation priorities and resolve any problems, and (2) develop decision criteria for controlling systems development and operations life cycles;
- work with the chief financial officer to develop full and accurate information on expenditures;
- develop performance review and reporting requirements to identify the net benefits actually realized from major automation projects;

- review and approve all major automated information systems at predefined milestones; and
- submit a semiannual report to OMB and the General Services Administration that gives the status of any major automation project, provides steps to correct problems and milestone slippage, and identifies issues and problems that are outside of VA's control.

VA/OMB Agreement Establishes Improved Management Practices

The agreement between VA and OMB commits VA to a more comprehensive approach to improving VBA's delivery of services through the use of improved managerial practices and information technology. However, the ultimate value of the agreement lies in its implementation. In that regard, we have concerns regarding one aspect of the agreement.

With regard to funding, we support VA's commitment to restrict spending until VBA can demonstrate that the modernization effort will improve service delivery. In addition, VA committed to updating the project's economic assessment in cooperation with OMB. As discussed earlier, the original economic assessment is a poor basis upon which to develop an updated economic assessment because of its fundamental and serious deficiencies. For example, the contractor that developed the economic assessment was unable to provide back-up documentation for the derivation of the unit-cost estimates; hence, we could not verify these estimates. Accordingly, a wholly new economic analysis, based on refined requirements for the modernization effort, could provide VBA with more accurate and complete cost information for the entire modernization effort. We believe VA would be in a better position to commit to hardware acquisition, software development, and other systems life-cycle costs once a new economic analysis is completed. This will enable VBA's estimates to be verifiable and auditable.

Conclusions

We believe that VA has taken a good first step in instituting a comprehensive oversight process to prioritize, assess, approve, and control major automation projects. This process should help VA manage its information resources as a single, unified Department. Requiring the CIRO to develop performance review and reporting requirements to identify the net benefits actually realized from major automation projects should also help VA ensure that its information technology dollars are wisely invested. Further, if the process of requiring the CIRO to review and approve all major automated information systems at predefined milestones is implemented properly, it could help ensure that problems encountered in

designing, developing, and implementing major information system projects, such as those identified in VBA's modernization, are quickly identified and resolved so the systems attain their overall goals.

We believe that the original economic assessment is a poor basis upon which to develop an updated economic assessment due to serious deficiencies. We could not validate the estimates in VBA's existing economic assessment due in part to the unavailability of documentation describing the derivation of the unit-cost estimates. Therefore, the life-cycle cost estimates for the VBA modernization are essentially unauditible.

Recommendation

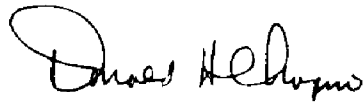
To help ensure the success and financial integrity of VBA's modernization effort, we recommend that the Secretary of Veterans Affairs direct VBA to replace the existing economic assessment with a new economic analysis that is accurate, complete, and fully supported with auditable documentation.

We conducted our review between March 1993 and October 1993, in accordance with generally accepted government auditing standards. In accordance with the requester's wishes, we did not provide a copy of this report to the Department of Veterans Affairs for its review and comment. However, we discussed the key facts with the Secretary and other senior officials of the Department and VBA, who generally agreed with the facts as presented. We have incorporated their views in the report as appropriate.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the date of this letter. We will then send copies to the Secretary of Veterans Affairs; the House and Senate Committees on Veterans Affairs; the Subcommittee on Oversight and Investigations, House Committee on Veterans Affairs; the House and Senate Committees on Appropriations; the Director, Office of Management and Budget; and other interested parties. Copies will be made 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) 512-6408. Other major contributors are listed in appendix III.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Donald H. Chapin".

Donald H. Chapin
Assistant Comptroller General

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Figure 1: VBA's Service Improvement Goals for Compensation and Pension

Abbreviations

CIRO	chief information resources officer
FY	fiscal year
IRM	information resources management
OMB	Office of Management and Budget
VA	Department of Veterans Affairs
VBA	Veterans Benefits Administration

Objectives, Scope, and Methodology

On March 30, 1993, and during several follow-up discussions, the Chairman of the House Committee on Government Operations, concerned about the benefits to be expected from VBA's 8-year contract with Federal Data Corporation, requested that we discuss (1) the status of VBA's business process redesign and its service improvement goals, (2) the validity of VBA's cost estimates for the modernization, and (3) VBA's contention that existing computer equipment failures were frequent and causing severe benefit service problems. On June 24, 1993, VA and OMB entered into an agreement to redirect VBA's modernization effort. The Chairman asked that we review and comment on this plan to redirect the effort.

We conducted interviews with key VA officials, including the Secretary, Deputy Undersecretary, VA's Chief of Staff, Deputy Assistant Secretary for IRM, VBA's Chief of Staff, VBA's Director for IRM, VBA's Director for Planning, VBA's Director for Systems Development Service, VBA's Director for Benefits Delivery Center Operations, and the trail boss for modernization. We reviewed relevant VA documents including VBA's business model, software transition plans, computer and communications equipment deployment schedules, and VBA's economic assessment for the modernization effort.

Our work was primarily conducted at VBA's central office in Washington, D.C. To assess the technical aspects of VBA's current computer systems and operations, we visited one of VBA's data center facilities at Hines, Illinois. We interviewed the center's director and key staff. We also interviewed contractor personnel responsible for maintaining the current compensation, pension, and education system. To determine if VBA's current systems were in immediate danger of failing to deliver service, we reviewed hardware outage reports for calendar year 1992. To assess the impact that specific hardware outages had on service, we selected a sample of the largest outages reported for the year, and tracked the effect of each outage on system availability and processing capability.

Finally, we reviewed VA and OMB's June 24, 1993, agreement to redirect VBA's modernization effort. We focused on the redirected approach to (1) establish service improvement goals, (2) improve oversight and management of the modernization effort, and (3) improve cost estimates for the entire effort.

We conducted our review between March 1993 and October 1993, in accordance with generally accepted government auditing standards. In

Appendix I
Objectives, Scope, and Methodology

accordance with the requester's wishes, we did not provide a copy of this report to the Department of Veterans Affairs for its review and comment. However, we discussed the key facts with the Secretary and other senior officials of the Department and VBA, who generally agreed with the facts as presented. We have incorporated their views in the report as appropriate.

VA's Agreement With OMB



THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

JUN 24 1993

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

Dear Mr. Panetta:

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

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

how we should change our business practices; and

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

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

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

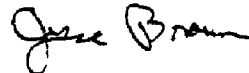
Appendix II
VA's Agreement With OMB

To accomplish that goal VA will:

- Elevate oversight of the project with the Department, by designating a "business oriented" Chief Information Officer(CIO) in VBA to work with the technical project manager and with the Department's CIO;
- Formalize outside oversight of the project by meeting regularly with a joint OMB/GSA team to discuss the project's progress and to assure its consistency with VA's project plans and OMB/GSA goals;
- Establish outcome oriented performance measures for the project which document its effect on customer service. For example, for claims processing, we will measure the number of days required to make a decision on the validity of a claim and to process that decision.
- Update the project's cost analysis in cooperation with OMB; and
- Commit to completing the acquisition within the original overall budget projections for the three stages.

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

Sincerely yours,



Jesse Brown

Enclosures

Appendix II
VA's Agreement With OMB

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

THESE PRINCIPLES WILL...

- o improve VA oversight and overall coordination of all IRM efforts.
- o ensure that VBA Modernization is executed in a cost-effective and successful manner as directed by OMB, the House and Senate Veterans Affairs Committees, and GSA; which will resolve the VBA Modernization issues raised by the GAO, the IG, and the House Government Operations Committee;
- o address current VA spending plan, and establish approval for future funding contingent upon a reevaluation of the costs and benefits of the planned projects and VA implementation of the following:
 - oo establish and measure service improvement goals;
 - oo monitor and control spending under the Stage I contract;
 - oo establish software testing and development facility;
 - oo require project planning (including process redesign and current cost estimates); and
 - oo strengthen the Chief Information Officer (CIO) role in VA IRM oversight.

Service Improvement Measurement

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

Monitor Spending

- o OMB will control VA's Modernization spending through the apportionment and budget formulation process.
- o In the present stage of the effort, VBA will use Modernization funds to purchase the NOAVA PCs, computer hardware, systems development software and associated support services needed to create a software testing and development system and an integration facility at the VA.
- o VBA will deploy hardware in accordance with an agreed upon schedule, where needed: (1) to provide equipment needed in conjunction with process reengineering, (2) to reduce maintenance costs for older hardware, (3) to use for training, and (4) to replace equipment which is not responsive to the needs of modernization.

Appendix II
VA's Agreement With OMB

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

Software Testing and Development System

- o VA will establish a software testing and development test bed to develop in-house expertise in CASE technology and test out software applications prior to deployment on a phased basis in the regional offices;
- o VA will establish evaluation milestones and assessment criteria to better control software development costs; and
- o Stage III requirements will be re-evaluated. The software testing and development system will more clearly define the Stage III mainframe capacity requirements.

Project Planning and Management

- o VA will develop a detailed project plan with priorities for sub-projects, actions critical to achieving progress, processes subject to reengineering, thorough cost estimates for the overall Modernization and its component efforts, and an updated economic assessment.
- o VBA will obtain training from the Software Engineering Institute on performing software process assessments in accordance with the Software Process Maturity Model. Knowledge gained will be applied in the development and improvement of software methodologies employed for Modernization. Moreover, VA will use project management software linking resources with budgetary data into an automated planning model.
- o Unless these studies raise serious concerns about the costs and potential benefits, funding for VBA Modernization will continue at a controlled pace through the apportionment and budget formulation processes provided that VA:
 - oo refines requirements for the system based on the results of the process reengineering;
 - oo ensures in-house skills are developed sufficient to correct any deficiencies that might be identified by the independent in-house software development maturity study;
 - oo adheres to the software deployment restrictions on the testing and development project described above; and
 - oo demonstrates through post-implementation review of software modules improved service to veterans.

Strengthen CIO and VA Oversight

- o CIO will report directly to the Secretary on Departmental IRM issues such as major automation projects. The CIO will centralize and coordinate common IRM functions to ensure department-wide issues are considered. Specifically:
 - oo use of interoperability standards and technical architectures among VA's line organizations;
 - oo establish information standards to enable exchange of data among VA line organizations (e.g.- master veteran record); and

Appendix II
VA's Agreement With OMB

- oo centralize and coordinate information sharing with other Federal agencies, such as:
 - ooo VA-wide income verification with the IRS and SSA;
 - ooo service record data from the Department of Defense (DOD); and
 - ooo electronic medical records with DOD.
- o With regard to major automation projects, such as the VBA modernization, the CIO will:
 - oo work with VA components to establish acquisition and implementation priorities and to resolve any problems;
 - oo work with the VA components to develop decision criteria for controlling systems development and operations life cycles of these major automation projects;
 - oo develop, in conjunction with the CFO, full and accurate information on major automation project expenditures (including capital and investment expenses and all agency staff expenses for conducting VA IRM responsibilities);
 - oo develop performance review and reporting requirements to identify the net benefits actually realized from major automation projects; and
 - oo organize and appoint a group of experts as independent advisors to the senior management council (see below);
 - oo review and approve all major automated information systems at pre-defined milestones;
 - oo evaluate and approve all significant information technology acquisitions above \$2.5 million;
- o A senior management council will be established at VA. The council would:
 - oo present VA-wide IRM issues to the Secretary and VA senior managers for resolution;
 - oo advise the Secretary on ways to improve VA's use of information technology and;
 - oo advise the CIO on the VA major automation projects including progress toward resolving outstanding problems.
- o The CIO will submit a brief semi-annual report to OMB and GSA. This report will include:
 - oo the status of any major automation projects, such as the VBA modernization;
 - oo the decisions and outputs of the senior management council; and
 - oo steps underway to correct problems and milestone slippage, as well as identifying issues and problems that are outside VA's control.

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Attachment

Performance Measures

1. Performance Measures for C&P Service

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

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

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

PERFORMANCE MEASUREMENT I:

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

PERFORMANCE MEASUREMENT II:

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

PERFORMANCE MEASUREMENT III:

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

PERFORMANCE MEASUREMENT IV:

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

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2. Performance Measures for Veterans Assistance Services

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

PERFORMANCE MEASUREMENT I:

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

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

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

PERFORMANCE MEASUREMENT II:

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

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

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

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3. Performance Measure for Vocational Rehabilitation Service

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

PERFORMANCE MEASURE:

EP	<u>FY 93</u>	<u>FY 96</u>
Elapsed Time in Applicant Status	80 days	30 days

4. Performance Measure for Loan Guaranty Service

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

PERFORMANCE MEASURE:

EP	<u>FY 93</u>	<u>FY 96</u>
Timeliness of CRV's	88.7% in 20 days	93% in 20 days

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Related GAO Products

Veterans Benefits: Acquisition of Information Resources for Modernization Is Premature (GAO/IMTEC-93-6, Nov. 4, 1992)

Veterans Affairs IRM: Stronger Role Needed for Chief Information Resources Officer (GAO/IMTEC-91-51BR, July 24, 1991)

Veterans' Benefits: VA Acts to Improve Quality Control System (GAO/HRD-90-161BR, Sep. 24, 1990)

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

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ADP Systems: Department of Veterans Benefits Modernization Program (GAO/IMTEC-88-3, Oct. 30, 1987)

Computer Systems: VA's Target Project Never Achieved Redesign of Its Processing Software (GAO/IMTEC-86-30BR, Aug. 21, 1986)

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