

DEPARTMENT OF VETERANS AFFAIRS
INFORMATION TECHNOLOGY PROGRAM

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BEFORE THE
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OF THE
COMMITTEE ON VETERANS' AFFAIRS
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DEPARTMENT OF VETERANS AFFAIRS INFORMATION TECHNOLOGY PROGRAM

THURSDAY, MAY 11, 2000

**U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,
COMMITTEE ON VETERANS' AFFAIRS,
*Washington, D.C.***

The subcommittee met, pursuant to notice, at 12:22 p.m., in room 334, Cannon House Office Building, Hon. Terry Everett (chairman of the subcommittee) presiding.

Present: Representatives Everett and Brown.

OPENING STATEMENT OF CHAIRMAN EVERETT

Mr. EVERETT. Good afternoon. My notes say good morning, but obviously we've slipped past that by now.

This hearing will examine Department of Veterans Affairs information and technology, referred to as the IT program. VA's IT budget is \$1.2 billion this year, and next year's proposed budget is \$1.4 billion. This is the first of two hearings on the VA's information technology program. We will hear testimony from representatives of the General Accounting Office, the VA Inspector General's Office, and the VA.

These evolving IT modernization efforts go back at least to the 1985 Veterans' Administration policy to provide better service to veterans through modern technology. And here we are 15 years later, and what progress has the VA made? And most importantly, how has service to the veterans improved?

Congress has encouraged and provided generous funding for modernization efforts, but it has long been doubtful of VA's program management and a lack of measurable results in delivering benefits and services to veterans. We are sure of one thing: The VA spent a mountain of money, billions of dollars, on computers and software, but other than having a lot of computers and software at the VA, the return on investment for taxpayers and veterans is not that obvious. The VA does have one clearly successful IT project to build on—its Y2K effort. And we'll do a retrospective on that later as well.

We have a lot to cover. We're late. We will have additional votes this morning, and it's my intention to move the subcommittee hearing along as rapidly as possible. And I would ask all the folks testifying to limit your oral testimony to 5 minutes, and we'll put your complete testimony in the record.

I'd like to now recognize my friend and ranking member, Corrine Brown, for whatever remarks the Congresswoman would like to make.

OPENING STATEMENT OF HON. CORRINE BROWN

Ms. BROWN. Thank you, Mr. Chairman. Information technology is complex, rapidly changing, and seems to require ever large investments every year. We are attracted, sometimes even blinded, by its potential benefits. Unfortunately, at times, information technology evolves faster than agency cultures and management mindsets are able to adjust.

This morning we'll hear from the GAO and the IG telling about decades of unfulfilled promises, missed deadlines, and wrong turns that have cost the taxpayers millions of dollars. On the positive note, they also will report that VA is making limited progress and that there is hope for better results if various recommendations are followed.

The VA presentation, as you would expect, will be forward-looking, telling us about their new organizational structure, planning systems, and initiatives.

On January 1, 2000, VA provided that—with a little oversight incentive from this Subcommittee—it could meet its difficult IT challenges successfully. I applaud VA's year 2000 rollover effort and its architect, Harold Gracey. A lot of valuable lessons were learned from the VA's Y2K preparation, and a major byproduct of success was program credibility.

Mr. Chairman, although I am concerned about the broad IT issues like information security and integrated architecture, I am also encouraged with the positive position of VA's capital planning and investment process. My interest today, however, is in the details represented by projects like the data center consolidation and VETSNET. Responses to my questions about these details will give me a measure of VA's current institutional culture and the decision-making process.

Today's hearing is just the first in what promises to be a series of hearings extending way beyond the 106th Congress, no matter which party is in control. Mr. Chairman, I appreciate the bipartisan nature of this committee and the way that we work together, and I'm looking forward to this hearing.

[The prepared statement of Congresswoman Brown appears on p. 29.]

Mr. EVERETT. I appreciate those comments, and we will begin now. I'd like to recognize Joel Willemsen, the Director of Civil Agencies Information Systems of the GAO, and ask him to please introduce his staff.

STATEMENT OF JOEL C. WILLEMSEN, DIRECTOR, CIVIL AGENCIES INFORMATION SYSTEMS, ACCOUNTING AND INFORMATION MANAGEMENT DIVISION, GENERAL ACCOUNTING OFFICE; ACCOMPANIED BY HELEN LEW, ASSISTANT DIRECTOR, CIVIL AGENCIES INFORMATION SYSTEMS, ACCOUNTING AND INFORMATION MANAGEMENT DIVISION, GENERAL ACCOUNTING OFFICE

Mr. WILLEMSEN. Thank you, Mr. Chairman, Ranking Member Brown. Thank you for inviting us to testify today. Accompanying me is Helen Lew, assistant director. As requested, I'll summarize our statement.

Since issuing our report in 1998 on the need for VA to implement information technology reforms, the department has made progress. For example, compared to its fiscal year 1999 investment and review process for information technology projects, the fiscal year 2001 process provided decision-makers with more detailed information on proposed projects such as rates of returns and risks.

In addition, VA's in-process reviews are focusing on whether projects are meeting cost, schedule, and performance goals. Further, VA has improved its post-implementation reviews of projects by starting to compare actual versus estimated costs, schedules, and benefits, and by beginning to identify lessons learned that can be used in future efforts.

Even with this progress, however, much work remains for VA to achieve truly effective management of information technology. I'd like to highlight what we believe are the key actions VA needs to do this.

First, it's extremely important that the department have the necessary information technology leadership by filling the CIO position which has now been vacant for almost 2 years. This is now more critical than ever, given Mr. Gracey's planned departure.

In the investment management area, VA needs to (1) establish and monitor deadlines for completing in-process reviews to ensure they're done timely; (2) make sure lessons learned from post-implementation reviews are communicated back to top decision-makers; and (3) for information technology investments below the thresholds established for the Capital Investment Board, follow through on plans to develop, update, and implement needed guidance.

Regarding its vision of "One VA," the department needs to reassess its compartmentalized strategy of having each component develop its own approach to achieving the "One VA" vision. It also needs to commit to developing an integrated information technology architecture along with an implementation plan and milestones for when this will be completed.

Finally, in the critical area of computer security, VA needs to continue working to address and resolve key weaknesses identified by the inspector general and by GAO.

Mr. Chairman, you also asked us to briefly comment on three specific projects: The Master Veteran Record, VBA's action to modernize its systems, and VHA's Decision Support System. Each project faces challenges. For example, linkage of the Master Veteran Record to VBA's compensation and pension service line has been delayed, even though this could yield significant savings in reduced overpayments.

Regarding VBA's efforts to modernize its systems, two major projects we reviewed have been problematic: The \$11.5 million compensation and pension replacement project has missed several milestones and currently has no expected completion date, while the \$3 million education redesign effort was terminated without a product.

Finally, although VHA has spent more than \$200 million to develop and operate its Decision Support System, usage of the system for areas such as budget formulation, resource allocation, and health outcomes and effectiveness has been limited.

In conclusion, while VA has made progress, it still must take action in several areas, and by committing to these actions and associated milestones for when they will be completed, VA will be in a much better position to provide quality service to their primary client—the veteran.

That concludes a summary of my statement, and we'd be pleased to address any questions you may have. Thank you.

[The prepared statement of Mr. Willemssen appears on p. 30.]

Mr. EVERETT. Well, thank you very much. I must say that having started hearings on technology modernization program and computer programs over 5 years ago when I was chairman of Compensation and Pensions, I must tell you that where the VA has gone with this is extremely disappointing.

I think we'll alternate questions between myself and the ranking member, each taking 5 minutes. And let me start by asking you how much has VA spent on IT over the past decade, and if you would break that down between VBA and VHA and NCA.

Mr. WILLEMSSEN. Unfortunately, Mr. Chairman, we can't give you a precise estimate even of how much money has been spent. I don't believe, in all honesty, VA can give you an honest answer either because it does not have an adequate cost accounting system to be able to track those costs, an issue that we brought to your attention in testimony about 4 years ago.

I know that VA is trying to address this issue, but it has not been fully addressed yet. Therefore it is difficult for us to estimate how much has been spent.

You mentioned in your opening statement that this is no small amount. In the last 3 years, it's averaged slightly over \$1 billion annually. There is a great deal of money being spent, but precisely how much I think remains a bit unknown.

With VA committing to a more thorough investment management process for IT projects, I think it will begin to get a better handle on its cost, but VA will still need a good cost accounting system.

Mr. EVERETT. Let me see if I understand what you've just told me. What you have just told me is not only can the VA not tell me how much each of these departments has spent, but if I understand you, they can't tell me how the money was spent?

Mr. WILLEMSSEN. It's been very problematic for us to get this information. Yes, I don't believe VA will be able to tell you on a universal scale.

Mr. EVERETT. In short, they can't balance their books on this money?

Mr. WILLEMSSEN. For the information technology projects, we've been unable to identify the cost information. Correct, sir.

Mr. EVERETT. And we're talking over the last 4 years, between \$4.5 and \$5 billion?

Mr. WILLEMSSEN. It would be in that neighborhood, yes, Mr. Chairman.

Mr. EVERETT. Apparently the cost accounting for the VA is not progressing all that well. You know, you gave me your first report, I can't remember, 4 or 5 years ago on this, and at that time we couldn't find out where the money had been spent, either.

Mr. WILLEMSSEN. Yes.

Mr. EVERETT. And we were very interested in seeing the VA gets some sort of cost accounting. It seems to me that, you know, if it's 4 years, that's an awfully long time.

Mr. WILLEMSSEN. Yes. Not to give excuses for VA, but it did have one major project that did take priority, and as you mentioned in your opening statement Y2K became the top priority for the department. So that in part pushed the cost accounting aside, unfortunately. But, it's still absolutely necessary to know how your funds are being spent, more importantly, what kind of benefits are we getting for this money? How is it improving service to the veteran? VA is committed to starting to get this information. This commitment unfortunately was lacking in the past, Mr. Chairman.

Mr. EVERETT. Well, I'm extremely pleased with the way that VA handled the Y2K problem. Perhaps what you don't know is I called officials of the VA into my office and asked them point blank: whose head is going to roll if this is not done correctly? And I was given assurances that it would be done correctly. And I guess the chairman, either myself or perhaps Ms. Brown next year, is going to have to do the same type of thing to get this cleared up. We simply can't have billions and billions of dollars spent and services to the veterans not improved.

We just got through a full committee meeting where we're all disturbed about not being able to go beyond the budget within the VA to give more money to the Montgomery GI Bill. It's this committee's responsibility to see that this money is spent correctly. And I'll tell you, it gets kind of frustrating at times.

How much has the VA invested in the VETSNET project over the last 8 years?

Mr. WILLEMSSEN. Based on available information, we testified approximately 4 years ago that it had spent about \$284 million, and we've seen another approximate \$100 million since then. Accordingly, over a 14-year timeframe, we know that at least \$384 million was spent on the collection of projects known as VETSNET.

Mr. EVERETT. And how well was that money spent? What did we get for that money? And if we didn't get what we should have gotten, if some of the money was wasted, why was it wasted? Has it to do with contracts or—

Mr. WILLEMSSEN. I'd like to answer that in this way, Mr. Chairman. It's critical that VA have an investment management process in place so it can demonstrate the benefits associated with these investments. Until recently, this process wasn't in place. As a result, we do not have any kind of precise detail on the benefits associated with particular projects.

On VETSNET, we focused on the C&P replacement effort and the education redesign effort, which totalled were about a little over \$10 million. For these two projects, we could not readily identify any benefits associated with improved services to the veteran.

Mr. EVERETT. Before I pass on to our ranking member, didn't the GAO recommend termination of the VETSNET project, and wasn't there also other recommendations from other sources on termination?

Mr. WILLEMSSEN. Yes, sir. We testified before you in 1996. One of the issues that we brought to the table then was the fact that VA's software development capability was ranked fairly low and characterized by ad hoc and chaotic processes. We recommended that until VA had significantly improved its process to a more mature level, it should delay any new investments in software-intensive projects.

Mr. EVERETT. I recall some 4 years ago that they were using COBOL in some of their software?

Mr. WILLEMSSEN. Some of their software is still in COBOL.

Mr. WILLEMSSEN. Ms. Brown.

Ms. BROWN. First of all, I want to thank both of you for the long hours and hard work you put in over several years to help prepare us for the Year 2000 rollover. Without your help and dedication, we would probably be talking about some of the problems that we were experiencing with Y2K. So, thank you, thank you.

Mr. WILLEMSSEN. Thank you.

Ms. BROWN. What were the three-to-five most important lessons that the Department should have learned from its preparation experience that can be used to improve the way it does information technology in the future?

Mr. WILLEMSSEN. One, top management leadership and involvement. This was a priority at the most senior levels of the department, and that priority really filtered down throughout the organization. There was no question in the minds of VA staff about what they needed to do on Y2K. So I think this is valuable lesson learned on what is needed to tackle some of the issues that we've discussed today.

Secondly, I think effective project management, making sure the kind of tools that were used on Y2K can also be appropriately used to tackle some of the efforts here today.

Third, I strongly believe in milestones. With Y2K, we had a milestone that wasn't going to change. I think on these kind of information technology projects it's important to get the department to commit to doing certain actions and say when they are going to have them done so that you can track how well they are doing in carrying out those actions. So I think delivering on those milestones is also very important.

I would add that VA overall is in a much better position to manage its information technology now than it was a couple of years ago because of Y2K. This is because they now know what they have. This is the case in many agencies throughout the Federal Government. Many agencies were lacking a basic inventory of their systems, and they were forced to inventory their systems because of Y2K.

Ms. BROWN. Just to follow up, what is your assessment of top management's commitment and support of information technology today and what would you base that assessment on?

Mr. WILLEMSSEN. Well, I think VA has taken actions to demonstrate their commitment to IT through the Y2K project and through some of the actions they've taken in the investment management area. But one of the most important things that needs to occur is making sure that top IT officials are in place.

As we mentioned in our testimony, the CIO position has been vacant now for almost 2 years, and now we have Mr. Gracey getting ready to depart. Top level departures like this are a cause for concern. Leadership is really a pivotal element to making this all work.

Ms. BROWN. VA was really a leader as far as Y2K, and I'm really pleased with that. There is another area, and that area is information security. I don't guess I have to say too much about it, but do you think that VA is prepared to take leadership in that area also?

Mr. WILLEMSSEN. One, VA does have some difficulties, but so do the vast majority of other federal agencies, so it is not alone. Computer security is probably near the top as one of the most important IT issues that we have to deal with. So I think there is a level of commitment. We'd obviously, again, like to see more done, and we have some outstanding recommendations. So, again, we'd like to see a commitment on the part of VA to make sure those are done as quickly as possible.

Ms. BROWN. Are you going to give us those recommendations? Is this a part of your testimony today?

Mr. WILLEMSSEN. We issued a report in late 1999, fall 1999, that discussed some of those recommendations on access controls, password controls, and segregation of duties. I believe the inspector general, who will be coming up next, may also have recommendations since they've reported on this, providing more detail on what they found in the computer security area.

Ms. BROWN. Thank you. Mr. Chairman, I yield back my time.

Mr. EVERETT. Let me pick up on something Ms. Brown brought up. How many VA senior IT management positions are filled with acting people or are vacant?

Mr. WILLEMSSEN. One, the department level CIO is vacant and has been for almost 2 years now. Mr. Gracey as the principal will be departing at the end of the month, so that's a second one. I believe Austin Automation Center is currently vacant, and the VHA CIO position is currently vacant and the person who is acting is carrying out two responsibilities. I understand VHA is moving aggressively to try to fill this position, so that's four that I can identify off the top.

Mr. EVERETT. Have you any idea about second-tier folks? I know, for instance, at Austin we have some second-tier vacancies.

Mr. WILLEMSSEN. If I may, I'd defer to Ms. Lew.

Mr. EVERETT. Certainly. Ms. Lew?

Mr. WILLEMSSEN. Can you fill in on any secondary positions?

Ms. LEW. I'm not aware of any. I know the key one is the director of the Austin Automation Center. VBA just recently hired a CIO, and I think we have an acting deputy CIO at VBA.

Mr. EVERETT. I believe the director of financial services at Austin is also vacant. This begs the question, why?

Mr. WILLEMSSEN. Well, I think that gets back to the issue of commitment also, and making sure that IT is an important issue that's being addressed at the department. The best way to address it is getting top leadership in there engaged, directed, and focused on IT.

Mr. EVERETT. Has the VA fully implemented the most crucial critical elements of the Clinger-Cohen Act?

Mr. WILLEMSSEN. It overall has not implemented the majority of those elements. Included among those would be implementation of a chief information officer, which we just talked about. Secondly, they do not at this point have a department-wide integrated architecture. Third, they do not have a unified department-wide strategy for reassessing their business processes to improve services to the veteran.

In the investment management area, which is also a key component of Clinger-Cohen, they have made progress and implemented much of the provision in Clinger-Cohen, although we point out a few other areas within that they still need to work on.

Mr. EVERETT. The areas where they have not acted, what will the impact be?

Mr. WILLEMSSEN. The impact is the risk of continuing to have projects over cost, behind schedule, and without a clear designation of what the benefits are associated with those projects. And the bottom line is, will they achieve their One VA vision if they continue to take a compartmentalized approach to reassessing their business processes?

Mr. EVERETT. The capital investment decision-making process is relatively new, but of course it's a really important step. Does the process assure that the projects proposed are the right ones to carry out the vision of, rather than having three VAs, having one VA?

Mr. WILLEMSSEN. As it stands now, I think the risk is that you move more in the direction of three VAs rather than one. I think the department needs to reassess this strategy and look more at a unified approach so that the focus is on the veteran, whether it's health or benefits. This would also help reduce the potential for redundancies between the different components of VA and can assist in cost reductions.

Mr. EVERETT. Well, we know Deputy Secretary Goyer has that as one of his goals. But where are we missing? What's happening here when you've got the Deputy Secretary, who I personally know to want the One VA project to be a success—he strongly wants it—yet it's not getting done?

Mr. WILLEMSSEN. Well, I think in part what you have is the benefits side and the health side still feeling that they want to implement their projects to improve their processes. I think it's sometimes fairly natural that individuals within their organizations want to pursue their particular investments. I think what's necessary is a strong chief information officer in place with a department-wide focus. I'm not saying that VBA and VHA can't pursue such efforts, but they need to make sure that they link up in an integrated fashion with the overall One VA vision.

Ms. Brown, do you have any additional questions?

Ms. BROWN. Yes, sir. I'm concerned when I hear that VA is simply automating old models that have always been used, and that what they really need a system based around a veteran rather than a program. How valid is this assessment, and what does VA need to do to provide effective, seamless, One-VA service to American veterans and their families?

Mr. WILLEMSSEN. I think that is a valid point. Increasingly, VA needs to look at who its primary client is, and that is the veteran, and how can we best serve that veteran. In an ideal sense, veterans would want to be able to get from the department information on exactly where they stand not only on the benefits side but also the health side. To the extent that the department had the necessary security and privacy, you would, in an ideal sense, want to see that kind of information readily available in an electronic form so that a veteran could immediately access that information.

To the extent the department continues to take more of a compartmentalized approach, it will be that much more difficult to achieve that kind of a vision. Therefore, we think is necessary is to move away from that component agency approach and take a more unified department-wide approach.

Ms. BROWN. One last question, Mr. Chairman. How well is the VA preparing for the future that will have an increasing number of veterans wired and able to communicate with the department? Of course, this question goes beyond information technology, it involves staffing and program administration. As people become more informed of their benefits, there will be more business.

Mr. WILLEMSSEN. This is exactly what VA focused on in the implementation of its vision for One VA and how it would provide information to the veterans increasingly in electronic form while still retaining necessary security and privacy precautions and protection? I think clearly that this is the direction the department needs to head.

Ms. BROWN. I yield back my time, Mr. Chairman. Thank you.

Mr. EVERETT. Thank you. Assuming we get the One VA and reap all the wonderful benefits that we all agree could happen there, is it just too much to hope for that VA computers could ever talk to DOD computers and solve some of our problems there?

Mr. WILLEMSSEN. I think that's a lofty goal, but I think—and that's what we should be shooting for is to try to have one master—truly one veteran record, rather than just a messaging system. I think this is still a goal that's worth shooting for. But at least initially, we'd like to see VA do it on a department-wide level.

Mr. EVERETT. Thank you very much, and I thank you for your testimony.

Mr. WILLEMSSEN. Thank you.

Mr. EVERETT. And now I'd like to call Richard Griffin, the Inspector General for the VA. And Mr. Griffin, if you will, please introduce your staff.

Mr. Griffin, as usual, I want to ask you to hold your testimony to 5 minutes, and your complete statement will be made a part of the record. And you may proceed at any time.

**STATEMENT OF RICHARD J. GRIFFIN, INSPECTOR GENERAL,
DEPARTMENT OF VETERANS AFFAIRS; ACCOMPANIED BY
MICHAEL SLACHTA, JR., ASSISTANT INSPECTOR GENERAL
FOR AUDITING, DEPARTMENT OF VETERANS AFFAIRS**

Mr. GRIFFIN. Thank you. I'm accompanied by Mike Slachta, who is my assistant inspector general for audit.

Mr. Chairman and members of the subcommittee, I am pleased to be here today to comment on the Department of Veterans Affairs Information Technology program. Mr. Slachta, who joins me today, you may recall, testified last year before this committee and presented audit work we completed on the department's successful Year 2000 effort.

During the last several years, the Office of Inspector General has reviewed selected VA IT system development initiatives, procurements and capital asset acquisition practices that identified opportunities where the department could enhance its IT investment efforts. Our IT review efforts have also focused on departmental information security controls.

While the department is taking certain positive actions, our audits have found that the department needs to more fully assure that IT resources are effectively used and client IT needs are effectively met.

Effective management and oversight of VA's IT investment is critical, given the significant fiscal year 2000 investment of over \$1 billion.

Our review efforts have identified opportunities for enhancements in key VA system developments involving Electronic Data Interchange, human resources and payroll, and a management information system to support delivery of health care to veterans.

For example, in 1999 we conducted an audit of the Veterans Health Administration Decision Support System or DSS. DSS represents VHA's first automated managerial cost accounting system for the delivery of health care. Our audit found that the potential usefulness of DSS was compromised because some VA Medical Center staff had diverged from the DSS system's basic structural standard. Where such divergence occurred, it prevented data from being accurately aggregated.

We recommended and the Under Secretary agreed that DSS can only achieve its full potential if VHA ensures that the medical facilities follow the standard DSS structure. Our audit report estimated that as of September 1998, VHA investment in DSS was about \$140 million.

Our review efforts have also identified opportunities for VA to enhance the efficiency and effectiveness of IT contracting initiatives and assure that the department's IT capital investment process addresses the requirements of the Clinger-Cohen Act.

For example, in 1999 we audited the procurement initiatives for the VA telecommunication support, known as the Integrated Data Communications Utility, or IDCU. The audit identified issues in the 10-year-old IDCU contract that adversely impacted VA operations and costs. The IDCU system and contract were no longer meeting VA's telecommunication requirements effectively or efficiently. Key audit findings included:

(1) Contract modifications totaling \$142 million were not supported; (2) VA spent approximately \$3.1 million leasing and maintaining unused data ports over the life of the contract; and (3) VA needed to recover over \$1 million in payments to the contractor for a Performance Management System that was not accepted.

We also advised the department that it needed to conduct a formal risk assessment to adequately assess, manage, and mitigate the levels of risk associated with transitioning to a new wide area network solution.

In response to a request from the Principal Deputy Assistant Secretary for Information and Technology, we included a review of the IT acquisition process as part of our regularly scheduled Combined Assessment Program reviews. So far, our CAP reviews at VAMCs in Dublin, GA; Biloxi, MS, and Denver, CO did not identify any IT procurement problems.

Finally, our review efforts over the last several years have identified department-wide weaknesses in information systems security that continue to make VA's program and financial data vulnerable to error and fraud.

Audit tests completed this year continue to demonstrate widespread system security control weaknesses. Our security control testing found that access controls and monitoring were ineffective. Our penetration tests at VBA demonstrated that weaknesses allowed us to obtain privileged access from outside and inside VBA to significant computing resources without being detected.

In addition, significant weaknesses in the automated data processing general controls also continued within VHA. For example, at one facility we determined that 3,860 users inappropriately had the ability to obtain one of the password files, and that 90 accounts remained active despite the fact that owners had not signed on the system in more than a year.

We have reported system security control weaknesses in our 1997, 1998, and 1999 financial statement audits and made recommendations for VA to implement a comprehensive security program that would improve access controls.

During 1999, VA had proposed and taken a number of corrective actions that could result in an effective security program with strengthened access controls. However, these efforts are just beginning to be implemented and have not had time to permeate the entire organization.

This concludes my testimony. We'll be pleased to answer any questions that you may have.

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

Mr. EVERETT. Mr. Griffin, thank you very much for your usual complete testimony. We have great indebtedness to you in this Subcommittee for the wealth of OIG information that you've given us over the years.

I just want to talk about the audit on Veterans Health Administration. It indicates a lack of any standard practice in the collection of data. From my viewpoint, I think is probably another example of lack of senior management getting involved, and also lack of the integrity for the discipline of the data gathering.

I recall back when this first came up 4 or 5 years when we were talking about, it seemed like everybody and their brother on every

local level was interfering with or writing their additions to the source codes, and we couldn't find a clean source code anywhere to get started on. Could you comment on that?

Mr. GRIFFIN. I would say regarding the awareness of senior management in VHA, after we had started this DSS audit, and while it was still in progress, Dr. Kizer asked us to look at whether or not you could trace the funding in VHA, that is, as they moved from an inpatient to an outpatient scenario, whether there was sufficient data available to demonstrate that not only had they shifted to outpatient care, they also had moved the commensurate amount of dollars to outpatient care.

Looking at DSS—which was supposed to track cost of health care and management decisions for allocation of money for health care we realized that there were approximately 20 to 25 percent of the facilities that had not implemented DDS. As a result, when you try to analyze the data on a national basis, you find you don't have good numbers to work with.

So I think DSS is a good system. It's a system that is needed in order to know how to allocate the funding, but when the system was put out there, I don't think there was sufficient training provided, and there wasn't sufficient staffing put in place to make the system work the way it could work.

Mr. EVERETT. I agree with you, it's a good system. Having said that, why hasn't VHA enforced data standardization issue? Why have they been lax on it?

Mr. GRIFFIN. I think until we did the audit, their level of awareness as to the amount of participation wasn't what it should have been.

Mr. EVERETT. My question remains why? Who knows?

Mr. GRIFFIN. Well perhaps VHA can answer that question. Thank you.

Mr. EVERETT. Ms. Brown.

Ms. BROWN. Thank you. The recent Love Bug virus illustrates the weakness of the information systems in general. You note in your testimony that you've been able to infiltrate the system using, in your words, unsophisticated methods and exploring configuration weaknesses. Your report makes me nervous—very, very nervous. What is your level of confidence that the VA plans for information security will provide needed protection, and what else would you recommend that the VA do?

Mr. GRIFFIN. I would concur with my colleague who preceded me that it's a government-wide problem and it's a private sector problem also. We will be issuing a draft report, if we haven't already in the last couple of days, on that penetration activity.

There are things that can be done that aren't nuclear physics, but which require that you focus on the process. And then once you establish what your system is going to be, you have to hold people accountable for making it work. Some things as simple as changing passwords and the number of characters and letters in your passwords being changed quarterly, which is something that the department has adopted in recent months, is not something that, again, requires a person to be a genius. It's a problem of having a huge, decentralized organization and making sure at every one

of those facilities out there, that somebody is in charge of making sure those things happen.

Ms. BROWN. You reported weaknesses in 1997 and 1998, and that the VA began to address these issues in 1999. What is the VA doing to address these very serious problems that you've found? You mentioned a couple of things. I think this is the greatest security issue that our whole nation, as you said, is faced with.

Mr. GRIFFIN. It is. And it's complicated by having different administrations on different systems. I think that you have to establish what your security protocols are going to be, and then you have to make sure that at each of your major facilities, you've got a security officer who is paying attention to these issues.

Ms. BROWN. Well, we just were attacked by a 15-year-old from the Philippines. What if a nation decided to go in there and attack us?

Mr. GRIFFIN. It's a serious problem.

Ms. BROWN. I know that it's a serious problem. I know that. But what are some of the solutions?

Mr. GRIFFIN. Well, I'll ask Mike to speak to some of the recommendations that are going to be in our draft. But we're reluctant in that penetration study to put too many specific things on the record, because it's easy enough already for people to penetrate the system and we don't want to make it easier for them.

But having said that, I'll ask Mike to speak to some of the other specifics.

Mr. SLACHTA. Let me say that one of the things that the department has recently done is they've entered into an enterprise-wide assessment of the information security risks. They let a contract in December of 1999 to take a look at what their risks are. They've also established a response team, a critical infrastructure response team, so that when they find violations of security they can get to the situation, find out what the problem is, and correct it.

There is no easy solution to the security issue. The biggest problem right now is first finding out what their risk is, and they need to do the risk assessment. That's what the enterprise-wide contract should do for them. Then each one of the identified risks needs to be addressed.

Our study makes recommendations for very specific types of vulnerabilities that need to be corrected, and the department's reaction to our draft and to our briefings has been very positive, as it should be.

Mr. EVERETT. Would you all stand by? We're trying to find out what's happening on the floor. Unfortunately, it appears that we have five votes, which means that we're going to be gone probably at least 30 to 40 minutes. And I have no choice, although I'd love to get through, I have no choice but to recess the hearing. But prior to doing that, let me dismiss this panel and thank you again for your participation.

[Recess.]

Mr. EVERETT. The committee will come to order.

Harold Gracey is the Principal Deputy Assistant Secretary of Information for the VA. And Mr. Gracey, if you will, I'd appreciate it if you would introduce your staff that you brought with you, and after that, you can begin your testimony.

Mr. GRACEY. Thank you, Mr. Chairman. To my far left is Mr. Charles DeCoste, who's the Director of the Data Management Office in Veterans Benefits Administration. To my immediate left, Ms. K. Adair Martinez, the new CIO for the Veterans Benefits Administration, who we're very happy to have on board with us. To my right, Mr. Charles Yarbrough, who's the Acting CIO of the Veterans Health Administration. And to his right, Dan Marsh, who's the Associate CIO in the Veterans Health Administration.

Mr. EVERETT. Before we get started, Mr. Gracey, let me point out at the outset that this Subcommittee would like to recognize you and your efforts in strengthening and reforming the VA's IT programs. You've certainly made a difference in the short time that you've headed IT. You've started to pull together what has been poorly focused, poorly coordinated, and very weak management practices. You've started to bring some order and direction to it with critically needed reforms.

We recognize that you and your staff were also the driving force behind the VA's highly successful Y2K program. And we appreciate your efforts to begin the IT integration of the three VAs into One VA.

Your retirement after 30 years of government service, 17 years of which have been spent within the VA, will leave big shoes to fill. I don't know how VA will replace your institutional knowledge and the sharply honed management skills that you have. The VA's challenge now is to go and build on what you've started.

So we certainly wish you the best in your upcoming retirement and your future endeavors in the private sector. If you will now please proceed with your testimony, I would ask you to hold it to 5 minutes, and your complete testimony will be made a part of the record.

STATEMENT OF HAROLD F. GRACEY, JR., PRINCIPAL DEPUTY ASSISTANT SECRETARY FOR INFORMATION TECHNOLOGY, DEPARTMENT OF VETERANS AFFAIRS; ACCOMPANIED BY C.V. YARBROUGH, ACTING CHIEF INFORMATION OFFICER, VETERANS HEALTH ADMINISTRATION; DAN L. MARSH, ASSOCIATE CHIEF INFORMATION OFFICER FOR IMPLEMENTATION AND TRAINING, VETERANS HEALTH ADMINISTRATION; K. ADAIR MARTINEZ, CHIEF INFORMATION OFFICER, VETERANS BENEFITS ADMINISTRATION; CHARLES R. DeCOSTE, DIRECTOR, DATA MANAGEMENT OFFICE, VETERANS BENEFITS ADMINISTRATION; AND VINCENT L. BARILE, DIRECTOR OF OPERATIONS SUPPORT, NATIONAL CEMETERY ADMINISTRATION

Mr. GRACEY. Thank you, Mr. Chairman. Thank you for those kind remarks.

I'd like to spend my time today just describing for you some of the progress we've made in the last 2 years, since this organization was established.

I think we've accomplished a lot. However, I want you and the subcommittee to know that my colleagues here and I recognize, sir, that we have much further to go, especially in light of the increasing role information technology plays in the delivery of health care

and benefits and memorial services to our nation's veterans, as in our own personal lives.

Let me just quickly review that progress. As I said earlier, and it speaks to the senior management attention that you and Congresswoman Brown spoke about earlier, the Secretary established the position of an assistant secretary for information and technology to be the department's CIO about 2 years ago in recognition of how large a job information technology was. That was paralleled by the creation of CIOs in the major components to give the department CIO colleagues to work with. Working together as One VA, as you so kindly mentioned, we overcame the Y2K challenge with the very crucial support of you and your colleagues on this Subcommittee, and I want to personally thank you for your support.

I suggest the Y2K model actually is the one that we should emulate in moving forward and working together to attack the rest of the IT issues in the department.

We were also confronted at this same time, with the emergent need to replace our wide area network, which is the data network that carries all the electronic transactions that support the delivery of health care, benefits and memorial services. We met that challenge, again operating in a One VA manner, and are well along in transitioning to the new network, which is a public network for which the General Services Administration contracted.

I met early on in my tenure with Mr. Willemssen from GAO and asked for his support and advice in steering me toward examples of best practices of implementing the Clinger-Cohen statute in government. Our focus, and therefore our accomplishments in the last 2 years, have been modeled on those best practices that Mr. Willemssen pointed me toward. We have developed a One VA information technology strategic plan that we revise regularly. It sets the framework for using information technology to improve service to veterans.

We established the VA-wide technical architecture, which has been supplemented by architecture efforts in VBA and VHA. Further expansion and refinement of those efforts is ongoing, and I know that's something of interest to you and the subcommittee.

We've implemented a rigorous capital planning and investment process which has been recognized by OMB and others as one of the best in government. We use it to review our plans for large expenditures at multiple levels, which culminates in a review and recommendation by the deputy secretary on all large projects as chairman of the Capital Investment Board, and by the Secretary as chair of the VA Resources Board.

We're pursuing a streamlining of our data center operations on which we reported to Congress earlier in the spring. We still need to resolve some issues with you before proceeding with that, but we believe it is a real money saving and service improvement effort and hope to be able to answer the questions that have been put to us in the short term.

We've devised and begun implementation of a One VA information security program, a key element of our stewardship of the department's systems and veterans data, and a key piece of our architecture, because it will allow us to expand electronic service to veterans.

Under Deputy Secretary Gober's great leadership, we've had five national One VA planning conferences, which have been watersheds, from my perspective, in moving toward one department, not stovepipes. They've truly been transformational events—and I don't say that lightly—which have led to a number of business process reengineering efforts, many of which are IT-focused.

In summary, as I said when I began, I'm proud of what we've been able to accomplish just in the last 2 years, and I'm personally and professionally grateful for the efforts of all involved, including you and the other members of this Subcommittee and our IG partners.

I'm very proud to have been able to participate in the beginning of this transformation, but I reemphasize that the challenge isn't small. VA is one of the largest and most complex organizations in the world, with more than \$150 million of business moving through our systems every day. My colleagues and I recognize the magnitude of the challenge and realize that much remains to be done before success can be declared, but I would hope in subsequent years we are here—or they are here—to declare that success to you. We know it's a big job and an important one.

But I'd close by saying I guess this isn't ultimately about information technology or perfecting the implementation of the processes and procedures that make up the Clinger-Cohen Act. It's in fact about the results, as you said earlier: Enabling the creation of One VA in a very real sense; creating in the department a world class organization at which every veteran and family member feels welcome, feels like they're accessing their department which they own, not the government, as we're so often characterized. It's about our mission, and we know that, sir, and we're here to commit to you to move on and do in the rest of IT what we've done in the past. And we're ready for your questions.

[The prepared statement of Mr. Gracey appears on p. 59.]

Mr. EVERETT. Well, thank you very much. You state that in May 1999 VA published a department-wide technical architecture. I understand that this sets the standard to be followed in the design or acquisition of new information systems. It also addresses the interoperability and compatibility of your systems. How could you have done this when GAO's testimony today states that neither VBA nor VHA have fully defined and documented their current architecture, IT architecture?

Mr. GRACEY. Well, the Clinger-Cohen Act suggests, and subsequent guidance about it suggests that the architecture is really a multilayered undertaking, only one piece of it being the technical piece which I referred to and you just described.

We did put together the technical architecture with the work of a department-wide working group that included VBA and VHA. Mr. Willemssen's statement and GAO's work criticizes us, and I think fairly, about not going and developing the remaining levels of that architecture that started with the business level and worked down to the more discrete data levels. Those are works in progress across the department. We are not as far along as we would like to be, but we are working at it.

Mr. EVERETT. In that regard, let me also point out that the 1998 GAO report states that the VA has not defined or developed a de-

partment-wide integrated architecture and needed to develop a detailed implementation plan with milestones for completing such an IT architecture. The VA concurred with this finding. Where is the plan, and what are the milestones? Can the VA truly become a One VA without an integrated plan?

Mr. GRACEY. There is no overall plan and no milestones, Mr. Chairman. In fact, I think Mr. Willemssen correctly characterized that we got ourselves into a bit of an emergent situation with Y2K, and clearly that's the first thing that I worked on when I took over this job was making sure we were going make that date certain. We have rededicated ourselves since doing that to the One VA planning conferences which help establish the business level of the architecture and the direction that we want to go as an organization.

We've included reference to fulfilling the interoperability of the technical architecture in all of our capital investment decisions and all of our new project plans. And I guess what I would close by saying is we'll deliver you a plan and a schedule as soon after this hearing as we can so that we check off that notch on the Clinger-Cohen implementation.

Mr. EVERETT. In other words, what you're telling me, there is no plan today?

Mr. GRACEY. There is no plan to finish the department-wide architecture that exists on paper today.

Mr. EVERETT. How about the milestones?

Mr. GRACEY. With milestones. No, there isn't.

Mr. EVERETT. Well, that's, as you know, been a continuing problem, not before this Subcommittee, but 4 or 5 years ago when I was looking at this same problem as chairman of Compensation and Pensions, we couldn't get a plan. And we had an awful lot of folks coming in here and saying, well, we're going to get a plan together and we're going to be able to do it. I referred to it as a road map, or of course many years ago it was called management by objectives, and none of that seemed to be a focus. And I don't doubt your word nor that the staff is dedicated to doing this, but I will have to tell you that I've kind of heard this kind of thing before.

Mr. GRACEY. I know you have, sir. I've been here when you've heard it before. I would like to correct at least the perception that I think I hear. We do have an overall information systems strategic plan that follows the department's strategic plan that lays out the direction in which we're going. What we don't have a plan for is the development of the specific——

Mr. EVERETT. What I call MBO——

Mr. GRACEY (continuing). The architecture.

Mr. EVERETT (continuing). Management by objectives. Well, according to the GAO, the VA's capital investment process for its procurements and projects that are less than \$250,000 is less structured. My subcommittee's review of this issue indicates that there is very little oversight by the department on these sort of contracts, \$250,000 and below. The department does not review these contracts in the broader context of what these contracts contribute to. Why hasn't written guidance been issued to monitor and manage approved procurements or evaluate the completed projects? And if this isn't in place, when can we expect it?

Mr. GRACEY. Of \$250,000 and below, sir?

Mr. EVERETT. A hundred and fifty. Two-fifty.

Mr. GRACEY. We tiered our approval process, frankly to try and concentrate our efforts, our oversight efforts, on projects which occupy most of the dollar resources. So the most rigorous process, the formal capital investment process, is in fact aimed at large-scale projects, those over \$1 million for the staff offices, over \$2 million for VBA, those over \$10 million for VHA. Between \$250,000 and the capital investment thresholds my staff's oversight time focuses on those through a formal review also.

\$250,000 and below, we ask that those spending the money adhere to the architecture, adhere to the plans, and adhere to the general spirit of good government contracting and the law of good government contracting, but we aren't involved in direct oversight, partially because of the large magnitude.

Now I have asked the inspector general, which he said this morning he's begun already, to review IT procurements as he does his regular inspections and audits of medical centers and regional offices so that we get a feel for first, are people fragmenting procurements to go under the \$250,000 threshold? And second, are there things going on out there that are either ill-informed or ill-advised or illegal? And I would hope that I would continue to hear what he said this morning, which is of the medical center's he'd done, he's found nothing wrong so far.

We're concerned, but we frankly had to focus ourselves on the high dollar items at the expense of those smaller ones.

Mr. EVERETT. In other words, we don't have folks out there taking million dollar contracts and breaking them down to \$250,000 contracts so they can escape review?

Mr. GRACEY. I hope we don't. I wouldn't promise you that we don't. Our folks don't think we do, and we haven't seen any evidence in what we called in from the field in order to work with your subcommittee staff. But wherever there are people, there will be misbehavior, so I'm sure there are some people that aren't following the rules.

Mr. EVERETT. Before I go to the I Love You virus, let me ask you, we obviously do not have a One VA at this point?

Mr. GRACEY. That's true. But we're much closer to it than we were 5 years ago.

Mr. EVERETT. Will it be another 5 years before we get there?

Mr. GRACEY. I hope not. I alluded in my oral statements to my view of those conferences and their transformational value, and I know some of your staff was at some of them, and I saw—I saw things that frankly I didn't expect to see in terms of people working together. I also saw things that I didn't expect to see in terms of the lack of understanding of people who worked in VA facilities in the same State not knowing enough about other people's businesses. That's been a huge wake-up call for this department, and Hershel—Mr. Gober—has been saying that since I began to work with him 7 years ago. It's taken him with his personal force that long to get it this far. Now we have 2,500 disciples who attended those conferences hopefully going back and spreading that word to the other 200,000 employees, but it's a big job. But it's like a religion—once it starts to take hold, people really do grab ahold of it.

Mr. EVERETT. Like you, I've known of Mr. Gober's dedication to this for a number of years. And of course, I come out of a business background. And the performance so far department-wide would be completely unacceptable in the private world out there. You just simply couldn't get away with this sort of thing.

And there again, as I said, I know of his commitment to this from personal conversations I've had with the Deputy Secretary. And are we dealing with turf battles? What are we dealing with that it takes so long to get this accomplished?

Mr. GRACEY. What we're dealing with and this is my opinion, this certainly isn't an official information technology position, is a very large organization which is like a very large ship, and you turn the wheel, it takes a while before the nose starts to turn. That's happened.

The good news is, once it's turned, it stays the course. I think top management leadership is crucial. You and Congresswoman Brown both said that this morning. A clear commitment from the top, a clear, continuing message from the top, through a period frankly of what will be transition for the department in the next year, is going to be crucial. And we're going to need your help. The department's going to need your help and the help of your colleagues to keep us focused like you did on Y2K. And I for one think that's a good oversight and focus role, because it's good for the department.

Mr. EVERETT. You know, it begs the question, if the ship is so large, should we have a smaller, more focused ship? And at some point I believe the Congress is going to ask that question. And I have said time and time again that the VA can be its own worst enemy in the long run if it doesn't do something about what I have called the good old boy network. I'm not referring to any particular thing in this discussion, but it seems to be very difficult to get business plans from the VA. You know, I've been looking at this for 5 years now, and it's been very difficult to get there.

My final question will be about the so-called "I Love You" virus, which my colleague has touched on in prior questioning. It caused disruptions worldwide. How did it affect the VA? Can improved computer security help protect the VA from such destructive viruses and other unauthorized and criminal intrusions into the computers? The growing potential for an information disaster makes improvements in the computer security highly urgent for the VA.

For instance, did the VA have to shut down any of its systems because of this particular virus?

Mr. GRACEY. We shut down our headquarters e-mail system early in the morning that morning.

Mr. EVERETT. As a precautionary measure or—

Mr. GRACEY. No. Well, as a precautionary measure to keep things from getting worse, but we were already crippled. And the same thing was true at some of the health care facilities across the country. It was less true in Veterans Benefits Administration because of some differences in the systems. But it points out clearly the need for better security. The issue is for us implementing information security department-wide, since we're all networked together, so that the weakest link in the organization can't make the whole system vulnerable.

It is our top concern. It's something that I worry about every day. And we've also learned that we can't live without electronic media anymore. There was a time when we weren't quite as dependent on it as we are now. Now, work ceases when that information system isn't available. So, yes, we're attacking it.

We're in an awfully new era where we're going to have to spend some energy, not just to do the technology part but to make or help managers and workers understand that their machine that they're working at and their organization's machine, if they run machines, if they run a hospital or a regional office or a cemetery operation, creates a window into our system through which a cyber burglar can crawl, and so we all have to implement consistent security. It's up to people to implement good security at every desktop we have in the organization. It's up to my organization and my colleagues' organizations to implement automated controls that let us know that that's happening. So it is a very tough situation, Mr. Chairman.

Mr. EVERETT. Well, in training, taking a look at training, exactly, for instance the IG said just simply changing the password on a regular basis. What specifically is being done to alert VA employees that they have to look after their own desktop computer?

Mr. GRACEY. First of all, we put up web-based security training that every employee that has a desktop that has access to our Internet can use to access that training. That essentially raises awareness. But more specifically, the CIO Council several months ago created and adopted the policy of what we call strong password control, which consists of passwords of a certain length with different kinds of characters than just the standard upper and lower case alphabet.

Again, however—and we put that word out throughout the country—it falls to top management at each facility, not just their systems people or their security people, to make sure that's implemented at every facility, and it goes back to human behavior. There are systems thing we can do to monitor its implementation. But so far, we have not devised a method to force its implementation, although we may get there. But everybody's got to be involved, and everybody needs to be aware.

Mr. EVERETT. Well, I'm not real sure how ahead of the game that Congress can stay in this rapidly advancing technology that we see around us. But one thing the Congress could do and should do is to make sure that the penalties for this kind of thing—not only here in this country but internationally—are severe. This has reached a point where it's no longer a kid's joke. This is costing literally billions of dollars.

Ms. Brown.

Ms. BROWN. Thank you. Mr. Gracey, I would give you an A. You did a wonderful job of guiding the VA through the Year 2000 roll-over. I'm sorry to learn that you will be leaving for greener pastures at the end of this month, but I understand and wish you well.

Mr. GRACEY. Thank you.

Ms. BROWN. Your leadership over the last 23 months as acting chief information officer has been recognized throughout the IT industry and has set a stable course for the Department. After many years of wrong turns and wasted efforts, Moses, too, could only see

the Promised Land from the mountaintop and had to leave it to a successor to get his people through. So I'm hoping that the department, with our help, Mr. Chairman, will be able to move on forward.

Mr. GRACEY. Thank you.

Ms. BROWN. I have a couple of questions. I noted that you referred to the transfer of computer operations from Hines to Austin as a collocation rather than a consolidation. Would you explain the difference in the two concepts, collocation and consolidation, with regard to this case?

Mr. GRACEY. It's actually a technical distinction that comes from the Office of Management and Budget's definitions of the two terms. But collocation means taking like machinery and moving just the physical location of the operation. So in the Hines-Austin case, collocation represents establishing a Honeywell environment for the benefits delivery network in Austin like it has in Hines and just changing the place of operation. Consolidation would be if we were to move all those functions over to the machinery that already exists in Austin and consolidate them all on one platform. In this case, it would be the IBM platform in Austin.

Ms. BROWN. I'm particularly interested in how that difference might affect program responsibility. That is, under each concept, who would be responsible if the VA checks don't go out in time, the people in Austin or the people at Hines, because presently the system is working? The last thing any Members of Congress want is for the veterans not to get their checks on time. I can assure you of that.

Mr. GRACEY. I think clearly the responsibility would move from Hines to Austin for the checks going out. I think, however, the risk of that being a possibility are almost zero, because essentially we're talking about—or at least the same as they are of it happening at Hines—we're talking about moving similar equipment to a probably more robust environment, thereby giving it greater protection, greater sophistication, and the ability to draw on more resources to help should anything go wrong. But clearly, the responsibility would lie with the operator of Austin. But just as clearly now it would now lie with the operator at Hines. And I don't think moving introduces any risk of failure at all.

Ms. BROWN. Just one second. You know, I'm just confused, and perhaps there's something that I don't know, but why did we do the break-up in the first place? I don't see that it's going to be more cost-effective. A lot of people will be losing their jobs when they consolidate. From my understanding they're going to have to buy additional equipment or new equipment. Perhaps you can give me a little history, because I'm not understanding why these needs to be a consolidation.

Based on the reports I've gotten, we're not really meeting the timetable.

Mr. GRACEY. We may need to provide some clearer information, but the facts as we put them forth after our analysis and actually VBA's analysis, is that in fact the movement of the operation—the machine operation is what we're talking about—from Hines to Austin, VBA estimated would save \$15.5 million over 4 years, which is the result, as you alluded to, of the elimination of the jobs that

exist to run that machinery and support it in Hines. Frankly, there would be fewer jobs to support the same operation in Austin, because it's a more modern environment and there's more back-up on site, whereas Hines is a stand-alone operation.

But we'll be glad to provide some more information or come brief staff about the specifics.

Ms. BROWN. That'll be fine. I would like that follow-up meeting. Because we do have limited time, I would appreciate it if we could get them to come to the office and brief the staff and me on it.

Mr. GRACEY. We'd be glad to do that.

Ms. BROWN. I yield back my time.

Mr. EVERETT. I would assume before such a transfer took place down to Austin that you would have several test runs to make sure, just like we did in 2YK, to make sure all the bells and whistles were going off at the right time?

Mr. GRACEY. Yes. We in fact would run parallel for some extended period of time to make sure that everything was fine.

Mr. EVERETT. Right.

Mr. GRACEY. I would guarantee you that none of us at this table, even if we had left the employ of the department, would want to open our newspaper and find that we had broken our trust with veterans. That's not a risk we're willing to take.

Mr. EVERETT. Well, I know Ms. Brown and myself both would feel much better knowing that would occur.

Just briefly, a couple more things. You heard the GAO's testimony. What is the VA doing to develop better cost accounting in the IT programs? We have billions of dollars spent, and the GAO tells us that they don't know what it was spent on and they don't know how much was spent.

Mr. GRACEY. I'd like to take two different approaches to that. I was a little startled to hear them say that they didn't think we could account for what we had spent our money on for the last 10 years, and at lunchtime during the break, my staff told me that they thought we could. So I'd like to go back and try and get that material and provide it to the staff and maybe have a conversation with GAO and the staff about that, because I think we can.

Mr. EVERETT. Would you provide it for the record also?

Mr. GRACEY. We will do that. But the forward-looking part of the conversation really is how the capital investment process and the review of projects is going to affect us proactively.

Each year we capture new projects or expanded projects or projects that are hitting a milestone the third year of their life in capital investment if they're large projects. Over time—and time being 3 or 4 years—we'll capture virtually 100 percent of all the large project money being spent in VA. We still won't be capturing what you alluded to earlier, which is the smaller procurements out in the field, although with other means, we may capture them. But through capital investment, we'll pull in information about what was planned and what is being spent on all the big projects, adding a portion each year as we go through the budget process.

We're feeding that into an automated system called I-TIPS—Information Technology Investment Processing System—that will give us the ability to audit, monitor and check “plan against actual” over a long period of time for each project. And we think that

tool, which is also being used in the construction part of the capital budget, will give us a leg up in doing exactly what you're asking. But it will take a year or two or three to capture all the data.

Mr. EVERETT. One reason that sort of struck a chord with me is that I remember some 4 or 5 years ago when we got into discussing the computer modernization plan, first we were told \$147 million had been spent. And we sent GAO into do an audit, and we found out that \$300 million had been spent, and we couldn't find out where that money was spent. And as far as I know until today, we don't know where that money was spent.

(The information follows:)

VA IT Expenditures
Fiscal Years 1995 - 1999

1. At the request of the House Veterans Affairs Committee, VA undertook a review of the last five years to determine the amount of money spent on information technology (IT) during that period.
2. Over the five year period, VA expended \$4,457,378,000. These funds were spent over the period in the following manner:

FY 1995 - \$726,581,000
 FY 1996 - \$854,537,000
 FY 1997 - \$1,091,060,000
 FY 1998 - \$874,200,000
 FY 1999 - \$911,000,000

3. As part of its oversight role as outlined in the Clinger-Cohen Act of 1996, the VA Chief Information Officer grants authority (in the form of IRM Approvals) to organizations to pursue acquisitions of IT when those acquisitions are valued at \$250,000 or more. (Organizations can pursue smaller purchases on their own accord provided they follow procedures analogous to those of the VA CIO.) Over the period from FY 1995 until the end of FY 1999, the VA CIO granted IRM Approvals totaling \$4,746,873,636. These authorities were granted as follows:

FY 1995 - \$339,463,546
 FY 1996 - \$2,321,616,610
 FY 1997 - \$1,007,329,907
 FY 1998 - \$673,044,118
 FY 1999 - \$405,419,455

4. While it would seem IRM Approvals granted exceed the amount of funds actually reported to the Office of Management and Budget (OMB) as expended over the period (particularly in FY 1996), this is not the case as the result of two factors:
 - a. IRM Approvals are frequently granted for projects whose funds are expended over multiple years, but are accounted for in the year the IRM Approval is granted. This has the effect of inflating the value of the grant year by adding future-year's money to amount. Examples of these authorities are IRM Approvals granted for the purchase of medical center phone systems. These authorities last for the duration of phone system and include purchase, installation, and maintenance (over a several year period).
 - b. Indefinite delivery, indefinite quantify contracts also require an IRM Approval authority prior to entering into those agreements; however, it is not

possible to know the full value of these vehicles in advance. An estimate of the total use of an IDIQ has to be provided to the VA CIO prior to the granting of an IRM Approval. IDIQs typically extend over many years. Thus, the multi-year situation of the previous paragraph is in play, but is compounded by the uncertainties of accurately valuing an IDIQ contract. During the five year period, there were three large IDIQ vehicles submitted for IRM Approval authority:

[1] Procurement of Automated Information Resources Services (PAIRS)—which was eventually not executed—in FY 1996, valued at an estimated \$875,000,000;

[2] Procurement of Computer Hardware and Software (PCHS), also in FY 1996, valued at an estimated \$998,000,000; and

[3] TeleChoice, in FY 1997, valued at an estimated \$750,000,000.

If these IDIQ requests are subtracted from all other IRM Approvals, the adjusted figures for the five-year period become:

FY 1995 - \$339,463,546

FY 1996 - \$448,616,610

FY 1997 - \$257,329,907

FY 1998 - \$673,044,118

FY 1999 - \$405,419,455

5. Detail for each fiscal year follows on the subsequent pages. Each fiscal year contains: (a) Exhibit 43 or 53 (as appropriate); (b) the Acquisition Tracking System printout, showing IRM Approval processing, sorted by IRM Number; (c) the IRM Acquisition Tracking System printout, showing IRM Approval processing, sorted by submitting organization (in alphanumeric order of VA routing symbols or abbreviations). VA mail routing symbols were used to match IRM acquisition requests to organizations in several occurrences in the IRM Acquisition Tracking System. These routing symbols relate to VA organizations, as follows:

(006E) – A component of the Office of Human Resources and Administration

(026H) – A component of the Office of the General Counsel

(045A2) – A component of the Office of Information and Technology, Office of Policy and Program Assistance

(045B) – Office of Information and Technology, Office of Telecommunications

(047) – Office of Financial Management, Office of Finance

(047E) – A component of the Office of Financial Management, Office of Finance

(08) – Office of Resolution Management

(104/00) – Office of Financial Management, Austin Finance Center
(200/00) – Office of Information and Technology, Austin Automation
Center

Mr. EVERETT. Finally, as we both pointed out, you're retiring, and we certainly wish you well. Thirty years is a long time to stay in government service, and 17 of it at, as you point out, a very complicated, multilayered government agency like the VA. Would you feel free to share your thoughts about what you would do with the One VA IT issue? How you'd go about it?

Mr. GRACEY. Oh, I think you and Congresswoman Brown have both hit on a key aspect of it, which is to continue strong direction and leadership from the top of the organization.

I guess the second aspect would be holding, not just the IT folks, but the line managers in the organization all responsible and accountable for contributing to the success of that. And Mr. Gober tells a story which he's probably told to this Subcommittee of visiting a State early in his tenure where he had to introduce the director of the medical center to the director of the regional office. I know that to be a true story. And that's a sad story.

I would hope today after the five conferences there are none of those situations out there. But even if there aren't, I'm sure there are ones where workers at one facility don't understand the jobs of their friends and colleagues across town at the other facility.

So it's going to have to boil down from the top to the line managers at the facility level, or the VISN level or the SDN level and then to the workers. And the thing that is compelling for me is to look in the face of those folks trying to get service from us and know that's what they want. They don't want to come to a piece of the original and then have to go to another piece. They want to come to VA and get what they need from that one stop. And I can do that at my bank or my insurance company. I know with your business background, you know of lots of other places they can do that. That's what we need to be able to give them at VA. They deserve it. And it's just going to take hard work, a push from the top, training, reorientation, rewarding the successes, and frankly, punishing the failures, in order to keep people focused on what we're about.

Mr. EVERETT. I'm always very pleased to hear you say that, particularly about punishing those who for whatever reason decide that they can't go along in serving our veterans the way that they need to be served, just like you said, as a bank or any other business does.

I do know that one of the problems that we really have is a culture that exists in VA, in particular in VHA, and our directors at our institutions saying that, you know, this is my little kingdom, and I'm going to run it the way I want to run it. That has been a tremendous problem for this Subcommittee. And the restraint that VA has used in dealing with those directors.

Ms. Brown, do you have anything else?

Ms. BROWN. No, sir. Just once again, thank you.

Mr. GRACEY. Thank you.

Mr. EVERETT. Well, again, I'd like to thank our witnesses for their testimony at today's hearing. Certainly I believe the testimony by the GAO and IG representatives underscores the subcommittee's concern that the VA has little to show taxpayers and veterans for the billions of dollars VA has invested in computers

and software. And we're looking forward to the information that, Mr. Gracey will provide us for the record.

(See p. 24.)

Mr. EVERETT. While it's difficult to quantify with precision, I believe that VA has wasted hundreds of millions of dollars on the wrong systems and seemingly endless IT development projects. Program management has long been the Achilles' heel of the VA IT program. If the VA can't get its priorities straight, its IT performance is not going to improve.

Critical reforms are being attempted with the department's new capital investment process, but their success is uncertain. If the VA is truly to be one VA, it must develop an integrated system architecture to allow seamless customer services for veterans. So far, it's only been talk.

I expect the VA to report to the subcommittee in 60 days what its plan is for an integrated systems architecture, along with the milestones for the completion. I know that the Deputy Secretary wants such a plan, and hopefully this Subcommittee can make that—move that along.

I do believe the VA is on the mark in making computer security its priority. The recent virus attacks worldwide are sobering reminders of what can happen to vital computer systems if security is not good.

Again, I thank you for your testimony of all witnesses today, and this hearing is adjourned.

[Whereupon, at 2:43 p.m., the subcommittee was adjourned.]

APPENDIX

PREPARED STATEMENT OF HON. CORRINE BROWN

Mr. Chairman, information technology is complex, rapidly changing, and seems to require ever larger investments every year. We are attracted—sometimes even blinded—by its potential benefits. Unfortunately, at times, information technology evolves faster than agency cultures and management mindsets are able to adjust.

This morning, we'll hear the General Accounting Office and Inspector General tell about a decade of unfulfilled promises, missed deadlines, and wrong turns that have cost taxpayers millions of dollars. On a positive note, they also will report that the Department of Veterans Affairs is making limited progress and that there are glimmers of hope for better results if their various recommendations are followed.

The VA's presentation—as you would expect—will be forward looking; telling us about their new organizational structures, planning systems, and initiatives. VA's stated objective—like mine—is to find new ways of utilizing information technology as a tool to improve service to veterans.

On January 1, 2000, VA proved that—with a little oversight incentive from this Subcommittee—it could meet difficult IT challenges successfully. I applaud VA's Year 2000 rollover effort and its architect, Harold Gracey. A lot of valuable lessons were learned from VA's Y2K preparation, and a major byproduct of success was program credibility.

Because Mr. Gracey did such a fine job of guiding VA through the rollover, I was sorry to learn that he will be leaving at the end of this month. I wish him well. His leadership over the last 23 months as Acting Chief Information Officer has been recognized throughout the industry and has set a stable course for the Department. After many years of wrong turns and wasted efforts, Moses, too, could only see the Promised Land from the mountaintop and had to leave it to his successor to get his people there.

Mr. Chairman, although I am concerned about the broad IT issues, like information security and integrated architecture, I also am encouraged with the positive direction of VA's capital planning and investment process. My interest today, however, is in the details represented by projects like the data center consolidation and VETSNET. Responses to my questions about these details will give me a measure of VA's current institutional culture and its decision-making process.

The environment for 21st century IT decision-making is a dynamic one, with rapid ground shifts and large sea changes. How well VA officials are able to meet the management challenges of this new way of doing business can only be assessed over time.

Today's hearing is just the first in what promises to be a series of hearings extending beyond the 106th Congress—no matter which party is in control. Mr. Chairman, the future of veteran services delivery depends on how well VA responds to oversight inquiries like this.

PREPARED STATEMENT OF HON. LANE EVANS, RANKING DEMOCRATIC MEMBER, FULL COMMITTEE ON VETERANS' AFFAIRS

Chairman Everett and Ranking Member Brown, I want to thank you both for holding this important hearing on information technology—VA's primary hope for providing seamless services to America's veterans.

VA emerged as an industry leader in preparing for the Year 2000 rollover. The recent "Love Bug" experience, however, underscores the need for the Department to use the successful tact it took with Y2K to focus on information security—VA's new number one priority.

Mr. Chairman, of particular concern to me today is the timing of VA's planned transfer of data processing functions from Hines to Austin and the risk such a transfer at this time would impose on recipients of VA monthly checks.

Discussion and oversight of these and other issues involving VA's expenditure of over \$1 billion annually on information technology will prove to be of great benefit to us all.

Thank you, Mr. Chairman. I look forward to the testimony this morning.

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Oversight and Investigations,
Committee on Veterans' Affairs, House of Representatives

For Release on Delivery
Expected at
11 a.m. EDT
Thursday,
May 11, 2000

**INFORMATION
TECHNOLOGY**

**Update on VA Actions to
Implement Critical
Reforms**

Statement of Joel C. Willemsen
Director, Civil Agencies Information Systems
Accounting and Information Management Division



GAO/T-AIMD-00-74

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to participate in today's hearing on the Department of Veterans Affairs' (VA) proposed \$1.4-billion information technology (IT) program, and how VA is using IT to better serve our nation's veterans. In July 1998 we reported¹ that VA had not fully implemented critical provisions of the Clinger-Cohen Act and related legislative IT reforms.² We also made several recommendations for improving VA's IT program.

We will begin today by discussing VA's efforts to address our 1998 recommendations, especially those calling for institutionalizing a disciplined IT investment decision-making process, developing an overall business process improvement strategy to accomplish reengineering, and completing an integrated IT architecture.³ Next, as requested, we will discuss the status of VA's actions to develop and implement a Master Veteran Record; the Veterans Benefits Administration's (VBA) actions to modernize its information systems, also known as the Veterans Service Network, or VETSNET; and the Veterans Health Administration's (VHA) actions to implement its Decision Support System. Finally, we will discuss VA's steps to improve computer security across the department.

In brief, VA has made progress in addressing our 1998 recommendations. For example, compared with its fiscal year 1999 IT investment review process, VA's fiscal year 2001 process provided decisionmakers with more detailed information on proposed projects. However, the department has yet to fill the position of assistant secretary for information and technology, created in June 1998 and intended to serve as VA's chief information officer (CIO). It also has not developed an overall strategy for reengineering its business processes to effectively function as "One VA," a vision the department has articulated, nor has it defined the integrated IT

¹VA *Information Technology: Improvements Needed to Implement Legislative Reforms* (GAO/ AIMD-98-154, July 7, 1998).

²The Clinger-Cohen Act and related legislative reforms—the Paperwork Reduction Act of 1995 and the Federal Acquisition Streamlining Act of 1994—provide direction on how federal agencies should plan, manage, and acquire IT.

³An integrated IT architecture is a blueprint consisting of logical and technical components to guide and constrain the development and evolution of a collection of related systems. At the logical level, the architecture provides a high-level description of an organization's mission, the business functions being performed and the relationships among the functions, the information needed to perform the functions, and the flow of information among functions. At the technical level, the architecture provides the rules and standards needed to ensure that the interrelated systems are built to be interoperable and maintainable. These include specifications of critical aspects of component systems' hardware, software, communications, data, security, and performance characteristics.

architecture needed to efficiently acquire and utilize information systems across VA.

VA likewise faces challenges in developing and implementing a Master Veteran Record, VETSNET, and the Decision Support System. Its Master Veteran Record project has not been implemented by VBA's compensation and pension service line, although this project could help reduce overpayments through faster receipt of death notices. VBA's VETSNET project has experienced many schedule delays, and the agency has not yet established a completion date for it. Finally, VHA's Decision Support System, while completed, is not being fully used by the agency for the purposes intended, including budget formulation and resource allocation.

Regarding computer security, VA has begun to address weaknesses identified by us and by its Office of the Inspector General (OIG). Nevertheless, it still needs to complete guidance on assessing the department's security risks and must develop appropriate policies and controls for accessing its computer systems.

Background

The department's vision of "One VA" was articulated to assist it in carrying out its mission of providing benefits and other services to veterans and dependents. This vision stems from the recognition that veterans think of VA as a single entity, but often encounter a confusing, bureaucratic maze of uncoordinated programs—such as those handling benefits, health care, and burials—that puts them through repetitive and frustrating administrative procedures and delays. According to the department, the "One VA" vision describes how it will use information technology in versatile new ways to improve services and enable VA employees to help customers more quickly and effectively.

To implement this vision and carry out other activities, VA plans to spend about \$1.4 billion of its proposed fiscal year 2001 budget of about \$48 billion on various IT initiatives. Of this \$1.4 billion, about \$763 million, \$80 million, and \$400,000, are intended for VHA, VBA, and the National Cemetery Administration (NCA), respectively. The remaining \$589 million is for VA-wide IT initiatives in the financial management, human resources, infrastructure, security, architecture, and planning areas.

The Clinger-Cohen Act and other related legislative reforms provide guidance on how agencies should plan, manage, and acquire IT as part of their overall information resources management responsibilities. These reforms require agencies to appoint CIOs responsible for providing leadership in acquiring and managing IT resources. They also require agencies to perform business process reengineering prior to acquiring new

IT and to complete an integrated architecture to guide and constrain future investments.

VA Has Made Progress in Institutionalizing the IT Investment Process

The Clinger-Cohen Act requires agency heads to implement an approach for maximizing the value and assessing and managing the risks of IT investments. It stipulates that this approach should be integrated with the agency's budget, financial, and program management processes. As detailed in our investment guide,⁴ an IT investment process is an integrated approach that provides for disciplined, data-driven identification, selection, control, life-cycle management, and evaluation of IT investments.

As shown in table 1, VA's decision-making process for IT investments varies depending upon the proposed project's cost, risk, and visibility. An IT project starts with a VA administration or office developing a project to address business needs and preparing a formal proposal for review and approval. Then, projects with high cost, risk, or visibility are assessed as part of VA's capital investment planning process, including review by its Capital Investment Board (CIB). This board is composed of the deputy secretary, the assistant secretary for congressional affairs, the assistant secretary for information and technology, the general counsel, the assistant secretary for financial management, the assistant secretary for planning and analysis, and the undersecretaries for health, benefits, and memorial affairs. It reviews projects that exceed specific dollar thresholds or that are seen as high risk or high visibility. The dollar thresholds for VHA, VBA, NCA, and staff offices are acquisition costs of \$10 million, \$2 million, \$1 million, and \$1 million, respectively, and/or life-cycle costs of \$30 million, \$6 million, \$3 million, and \$3 million, respectively. Lower cost projects are not reviewed by the CIB. Instead, they are decided upon and overseen by VA administrations/offices. Those projects over \$250,000 are also monitored by VA's Office of Information and Technology (OI&T).

⁴Assessing Risks and Returns: A Guide for Evaluating Federal Agencies' IT Investment Decision-making (GAO/AIMD-10.1.13, February 1997).

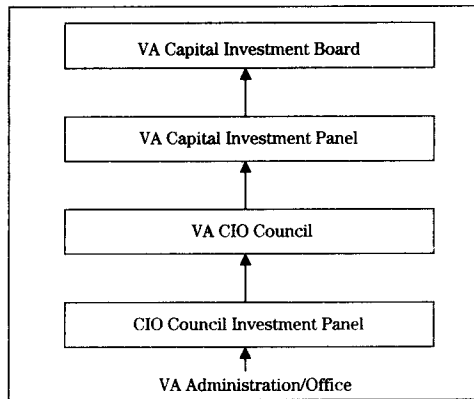
Table 1: Summary of VA Decision-making and Oversight by Type of IT Project

Type of IT project	Type of VA decision/oversight			
	Select	Approve	Control	Evaluate
<i>High cost/risk/visibility:</i> Projects that meet dollar thresholds for review by CIB or are high risk or high visibility	Administration/ office	VA CIB	VA OI&T approval VA in-process reviews Execution reviews Internal reviews and OIG reports	VA post-implementation reviews VA internal reviews and OIG reviews
<i>Medium cost:</i> Projects greater than \$250,000 but less than the thresholds for review by CIB	Administration/ office	VA OI&T approval ^a of procurements	VA OI&T follow-up on approval ^a of procurements	VA internal reviews and OIG reviews
<i>Low cost:</i> Projects less than \$250,000	Administration/ office	Administration/ office	Administration/ office	Administration/ office

^aExceptions to the requirement for approval include items purchased under VA's departmentwide procurement computer hardware and software contract and purchases of picture archiving and retrieval systems.

Source: VA.

As shown in figure 1, projects that require approval by the CIB are submitted by the applicable administration/office to the department's CIO Council Investment Panel. This panel evaluates and ranks IT proposals for the CIO Council. The council then reviews the proposals and forwards selected ones to the Capital Investment Panel. This panel ranks and scores both IT and non-IT projects and makes recommendations to the CIB, which then makes recommendations to the Secretary for inclusion in the department's capital plan and annual budget request.

Figure 1: VA's Investment Decision-making Process

Although VA had established a detailed process for selecting, controlling, and evaluating IT investments, discipline within the process was previously lacking. Specifically, we reported in July 1998⁵ that VA decisionmakers did not have current and/or complete information—such as cost, benefit, schedule, risk, and performance data at the project level—with which to make sound investment decisions. In addition, VA's process for controlling and evaluating its investment portfolio was incomplete and, as a result, decisionmakers did not have the information needed to detect or avoid problems early or to improve the VA investment process for the future.

Accordingly, we made several recommendations to VA to improve its selection, control, and evaluation of IT investments. As discussed below, the department agreed to implement them.

⁵GAO/AIMD-98-154, July 7, 1998.

**VA Has Improved Its
Process for Selecting CIB-
Level Projects**

In response to our recommendation that it implement a disciplined process for selecting IT investments in which decisions are based on complete and current project data, VA now requires its administrations/offices to meet a more comprehensive and specific set of criteria. The selection criteria used during the fiscal years 2000 and 2001 capital investment planning processes covered areas such as the proposed projects' (1) impact on "One-VA" customer service, (2) return on taxpayer investment, (3) contribution to a high-performing workforce, (4) risks, and (5) comparison with alternatives. VA investment review panels⁶ then screened proposals to ensure that they had adequate information.

The proposals submitted for the fiscal years 2000 and 2001 reviews were much more complete than those submitted for the fiscal year 1999 investment planning process. In fiscal year 1999, none of the seven proposals that we reviewed contained all the required information, yet all were passed by the CIB. In fiscal year 2000, by contrast, all seven of the proposals that passed VA's review had the required information, including cost-benefit analysis, risk analysis, and alternatives analysis. Similarly, in the fiscal year 2001 review, all five proposals that passed VA's review generally met the criteria.

**VA Has Improved Its
Process for Monitoring and
Managing CIB-Level
Investments**

In our July 1998 report we stated that VA's process for monitoring and managing its investment portfolio was not timely and provided decisionmakers with little information. We recommended that VA conduct formal in-process reviews at key milestones in a project's life cycle and provide these results, along with results of periodic project status reviews, to those responsible for deciding whether to continue, accelerate, or terminate IT projects.

VA agreed with this recommendation and has taken steps to implement it. For example, in response to our recommendation that in-process reviews be conducted at key milestones of a project's life, VA recently changed its method for identifying projects for such reviews. In the past, in-process reviews were conducted in an ad hoc manner, such as when it became apparent that a project was behind schedule, over budget, or not performing as planned, or when oversight agencies raised questions. Now, the CIO Council plans to identify projects for review by VA OI&T based on the council's assessment of the project. This assessment will take into

⁶VA's CIO Council Investment Panel and Capital Investment Panel.

consideration the results of execution reviews⁷ and input from project managers. These reviews focus on whether the project meets cost, schedule, and performance goals.

Additionally, VA has made progress in responding to our recommendation that the results of in-process reviews be provided to decisionmakers. Specifically, the results of formal in-process reviews are given to decisionmakers along with the results of post-implementation reviews and audits of IT issues conducted by VA's OIG.

However, the in-process reviews may still not be timely. As of April 28, 2000, VA OI&T has only completed five of the eight in-process reviews scheduled for fiscal year 1999. Without timely reviews, VA is limited in its ability to control approved projects. Accordingly, it is important that VA establishes and monitors deadlines for completing in-process reviews.

VA Has Improved Its Post-Implementation Reviews

As we have reported, VA's post-implementation reviews had not contained an assessment of whether the implemented project achieved the estimated cost, schedule, or mission-related benefits.⁸ Further, VA had not identified lessons learned that could be used to improve its investment process for selecting, controlling, and evaluating IT initiatives. We recommended that VA initiate post-implementation reviews for IT projects within 12 months of implementation, to compare completed project cost, schedule, performance, and mission improvement outcomes with original estimates, and provide the results of these reviews to decisionmakers so that improvements can be made to VA's IT process.

VA concurred with our recommendation and has taken steps to improve its process. For example, in three of the four post-implementation reviews conducted in fiscal year 1999, actual and estimated costs, schedules, and mission-related benefits were compared. The remaining review did not include a comparison between actual and estimated costs.

VA also now identifies lessons learned from its evaluation of completed projects, and documents them in the post-implementation review report. For example, among the lessons learned were the need to ensure that (1) a variety of users participate in the decision-making process on systems enhancements and/or user modifications and (2) user documentation is

⁷These reviews are conducted by the CFO Council Investment Panel and Capital Investment Panel to monitor and manage projects approved by the CIB.

⁸GAO/AIMD-98-154, July 7, 1998.

readily available and updated regularly to reflect the latest systems changes.

However, the lessons learned are provided only to the sponsoring VA organizations, and not to decisionmakers, such as the investment panel members, who could also benefit from them. Decisionmakers receive only a summary of the audit findings in post-implementation reviews; lessons learned are not part of that summary. To improve the department's process for selecting, controlling, and evaluating IT investments, decisionmakers should be provided with such lessons learned information so they can use it in making better-informed judgments about projects.

IT Investment Process for Projects Below CIB-Level Is Not as Structured

As previously discussed, IT procurements that are \$250,000 and greater, but less than the thresholds for review by the CIB, must be approved by VA OI&T; procurements and IT projects that are less than \$250,000 are reviewed at the administration/office level. The capital investment process used for these projects is less structured than the high-cost, high-visibility projects reviewed by the CIB.⁹

To implement the approval process for projects above \$250,000 and beneath the CIB thresholds, VA OI&T has issued guidance—*IRM Planning and Acquisitions Handbook*—to project sponsors. Sponsors requesting approval must submit a package containing key information, such as a requirements analysis, benefit/cost analysis, and a minimum 10 percent return on investment. It has not yet issued written guidance for (1) monitoring and managing approved procurements or (2) evaluating completed projects. VA OI&T is now in the process of revising its handbook to address these areas.

Guidance for IT projects costing up to \$250,000 is partially complete. VBA has issued selection process guidance entitled *Information Technology: Investment Board and Investment Evaluation Process* that covers all IT projects, including those under \$250,000. It requires each project sponsor to submit a package containing information such as the names of the team members, cost-effectiveness analysis, alternatives analysis, risk analysis, and performance measures. This information is reviewed by VBA's Information Technology Investment Board. The board reviews the proposal for (1) consistency with and support of the VA/VBA mission, goals, and objectives, along with technical and organizational feasibility,

⁹According to VA, about \$814 million of its \$1.2 billion fiscal year 1999 IT investments were not subject to review by the CIB; these were the most recently available data.

and (2) completeness of project plan, cost-effectiveness analysis, and risk analysis. It then ranks the proposal in terms of risk and return. VBA's guidance also requires its Information Technology Investment Board to review ongoing projects. VBA has not issued written guidance for evaluating completed projects, but a VBA official told us that the agency is in the process of developing such guidance.

Lastly, VHA issued written guidance this past January for selecting IT investments for its Office of Information, which manages VHA-wide projects. This guidance requires project sponsors to submit cost-benefit analyses, alternatives analyses, project schedules, and a discussion of funding sources. VHA offices in headquarters and the field have typically relied on group meetings and discussions to select IT initiatives. According to a director in the Office of Information, VHA is currently drafting guidance for selecting IT investments at its field offices. VHA does not have written guidance for monitoring and managing IT procurements nor does it have guidance for evaluating completed projects. VHA plans to develop such guidance, but it has not established a date for when this will be completed.

VA's Progress in Addressing Other Clinger-Cohen Act Provisions Has Been Limited

VA has made only limited progress in addressing other key issues, such as appointing full-time CIOs, developing a business process reengineering strategy, and developing an integrated IT architecture. These need to be addressed if the department is to effectively use IT to achieve its "One VA" vision.

Limited Progress Made in Appointing Full-time CIOs

The Clinger-Cohen Act and the Paperwork Reduction Act direct the heads of federal agencies to appoint CIOs to (1) promote improvements in work processes used by the agencies to carry out their programs, (2) implement integrated, agencywide systems or technology architectures, and (3) help establish sound investment review processes to select, control, and evaluate IT spending. To help ensure that these responsibilities are effectively executed, the act requires that the CIO's primary responsibility be related to information management.

As we reported in July 1998, however, the responsibilities of VA's CIO were not limited to information management.¹⁰ Specifically, the CIO served the department in a variety of top management positions, including

¹⁰GAO/AIMD-98-154, July 7, 1998.

assistant secretary for management, chief financial officer, and deputy assistant secretary for budget. We noted that in an agency as decentralized as VA, the CIO was faced with many significant information management responsibilities,¹¹ which constitute a full-time job for any CIO. Accordingly, we recommended that the Secretary of Veterans Affairs appoint a CIO with full-time responsibility for information resources management alone.

VA concurred with this recommendation and established the position of assistant secretary for information and technology to serve as its CIO. However, this executive branch position has been unfilled since its creation in June 1998. Accordingly, the Secretary created the position of principal deputy assistant secretary for information and technology and designated that person as VA's acting CIO until an assistant secretary could be appointed. The Secretary also realigned information resources management functions within VA under this position.

The principal deputy assistant secretary for information and technology has reported directly to the Secretary and is involved in IT planning issues across the department. He said that his responsibilities have included advising the Secretary on IT issues, serving as chair of the department's CIO Council and a member of VA's CIB, and working with the CIOs in VBA and VHA. He sees his role as one of helping them use IT to support their administrations. According to this official, one of his priorities has been to ensure that IT activities in VBA and VHA are in concert with VA's departmentwide efforts.

VA's acting CIO recently announced, however, that he will be retiring from VA at the end of this month. As a result, VA will again be left without IT leadership, and the CIO position will have been vacant for almost 2 years. It is critical that this position be filled to provide the leadership to achieve the "One VA" vision through effective IT.

In a separate yet somewhat similar situation, VHA has a CIO vacancy that was created when its previous CIO left the agency in October 1999. To address this situation, in November 1999 the acting undersecretary for health designated VHA's chief facilities management officer as VHA's acting CIO. This individual currently carries both responsibilities—for facilities and IT management.

¹¹At the time, these responsibilities included ensuring that (1) VA's systems development projects would not be handicapped by incomplete architectures and (2) a sound information management investment review process providing systematic, data-driven means of selecting, controlling, and evaluating IT projects would be institutionalized.

According to VHA's acting CIO, he devotes approximately 60 to 75 percent of his time to information management activities. He acknowledged that he has no background in IT and relies on staff to provide expertise and guidance in this area. He said, however, that he does not think the allocation of his time or lack of background is cause for concern, especially given his background in and knowledge of VHA. His immediate focus, he said, is to bring about general management improvements in VHA's Office of Information for such areas as the fiscal process, communications, and project management.

We believe this dual responsibility is contrary to good management practices, and that the VHA CIO should have information management as his primary focus. We have stressed the importance of this principle in testimony and in our February 1997 high-risk report, in which we emphasized that the CIO's duties should be centered on strategic information management issues and not include other major responsibilities.¹² VHA is no exception: it needs a CIO focused on information management.

VA No Longer Plans to Develop a Departmentwide Business Process Improvement Strategy

The Clinger-Cohen Act requires agency heads to analyze the missions of their agencies and, on the basis of this analysis, revise and improve the agency's mission-related and administrative processes before making significant investments in supporting IT. As our business process reengineering guide¹³ makes clear, an agency should have an overall business process improvement strategy that provides a means to coordinate and integrate the various reengineering and improvement projects, set priorities, and make appropriate budget decisions.

Our 1998 report noted that VA had not analyzed its business processes in terms of implementing its "One VA" vision. We also pointed out that VA did not have a departmentwide business process improvement strategy specifying what reengineering and improvement projects were needed, how they were related, and how they were prioritized. At the time, VA concurred with our recommendation to develop such a strategy.

¹²Government Reform: Legislation Would Strengthen Federal Management of Information and Technology (GAO/T-AIMD-95-206, July 25, 1995); Managing Technology: Best Practices Can Improve Performance and Produce Results (GAO/T-AIMD-97-38, January 31, 1997); High-Risk Series: Information Management and Technology (GAO/HR-97-9, February 1997); and Chief Information Officers: Ensuring Strong Leadership and an Effective Council (GAO/T-AIMD-98-22, October 27, 1997).

¹³Business Process Reengineering Assessment Guide (GAO/AIMD-10.1.15, April 1997).

VA's assistant secretary for policy and planning and principal deputy assistant secretary for information and technology have now, however, informed us that VA no longer plans to develop an unified, departmentwide business process improvement strategy. According to the assistant secretary, the department will, instead, rely on each of its administrations—VBA, VHA, and NCA—to reengineer its own business process.

As we reported in 1998, an overall business process improvement strategy can provide the means to coordinate and integrate various reengineering and improvement projects, set priorities, and make appropriate budget decisions. Given the department's approach of delegating to its three major components reengineering of their own business processes, it is unclear how VA will be able to provide veterans with a unified view of VA services. Accordingly, VA should either reassess its "One VA" vision or, if it is committed to that vision, reassess its strategy given the inconsistency in its approach.

VA Lacks an Integrated IT Architecture

The Clinger-Cohen Act and Office of Management and Budget guidelines require agency CIOs to implement an architecture to provide a framework for evolving or maintaining existing IT and for acquiring new IT to achieve the agency's strategic and IT goals. Leading organizations both in the private sector and in government use systems architectures to guide mission-critical systems development and to ensure the appropriate integration of information systems through common standards.¹⁴

A VA architecture team consisting of representatives from VA administrations and offices issued a report to the VA CIO Council in May 1997 adopting the National Institute of Standards and Technology (NIST) five-layer model for its departmentwide IT architecture. The five layers—business processes, information flows and relationships, applications processing, data descriptions, and technology—provide a framework for defining an IT architecture.

However, as discussed in our 1998 report, VA and its components had yet to define a departmentwide, integrated architecture. Accordingly, we recommended that VA develop a detailed implementation plan with milestones for completing such an IT architecture.

¹⁴Executive Guide: Improving Mission Performance Through Strategic Information Management and Technology—Learning From Leading Organizations (GAO/AIMD-94-115, May 1994).

Although VA concurred with our recommendation, it did not develop a detailed implementation plan with milestones for completing the architecture. Instead, VA published a departmentwide technical architecture,¹⁵ which includes a technical reference model and standards profile. This document describes only one element—the technology layer—of the full NIST model. VA has not yet documented the logical architecture showing the business processes, information flows and relationships, applications processing, and data description layers for the entire department.

VA's principal deputy assistant secretary for information technology said that in order to develop the logical architecture, the business owners would have to be involved. However, he has no plans to bring them together to begin this process. He believes, instead, that their individual business process reengineering initiatives will eventually result in development of these areas, although he did not explain how this would happen without guidance from VA. We believe that it is important for VA's CIO or designee to take the leadership role and work with the business owners to develop the logical architecture so that the department can produce an integrated IT architecture.

At the component agency level, neither VBA nor VHA has fully defined and documented their current IT architectures. VBA's new CIO recently stated that plans to hire a contractor to document the architecture are now on hold until completion of a new information systems strategic plan. This individual stated that the IT architecture would be made part of the plan. Regarding VHA's architecture, our analysis of its most recent document, *IT Architecture—Fiscal Year 1999 Plan*, shows that it also lacks key layers of the NIST model. It contains information on VHA's business processes and the technology infrastructure, but details on the information flows and relationships, applications processing, and data description layers are missing. VHA's IT architect said that VHA recognizes that it needs to complete these other layers of the architecture but does not have an estimate of when this will happen.

VA Faces Challenges on Three IT Projects

As you requested, we will now discuss the status of VA's efforts to develop and implement three IT projects—VA's Master Veteran Record (MVR); VBA's actions to modernize its information systems, also known as VETSNET; and VHA's Decision Support System. Each of these projects is

¹⁵VA Technical Architecture: Technical Reference Model and Standards Profile, May 1999.

at a different stage of development and implementation, but they all face challenges ahead.

**MVR Has Not Been
Completely Implemented
Within VBA**

MVR—master veteran record—is a messaging system that notifies VA components and offices of changes in common veteran data, such as name and address. Its development began in 1994 and was scheduled to be implemented across VA by 1998, at a cost of about \$8 million. MVR was expected to unify VA services through information-sharing among its administrations/offices, improved data integrity and customer service through access to the most current information, and reduced overpayments through more current death notifications. VA further hoped that as veterans received quicker responses and more complete service, their confidence in VA would increase.

According to VA's principal deputy assistant secretary for information and technology, the MVR project was completed in 1999. The project director told us that MVR's life-cycle cost was about \$4 million. MVR has enabled the transmission of messages across VHA, NCA, and VA staff offices. As anticipated, these messages include veteran status changes such as addresses and death notifications, which can be reported to any VA office with the expectation that all benefits programs operations will be informed of the new information. According to VA, MVR has begun to produce some of the benefits expected. For example, VHA medical centers can now be notified more quickly of changes in veterans' benefits status that affect hospital eligibility. However, VA is unable to quantify the benefits attributable to MVR.

Although VA considers MVR to be completed, one VA administration—VBA—is not yet fully linked to the system. In particular, VBA's largest service line, compensation and pension, does not yet have a gateway to receive MVR information, such as address changes and death notifications, from other systems. VBA initially stated that funding and policy issues had to be resolved before MVR could be implemented, yet it planned to develop the gateway needed for its compensation and pension benefits payments system to become fully linked to MVR by December 1999. VBA did not, however, meet this deadline due to a departmental request that it study the feasibility of using an existing interface between VBA and NCA to access MVR. As of April 28, 2000, VBA still had not awarded a contract to complete this study and develop the MVR gateway.

According to VA's MVR director, the delay in VBA's compensation and pension service line fully linking to MVR has not significantly affected the department's ability to realize benefits. While unable to quantify benefits

for the program, he said that MVR is paying for itself today as VBA uses the system for its enrollment program, specifically to determine veterans' eligibility for medical care benefits.

Notwithstanding these enrollment related benefits, the potential additional benefits of MVR could be significant if VBA's compensation and pension service line was linked to it. In particular, early death notifications via MVR could help minimize compensation and pension overpayments to veterans who had died. According to a December 1996 report by VA's OIG on compensation and pension overpayments, 20 percent of overpayments went to veterans who had already died.¹⁶ These overpayments increase the amount of debt or accounts receivable that VBA must subsequently attempt to collect. Full linkage to MVR could provide compensation and pension personnel with notices of death sooner, and thereby help minimize such overpayments.

VETSNET Has Experienced Schedule Delays

The second project that we were asked to address is VETSNET. This project refers to a strategy VBA initiated to replace its existing old, high-maintenance payments systems with newer, lower maintenance systems that would provide a rich data source for answering questions about veterans' benefits.¹⁷ VBA also expected VETSNET to provide faster processing of benefits.

Two major projects initiated under VETSNET were compensation and pension (C&P) replacement and education redesign. The C&P project was intended to replace VBA's existing legacy compensation and pension payment systems with one new, state-of-the-art system. This project, which began in April 1996, had an estimated cost of \$8 million and was scheduled for completion in May 1998. The education redesign project was intended to replace each of VBA's four education payment systems.¹⁸ This project, which began in January 1997, had an estimated cost of \$9 million and was scheduled for completion in December 1998.

¹⁶The OIG sampled 324 overpayments and found that of these, 65 overpayments totaling \$180,261 were issued to veterans who had already died.

¹⁷From fiscal year 1986 through fiscal year 1995, VBA reportedly spent at least \$284 million modernizing its systems, including replacing its old computer terminals with personal computers and developing software applications to assist staff in claims processing.

¹⁸VBA's four education payment systems are chapter 30, chapter 32, chapter 35, and chapter 1606. Each of these is named for the statute that provides the specific education benefit. For example, chapter 30 provides benefits to active duty servicemen, and chapter 1606 is for reservists.

Neither of these two major projects has yet been completed. The C&P replacement project missed several key milestones, including its May 1998 completion date and a revised completion date of December 1998. VBA currently has no expected completion date for this project. The education redesign project was terminated without a product in November 1997, and VBA has not established a date for when this project will be restarted. To date, at least \$11.5 million has reportedly been spent on the VETSNET C&P replacement project and about \$3 million on the education redesign project, with no measurable improvement in service to veterans.¹⁹

We and others have previously reported on problems that VBA has had in completing the VETSNET C&P and education redesign projects.²⁰ One key reason for these problems is the lack of an integrated architecture defining the business processes, information flows and relationships, business requirements, and data descriptions. For example, the C&P project was begun before VBA had fully developed and validated its business requirements on what the new system was supposed to do. Project delays subsequently resulted because of confusion over the specific requirements to be developed. At the same time, the contractor for the education redesign project cited problems with the constant redefining of the computer hardware and software to be used.

Another key reason for its problems with the VETSNET projects is VBA's immature software development capability. In 1996 we reported and testified²¹ that VBA's software development capability was ad hoc and chaotic—the lowest level of software development capability. More specifically, at this level, VBA could not reliably develop and maintain high-quality software on any major project within cost and schedule constraints. Reviews by us and VA illustrated that these projects had difficulties meeting deadlines and that not all critical systems development areas were adequately addressed. For example, in our May 1997 report, we

¹⁹Since 1996, VBA has reportedly spent at least \$100 million on VETSNET and other related projects, such as the Loan Services and Claims, Expedited Lender Index, Loan Processing, and the Automated Appraisal Assignment (revised VA Assignment System) systems.

²⁰*Veterans Benefits Modernization: Management and Technical Weaknesses Must Be Overcome if Modernization Is to Succeed* (GAO/T-AIMD-96-103, June 19, 1996); *Veterans Benefits Computer Systems: Risks of VBA's Year 2000 Program* (GAO/AIMD-97-70, May 30, 1997); and *VETSNET Quarterly Review*, Office of Information Resources Management, Department of Veterans Affairs, March 1998.

²¹*Software Capability Evaluation: VA's Software Development Process Is Immature* (GAO/AIMD-96-90, June 19, 1996) and GAO/T-AIMD-96-103, June 19, 1996.

noted that both the C&P replacement and education redesign projects had missed deadlines and had schedule delays.²²

VBA officials acknowledge these problems and have informed us that efforts are underway to address them. As we have previously recommended, it is critical that VBA establish a complete, integrated systems architecture and improve its software development capability if it is to avoid problems like these in the future.

VHA's DSS Has Been Implemented, but System Usage Varies

VHA's decision support system—DSS—is an executive information system that can provide VHA managers and clinicians with data on patterns of patient care and patient health outcomes, as well as the capability to analyze resource utilization and the cost of providing health care services. VHA intends to use DSS to (1) prepare budgets for its medical centers, (2) allocate resources based on performance and workload, (3) generate productivity analyses and patient-specific costs, (4) support continual quality improvement initiatives, (5) measure outcomes-based performance and effectiveness of health care delivery processes, and (6) improve efficiency of care processes through the use of clinical practice guidelines.

VHA planned to implement DSS at all of its medical centers—currently 143—from 1994 through 1997 at an estimated cost of \$132 million. Beginning in May 1994, VHA implemented DSS in its medical centers in six separate implementation efforts. It had been implemented at all VA medical centers by the end of October 1998. The total estimated cost through fiscal year 1999 to develop and operate DSS was reportedly at least \$213 million.²³ VHA expects to spend about \$48 million to operate DSS this year.

Although VHA could not quantify the benefits derived from the use of DSS, to date at least 44 VHA medical centers and selected Veterans Integrated Service Networks (VISN)²⁴ have cited benefits attributable to DSS, including cost reductions and improved clinical processes. For example, VISN 9 determined that integrating services between its Nashville and Murfreesboro (Tennessee) medical centers could result in projected

²²GAO/AIMD-97-79, May 30, 1997.

²³This amount includes the cost of studying, developing, and implementing DSS. It covers the period from fiscal years 1992 through 1996.

²⁴VHA is composed of 22 VISNs, which are regional organizations encompassing medical centers, nursing homes, and domiciliarys.

savings of \$5.8 million.²⁵ In another example, the clinical practice of routinely ordering two units of pre-surgery autologous²⁶ blood for total knee replacement was changed, at the Portland (Oregon) VA medical center, resulting in estimated savings of \$600+ per case.

However, none of the medical centers and VISNs we contacted use DSS for all of the purposes for which VHA intended. For example, of the 20 VISNs we contacted—representing 126 medical centers—only 3 VISNs—representing 14 medical centers—use DSS for budget formulation and resource allocation, according to DSS staff. Instead, they tend to use the cost distribution report²⁷ for budget formulation and the Veterans Equitable Resource Allocation model²⁸ for resource allocation. Only one VISN has begun to use DSS to measure outcomes-based performance and effectiveness of health care delivery processes.

A variety of reasons were given for why more medical centers and VISNs have not made greater use of DSS. First, some medical centers have been reluctant to use DSS because of concerns about the accuracy and completeness of its data. Work performed by us, VA's OIG, and the DSS Steering Committee has raised similar concerns.²⁹ Second, VHA fiscal officials that we interviewed told us that medical centers need about 2 years of DSS data before the system can be used for budget formulation and resource allocation. It was not until last October that the 52 medical centers in the final round of DSS implementation had accumulated 2 years of data.

²⁵VISN 9 has medical centers in Huntington, West Virginia; Lexington and Louisville, Kentucky; and Memphis, Mountain Home, Murfreesboro, and Nashville, Tennessee.

²⁶Autologous (a patient's own) blood is provided by the patient in advance of surgery.

²⁷The cost distribution report is limited to information on where the cost is expended; for example, a medical bed for an in-patient and a clinical stop grouping for an outpatient. In contrast, DSS provides cost information that shows where the services were provided and actual resources consumed by patient and by care encounter.

²⁸This model was adopted to ensure an equitable distribution of funds to VISNs rather than simply being based on historic funding patterns. It provides VISNs with national workload prices for three types of patients. In fiscal year 1989, VISNs received \$66 for a basic single outpatient visit, \$2,837 for basic vested care patients (those with routine health care needs), and \$36,855 for complex care patients (those with complex/chronic health care needs).

²⁹VA Health Care Delivery: Top Management Leadership Critical to Success of Decision Support System (GAO/AIMD-95-182, September 29, 1995), *Audit of Veterans Health Administration Decision Support System Standardization* (Report No. 98-4-A19-075, March 31, 1999), DSS Steering Committee Report, May 14, 1999.

Third, DSS usage may have been hampered by insufficient staff, staff with inadequate skills, and staff turnover. For example, according to a post-implementation review performed by VA's IRM Policy and Standards Service, over 70 percent of the medical centers had not followed staffing guidelines recommended by VHA's Implementation and Training Service. The review further stated that in some of these medical centers, the DSS teams were understaffed by as much as 50 percent. VHA's previous deputy director for technical implementation also told us that some medical center directors assigned personnel with inadequate skills. Additionally, several VISN DSS coordinators said that they have had difficulty retaining well-trained DSS personnel.

We have discussed these concerns with VHA officials and they generally concur with them. According to these officials, efforts are underway to address these problems and corrective actions are expected to be completed by 2002. It is critical that VHA follow through in addressing these problems if it is to achieve the benefits intended from the hundreds of millions of dollars spent to date on DSS.

VA Has Begun to Address Computer Security Challenges

The last area we were asked to discuss is computer security—critical to VA's ability to safeguard its assets, maintain the confidentiality of sensitive information, and ensure the reliability of its financial data. If effective computer security practices are not in place, sensitive information contained in VA's systems is at risk of inadvertent or deliberate misuse, fraud, improper disclosure, or destruction—possibly occurring without detection.

In September 1998 we reported that VA's lack of effective information system controls placed critical department operations—such as financial management, health care delivery, benefits payments, and other operations—at risk of misuse and disruption.³⁰ A key reason for these continuing information systems control problems was that the department did not have a comprehensive computer security planning and management program. Accordingly, we recommended that the Secretary develop and implement such a departmentwide program, and work with the VBA and VHA CIOs and facility directors to implement appropriate security measures and controls in agency facilities. VA recognized the significance of these problems and reported information systems security

³⁰Information Systems: VA Computer Control Weaknesses Increase Risk of Fraud, Misuse, and Improper Disclosure (GAO/AIMD-98-175, September 23, 1998)

as a material weakness in its Federal Managers' Financial Integrity Act reports for 1998 and 1999.

To address our recommendation to develop a comprehensive computer security planning and management program, VA established a centrally managed security group in February 1999 and an information security working group in March 1999. Since then, VA has (1) developed a departmentwide plan to improve information systems security throughout the department, (2) established a departmentwide computer security planning and management program, and (3) initiated a program to increase computer security awareness across its administrations and offices. VA is now developing a risk-based framework for addressing information security issues.

In addition, VA organizations have independently initiated actions to improve certain aspects of their computer security programs. For example, as we reported in October 1999,³¹ the Austin Automation Center corrected most of the computer security issues we identified in 1998. Specifically, the center reduced the number of users with access to the computer room; restricted access to certain sensitive libraries, audit information, and utilities; improved identification and password management controls; developed a formal software change control process; and expanded tests of its disaster recovery plan.

In contrast, the VBA benefits delivery centers are still in the process of correcting most of the weaknesses we reported in 1998. For example, information security reviews performed by VA's OIG in 1999 found that only one of seven weaknesses we found had been corrected at the Philadelphia benefits delivery center and that five of seven weaknesses had not been fully addressed by the Hines, Illinois, benefits delivery center.

In addition, audits by us as well as by VA's OIG continue to find serious problems related to the department's control and oversight of access to its computer systems at VA facilities such as the Philadelphia Insurance Center, and the Hines (Illinois) and Philadelphia benefits delivery centers.³² For example, VA still has not adequately limited the access granted to authorized users, appropriately segregated incompatible duties among computer personnel, adequately managed user identifications and

³¹Information Systems: *The Status of Computer Security at the Department of Veterans Affairs* (GAO/AIMD-00-5, October 4, 1999).

³²GAO/AIMD-00-5, October 4, 1999.

passwords, or routinely monitored access activity. We made several recommendations to address these problems.

In summary, VA has improved its process for selecting, controlling, and evaluating IT investments for CIB-level projects since 1998. However, VA has yet to fill its full-time department CIO vacancy since its creation almost 2 years ago. Further, VA may encounter serious problems achieving its "One VA" vision until it develops an overall business process improvement strategy and a departmentwide, integrated IT architecture. Full implementation of our recommendations in these areas is essential to VA's achieving its "One VA" vision. In addition, top management support and commitment are essential to addressing the challenges VA faces in (1) completing implementation of MVR, (2) addressing technical problems in developing VETSNET, and (3) making greater use of DSS. Improving VA's computer security will also take sustained leadership and commitment to develop and implement a comprehensive security planning and management program over the next few years.

We performed this assignment in accordance with generally accepted government auditing standards, from July 1999 through April 2000. In carrying out this assignment, we reviewed and analyzed VA's IT investment process policies and compared these with applicable guidance in this area. We also analyzed the results of IT investments conducted by the CIB, VA OI&T, and VA components/offices. In particular, we reviewed 17 IT proposals submitted as part of the department's fiscal year 2000 investment planning process and 12 IT proposals submitted as part of the fiscal year 2001 process. We reviewed VA's directives regarding the responsibilities of the CIO and reviewed and analyzed VA, VBA, and VHA IT architecture documents, comparing these to NIST's five-layer standard, the guidance used by VA. For the MVR, VETSNET, and DSS projects, we reviewed and analyzed costs, schedules, and status updates. In the area of computer security, we reviewed our recent reports and VA updates on actions taken to address our recommendations.

Mr. Chairman, this concludes my statement. I would be pleased to respond to any questions that you or other members of the Subcommittee may have at this time.

Contact and Acknowledgments

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VA'S INFORMATION TECHNOLOGY PROGRAM**TESTIMONY OF
RICHARD J. GRIFFIN, INSPECTOR GENERAL
DEPARTMENT OF VETERANS AFFAIRS****HOUSE COMMITTEE ON VETERANS' AFFAIRS
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS**

(May 11, 2000)

Mr. Chairman and Members of the Subcommittee, I am pleased to be here today to comment on the Department of Veterans Affairs (VA) Information Technology (IT) program. During the last several years, the Office of Inspector General (OIG) has reviewed selected VA IT system development initiatives, procurements, and capital asset acquisition practices that identified opportunities where the Department could enhance its IT investment efforts. Our IT review efforts have also focused on Department information system security controls.

As outlined in the Clinger-Cohen Act of 1996, Federal agencies are now required to focus more on the results achieved through IT investment while streamlining the Federal IT procurement process. The Act requires agency heads to design and develop a process for maximizing the value and assessing and managing the risk of an agency's IT acquisitions. While the Department is taking certain positive actions to comply with the Act, our audits have found that the Department needs to more fully assure that IT resources are effectively used and user IT needs are efficiently met. Effective management and oversight of VA's IT investment is important given the significant annual investment of over \$1 billion in IT by the Department.

The OIG has been involved with review and oversight of Department IT program initiatives since 1995. These reviews have included IT system developments, procurement of Department-wide telecommunications support, initial efforts by the Department to address the requirements of the Clinger-Cohen Act that include IT capital investment initiatives, and information system security controls. In addition to these efforts, we review the IT acquisitions process followed by local VA Medical Centers (VAMC) as part of our Combined Assessment Program (CAP). This review effort is being completed in response to a request from VA's Principal Deputy Assistant Secretary for Information and Technology, to determine if any field activities may be acquiring IT (services and equipment) without following appropriate Departmental procedures for approval.

IT System Developments

Our review efforts have identified opportunities for enhancements in key VA system developments involving Electronic Data Interchange (EDI), human resources and payroll,

and a management information system to support delivery of health care to veterans. Our review efforts included:

1995 Evaluation of Electronic Data Interchange (EDI) Implementation in VA

In 1995, the OIG evaluated VA's EDI implementation efforts and focused on current EDI implementation initiatives in the acquisition and finance program areas and future Departmental expansion opportunities. VA estimated that efficiencies of \$499 million over a 5-year period could be achieved by replacing commonly used business documents with their electronic equivalents. At the time of the audit, the Department was in the initial stages of EDI implementation and we provided an early assessment of implementation and identified opportunities to enhance VA's efforts. We found that attention needed to be focused on assessing implementation results, identifying impact on program operations, and preparing a strategic marketing plan to facilitate and encourage the significant expansion opportunities that potentially could be achieved. In response to the audit recommendations, the Department's implementation efforts have been significant with expansion of the EDI operating environment from a relatively small number of trading partners and associated transactions to over 1,700 trading partners and 1.8 million annual procurement transactions valued at over \$3 billion.

1997 Evaluation of the Design and Implementation of PAY-VA (Now called HR LINK\$)

In 1997, the OIG provided an early assessment of VA's design, development, and implementation process for the new HR LINK\$ system that is expected to streamline VA's human resource and payroll functions. The Department was in the initial stages of the system development initiative. We found that project managers had established management control over the multi-faceted details this system development effort entailed, and user involvement was significant. However, we identified opportunities to enhance HR LINK\$ implementation efforts concerning project documentation and workplans, cost information, contract deliverables, system security, correction of identified material weaknesses, training, and Contracting Officer's Technical Representative (COTR) duties.

1999 Audit of Veterans Health Administration (VHA) Decision Support System (DSS) Standardization

In 1999, the OIG reviewed the implementation of a new management information system intended to aid clinicians, managers, and executives in making decisions affecting the delivery of health care. This audit was requested by the Under Secretary for Health to determine if implementation of DSS was sufficiently standardized to ensure the usefulness of DSS data. DSS represents VHA's first automated managerial cost accounting system for the delivery of medical care that will provide VHA managers with cost and clinical information for consideration when making clinical decisions, managing workload, and controlling medical costs. Our audit found that the potential usefulness of DSS and its data was being compromised because some VAMC staff had diverged from the system's basic structural standard. Where such divergence had been detected, it

prevented data from these VAMCs being accurately aggregated along with data from other facilities that did adhere to the structural standard. In order that DSS can achieve its full potential, the Department needs to ensure adherence with the standard DSS structure. We estimate that, through September 1998, DSS represented an investment of about \$140 million for VHA.

Procurement and IT Capital Investment Initiatives

Our review efforts have identified opportunities for VA to enhance the efficiency and effectiveness of IT contracting initiatives and assure that the Department's IT capital investment process addresses the requirements of the Clinger-Cohen Act. Our review efforts included:

1998 Audit of VA Procurement Initiatives for Computer Hardware, Software, and Services (PCHS/PAIRS) and Selected Information Technology Investments

In 1998, the OIG reviewed VA's acquisition initiatives for procurement of computer hardware and software (PCHS) and the procurement of automated information resources solutions (PAIRS). These acquisition initiatives were to be the principle nationwide, non-mandatory sources for acquiring IT equipment and services for VA. Our review found that acquisition risks associated with the PCHS procurement had been effectively addressed by VA's procurement planning actions. We also identified opportunities for VA to enhance its IT contracting initiatives and help address and meet IT performance expectations included in the Clinger-Cohen Act. Key issue areas requiring VA action included: (1) use of national contracts, (2) Veterans Health Administration's major IT initiative for clinical workstation replacements (capital investment valued between \$700 to \$800 million), (3) IT performance expectations (audit found that VA needed to reduce IT costs by \$22 million a year and by \$101 million over 5 years), (4) IT hardware requirements (audit found that VA could potentially spend an additional \$36 million for its replacement of dumb terminals with unnecessary upgraded equipment), (5) planning PAIRS procurement strategy, and (6) COTR training.

At the time of the audit, the Department was in the initial stages of taking actions to comply with the Clinger-Cohen Act. Since then, VA has developed a Department IT Portfolio, which contains a ranking of VA IT investments and a performance measurement/performance management strategy. VA has also developed an IT strategic planning process which includes an investment decision framework.

1998 Evaluation of VA Capital Programming Practices and Initiatives

In 1998, the OIG evaluated VA's capital asset acquisition practices and efforts to implement a capital programming process. VA capital assets include land, structures, equipment, and IT hardware and software. We found that VA was making progress toward a comprehensive capital program for managing its capital investments, but additional policy was needed for VHA's Veterans Integrated Service Network-level investments, and alternative capital funding strategies should be explored. Our

evaluation found that VA's capital investment initiatives for IT had made more progress than initiatives for other types of assets. VA was in the process of revising policies to meet the requirements of the Clinger-Cohen Act and related Office of Management and Budget initiatives. A significant accomplishment was the September 1997 VA Directive 6000, VA Information Resources Management Framework, that established an IT management framework and defined the responsibilities for planning, budgeting, procurement, and management in-use of IT assets.

1999 Audit of Procurement Initiatives for VA's Integrated Data Communications Utility (IDCU) Telecommunications Support

The 1999 OIG audit examined the 10-year old contract and planned replacement efforts for VA's IDCU telecommunications support for network interface facilities. The IDCU is a Department-wide data communications network enabling VA users to connect from one automated system to another and to access various databases.

The audit found that the Department took positive steps to transition to a new wide area network (WAN) contract, but issues were identified in the old IDCU contract that adversely impacted VA operations and costs. The IDCU system and contract were no longer meeting VA's telecommunication requirements effectively or efficiently. Key audit finding areas included: (1) contract modifications totaling \$142 million were not supported with adequate documentation to explain why the contract increases were fair and reasonable; (2) VA spent approximately \$3.1 million leasing and maintaining an excessive number of unused ports over the life of the contract; (3) VA needs to recover over \$1 million in payments to the contractor for the Performance Management System that was not accepted; (4) VA saved \$944,891 by terminating the acquisition support contract in response to our audit results; and, (5) VA could save an estimated \$60,000 if consultant services were acquired through competitive means. We also advised the Department that it needed to conduct a formal risk assessment to adequately assess, manage, and mitigate the levels of risk associated with transitioning to a new WAN solution. In addition, we identified some key business decisions made by the contracting officer at the time the contract was awarded that negatively impacted VA's ability to effectively administer this contract over its 10-year life cycle.

Combined Assessment Program (CAP) Reviews of Facility IT Acquisitions

In response to a November 3, 1999 memorandum from the Principal Deputy Assistant Secretary for Information and Technology, we agreed to include a review of the IT acquisition process as part of our regularly scheduled CAP reviews (30-35 reviews are planned annually). Our CAP reviews provide an independent and objective assessment of key operations and programs at VAMCs on a cyclical basis. The Principal Deputy Assistant Secretary wanted us to determine if any field activities may be acquiring IT (services and equipment) without following appropriate Department procedures for approval. So far, our review of IT acquisitions at VAMCs Dublin, GA, Biloxi, MS, and Denver, CO did not identify any problems in this area.

Information System Security Controls

Our review efforts over the last several years have identified Department-wide weaknesses in information system security that continue to make VA's program and financial data vulnerable to error and fraud. These system security weaknesses are so serious that the Department has designated the information security area as a material weakness under the Federal Manager's Financial Integrity Act. Our review efforts included:

1995 Audit of Security at the Central Office Automation Center

The audit found a need for improvement in physical and electronic access controls over equipment, sensitive data, and critical applications maintained by the Center. Security control weaknesses left the Center systems vulnerable to unauthorized access, inappropriate disclosure, and destruction of data.

1996 Audit of Security Controls at the Austin Automation Center

The audit found that VA needed to strengthen security controls to ensure that Center operations were adequately protected. A number of key security enhancement opportunities were identified that could help make the Center more physically secure as well as less vulnerable to unauthorized electronic access. The need for tighter security measures was also supported by the fact that the Center is located adjacent to an Internal Revenue Service Center that has been a target for bomb threats.

1997 Audit of Security Controls at the Hines Benefits Delivery Center

The audit found that security controls needed to be strengthened to ensure that Center operations were adequately protected. The review found that the Center's security efforts could be better focused by establishing a proactive security program. Also, the Center needed to develop a current security risk assessment that adequately identified the criticality and sensitivity of the data processed and maintained, and the vulnerabilities to which the systems are exposed.

1998 Audit of Security Controls for the Integrated Data Communications Utility (IDCU)

The audit found that security controls needed to be strengthened to ensure that IDCU operations were adequately protected. Key security improvements were needed to assure adequate physical security controls at major IDCU facility switch sites and better control of remote access to the IDCU. Maintaining appropriate security and continuity of IDCU operations is important because this network provides key data communications support to more than 500 VA facilities that are connected to the IDCU as well as transmitting financial transactions and data associated with VA's \$48 billion budget.

1999 Consolidated Financial Statements (CFS) Audit

Audit tests completed this year continue to demonstrate wide spread system security control weaknesses. We found that often, the needed improvements were well known within the security community such as installing and implementing patches, employing more secure configurations, and making use of more secure management procedures. Our security control testing found that:

- Access controls and monitoring were ineffective at VBA. Penetration tests at VBA demonstrated that weaknesses allowed us to obtain privileged access from outside and inside VBA to significant computing resources without being detected. This access was obtained using relatively unsophisticated methods and exploiting configuration weaknesses. These weaknesses could have been mitigated or prevented by stronger passwords, installing corrective patches, better configurations, and use of more secure management practices. We recommended that VA strengthen its password policy and suggested that the Principal Deputy Assistant Secretary for Information and Technology take specific actions to implement, and then to verify the successful implementation of a revised minimum password policy by December 31, 2000.
- Significant weaknesses in automated data processing general controls also continued within VHA. For example, at one facility we determined that 3,860 users inappropriately had the ability to obtain one of the password files, and that 90 accounts remained active despite the fact that the owners had not signed on in more than a year.

We have reported system security control weaknesses in our 1997 and 1998 CFS audits and made recommendations for VA to implement a comprehensive security program that would improve access controls. During 1999, VA had proposed and taken a number of corrective actions that could result in an effective security program with strengthened access controls. However, these efforts are just beginning to be implemented and have not had time to permeate the organization. With the apparent resolution of significant Year 2000 concerns within VA, the Department can now better focus its efforts on information security.

This concludes my testimony. I would be pleased to answer any questions you and the committee may have.

Statement by
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Department of Veterans Affairs
Before the
Subcommittee on Oversight and Investigations
Committee on Veterans' Affairs
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Good morning, Mr. Chairman and members of the Subcommittee. I am pleased to testify before you today to discuss the Department of Veterans Affairs' Information Technology programs.

On July 1, 1998, the Office of the Assistant Secretary for Information and Technology was established to focus on information and technology management. The Assistant Secretary position was created to be the Chief Information Officer (CIO) for the Department of Veterans Affairs. The CIO has a "seat at the table," of VA senior management officials as intended by the Information Technology Management Reform Act, also known as the Clinger-Cohen Act (Public Law 104-106). The CIO advises the Secretary on the most critical information technology (IT) issues facing VA. The decision to establish a separate CIO position provided VA's information technology function with visibility and authority, and at the same time, established clear responsibility and accountability.

I was appointed Principal Deputy Assistant Secretary for Information and Technology and acting head of the newly established Office of the Assistant Secretary for Information and Technology in June 1998.

Upon assuming the role of Acting CIO, I focused on two time sensitive crises the Department was facing - - readiness for Year 2000, and the replacement strategy for the Integrated Data Communications Utility (IDCU).

My first priority was the challenge of the Year 2000. We have worked very hard in bringing VA's information technology systems into compliance for service to veterans in the Year 2000 and beyond. VA successfully transitioned into the Year 2000 without any significant Year 2000 incidents. VA remained on a "Green" operational status throughout the date rollover period and we continue to operate on a "Green" status without any Year 2000 interruptions. VA benefits were paid on time and our health care facilities remained open throughout the date rollover. VA also completed "health checks" at our Headquarters offices, 172 medical centers, 600+ outpatient clinics, 58 regional offices, all national cemeteries and data processing centers. These "health checks" found that these facilities were operational and no significant Year 2000 problems were encountered. This successful transition into the Year 2000 reflects the hard work performed nationwide by VA employees to make VA's systems Year 2000 compliant.

As my second priority, I established an IDCU Replacement Team last year, consisting of representatives from the major VA organizational elements, to develop a replacement wide area network (WAN) to accommodate department-wide data communications needs into the next century. The Team identified Sprint Corporation under the General Services Administration's (GSA) Federal Technology Services 2001 (FTS2001) contract as the vendor of choice to provide data and voice communications services to the Department.

Early on, I met with the General Accounting Office (GAO) and the Office of Management and Budget (OMB) to gain their perspective on how the Department might implement best practices. VA continues to meet with GAO

regularly to discuss their recommendations on our efforts to utilize IT as a tool to improve service to veterans. In addition, VA continues to work with OMB by providing status and information on our significant IT initiatives.

I'd like to share with you some of our major accomplishments and the progress we have made in the last year.

INFORMATION TECHNOLOGY STRATEGIC PLAN

The VA Information Technology (IT) Strategic Plan was published in April 1999 and is being updated this month. It is the result of an extended effort by a department-wide team and sets a framework for our IT decision-making in VA. The vision and goals defined in the IT Strategic Plan will enable the Department to address cross-cutting opportunities and continue to make strides toward achieving One VA. One VA means presenting an increasingly single face to the veteran. Traditionally VA has used information technology to automate processes within lines of business, but not across them. One VA for IT means all business lines will look outside themselves, to share and exchange information as they have not done in the past and to integrate information systems across business lines to improve overall service to VA's common customer, our nation's veterans and their families.

VA IT ARCHITECTURE

In May 1999, VA published a department-wide technical architecture. The architecture lays out the technical services (reference models) and the technical standards that are to be followed in the design or acquisition of new information systems. It addresses interoperability and compatibility of our systems. The architecture conforms to OMB's May 1997 guidance on what an agency

architecture must comprise at the technology layer. In addition, it is used as a criterion in the VA capital investment planning process.

VA CAPITAL PLANNING

In response to the Government Performance and Results Act (GPRA) (Public Law 103-62) and Clinger-Cohen, VA instituted a capital planning process in the fiscal year 1999 budget cycle. It is a three-tier process (business, technical, strategic) that ultimately integrates, at the strategic level, a review of all types of capital asset proposals, establishing a businesslike framework for management, accountability, and budgets that evaluate the risks and benefits of major investments over their entire life cycle.

The IT technical level of review is fully integrated with the Department's capital investment process with a focus on IT issues. IT evaluation criteria include mission improvement and service, IT performance, project management, customer acceptance, and risk. Cost and schedule are further evaluated on a quarterly basis, and in-process and post implementation performance reviews are also conducted.

The process for IT begins with issuance of a joint Capital Call, a department-wide memorandum, signed by the VA Acting CIO and the VA Chief Financial Officer, requesting all types of capital investments, including information technology. The Capital Call results in the Capital Plan submitted to OMB, which we talk about corresponding to the budget. The Administrations and Staff Offices submit structured applications/proposals for projects that meet capital investment criteria. IT projects are evaluated by a cross-organizational Investment Panel chartered by the VA CIO Council. The IT proposals are evaluated against each other for merit, using criteria and weights defined by the CIO Council. As a result, some projects may fail this review process despite their selection by their administration or staff office. The outcome is a numerical ranking of projects,

supporting analyses and recommendations submitted to the CIO Council for review and recommendation. The CIO Council determines which IT projects go forward for strategic review to the Department's Capital Investment Board, chaired by the Deputy Secretary for final decision. I am also a member of that department-level board – the VA Capital Investment Board (VACIB).

VA's capital investment process will be further enhanced when we complete implementation of the Information Technology Investment Portfolio System (also known as I-TIPS) to track our IT investments. VA will extend the I-TIPS concept to track all other departmental capital investments as well.

VA is striving to link its major IT planning and budgeting documents to have conformance among our budget and performance plan, our capital plan, our capital investment proposals, and our "Agency-Wide Summary on Obligations for Information Technology" (OMB Circular A-11 Exhibit 53) submitted to the Office of Management and Budget.

DATA CENTER COLLOCATION

A significant cost cutting plan VA intends to pursue this year is the consolidation of the 3 existing VA data centers. Previous plans to collocate were postponed in an effort to ensure that veteran payments continue without interruption up to and beyond January 1, 2000. The FY2000 Appropriations Conference Report required VA to submit a report summarizing all cost/benefit studies regarding the consolidation. We are pursuing discussions to resolve questions arising from our report which was submitted March 9, 2000.

VA TELECOMMUNICATIONS

The Department of Veterans Affairs selected Sprint Corporation under the General Services Administration's Federal Technology Services 2001 contract as

the vendor of choice to provide voice and data communications services for the Department. The FTS2001 contract offers VA excellent pricing, the opportunity to better manage telecommunications services, and the ability to work with a company with an established reputation in the telecommunications community.

VA INFORMATION SECURITY

Information Security is also a key issue for VA, as it is for the government at large. In fact it is our next priority. Accordingly, in May 1999, a department-wide Information Security Workgroup comprised of senior staff from each administration and staff office's information security management function completed a comprehensive, Department Information Security Program Requirements and Budget Plan (ISP), which provides a comprehensive multi-year program plan and budget proposal. The plan calls for a total investment of about \$85 million over a six-year period beginning in FY 2000. The ISP is intended to be the single project management reference point for all department-wide information security spending proposals, capital investment plans, budget representations, FMFIA material weakness remediation tasks, and Presidential Decision Directive 63 (PDD-63) critical infrastructure protection efforts. Eleven ISP initiatives comprise the concurrent actions necessary to manage the areas of greatest information security risk.

ONE VA INITIATIVES

Last, in the area of business process reengineering, the Department has held four regional and one Central Office One VA Conferences. The conferences brought together senior leadership, middle managers, first-line employees, union representatives, and Veterans Service Organization members to support the institutionalization of a true One VA culture. As a direct result of national One VA issues identified by participants at these conferences, Deputy Secretary Hershel

Gober has charged me, in consultation with the Department's CIO Council and business line managers, to develop a plan that includes milestones and estimated costs for achieving the type of integrated information system architecture necessary to support a) front-line employee access to needed information across VA; b) an accurate, consistent, and reliable integrated information system covering all veterans; c) a smart card for veterans; and d) consolidation of 1-800 telephone numbers.

SUMMARY

While much progress has been made, I realize much remains to be done. We are moving forward in a partnership with Sprint Corporation to conduct an orderly transition of data communications in a manner which will not disrupt service to the veteran. We need to continue strengthening the capital investment planning, making improvements to streamline the process while continuing to capture information needed to make informed investment decisions. We are now collectively moving forward to integrate VA's information technology initiatives into One VA systems that will support VA's business operations. We will ensure that we protect VA records either in electronic or paper form from unauthorized access or disclosure and we will establish the security necessary to provide our customers the assurance that their records and the information they provide to us is maintained as accurately and reliably as possible. The accuracy, security, and privacy of all VA records is one of VA's most important objectives as we move forward in doing business electronically. I will not be satisfied until we have in place systems that support the provision of seamless, world class service to every veteran who comes to VA.

Mr. Chairman, that concludes my statement. I and my colleagues will be happy to respond to any questions you may have.