

**U.S. DEPARTMENT OF VETERANS AFFAIRS
FISCAL YEAR 2009 BUDGET—
OFFICE OF INSPECTOR GENERAL AND
OFFICE OF INFORMATION AND TECHNOLOGY**

HEARING
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT AND
INVESTIGATIONS
OF THE
COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
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**U.S. DEPARTMENT OF VETERANS AFFAIRS
FISCAL YEAR 2009 BUDGET—
OFFICE OF INSPECTOR GENERAL AND
OFFICE OF INFORMATION AND TECHNOLOGY**

WEDNESDAY, FEBRUARY 13, 2008

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

The Subcommittee met, pursuant to notice, at 2:34 p.m., in Room 210, Cannon House Office Building, Hon. Harry E. Mitchell [Chairman of the Subcommittee] presiding.

Present: Representatives Mitchell, Space, Walz, and Brown-Waite.

OPENING STATEMENT OF CHAIRMAN MITCHELL

Mr. MITCHELL. Good afternoon. Welcome to the hearing on the proposed budget for the U.S. Department of Veterans Affairs (VA) Office of Inspector General (OIG) and the proposed budget for the VA Office of Information and Technology (OI&T). This is the Subcommittee on Oversight and Investigations.

This hearing will come to order. We are here today to examine the President's proposed budgets for fiscal year 2009 for the Inspector General of the VA and the VA's Office of Information and Technology. These budgets are not related, but are equally important.

Our first panel will address the OIG's proposed budget. The President's budget proposes \$76 million for the OIG for the fiscal year 2009, which is \$4 million below their fiscal year 2008 budget. I believe this cut is absolutely irresponsible.

The Inspector General is an essential, independent, nonpartisan check against waste, fraud, and abuse and is one of the best ways of ensuring accountability at the VA during time of war.

This reduction would result in a 10 percent cut in OIG staffing which would weaken the VA's watchdog when hundreds of thousands of veterans need VA to make improvements.

This Subcommittee held a hearing just 2 weeks ago where Dr. Daigh, one of the OIG witnesses today, and his team in the Office of Healthcare Inspections testified to the shocking and tragic events at the VA hospital in Marion, Illinois.

The VA Medical Inspector, Dr. Daigh, and his group, found nine patients who died in the past 2 years as a result of substandard care.

I will be asking Dr. Daigh what additional resources are needed to look at the VA Hospital system to make sure there are no more Marions out there. I know he does not have those resources now and the President's budget would reduce the OIG even further.

The Federal Government has 25 statutory mandated Inspector Generals. If you compare the number of OIG employees with the number of employees in the Agency, the VA has the lowest ratio in the entire government. The same comparison of budget for the OIG and budget for the Agency puts the VA near the bottom.

Unfortunately, the President's proposed cut does not account for the OIG's return on investment. In fiscal year 2007, the VA's Inspector General had hard dollar recoveries, money taken from illegal activities and placed into the United States Treasury, of \$237.9 million. Return on investment just on hard dollars recovery was more than three to one.

The OIG also saved over \$300 million by cutting off benefits of payments to fugitive felons, that is people receiving benefits who have outstanding arrest warrants for felonies.

Our second and third panels will address the President's budget proposal for VA Office of Information and Technology. Congress has mandated a separate budget line so that the amounts and purposes of information technology (IT) expenditures are visible and can be evaluated.

The VA is doing a better job of categorizing its IT expenditures, but there is more work to be done. In order for Congress to provide effective oversight, IT costs must be allocated to costs that are as precise and accurate as possible.

One specific topic the Subcommittee will explore is the funding for IT resources to support the innovation and creativity of VA's healthcare providers. The Office of Information and Technology has set aside \$8 million this year to provide IT support to the clinicians in the field to continue to improve VistA. Unfortunately, there is nothing set aside for this in the President's proposed fiscal year 2009 budget.

I think this is a mistake. There are benefits to centralization of IT, but centralization has hurt the way VA personnel use new technology to take care of our veterans. VA must do all it can to preserve and promote the unique talents of its healthcare providers to innovate and to keep VistA and VA at the forefront of medical care.

Our veterans have fought for our freedom and the least we can do is provide adequate resources to ensure they receive the highest quality of care when they become veterans.

[The prepared statement of Chairman Mitchell appears on p. 24.]

Mr. MITCHELL. Before I recognize the Ranking Republican Member for her remarks, I would like to swear in our witnesses. I ask all the witnesses from all panels if they would please stand and raise your right hand.

[Witnesses sworn.]

Mr. MITCHELL. Thank you.

I now recognize Ms. Brown-Waite for her opening remarks.

OPENING STATEMENT OF HON. GINNY BROWN-WAITE

Ms. BROWN-WAITE. Thank you very much, Mr. Chairman.

I do not know about you, but it seems like the witnesses are so far away. It is not meant to be in an unfriendly manner. We would love to have you closer, but this happens to be the configuration of this room.

Mr. Chairman, last Thursday, the full Committee reviewed the entire budget for the Department of Veterans Affairs for fiscal year 2009. Today we will be focusing on two specific portions of that budget, namely the funding for the Office of Inspector General and the Office of Information and Technology over which this Subcommittee has direct oversight.

Over the past year, I found that the information reported to our Committee by the Office of Inspector General is very useful in providing this Subcommittee with the information that we need to conduct our oversight responsibilities.

For fiscal year 2008, the OIG was provided with sufficient funding to plus-up their full-time equivalent (FTE) staff to 488 FTEs, which was an addition of 48 new staff members. I understand that the OIG is in the process of hiring these staff and they are to be assigned to several new high-profile audits, healthcare inspections, and criminal investigations.

However, I am greatly concerned that the fiscal year 2009 budget that was proposed reduces the FTE staff by 48, same number we just plussed-up. I hope to hear from the OIG as to how this reduction in staff funding will affect the continuation of the audits already in process and the future oversight and investigations conducted by the OIG.

During this Subcommittee's January 29th hearing on patient safety, I raised concerns about a possible reduction in the budget for the Office of Inspector General. As I stated at that hearing, we, Members of this Committee, and Members of Congress, have an obligation to ensure that the funding for the OIG is not only maintained at the 2008 level, but that we work together to provide additional funds for fiscal year 2009.

The OIG's Combined Assessment Program, also known as CAP review, is an unmatched cyclical audit that surveys patient safety, infrastructure safety, management inefficiencies, and also allows the VA to keep its finger on the pulse of the VA's health delivery system.

I was pleased to see that the President has requested a plus-up for the Office of Information and Technology. I know that the transition to a new centralized IT system has not always been smooth. But under the leadership of General Howard, it has moved forward and I hold high hopes that the kinks, bumps, and turf wars along the way will continue to be worked out. VA's centralized IT infrastructure has been a landmark decision that all other departments could only hope for.

I do, however, want to make certain that the funding Congress provides to VA for its OI&T operations will be managed wisely without unnecessary expenditures on IT systems that are stagnant and not moving forward.

We have often heard about the problems that plagued the systems in my own back yard like the CoreFLS \$340 million debacle and the delays in moving off of Legacy IT systems.

With the centralization of funding to one officer such as Assistant Secretary Howard, I am hopeful that VA can move forward on the right track to provide systems that will be able to serve our Nation's veterans and give the American taxpayer the most bang for the tax dollars.

In closing, Mr. Chairman, I would like to again reiterate that I appreciate your holding this hearing so that we can review in more detail the complex nature of each of these budget lines in the Department of Veterans Affairs budget.

And with that, I yield back the balance of my time.

[The prepared statement of Congresswoman Brown-Waite appears on p. 25.]

Mr. MITCHELL. Thank you.

Mr. Walz.

OPENING STATEMENT OF HON. TIMOTHY J. WALZ

Mr. WALZ. Thank you, Mr. Chairman. And just briefly, I want to thank you, of course, for holding this hearing and for your passionate words on what it takes to make sure our veterans are receiving their care and to the Ranking Member who has been an absolutely sterling voice on these issues of making sure that we are not only providing the services, we are providing them in a cost-effective and timely manner.

And to each of you who are here today on all the panels, I say every time we are here, but I think it is important for us to all keep it in mind, we are all here with a single purpose and that is to provide the best quality of care we can to our veterans who serve this Nation. And we are partners in this.

As Members sitting up here, we lean on your expertise and your ability to help us figure that out. And our job is to help make sure that we are doing the job that we are asked to do as providing that oversight. So I truly thank you.

And I have also spoken passionately and many of you have testified before of the Office of Inspector General, for starters, that I am a big fan of this office. One is that it is absolutely critical in the ability for us to deliver and to manage what we are doing in such a large organization. We see you as partners in effectiveness and the return we get on our money from the OIG Office is one we should be very proud of.

So I would echo and associate myself with the words of both the Chairman and the Ranking Member that when we see the budget being cut in the OIG, we know that puts you in a very difficult position, if you are going to live with what you are given and still trying to carry out your job. Our job is to make sure, though, that we deliver that, deliver what you need.

And I think it is important for us to keep in mind, too, the President's budget is a suggestion. The Constitution clearly puts the authority for budgeting right here with the Members up here. Our goal is to work together. It is a different set of eyes. We want to make sure whatever we can do to deliver to you.

And a comment also on the integrity and the hard work of the IT, I, as a veteran, am concerned about this. When the 26 million letters were sent, I was one of those also. I do not want to diminish the concern that many veterans have, but I once again do think it

is important to point out that progress has been made. And as the Ranking Member pointed out, too, we just want to make sure that we have a lot more of the successes and a lot less of the dead ends.

So with that, Mr. Chairman, I thank you and I really look forward to the testimony.

I do again want to thank you all for being here and the work you do for our veterans.

Mr. MITCHELL. Thank you.

At this time, I ask unanimous consent that all Members have five legislative days to submit a statement for the record. Hearing no objection, so ordered.

I want to welcome the first panel. And at this time, I would like to welcome Mr. Jon A. Wooditch, the Deputy Inspector General, to the witness table. Mr. Wooditch is accompanied by experts in the fields of healthcare, audits, and investigations.

Mr. Wooditch, if you would please introduce your team and then after that, you have five minutes to make your statement. Thank you.

STATEMENT OF JON A. WOODITCH, DEPUTY INSPECTOR GENERAL, OFFICE OF INSPECTOR GENERAL, U.S. DEPARTMENT OF VETERANS AFFAIRS; ACCOMPANIED BY JOHN D. DAIGH, M.D., CPA, ASSISTANT INSPECTOR GENERAL FOR HEALTHCARE INSPECTIONS, OFFICE OF INSPECTOR GENERAL; JAMES O'NEILL, ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS, OFFICE OF INSPECTOR GENERAL; AND BELINDA FINN, ASSISTANT INSPECTOR GENERAL FOR AUDITING, OFFICE OF INSPECTOR GENERAL, U.S. DEPARTMENT OF VETERANS AFFAIRS

Mr. WOODITCH. Thank you very much. I appreciate the opportunity to take a moment to introduce those responsible for the OIG's accomplishments.

Belinda Finn over here to my far right conducts audits aimed at improving VA nationwide. During the past year, audit work presented before this Committee included outpatient waiting times, variances in disability compensation payments, and contracting deficiencies.

To my left is Dr. David Daigh. He conducts healthcare inspections to improve patient care. In addition to testifying before this Committee on quality management issues at the Salisbury Medical Center, he recently appeared, as Mr. Chairman mentioned, before this Committee to discuss patient deaths at Marion, Illinois.

Lastly, Jim O'Neill is to my right. His criminal and administrative investigative work on the data loss involving 26 million veterans and the more recent incident at the Birmingham Medical Center, has heightened awareness of protecting personally identifiable information throughout the entire Federal Government.

That is our senior management team, and I am very proud of them.

Now if I may start my statement. Mr. Chairman, Members of the Subcommittee, thank you for the opportunity to address the 2009 budget for the Inspector General.

A year ago, we testified before this Committee concerning our oversight of VA. Since then, we achieved over \$820 million in mon-

etary benefits for return on investment of \$12.00 for every dollar spent. We issued 217 reports with over 800 recommendations for corrective action and completed over 1,100 criminal investigations. While we have accomplished much, much more remains to be done.

For fiscal year 2008, OIG funding is \$80.5 million, which includes \$7.9 million in emergency funding authorized by the President. This funding supports 488 FTE. We are very appreciative of this funding and we have launched an aggressive recruiting effort to fill these positions as soon as we can. For 2009, the budget submitted for the OIG is \$76.5 million which supports 440 FTE.

I would now like to take a moment to highlight some of the key issues that we will focus on this year and in 2009. A primary focus of our work is on the quality of healthcare. We will review internal controls such as the peer review process to ensure they are functioning correctly. CAP reviews will be expanded to address credentialing and privileging and we will begin assessing clinical outcomes to ensure veterans are not exposed to excessive risk.

Veterans who have returned from current conflict experience two medical traumas with great frequency, traumatic brain injury (TBI) and post traumatic stress disorder (PTSD). We will review access, diagnoses, and treatment to identify any unmet clinical needs. We will initiate reviews of care provided at 1,000 outpatient clinics and Vet Centers.

For many veterans, especially those in rural areas, these facilities are their primary access to medical care. It is only through a review of this population can we ensure they are receiving quality care.

We believe the disparity between specialty medical care at large medical centers compared to small, rural facilities may place veterans at risk. We plan to devote attention to this issue through a focused nationwide review.

Budget and resource allocation are critical to meeting veterans' healthcare needs. We plan to review the resource allocation system that tracks demand and usage across VA to ensure equitable distribution of resources as veteran demographics change.

VA spends a significant amount of money on pharmaceuticals. We will review the effectiveness of internal controls to prevent loss and theft.

We will assess the timeliness and accuracy of processing benefit claims, especially in light of the increasing workload associated with Operation Iraqi Freedom/Operation Enduring Freedom veterans.

VA lacks an integrated system to safeguard and account for financial operations. We plan to review VA's efforts to replace existing legacy systems, which do not adequately support preparation of VA's consolidated financial statement.

We will expand our oversight of the systemic weaknesses that we have found and reported on of VA procurement and we will continue to follow up on the continuing information and security control concerns identified in our annual Federal Information Security Management Act (FISMA) audits.

In closing, we will always focus available resources on the most urgent issues. However, reports on issues such as those at the Marion Medical Center are examples of reactive work that were not

planned for. These reviews are very labor intensive and require us to postpone and cancel other planned and ongoing priority work.

The VA is faced with evolving challenges. If the OIG is to remain an agent of positive change, our resources need to be commensurate with this challenge.

I thank you again for the opportunity to appear before this Committee. We are available now to answer your questions. Thank you. [The prepared statement of Mr. Wooditch appears on p. 25.]

Mr. MITCHELL. Thank you.

I have a couple of questions. First, Mr. Wooditch, what impact would the \$4 million cut in the OIG's budget that the President's budget proposes, how would this impact your operation and your ability to do your job?

Mr. WOODITCH. Well, the obvious impact of that cut is a loss of 48 positions. With this comes a corresponding reduction in the number of audits we can perform, the number of healthcare inspections, and the number of criminal investigations that we can perform.

This translates into less monetary benefits, fewer arrests and convictions, fewer report recommendations aimed at improving VA's programs and operations. Of particular concern is the fact that these 48 positions were given to us this year.

As I mentioned, we are in the process of filling them with experienced staff so they can hit the ground running. We are faced with the problem of having to hire these people only to lose them in the following year.

Staffing swings of this magnitude for an organization our size not only impacts employee morale and productivity, it also makes it extremely difficult to accomplish meaningful, strategic, and long-term planning and more importantly, it is very, very, very difficult to consider which high-priority projects will have to be suspended or canceled.

Mr. MITCHELL. Among other things, the OIG investigates fraud, waste, and abuse in the VA programs and contracts and recovers money by ways of fines and restitution.

Am I understanding that in 2007, the actual dollars that were deposited in the Treasury was \$237.9 million? And the question is, how does this compare to the total annual budget for the Office of the OIG in 2007?

Mr. WOODITCH. As you mentioned, sir, the monetary benefits reported by the OIG are basically derived from three sources. First we have the dollar value of economic efficiencies associated with improvements in processes and productivity.

The second category includes savings generated by reducing erroneous payments.

Then lastly, as you mentioned, we have hard dollar recoveries that go directly back to either VA or to the U.S. Treasury. As you mentioned, these include fines, penalties, restitution, the civil judgments resulting from our criminal investigations. Importantly, it also reflects recoveries from contractors who have overcharged VA which we have identified through our post-award contract reviews.

For 2007, our overall return on investment, as I mentioned, was \$12.00 for every dollar spent. Briefly I will break down these three categories.

Efficiencies generated by economic improvements return an investment of \$1.60 for every dollar we spent. Reduced outlays, reduced erroneous payments generated \$4.10 for every dollar we spent. I think the one that is really the most important concerning our cost benefit is that we have been able to return hard dollars back to the United States Government of \$3.20 for every dollar we spent.

No matter how you slice it, the OIG has proven itself to not only a sound fiscal investment but one that has historically recovered more than its cost to operate.

Mr. MITCHELL. Thank you.

Dr. Daigh, you testified 2 weeks ago about the shocking and tragic situation at the VA Hospital in Marion, Illinois, where many patients died as a result of substandard care.

What resources would you need to conduct a system-wide investigation to ensure our veterans and the American public that there are no other Marions out there and do you have those resources now?

Dr. DAIGH. Sir, it is not possible to ensure that a Marion will not occur. I believe that if I had about 20 FTE more that I could significantly reduce the likelihood that those events would occur and that we could provide comfort and assurance that we will have done all we can to ensure that policies are followed appropriately with respect to the issues that arose at Marion.

Mr. MITCHELL. One quick question. Is there anything you can do to help ensure that veterans receive the appropriate mental healthcare that they need and do you have the resources to do that?

Dr. DAIGH. We have done, I think, a fair amount in this area, trying to focus both on specific cases where we think practice ought to change. Specifically it would be those individuals who died where their care involved both mental health issues and usually drug abuse. And getting VA to recognize that they need to deal with both problems at one time, I think, has been an important change in that area.

We have also reviewed and will focus on the mental health strategic plan to ensure that what is an agreed upon, reasonable way to ensure veterans receive mental healthcare is, in fact, rolled out as delivered.

Additionally, we are focusing on and would like to focus more, on if we had the resources, the mental healthcare provided at community-based outpatient clinics (CBOCs) and Vet Centers. There are about 800 CBOCs, a couple hundred Vet Centers. And at the Vet Centers, there is a piece of that I think is probably healthcare.

And CBOCs is where most individuals receive care who cannot easily get to a major hospital. And I think that with the resources I identified to you, I can provide more assurance that veterans will receive proper care there.

We have also put together a data set that identifies all returning veterans and cohorts by the year that they leave the U.S. Department of Defense (DoD). And I think that by using that data set as an analysis tool that we can get a better statistical look and provide better assurance as to what care the veterans who are returning year by year have been receiving.

So the answer is I think with the additional resources I identified, I think we can do a much better job of ensuring veterans receive the mental healthcare that they should both for TBI, PTSD, and associated disorders.

Mr. MITCHELL. Thank you.

Ms. Brown-Waite.

Ms. BROWN-WAITE. Thank you very much, Mr. Chairman.

I guess this question would be for Deputy Inspector General Wooditch. Obviously the statement was made if you had an additional 20 FTE staff people helping in the Office of Inspector General where you would use them.

What if there was an additional 20? Where would you devote those personnel to? What areas would you assign them to?

Mr. WOODITCH. We have many projects that we cannot get to within our current funding. In addition to the 20 FTE that Dr. Daigh just mentioned to provide some sort of assurance that we do not have another Marion, if we had 20 more FTE, I think we would have to sit down and assess our workload and determine where we can get the most bang for the buck.

But I can tell you right now Jim O'Neill, our AIG for Investigations, his investigators right now carry a workload of 12 cases per agent, one of the highest in the Federal Government. With a workload that significant, one thing happens. When we have a data loss case, we have to divert resources to look at the data loss cases, those criminal investigations get postponed. They never get canceled. We will get back to them, but some of them take years to get back to.

So we would probably put some resources into a quick response team for data analysis, then the rest of them in the criminal investigative arena.

Ms. BROWN-WAITE. If I could follow-up on that. Is there a list that perhaps you could share with this Committee of additional needs that you see for the Inspector General's Office to be looking at?

And I do not know, Mr. Mitchell, do you have such a list?

Mr. MITCHELL. No.

Ms. BROWN-WAITE. It would be helpful to us to also know what needs our attention as the Oversight Committee. And with the concurrence of the Committee, maybe it would be helpful, not today, but if you would sit down with the Committee staff and I am available and perhaps Mr. Mitchell so that we can take a look at that because we want you to have additional staff so that the important job that you do can be done, can be accomplished in an efficient manner so that we get every cent that should be going to the vets that right now may be siphoned off into other areas, some illegal areas, so that we can get that money out there.

So if you would be willing to share such a list, we sure would appreciate having it. It will help us also to justify asking for more money.

Mr. WOODITCH. Well, thank you for the opportunity to meet with you and your staff to discuss these issues. We will prepare such a list and we will be contacting your staff to set up meetings. Thank you.

Ms. BROWN-WAITE. Okay. I have another question and I think this probably would be for Ms. Finn. And I am asking this because I believe, and please correct me if I am wrong, you did the study on the problems in the Boston area.

The VA's acquisition system that they are using right now for purchases, does that desperately need to be revised and made uniform so that we have real accounting areas that are used instead of miscellaneous for millions and millions of dollars?

Ms. FINN. One of the first things VA needs is a system to give them visibility over all of the contracting actions. They do not have that right now. They are working on a system, but they are just starting to implement it. And it is too early to say whether or not it is going to have all of the needed information.

Certainly they need to be able to correctly collect and track the obligations and the expenditures related to all of the contracting. That would be a critical need for good financial management.

Ms. BROWN-WAITE. Refresh my memory. How long have they been looking at this?

Ms. FINN. I do not know for sure. The Electronic Contract Management System has been under development and implementation for about three to 4 years, I believe. I do not know totally how long they have been developing a system. I will be glad to get back to you on that.

Ms. BROWN-WAITE. You know, so many times organizations think they have to reinvent the wheel when there are major software companies out there that have it and they will come in and they will modify it for government. And some of them specialize just in government. But if you would give us an update on that later, that would be wonderful.

Ms. FINN. Okay.

[The VA Inspector General, Hon. George J. Opfer, followed up in a March 20, 2008, letter, which appears on p. 43.]

Ms. BROWN-WAITE. And thank you very much.

And with that, I yield back my time.

Mr. MITCHELL. Thank you.

Mr. Walz.

Mr. WALZ. Well, thank you, Mr. Chairman.

And, once again, thank you all for what you are saying. I am going to have you help me and it is somewhat subjective, the questions I am going to ask. And I do not say this in any way facetiously, but I am trying to get a grasp on this, who requested that the budget be dropped for the OIG? How would that process work?

I mean, I would assume that the Secretary was involved in that when the cabinet level people sat around and talked about how they were going to do this year's budget. Who would make the decision and say, send this over to the House with a cut in the OIG? Do you have any idea on how that would work?

Mr. WOODITCH. It is difficult to talk about the internal budget process in the Government without sounding like I am soliciting resources.

Mr. WALZ. Yes. And I know you are in a tough spot because of that. I understand that.

Mr. WOODITCH. But I think I could help you a little bit in answering that question by saying that the OIG does develop a budg-

et on what we think we need to bring us to current services and any additional planning initiatives that we think need to be addressed.

Those are submitted to the Department. The Department will review those, make a decision on whether they support that. They will submit their position to Office of Management and Budget (OMB). OMB will make a final decision. They will get back to us. If we disagree with it, we are allowed to appeal it. They make a final decision and then the President's budget is submitted.

So anywhere between when it leaves this office until it arrives in front of Congress, the kind of cuts that you are talking about could occur.

Mr. WALZ. And the difficulty that lies in there is because of the conflicts there, for us to be able to see what was requested by OIG and we see what was agreed upon.

I am under the assumption that you probably asked for more, but I guess that is part of the process, I would assume.

Mr. WOODITCH. Well, we asked for resources to do a lot of the things that we are currently not doing.

Mr. WALZ. So bottom line is right now we could do a better job of protecting our veterans, and we could do a better job of protecting our tax dollars if we were investing more in the OIG?

Mr. WOODITCH. Yes, sir, I believe that is true.

Mr. WALZ. Okay. And I want to come back to this issue and this is one, Ms. Finn, you can help me with. Did you say we are currently having a very difficult time tracking contracts? Is that correct?

Ms. FINN. That is correct. At the present time, VA does not have any one system that collectively can provide visibility over all of the contract actions.

Mr. WALZ. So, internally in the VA, there is someone providing audits and then you are doing the inspections on these audits, is that the correct procedure?

Ms. FINN. Audits of contracts?

Mr. WALZ. Yes.

Ms. FINN. We actually within the OIG provide some pre- and post-award services to the Department on a reimbursable basis.

Mr. WALZ. Is there any redundancy in who is watching these contracts or if you do not catch it, it does not get caught?

Mr. WOODITCH. I would like to answer that, sir, if I may. VA has their own internal process of monitoring what they do. They have reviews done by General Counsel. They have reviews done from a technical standpoint in complying with the Federal Acquisition regulations. But I think I am safe in saying that if you are talking about independent objective reviews, our office is the only one that really does that.

Mr. WALZ. Okay. And did somebody have a number or did we say we could get it? How much fraud, waste, and abuse was caught last year, for example, in contracting? Do we have any idea on that?

Mr. WOODITCH. Fraud, waste, and abuse, in our pre-award and post-award area, the pre-awards basically look at contract bids and we look for opportunities to negotiate a better price. In the post-award, we look at where we are overcharged and from that, we try to collect the overcharges.

I think in 2007, our total pre and post-award monetary benefits were several hundred million dollars. I can get the exact number back to you later.

[The VA Inspector General, Hon. George J. Opfer, followed up in a March 20, 2008, letter, which appears on p. 43.]

Mr. WALZ. About how many firms are involved in that or how many contracts would you guess? Is that another one that is pretty hard to—

Mr. WOODITCH. It is difficult to estimate what that is. It varies by year to year. We do a lot more pre-award work than we do post-award. We probably look at over a hundred a year in pre-award and probably a third of that in post-award. We could look at a lot more, but we are limited to the 25 staff we have dedicated to that area.

Mr. WALZ. So at a time of national conflict and war and a time when our budgets are pressed, we have people war profiteering and at the same time, we are going to cut the people who can stop that war-profiteering? Is that an over-dramatization or is that what we are looking at?

Mr. WOODITCH. I do not think it is an over-dramatization. I think, like I said earlier, if you invest more moneys in us, you will get a greater return on your investment.

Mr. WALZ. Well, I again want to say to close here before I give it back to the Chairman that I do appreciate that and please know that we are fighting. And I also understand the very sensitive situation you are in with this budgeting. But please know that we will do our job of asking these hard questions and make sure we get this thing right.

So I yield back.

Mr. MITCHELL. Thank you.

Mr. Space.

Mr. SPACE. I have no questions.

Mr. MITCHELL. Thank you very much for coming today. We appreciate your testimony. And you have a friend up here. You have a bunch of them.

Mr. WOODITCH. Thank you very much.

Mr. MITCHELL. At this time, we would like to invite the second panel to come forward.

I might add that at about 3:20, they expect to call for votes again. So hopefully we can get through all of this.

I welcome panel two to the witness table. Ms. Valerie Melvin is the Director of Human Capital and Management Information Systems Issues for the U.S. Government Accountability Office, (GAO). She will be accompanied by her Assistant Director, Ms. Barbara Oliver. We look forward to hearing her unbiased view of the IT budget.

And, Ms. Melvin, you have five minutes to make your presentation.

STATEMENT OF VALERIE C. MELVIN, DIRECTOR, HUMAN CAPITAL AND MANAGEMENT INFORMATION SYSTEMS ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE; ACCOMPANIED BY BARBARA OLIVER, ASSISTANT DIRECTOR, HUMAN CAPITAL AND MANAGEMENT INFORMATION SYSTEMS ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Ms. MELVIN. Thank you, Mr. Chairman and Members of the Subcommittee. I am pleased to participate in today's hearing on VA's information technology budget.

As you know, the use of information technology is crucial to helping VA effectively serve our Nation's veterans for which the Department is seeking approximately \$2.4 billion for fiscal year 2009. However, the Department has long been challenged in its information technology management, having experienced cost, schedule, and performance problems in a number of systems initiatives.

To provide greater accountability and authority over its resources, VA has been realigning its organization to centralize IT management under the Chief Information Officer (CIO) and to standardize budgets, operations, and systems development.

Over the past two years, we have assessed and reported on the realignment initiatives and at your request, my testimony today summarizes our findings regarding the Department's actions and their impact to date in providing greater authority and accountability over the Department's IT budget and resources.

In this regard, the Department has taken a number of important steps toward a more disciplined approach to overseeing and accounting for its budget and resources. Among these actions, it designated necessary leadership within the CIO's Office to be responsible for developing and tracking expenditures against the budget, activated three governance boards to facilitate budget oversight and to manage its investments, finalized an IT strategic plan that aligns with the Department's strategic plan, and developed multi-year budget guidance to improve future management of the IT investment portfolio.

All of these steps represent positive movement in VA's attempt to establish greater control of its information technology. To date, however, their effectiveness in ensuring accountability for the Department's resources and budget has not yet been clearly established. It remains too early to assess the full impact of the Department's actions because a number of them have only recently become operational or have not yet been fully implemented.

For example, the Governance Board's first involvement in budget oversight only recently began in May 2007 and none of the boards have yet been involved in all stages of the budget formulation and execution processes.

In addition, because the multi-year budget guidance is applicable to future budgets for fiscal years 2010 through 2012, it is too early to determine VA's effectiveness in implementing this guidance.

Even more significantly, improved IT management processes that are being instituted as a cornerstone of the realignment remain behind schedule, with the date that VA plans to complete the implementation of certain budget control processes having changed from July 2008 to at least fiscal year 2011. However, as we have previously noted, it is crucial for the CIO to ensure that well-estab-

lished and integrated processes are in place to lead, manage, and control VA's IT resources.

Thus, Mr. Chairman, while VA's actions to increase IT oversight and accountability hold promise for achieving a more disciplined management approach, their success will depend on the extent to which the Department follows through in ensuring that the actions are effectively instituted and executed.

VA has said that these management processes are essential to correcting deficiencies that it encountered with its previously decentralized management approach. Thus, establishing the processes is crucial to the overall success of this initiative and to realizing the potential benefits that could accrue from having a solid and sustainable centralized approach to managing the Department's IT budget and resources.

This concludes my prepared statement, and we would be pleased to respond to any questions that you have.

[The prepared statement of Ms. Melvin appears on p. 30.]

Mr. MITCHELL. Thank you.

I have just a couple questions. How confident are you that the current budget proposal accurately identifies the specific items, which IT dollars are being spent, and accurately identifies the amount of money associated with each item?

Ms. MELVIN. At this time, I do not believe that we could attach a level of confidence to it because we have not been able to look at the full process implemented throughout the Department. As I stated in my testimony, the Department is in the process of executing a number of the processes that are important to or that is identified, I should say, as part of its overall governance process for improved management and accountability for the budget. However, to date, it has been implemented in a sort of a piecemeal fashion in the sense that budget formulation has occurred for the fiscal year 2009 budget process and budget execution has occurred for the 2008 budget process. Thus far, the formulation as we understand it has been based on the use of the exhibit 300s, but we have not seen evidence yet based on the full set of practices and processes that the Department intends to use in terms of having a more solid and centralized approach to managing the resources.

Mr. MITCHELL. Thank you.

Just one more question. You say in your report that the VA has told you that it will not have the management processes necessary to centralize the control over IT budget until the year 2011. Why would the VA need three more years to do this?

Ms. MELVIN. That is actually stated in their IT strategic plan. And we do not know specifically why, but I can say that in our past work in looking at their management processes, in the discussions that we had with VA's officials, they did indicate that they had in some cases overestimated what would be required to actually get these management processes in place. Perhaps that is still a factor.

I do know that as they have been moving through this process, they have been looking at ways to refine some of the efforts that they are undertaking. And that seems to be a major piece of what has taken place and why they may not have been able to put them in place yet.

Mr. MITCHELL. Thank you.

Ms. Brown-Waite?

Ms. BROWN-WAITE. Thank you.

I would like to follow-up on the Chairman's line of questioning. Having been here for a few years, was it not supposed to originally be completed in July of 2008?

Ms. MELVIN. That is correct.

Ms. BROWN-WAITE. And the reasons for the delay?

Ms. MELVIN. At the time that we first started looking at the processes, there were a number of factors that were being considered by VA as reasons why they were not able to. They dealt with having to actually start looking at the implementation and, once they did, to see that some of the processes needed to be refined relative to their overall organization's structure.

We also noted in our prior work that they were in the process of staffing their offices, if you will, the process offices that would be major players in actually getting their business processes in place. Those factors collectively were reasons that were given for that.

I would also add that as a part of our work, one of the things that we had looked for are where VA has actually had an actual plan, if you will, with performance measures and results oriented objectives for what they were trying to achieve. And we have also stressed the need for them to have an implementation team that could monitor the progress that they were making in these areas.

Ms. BROWN-WAITE. Did you find such a plan?

Ms. MELVIN. There was not. We have seen in the strategic plan that they currently have in place that they do have a performance and accountability measurement process that hopefully will be beneficial in helping them to actually track better the actions that they are taking against the time frames and the milestones that they have put in place for this.

However, we have, I would say, disagreed basically in terms of the type of implementation team that would be needed to actually make sure that the realignment was undertaken effectively.

Ms. BROWN-WAITE. Could it be summarized? Give me a percentage here of the problem being just institutional opposition to change.

Ms. MELVIN. I cannot give you a percentage. I would say, though, and we have stated previously that in undertaking an effort of the magnitude that VA is undertaking, a lot of what they are doing is very ambitious.

Our past work relative to transformations within organizations, especially on a major level, have indicated that sometimes it takes up to five to seven years to be able to accomplish some of the goals such as VA is trying to achieve.

A lot of that involves making sure that there is cultural buy-in to the initiatives that are being undertaken, to the changes that are being made. There is a complex set of factors relative to being able to gain organization-wide approval, agreement, and acceptance of the changes that are there.

So I do think that these are factors that are important and perhaps are relevant to the situation that VA finds itself in.

Ms. BROWN-WAITE. Another question. And, by the way, thank you very much for being here—

Ms. MELVIN. You are very welcome.

Ms. BROWN-WAITE [continuing]. And doing the presentation, both of you. In your testimony, you discussed the challenges in maintaining VA's IT projects which according to your statement includes cost overruns, schedule slippages, and performance problems.

In your estimate, is the VA doing enough to fix these problems and what more could really be done?

Ms. MELVIN. VA is in the process of trying to implement its changes through its management process. We do believe that if they are able to effectively implement and execute the overall IT investment management processes that are a part of the realignment that they could go a long way in making sure that they have more information, can make more effective and better informed decisions relative to their projects.

A key to all of this is that this does show promise. However, we still remain very cautious and we still stress the need for them to have the fundamental business processes in place. And through doing that, I believe that that will be the support or the foundation that they need to be able to move forward to make some of the changes within, for example, key initiatives that you have seen and we have reported on that still have faced challenges for the Agency.

Ms. BROWN-WAITE. Thank you.

And with that, I yield back the balance of my time.

Mr. MITCHELL. Thank you.

And Mr. Walz has no questions, so thank you very much for appearing. We appreciate it.

Ms. MELVIN. You are welcome.

Mr. MITCHELL. And at this time, I welcome the third panel to the witness table. Mr. Robert T. Howard is the Assistant Secretary for Information and Technology at the VA and the Department's CIO. We look forward to hearing Assistant Secretary Howard's testimony.

And if Mr. Howard would please introduce the rest of your team and then, Mr. Howard, if you could spend 5 minutes on your remarks.

STATEMENT OF HON. ROBERT T. HOWARD, ASSISTANT SECRETARY FOR INFORMATION AND TECHNOLOGY AND CHIEF INFORMATION OFFICER, OFFICE OF INFORMATION AND TECHNOLOGY, U.S. DEPARTMENT OF VETERANS AFFAIRS; ACCOMPANIED BY STEPHEN WARREN, PRINCIPAL DEPUTY ASSISTANT SECRETARY, OFFICE OF INFORMATION AND TECHNOLOGY; PAUL TIBBITS, M.D., DEPUTY CHIEF INFORMATION OFFICER, OFFICE OF ENTERPRISE DEVELOPMENT, OFFICE OF INFORMATION AND TECHNOLOGY; AND ARNIE CLAUDIO, DIRECTOR, OVERSIGHT AND COMPLIANCE, OFFICE OF INFORMATION AND TECHNOLOGY, U.S. DEPARTMENT OF VETERANS AFFAIRS

Mr. HOWARD. Thank you, Mr. Chairman.

Chairman Mitchell and Ranking Member Brown-Waite, good afternoon and thank you for your invitation to discuss the President's fiscal year 2009 Information and Technology budget proposal for the Department of Veterans Affairs.

I am accompanied today by Steph Warren to my right, my Principal Deputy Assistant Secretary. And to his right is Dr. Paul Tibbits, the Deputy CIO for Enterprise Development. And to my left is Arnie Claudio, Director of Oversight and Compliance.

Let me begin this afternoon by recapping the major aspects of the IT reorganization and highlights of our experience to date.

Throughout fiscal year 2006 and 2007, the VA Office of Information and Technology transitioned to a new organization with the detailing of 5,010 IT personnel and beginning with the fiscal year 2008 budget, we reflect this completed consolidation along with the transferred funding for a total staffing level of 6,686 personnel.

We have been operating under this new organization for about a year and continue to learn a lot about what it takes to provide effective and efficient IT support to an organization the size and complexity of the VA.

As we move forward, we will continue to build upon our successes. However, we remain aware that our work is far from complete.

As a result of the enhanced visibility that we have been able to bring to the management of IT through the consolidation, we are discovering activities that need to be improved and enhanced from an overall management standpoint. This is especially true in the area of data security and infrastructure improvements.

For example, we have increased our emphasis regarding certification and accreditation and are developing better procedures regarding asset management. Progress is being made, but we have a way to go in establishing the organization and providing the high-quality IT support that VA and our veterans deserve.

Working with our new centralized organization has certainly been a challenge for all of us. But the other critical challenge we are dealing with is the new IT appropriation which was established in fiscal year 2006.

In that regard, we continue to focus our efforts in structuring and funding the IT appropriation along programmatic lines relating IT to the principle missions of the VA. Since this is a line item appropriation, prior planning is critically important and getting the funding up right is essential.

As you are aware, VA is requesting \$2.442 billion to support IT development, operations, and maintenance expenses, including payroll for fiscal year 2009. This request reflects the consolidation of all VA IT into one appropriation, with the exceptions of non-payroll IT for credit reform programs and non-appropriated insurance benefit programs, both of which fall under different funding rules.

In fiscal year 2009, the majority of increases represent program priorities to enhance the support to veterans both directly and indirectly, especially in the area of medical care.

The non-pay portion of the 2009 budget has been realigned from previous submissions to delineate veteran strategic issues into two major classifications: veteran-facing IT systems and internal facing IT systems. This has been done to better link the appropriation to the mission of VA.

Veteran-facing IT systems support programs for veterans such as providing medical care and delivering compensation benefits, enhancing education opportunities, and programs of that nature.

These veteran facing programs account for \$1.295 billion of our request.

Internal facing IT systems are those that provide the capability to work more effectively in managing IT resources such as corporate management, financial resources management, and programs of that nature. Internal facing programs in our budget for 2009 total \$418 million.

Together these amounts reflect a sizeable increase over fiscal year 2008 which will obviously be very helpful to us in the improvement of IT support to VA.

Over the past several years, VA IT has had a fairly level budget. Yet, at the same time, the organizations we support have been increasing in size, especially in terms of facilities and people. And as you well know, whenever you do that, you have to apply the necessary IT talent and tools to those activities.

The increase will help us provide the needed funding to accelerate selected programs, especially in the delivery of healthcare and to at least keep most of them on track.

A few words about veteran-facing medical programs. VA has laid a solid foundation for integrating information and technology into all aspects of healthcare operations, and will continue to lead the Nation in this area.

In fiscal year 2009, we have asked for an increase in funding necessary to sustain and modernize our healthcare delivery IT systems.

In the area of veteran-facing benefit programs, information and technology investments over the past several years and those planned for the future will enable new technologies to be used to facilitate the processing of claims and providing benefits to veterans and their families.

Internal-facing IT systems link to specific management categories, corporate management, financial resource management, asset management, and human capital management to name a few. VA is requesting, as I mentioned, \$418 million for this area.

Two significant investments are in the categories of human capital management and financial resources management and these are necessary to replace existing systems with new technologies.

The Human Resource Information System is an OMB and the Office of Personnel Management managed project and the Financial and Logistics Integrated Technology Enterprise system addresses VA's longstanding weakness in the financial management area.

Mr. MITCHELL. Mr. Howard, could you wrap up?

Mr. HOWARD. Yes, sir.

So I want to point out one additional thing and then I will close and that is with respect to information security. You know we are doing a lot of work there. But one of our success stories has been our robust capability for oversight and compliance.

Arnie Claudio sitting to my left can speak to a lot of that. He has conducted over 150 assessments since last January and that particular information is providing a lot of visibility for us in areas that need to be fixed throughout the VA.

Sir, I thank you for the time to make this opening statement, and we are prepared to answer any questions you may have.

[The prepared statement of Mr. Howard appears on p. 36.]

Mr. MITCHELL. Thank you. I have one quick question before we have to end this. The IT budget submission shows that there were \$8 million for medical center innovations for fiscal year 2008. However, there is no money, none included for this purpose, in the 2009 proposed budget, ensuring that VA continues to benefit from the creativity and innovation of the doctors and other healthcare providers who actually do provide the care for our veterans.

The question I have is, should the 2009 budget include money for medical center innovations and do you agree or not?

Mr. HOWARD. Sir, I totally agree with that and we will find a way to fund that. To tell you what you are looking at in 2008, that line was developed actually after we had completed our 2009 budget. It was in response to a concern that we were hearing from the field regarding innovation and the need to put power assist in that area. The fact of the matter is we actually took FTE money out of the IT appropriation in 2008 and moved it into that particular line creating an IT innovation line for the first time. In fact, there were a couple of memos jointly signed by me and Mike Kussman making it clear to the field that in no way do we want to kill innovation. The fact of the matter is, we want to keep it enhanced, but we want to do so in a little bit more structured manner. So we will figure out a way to fund that piece in 2009, sir.

Mr. MITCHELL. Thank you.

One last question before I pass it on. According to the GAO, the VA originally stated that it would have the management processes necessary for centralized control of the IT budget in place by 2008, as Ms. Brown-Waite mentioned. Now VA is telling the GAO that this will not happen until 2011.

Why is it going to take three more years to get this done?

Mr. HOWARD. Sir, that is a good question. The fact of the matter is, I believe, one of the folks mentioned the ambitious nature of what we had put on the table. One of the reasons that that has slowed down to some degree is because of all of the problems that we are discovering as a result of this centralization. I have moved the problems right up to the front of the line. In other words, we need to focus on those, but we have not ignored putting the process in place because we know how important that is.

The fact of the matter is, we do have a number of things ongoing. For example, we have redesigned pilots for risk management already ongoing. The budget process has begun. We have not gotten it written up yet but there is a process. With regards to incident response, you get weekly reports on that. There is a very robust process in place for that, but we have not gotten it in a nice, neat document yet. That is going on though.

IBM, when they did the work in the reorganization helping us out, produced thick volumes for each of the 36 processes, about, you know, two or three inches thick. We have taken those documents which were very complex, by the way, and skinned them down to workable pamphlets, if you will, that people can use in establishing these processes. That is ongoing, and in fact, there are several of them already done. Twenty-seven of them, in fact, are either in draft or final version.

Key meetings continue to take place. It has slowed down because of the complexity of what we are dealing with and also all of the

problems. I have charged my senior leaders with the responsibility for implementing these processes, but I also challenged them to fix all these problems. They can only handle so much, so there is a slip.

Whether 2011, that is probably a little bit more extensive than I think will be necessary, but there are some processes, and I hate to be long-winded here, but there are some processes that may very well take that long.

Let me give you an example. In its financial management and budget process, we actually have to fit inside a VA process about that, and that is not very well defined either. In other words, we are implementing processes, but those we support, you know, also have to adjust so that we can fit inside them with the process we have for IT.

Mr. MITCHELL. Thank you.

Ms. Brown-Waite?

Ms. BROWN-WAITE. Thank you, Mr. Chairman.

General Howard, refresh my memory. At what point was IBM brought in?

Mr. HOWARD. They were brought in in the early 2006, I believe. The key decisions, yes, I believe it was the summer of 2006. I can get the exact date for you.

[The following was subsequently received.]

The date of award on the IBM contract was June 28, 2006.

Ms. BROWN-WAITE. And was it because there were problems in attempting to implement this without a major contractor?

Mr. HOWARD. No, ma'am. We intended to have a contractor right from the very beginning. This was fully intended and we worked very well with IBM. They were very helpful to us. But that was part of the plan.

Ms. BROWN-WAITE. And they are still there today?

Mr. HOWARD. The contractor is still in place. They do not have much work for us anymore because their work is pretty much done.

Ms. BROWN-WAITE. Okay. Could you tell me how much the Birmingham data breach cost the VA to date?

Mr. HOWARD. Within this number I am about to give you, there probably are a few other minor incidents. But for credit protection in fiscal year 2007, we paid \$6.5 million. Now, we put a lot more than that on the shelf, so to speak, because we had no idea how many people would opt in, you know, and choose to have credit protection. But so far, it is \$6.5 million.

We also spent about \$1.3 million on the mailings for the particular incidents in 2007 and most of that was Birmingham. The lion's share of that was Birmingham.

Ms. BROWN-WAITE. And the May 2006 data breach, how much did that cost?

Mr. HOWARD. The May 2006 data breach would have cost us \$200 million, but the hard drive was discovered. As you know, the Federal Bureau of Investigation did a forensic analysis of it and were 99.9 percent positive nothing was taken off it. So the money for credit protection was stopped and we never did move forward with that. So credit protection-wise, zero on the 2006 May data breach.

Ms. BROWN-WAITE. And the mailing?

Mr. HOWARD. The mailing, ma'am, I would have to get you that number. We did pay. In fact, I believe the number was—I better give you that number for the record.

Ms. BROWN-WAITE. Is that the mailing that had to be done twice?

Mr. HOWARD. Yes. Yes. As you know, we sent two letters to the veterans. We did send two letters. I do not think we sent any more, but two went out and it did cost us quite a bit of money.

[The following was subsequently received:]

The total cost for first mailing was \$6,678,348; the total cost for second mailing was \$6,376,192; and the grand total was \$13,054,540.

Ms. BROWN-WAITE. Mr. Chairman, I know we have votes. So with that, I will yield back.

Mr. MITCHELL. Thank you.

Mr. Walz.

Mr. WALZ. Thank you, Mr. Chairman.

I thank the Ranking Member also for that.

First of all, General Howard, I really appreciate you coming here and the work you have done. I know you have been on this job about 17 months. And I think we should take something that is positive. When we see this from GAO after the times I sit here, I am glad to see that important steps have been made and that is exactly what we are trying to look for.

Please forgive me if I am a bit, after the OIG's testimony, a bit preoccupied with this idea of where our money is going. You have received a big budget.

Are there safeguards in place on that? I know I am asking a little bit off line on this, but that is a concern of mine now to hear. Now, we are going to send more money there. Are we taking good care of it?

Mr. HOWARD. Sir, that is a very good question. Quite frankly, as I mentioned, we are building this organization and we are learning all the time. If you were to ask me what does an IT organization need to look like to support the VA in a centralized way, I would have to tell you I do not know yet as I am still learning. We are pretty sure we are getting really close. We discover issues all the time.

One thing for sure that we need to put more emphasis on is our management process. In the budget formulation, they mentioned the various boards and what have you. Those boards have met, but they are absolutely right. We have not been through a complete process like 2009 development, 2009, you know, with the Congress, and then execution. We need to go through that and put all of those mechanisms in place.

The other thing that we are finding from a staffing standpoint is that we need to put more emphasis on making sure proper staff of the right skill sets are in place to monitor this funding. We also need to have better automated systems within the VA. As you know, that is one of the IT programs that we are actually working on to better monitor this information.

It is infinitely better than it was in the past, that is for sure. Just the fact that, you know, I get four sheets with all the numbers

on it is certainly helpful, but I do not want to indicate to you that we have our arms all over it. We have got a lot of work to do here.

Mr. WALZ. One of the things we hear a lot about is, of course, the claims backlog and I noticed in 2009, the Veterans Benefits Administration (VBA) has zero for electronic monitoring of claims, making sure the rating system is electronically done.

Those are the types of decisions, and I know we do not have enough time here. I know that the Ranking Member is generous enough to give me a little of hers. I am deeply concerned about this. Many Members here and the staff just ended up trying to figure out this seamless transition between DoD and all of that.

I guess I would just ask you, is that communication happening?

Mr. HOWARD. Yes, sir. In fact, IBM is doing a study right now because we know we have to move to a paperless environment, and you know VBA lives in a sea of paper. You know that.

Mr. WALZ. Yes.

Mr. HOWARD. But we also know we have to get out of that world. It is extremely difficult. There is a contract with IBM. It is Dan Cooper's contract and VBA looking at the various processes and how we can go about that. The Deputy Secretary has met several times with us on that, on creating a paperless environment in VBA so we can speed up the process of claims—

Mr. WALZ. Why was it zeroed out then for 2009?

Mr. HOWARD. Sir, which line are you referring to? Sir, because we are spending money on that.

Mr. WALZ. They have got us down with VETSNET and Virtual VA and nothing new.

Mr. HOWARD. Yes, sir. Sir, right now we have VETSNET.

Mr. WALZ. Right.

Mr. HOWARD. You know all about that. And Virtual VA is the program that we are using to image the paper, you know, run it through the imaging machine and at least prepare a veteran folder, if you will, in electronic form. But it is not a computable form. It is just passing the PDF file around.

Mr. WALZ. But the concern is there and there is movement toward it?

Mr. HOWARD. Yes, sir. But before we start throwing a lot of money at it, we want to get through this IBM analysis and study because, quite frankly, we do not really know right now, you know, what it is going to take to change pretty well-embedded processes. The first thing you have got to do is change the way you do business, and that is what IBM is looking at. So we are doing it, but it does not appear as a separate line here.

Mr. WALZ. Okay. And I yield back and thank the Chairman.

Mr. MITCHELL. Thank you.

And I want to thank all of our witnesses today. You know, this Committee and I would say all Members of Congress really believe that for the veterans who have fought for our freedom, the least we can do is to provide adequate resources to ensure they receive the very highest quality of care once they become veterans. So we want you all to know that this is our concern and we appreciate everything that you have done. We appreciate you coming today.

Thank you and that concludes the hearing.

Mr. HOWARD. Thank you, sir.

[Whereupon, at 3:43 p.m., the Subcommittee was adjourned.]

A P P E N D I X

Prepared Statement of Hon. Harry E. Mitchell, Chairman, Subcommittee on Oversight and Investigations

We are here today to examine the President's proposed budgets for fiscal year 2009 for the Inspector General (IG) of the VA and for the VA's Office of Information and Technology (IT). These budgets are not related, but are equally important.

Our first panel will address the IG's proposed budget. The President's budget proposes \$76 million for the IG for fiscal year 2009, which is \$4 million below their fiscal year 2008 budget. I believe this cut is absolutely irresponsible.

The Inspector General is an essential, independent, nonpartisan check against waste, fraud and abuse, and is one of the best ways of ensuring accountability at the VA during a time of war.

This reduction would result in a 10 percent cut in IG staffing, which would weaken the VA's watchdog when hundreds of thousands of veterans need the VA to make improvements.

This Subcommittee held a hearing just two weeks ago where Dr. David Daigh, one of the IG witnesses today, and his team in the Office of Healthcare Inspections testified to the shocking and tragic events at the VA hospital in Marion, Illinois. The VA Medical Inspector and Dr. Daigh's group found nine patients who died in the past two years as a result of substandard care.

I will be asking Dr. Daigh what additional resources are needed to look at the whole VA hospital system to make sure there are no more Marions out there. I know he does not have those resources now and the President's budget would reduce the IG even further.

The Federal Government has 25 statutorily mandated Inspectors General. If you compare the number of IG employees with the number of employees in the agency, the VA has the lowest ratio in the entire government. The same comparison of budget for the IG and budget for the agency puts the VA near the bottom.

Unfortunately, the President's proposed cut does not account for the IG's return on investment. In fiscal year 2007, the VA's Inspector General had hard dollar recoveries—money taken from illegal activities and placed into the United States treasury—of \$237.9 million. Return on investment just on hard dollar recoveries was over three to one. The IG also saved over three hundred million dollars by cutting off benefits payments to fugitive felons—people receiving benefits who have outstanding arrest warrants for felonies.

Our second and third panels will address the President's budget proposal for VA's Office of Information and Technology. Congress has mandated a separate budget line so that the amounts and purposes of IT expenditures are visible and can be evaluated.

The VA is doing a better job of categorizing its IT expenditures but there is more work to be done. In order for Congress to provide effective oversight—IT costs must be allocated to cost centers as precisely and accurately as possible.

One specific topic this Subcommittee will explore is the funding for IT resources to support the innovation and creativity of VA's healthcare providers.

The Office of Information and Technology has set aside \$8 million this year to provide IT support to the clinicians in the field to continue to improve VistA. Unfortunately, there is nothing set aside for this in the President's proposed fiscal year 2009 budget. I think that is a mistake.

There are benefits to centralization of IT, but centralization has hurt the way VA personnel use new technology to take care of our veterans. VA must do all it can to preserve and promote the unique talents of its healthcare providers to innovate and keep VistA and VA at the forefront of medical care.

Our veterans have fought for our freedom, and the least we can do is provide adequate resources to ensure they receive the highest quality of care when they become veterans.

**Prepared Statement of Hon. Ginny Brown-Waite,
Ranking Republican Member, Subcommittee on Oversight and
Investigations**

Thank you for yielding Mr. Chairman.

Mr. Chairman, last Thursday, the full Committee reviewed the entire budget for the Department of Veterans Affairs for FY 2009.

Today, we will be focusing on two specific portions of that budget. The funding for the Office of the Inspector General (OIG) and the Office of Information and Technology (OI&T), over which this Subcommittee has direct oversight.

Over the past year, I have found the information reported to our Committee by the Office of Inspector General to be immensely useful in providing this Subcommittee with the information needed to conduct our oversight responsibilities.

For FY 2008, the OIG was provided with sufficient funding to plus up their FTE staff to 488, an addition of 48 new staff members.

I understand that the OIG is in the process of hiring these staff and they are to be assigned to several new high profile audits, healthcare inspections, and criminal investigations.

However, I am greatly concerned about the FY 2009 budget request, which reduces the FTE staff by 48. I hope to hear from the IG as to how this reduction in staff funding will affect the continuation of the audits already in process, and the future oversight investigations conducted by the OIG.

During this Subcommittee's January 29 hearing on Patient Safety, I raised concerns about a possible reduction in the budget for the Office of Inspector General. As I stated at that hearing, we have an obligation to ensure that the funding for the OIG is not only maintained at the FY 2008 levels, but that we work together to provide additional funding for FY 2009.

The IG's Combined Assessment Program (CAP) reviews perform an unmatched cyclical audit that surveys patient safety, infrastructure safety, management efficiencies and allows VA to keep its finger on the pulse of the VA's health delivery.

I was pleased to see that the President has requested a plus up for the Office of Information and Technology. I know that the transition to a new centralized IT system has not always been smooth, but under the leadership of General Howard, it has moved forward, and I hold high hopes that the kinks, bumps, and turf wars along the way will continue to be worked out. VA's centralized IT infrastructure has been a landmark decision that all other departments could only hope for.

However, I want to make certain that the funding Congress provides to VA for its OI&T operations will be managed wisely, without unnecessary expenditures on IT systems that are stagnant and not moving forward. We have often heard about the problems that plagued systems like the CoreFLS \$340 million debacle, and the delays in moving off of legacy IT systems. With the centralization of funding to one officer, such as Assistant Secretary Howard, I am hopeful that VA can move forward on the right track to provide systems that will serve our Nation's veterans and give the American taxpayer the most bangs for the buck.

In closing, I would like to again reiterate that I appreciate the Chairman holding this hearing, so we can review in more detail the complex nature of each of these budget lines in the Department of Veterans Affairs budget, and I yield back the balance of my time.

**Prepared Statement of Jon A. Wooditch,
Deputy Inspector General, Office of Inspector General,
U.S. Department of Veterans Affairs**

INTRODUCTION

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to address the FY 2009 budget for the Office of Inspector General (OIG). Almost a year ago on February 15, 2007, we testified before this Committee and discussed some of the challenges the OIG faces in providing useful and helpful oversight of the Department of Veterans Affairs (VA) to ensure it effectively and economically performs its mission of serving our Nation's veterans. Since then, I am proud to say that much has been accomplished, but as we said last year there is still much to be done.

Today, I will highlight some of our accomplishments over the past year, present a number of key issues facing VA, and discuss how we would invest budget resources made available to the OIG in addressing some of these issues. With me today are the Assistant Inspectors General for Audit, Healthcare Inspections, and Investigations who will answer questions about their specific programs.

RETURN ON INVESTMENT

The OIG seeks to help VA become the best-managed service delivery organization in government. OIG audits, healthcare inspections, investigations, and Combined Assessment Program (CAP) reviews recommend improvements in VA programs and operations, and act to deter waste, fraud, abuse, and mismanagement. For 2007, OIG funding supported 443 FTE from appropriations. An additional 25 FTE was funded under a reimbursable agreement with VA to perform pre-award and post-award contract reviews. During 2007, the OIG exceeded its overall performance goals. For example, monetary benefits for the year were \$820 million, for a return on investment of \$12 for every dollar expended. Collectively, the OIG issued a total of 217 audit, healthcare inspection, and contract review reports, with over 500 recommendations for corrective action. We also completed 1,181 criminal investigations, which led to 2,061 arrests, indictments, convictions, and administrative sanctions. We also responded to over 19,000 contacts received by the OIG Hotline.

Examples of some of the more notable accomplishments during 2007 and the first part of this year by our Office of Healthcare Inspections included a national report on the Veterans Health Administration's (VHA) mental health strategies for suicide prevention, the development of a significant national database to aid in the quantitative assessment of care for Operation Iraqi Freedom/Operation Enduring Freedom (OIF/OEF) veterans transitioning from DoD to VA, and numerous veteran or facility-specific issue reports, such as one involving quality of surgical care at the Marion, Illinois, VA Medical Center.

In the area of information security, an OIG administrative investigation found that a breakdown in management controls and accountability contributed to the disappearance of a VA-owned external hard drive believed to contain personally identifiable information for over 250,000 veterans and 1.3 million medical providers. Our audit on outpatient waiting times identified data integrity problems impacting the reliability of reported waiting times by VA.

OIG criminal investigators arrested 133 fugitive felons, helped gain the conviction of a VA pharmacy manager for taking over \$100,000 in kickbacks from a vendor, and uncovered a VA nurse who had stolen controlled and non-controlled substances from a VA medical center for 9 years and conspired with relatives to distribute the drugs.

We appeared before this Subcommittee several times during the past year where we testified on the following issues.

- Longstanding risks and vulnerabilities associated with protecting and safeguarding VA information and information technology systems.
- Quality management and other facility-specific issues at the Salisbury, North Carolina, VA Medical Center.
- Inappropriate contract modifications at the VA Boston Healthcare System that were paid with expired funds in violation of Federal appropriation laws.
- Continuing concerns with variances in Veterans Benefits Administration disability compensation payments by State.
- Inaccurate reporting by VHA on outpatient waiting times.
- VA credentialing and privileging and its impact on patient safety.

RESOURCE LEVELS 2008 AND 2009

While we have accomplished much, more remains to be done. For 2008, OIG funding is \$80.5 million, which includes \$7.9 million in emergency funding authorized by the President. This funding supports 488 FTE. We are very appreciative of this funding and we already have launched an aggressive recruiting effort to fill these positions. For 2009, the budget submitted for the OIG is \$76.5 million, which supports 440 FTE.

The OIG provides independent and objective oversight that addresses mission-critical activities and programs in healthcare delivery, benefits processing, financial management, procurement practices, and information management. We plan our work in each of these strategic areas, which are aligned with VA's strategic goals. The OIG Major Management Challenges for VA that are presented in the VA annual Performance and Accountability Report are also reported by these strategic areas. I would now like to highlight some of the key issues that we will focus on this year and in 2009 by strategic goal.

Health Care Delivery

Most critical among the many challenges VA faces is transition and quality of healthcare for veterans. Due to concerns that the controls currently in place in VHA are not functioning correctly to ensure that veterans receive quality healthcare, we will review compliance with VA's new peer review policy. CAP reviews will be ex-

panded to review credentialing and privileging actions taken at local facilities. In addition, we will compare the complexity of clinical activities performed at a facility with the facility's clinical capabilities to ensure proper consideration is given during the privileging process so that veterans are not exposed to excessive risk of poor clinical outcomes based upon the location where care is provided.

Veterans who have returned from current conflicts experience two medical traumas with great frequency: Traumatic Brain Injury (TBI) and Post-Traumatic Stress Disorder (PTSD). These conditions have an impact that is variably expressed by returning war veterans. We will use data sets like the OIF/OEF database developed by the OIG to understand the clinical care provided to this population and the extent of their unmet clinical needs. OIG has reported on the mental health issues of this population through individual care reports and through programmatic reviews. Both of these formats will be utilized to evaluate and provide data to improve our Nation's response to those afflicted with TBI and PTSD.

We will initiate reviews of the care provided by the more than 800 community based outpatient clinics (CBOCs) and 200 Vet Centers. For many veterans, especially those in rural areas, CBOCs are their most available point of access to medical care. This population is called upon to either travel some distance for care or be reliant upon the fee basis system. It is only through a review of the medical needs of the CBOC and Vet Center populations that relevant access to care issues can be reviewed. The number of systematic onsite reviews will be based on available funding and competing priority work. At CBOCs, the mental healthcare provided will be reviewed as a subset of the medical care that is provided. At Vet Centers, we will evaluate those activities that are considered within the provision of healthcare to ensure that veterans receive the same standard of care that they should receive at a primary medical clinic.

As anesthesia capabilities, imaging, and noninvasive surgical techniques have improved, there is a risk that the disparity between the specialty medical care available at a large VA medical center (VAMC) compared to that available at a smaller more rural VAMC will place veterans at increased risk if they are unwilling or unable to travel to a more sophisticated VAMC, or if they are not provided fee basis care when the required care is available privately in their local area. We will devote attention to this issue through a focused nationwide review.

VHA research poses inherent challenges. Beyond the obvious fiscal accountability issues, VA research must have oversight that keeps it from harming patients or getting in the way of needed treatment. We will continue to consider research a high priority issue for oversight.

We will undertake a national review into aspects of the home based medical care that is provided to elderly veterans to ensure that these programs meet the needs of veterans. CAP reviews will maintain a focus on the long-term care issues that each facility must address and will highlight discrepancies with national policy and best practices.

We will continue to review programs designed to assist those veterans who are at great risk because of their homelessness or other lifestyle characteristics by building on our reports in the past on homeless veteran care programs, aid and assistance programs, and similar efforts through a national project designed to highlight the impact of these programs.

Budgeting, planning, and resource allocation in VA are extremely complex, but critical components to serving veterans' healthcare needs. The effectiveness of these activities is compounded by continuing uncertainty, from year to year, of the number of patients who will seek care from VA. We will assess the Veterans Equitable Resource Allocation system which tracks demand and usage across VA, to ensure equitable distribution of resources as veteran demographics and demand change over time. Further, accurate information on the demand for care is critical to effectively manage VA's fee-basis program for providing healthcare outside of VA facilities.

The Veterans Integrated Service Networks (VISNs) oversee and manage medical facilities across the Nation but their effectiveness is questionable when we and the Government Accountability Office continue to identify issues in the management and administration of VA medical facilities. We will assess the need for VISNs to adopt a standard approach for overseeing and administering the direct management and support functions within the VISN, such as the Medical Care Collection Fund, equipment accountability, and contracting.

VHA spends a significant amount of its budget on pharmaceuticals and these substances are subject to loss and theft without strong controls and continued OIG oversight. In addition to assessing these controls it is important to detect drug diversion because of the possible impact of impaired healthcare professionals on the quality of care provided veterans; patients receiving diluted medication and being

unable to properly control pain; and physicians who mistakenly believe a patient is getting a particular dosage of medication because the chart contains erroneous information intentionally entered by the diverter. With the increasing number of automated tools available to detect drug diversion by VA healthcare professionals, we will exploit this technology to proactively detect possible drug diversion instead of waiting for allegations to be received. We will also continue to work closely with local law enforcement to combat the sale and distribution of contraband drugs on or adjacent to VAMC property which undermines the rehabilitation of patients with substance abuse problems.

Benefits Processing

Large inventories of pending claims for compensation and pension benefits have been a problem for many years. Making headway has proven difficult because VA faces an increasing disability claims workload from returning OIF/OEF veterans, reopened claims from veterans with chronic progressive conditions, and additional claims from an aging veteran population. Controls over processing benefit claims and actions are not always effective, leading to delays, errors, and increased potential for improper payments. The complexity of benefits laws, court decisions interpreting those laws, technology issues, workload, and staffing issues contribute to VA's benefit processing problems. VA has been authorized to hire additional claims examiners that may help to reduce the backlog, but it will be challenged to recruit, train, and incorporate these raters effectively into a productive workforce. Because these factors will continue to present VA with major challenges, we will assess the timeliness and accuracy of processing disability claims for monetary benefits. In addition to monetary benefit programs, VA also provides rehabilitation, educational, and independent living benefits to veterans. We believe these programs will benefit from increased oversight, scrutiny, and revision to effectively serve the needs of our veterans.

Financial Management

VA's most costly procurement failures involved the development and implementation of information technology (IT) systems intended to provide better visibility and oversight of VA programs and operations, including its financial services. As such, VA lacks an integrated financial management system to safeguard and account for financial operations. We plan to review VA's efforts to replace existing legacy systems, which do not adequately support preparation of VA's consolidated financial statement (CFS). While our most recent CFS audit reported that key internal controls and reconciliation processes are not performed consistently and completely, it did not tell us how this condition affects the Medical Care Collection Fund receivables worth approximately \$1 billion. Other key financial activities, such as budget formulation and execution, the accuracy and reliability of VA financial, statistical, budget, and performance measures and reports, programmatic controls over financial operations, grants management, and debt collection activities also remain a daily challenge for VA managers and impact the integrity of information at the facility and program level. We will prioritize and review these as funds are available.

Procurement Practices

OIG has three critical roles in evaluating VA's procurement programs and operations: oversight of procurement practices at VA Central Office and the field to ensure compliance with applicable laws and regulations; investigations to detect and prevent illegal activity; and conducting pre-award and post-award reviews of VA's Federal Supply Schedule contracts and contracts for healthcare resources awarded by VA medical facilities.

VA spends over \$6 billion annually for supplies, services, construction, and equipment. Systemic problems in planning, defining requirements, and managing acquisitions supporting major system development initiatives along with weaknesses in all phases of contract award and administration have impacted VA's ability to effectively acquire the goods, services, and systems it needs. The OIG continues to identify contracts that do not adequately protect the government's interest. These contracts result in large dollars losses to VA as well as jeopardizing the success of the Department's programs. We continue to see systemic deficiencies that include the lack of effective communication, little or inadequate acquisition planning, poorly written statements of work, inadequate competition, and poor contract administration. These deficiencies have led to services being ordered that the customer did not want, procurement goals not being satisfied, and VA paying inflated prices. We will expand our oversight of these issues, especially with respect to construction, which will be reviewed to assess contract and project management to ensure VA receives reasonable prices and acceptable performance.

It is difficult for VA to effectively manage its contracting activities since it has no corporate database that provides national visibility over procurement actions or identifies contract awards, individual purchase orders, credit card purchases, or the amount of money spent on goods and services. Without this capability, VA does not know what it has purchased, from whom, whether it met competition requirements, and whether prices paid are fair and reasonable. VA recently began to implement a nationwide information system, electronic Contract Management System (eCMS), to capture contracting action. We will assess whether VA contracting entities comply with related policies and procedures, especially whether the data entered into the system is accurate and complete. Although compliance will provide VA with more information regarding the number and type of contracts awarded, it will not ensure that contracts are in the best interest of the government or compliant with procurement laws and regulations. In addition to assessing the information system needed to capture procurement data, we will assess the need for developing metrics and standards to monitor and measure acquisition workload, performance, and purchasing throughout VA.

Information Management

VA continues to struggle with the need to establish and maintain strong information security controls. The Federal Information Security Management Act (FISMA) mandates an annual review of information security management policies and practices. This review has identified systemic issues and resulted in numerous recommendations that will require a significant amount of management attention and time. We will continue to follow up on the continuing information security control problems identified in our annual FISMA audits.

A broader concern than IT security is VA's need to improve its IT governance since OMB currently lists numerous VA systems, with a FY 2007 operating budget of about \$349 million, on its management watch list. Ongoing audit work indicates that the number of at-risk systems could be understated because VA needs to improve the accuracy and reliability of its major IT investment information. The multi-million dollar failure of VA's Core FLS system development underscores the challenges associated with effective IT governance. VA's current initiatives to implement a new financial and logistics management system will also face significant risk of cost overruns, performance problems, and delays if VA does not address the lessons learned from the Core FLS system development initiative. Finally, VA has faced numerous problems in the protection of personally identifiable information that is subject to privacy laws and regulations, and while VA has issued additional policy guidance to address many of these concerns, we will continue to monitor and report on compliance.

Conclusion

OIG independent oversight provides VA and Congress with an objective assessment of the important issues and challenges facing VA in delivering benefits and services to veterans. In closing, I would like to add that we will always focus available resources on the most urgent issues. However, OIG oversight of issues such as large data loss cases and those at the Marion VAMC are examples of reactive work that were not planned for. These reviews are very labor intensive and require us to postpone or cancel other planned or ongoing priority work.

OIG oversight is not only a sound fiscal investment; it is an investment in good government. While I truly believe we have added value to VA, I also believe that we have only scratched the surface on what we can accomplish. VA is faced with evolving challenges. If the OIG is to remain an agent of positive change, we must be able to increase our level of oversight. To accomplish this, resource levels need to be commensurate with this challenge.

Thank you again for the opportunity to appear before this Committee. We would be pleased to answer your questions.

**Prepared Statement of Valerie C. Melvin,
Director, Human Capital and Management Information Systems Issues,
U.S. Government Accountability Office**

INFORMATION TECHNOLOGY

**A Has Taken Important Steps to Centralize Control of Its Resources, but
Effectiveness Depends on Additional Planned Actions**

Why GAO Did This Study

The use of information technology (IT) is crucial to the Department of Veterans Affairs' (VA) mission to promote the health, welfare, and dignity of all veterans in recognition of their service to the Nation. In this regard, the department's fiscal year 2009 budget proposal includes about \$2.4 billion to support IT development, operations, and maintenance. VA has, however, experienced challenges in managing its IT projects and initiatives, including cost overruns, schedule slippages, and performance problems. In an effort to confront these challenges, the department is undertaking a realignment to centralize its IT management structure.

This testimony summarizes the department's actions to realign its management structure to provide greater authority and accountability over its IT budget and resources and the impact of these actions to date.

In developing this testimony, GAO reviewed previous work on the department's realignment and related budget issues, analyzed pertinent documentation, and interviewed VA officials to determine the current status and impact of the department's efforts to centralize the management of its IT budget and operations.

What GAO Found

As part of its IT realignment, VA has taken important steps toward a more disciplined approach to ensuring oversight of and accountability for the department's IT budget and resources. For example, the department's chief information officer (CIO) now has responsibility for ensuring that there are controls over the budget and for overseeing all capital planning and execution, and has designated leadership to assist in overseeing functions such as portfolio management and IT operations. In addition, the department has established and activated three governance boards to facilitate budget oversight and management of its investments. Further, VA has approved an IT strategic plan that aligns with priorities identified in the department's strategic plan and has provided multi-year budget guidance to achieve a more disciplined approach for future budget formulation and execution.

While these steps are critical to establishing control of the department's IT, it remains too early to assess their overall impact because most of the actions taken have only recently become operational or have not been fully implemented. Thus, their effectiveness in ensuring accountability for the resources and budget has not yet been clearly established. For example, according to Office of Information and Technology officials, the governance boards' first involvement in budget oversight only recently began (in May 2007) with activities to date focused primarily on formulation of the fiscal year 2009 budget and on execution of the fiscal year 2008 budget. Thus, none of the boards has yet been involved in all aspects of the budget formulation and execution processes and, as a result, their ability to help ensure overall accountability for the department's IT appropriations has not yet been fully established. In addition, because the multi-year programming guidance is applicable to future budgets (for fiscal years 2010 through 2012), it is too early to determine VA's effectiveness in implementing this guidance. Further, VA is in the initial stages of developing management processes that are critical to centralizing its control over the budget. However, while the department had originally stated that the processes would be implemented by July 2008, it now indicates that implementation across the department will not be completed until at least 2011. Until VA fully institutes its oversight measures and management processes, it risks not realizing their contributions to, and impact on, improved IT oversight and accountability within the department.

Abbreviations

CIO—chief information officer
IT—information technology
VA—Department of Veterans Affairs

Mr. Chairman and Members of the Subcommittee:
Thank you for inviting me to participate in today's hearing on the Department of Veterans Affairs' (VA) fiscal year 2009 information technology (IT) budget. As you

know, the use of IT is crucial to helping VA effectively serve our Nation's veterans, with the department's just-released budget proposal including approximately \$2.4 billion to support IT development, operations, and maintenance. However, as we have previously reported, VA has experienced challenges in managing its IT projects and initiatives, including cost overruns, schedule slippages, and performance problems. To address these challenges, in October 2005, the department initiated a realignment of its IT program to provide greater authority and accountability over its resources. In undertaking this realignment, the department's goals were to centralize IT management under the department-level chief information officer (CIO) and to standardize budgets, operations, and the development of systems through the use of new management processes based on industry best practices.

At your request, my testimony today summarizes VA's actions as part of the realignment and the impact of those actions to date in providing greater authority and accountability over the department's IT resources and budget. In developing this testimony, we reviewed our previous work on the department's realignment and related budget issues. We also obtained and analyzed pertinent documentation and supplemented our analysis with interviews of responsible VA officials to determine the current status and impact of the department's efforts to centralize the management of its IT budget and operations. We conducted our work in support of this testimony from January 2008 to February 2008 in the Washington, D.C., area. All work on which this testimony is based was conducted in accordance with generally accepted government auditing standards.

Results in Brief

As part of its IT realignment, VA has taken important steps toward a more disciplined approach to ensuring oversight of and accountability for the department's IT budget and resources. For example, to establish controls, the CIO has designated necessary leadership to be responsible for developing the department's annual IT budget and for tracking actual expenditures against the budget. In addition, the department has established and activated three governance boards to facilitate budget oversight and the management of its investments. Further, VA has approved an IT strategic plan¹ that aligns with priorities identified in the department's strategic plan, and has provided multi-year budget guidance to achieve a more disciplined approach for future budget formulation and execution. Beyond these actions, VA is in the initial stages of implementing new management processes that are critical to centralizing its control over the IT resources and budget.

While these steps are critical to establishing control of the department's IT, it remains too early to assess their overall impact because most of the actions taken have only recently become operational or have not yet been fully implemented. Thus, their effectiveness in ensuring accountability for the resources and budget has not yet been clearly established. For example, according to Office of Information and Technology officials, the governance boards' first involvement in budget oversight only recently began in May 2007, with their activities to date focused primarily on formulation of the fiscal year 2009 budget and execution of the fiscal year 2008 budget. However, none of the boards has yet been involved in all stages of the budget formulation and execution processes and, as such, their effectiveness in helping to ensure overall accountability for the department's IT budget and resources has not yet been fully established. In addition, because the multi-year programming guidance is applicable to future budgets (for fiscal years 2010 through 2012), it is too early to determine VA's effectiveness in implementing this guidance and its impact on improved oversight and accountability. Further, while the department has initiated its development of management processes that are critical to centralizing its control over the IT budget, the date by which it had planned to complete the implementation of these processes across the department has slipped from July 2008 to at least fiscal year 2011. Until VA fully institutes its oversight measures and management processes, it risks not realizing their contributions to, and impact on, improved IT oversight and accountability within the department.

Background

VA's mission is to promote the health, welfare, and dignity of all veterans in recognition of their service to the Nation by ensuring that they receive medical care, benefits, social support, and lasting memorials. Over time, the use of IT has become increasingly crucial to the department's efforts to provide such benefits and services. For example, the department relies on its systems for medical information and

¹Department of Veterans Affairs, *Information and Technology Strategic Plan FY 2006-2011* (Washington, D.C.: Dec. 2007).

records for veterans, as well as for processing benefit claims, including compensation and pension and education benefits.

In reporting on VA's IT management over the past several years,² we have highlighted challenges that the department has faced in achieving its "One VA" vision,³ including that information systems and services were highly decentralized and that its administrations controlled a majority of the IT budget. For example, we noted that, according to an October 2005 memorandum from the former CIO to the Secretary of Veterans Affairs, the CIO had direct control over only 3 percent of the department's IT budget and 6 percent of the department's IT personnel. In addition, in the department's fiscal year 2006 IT budget request, the Veterans Health Administration was identified to receive 88 percent of the requested funding, while the department was identified to receive only 4 percent. We have previously pointed out that, given the department's large IT funding and decentralized management structure, it was crucial for the CIO to ensure that well-established and integrated processes for leading, managing, and controlling investments were followed throughout the department.⁴

Further, a contractor's assessment of VA's IT organizational alignment, issued in February 2005, noted the lack of control for how and when money is spent.⁵ The assessment found that project managers within the administrations were able to shift money as they wanted to build and operate individual projects. In addition, according to the assessment, the focus of department-level management was only on reporting expenditures to the Office of Management and Budget and Congress, rather than on managing these expenditures within the department.

VA Establishes Centralized Management Structure to Improve IT Accountability

The department officially began its initiative to provide the CIO with greater authority over the department's IT in October 2005. At that time, the Secretary of Veterans Affairs issued an executive decision memorandum that granted approval for the development of a new centralized management structure for the department. According to VA, its goals in moving to centralized management included having better overall fiscal discipline over the budget.

In February 2007, the Secretary approved the department's new management structure. In this new structure, the Assistant Secretary for Information and Technology serves as VA's CIO and is supported by a Principal Deputy Assistant Secretary and five Deputy Assistant Secretaries—Senior leadership positions created to assist the CIO in overseeing functions such as Cyber Security, IT portfolio management, and systems development and operations. In April 2007, the Secretary approved a governance plan⁶ that is intended to enable the Office of Information and Technology, under the leadership of the CIO, to centralize its decisionmaking. The plan describes the relationship between IT and departmental governance and the approach the department intends to take to enhance governance and realize more cost-effective use of IT resources and assets. The department also made permanent the transfer of its entire IT workforce under the CIO, consisting of approximately 6,000 personnel from the administrations.

In June 2007,⁷ we reported on the department's plans for realigning the management of its IT program and establishing centralized control of its IT budget within

²GAO, *Veterans Affairs: Continued Focus on Critical Success Factors Is Essential to Achieving Information Technology Realignment*, GAO-07-844 (Washington, D.C.: June 15, 2007); GAO, *Veterans Affairs: Progress Made in Centralizing Information Technology Management, but Challenges Persist*, GAO-07-1246T (Washington, D.C.: Sept. 19, 2007); GAO, *Veterans Affairs: The Role of the Chief Information Officer in Effectively Managing Information Technology*, GAO-06-201T (Washington, D.C.: Oct. 20, 2005); GAO, *Veterans Affairs: The Critical Role of the Chief Information Officer in Effective Information Technology Management*, GAO-05-1017T (Washington, D.C.: Sept. 14, 2005); GAO, *VA Information Technology: Management Making Important Progress in Addressing Key Challenges*, GAO-02-1054T (Washington, D.C.: Sept. 26, 2002); GAO, *VA Information Technology: Important Initiatives Begun, Yet Serious Vulnerabilities Persist*, GAO-01-550T (Washington, D.C.: April 4, 2001); GAO, *VA Information Technology: Improvements Needed to Implement Legislative Reforms*, GAO/AIMD-98-154 (Washington, D.C.: July 7, 1998).

³The One VA vision is to create versatile new ways for veterans to obtain services and information by streamlining interactions with customers and integrating IT resources to enable VA employees to help customers more quickly and effectively.

⁴GAO-07-844.

⁵Gartner Consulting, *One VA IT Organizational Alignment Assessment Project "As-Is" Baseline* (McLean, Virginia; Feb. 18, 2005).

⁶Department of Veterans Affairs Office of Information and Technology *VA IT Governance Plan*, (March 12, 2007).

⁷GAO-07-844.

the Office of Information and Technology. We pointed out that the department's realignment plans included elements of several factors that we identified as critical to a successful transition, but that additional actions could increase assurance that the realignment would be completed successfully. Specifically, we reported that the department had ensured commitment from its top leadership and that, among other critical actions, it was establishing a governance structure to manage resources. However, at that time, VA had not updated its strategic plan to reflect the new organization. In addition, we noted that the department had planned to take action by July 2008 to create the necessary management processes to realize a centralized IT management structure.⁸ In testimony before the House Veterans' Affairs Committee last September, however, we pointed out that the department had not kept pace with its schedule for implementing the new management processes.⁹

Important Steps Taken to Centralize Control of IT Resources but Their Effectiveness Will Depend on Additional Planned Actions

As part of its IT realignment, VA has taken important steps toward a more disciplined approach to ensuring oversight of and accountability for the department's IT budget and resources. Within the new centralized management structure, the CIO is responsible for ensuring that there are adequate controls over the department's IT budget and for overseeing capital planning and execution. These responsibilities are consistent with the Clinger-Cohen Act 1996,¹⁰ which requires federal agencies to develop processes for the selection, control, and evaluation of major systems initiatives. In this regard, the department has (1) designated organizations with specific roles and responsibilities for controlling the budget to report directly to the CIO; (2) implemented an IT governance structure that assigns budget oversight responsibilities to specific governance boards; (3) finalized an IT strategic plan to guide, manage, and implement its operations and investments; (4) completed multi-year budget guidance to improve management of its IT; and (5) initiated the implementation of critical management processes. However, while VA has taken these important steps toward establishing control of the department's IT, it remains too early to assess their overall impact because most of the actions taken have only recently become operational or have not yet been fully implemented. Thus, their effectiveness in ensuring accountability for the resources and budget has not yet been clearly established.

As one important step, two deputy assistant secretaries under the CIO have been assigned responsibility for managing and controlling different aspects of the IT budget. Specifically, the Deputy Assistant Secretary for Information Technology Enterprise Strategy, Policy, Plans, and Programs is responsible for development of the budget and the Deputy Assistant Secretary for Information Technology Resource Management is responsible for overseeing budget execution, which includes tracking actual expenditures against the budget. Initially, the deputy assistant secretaries have served as a conduit for information to be used by the governance boards.

As a second step, the department has established and activated three governance boards to facilitate budget oversight and management of its investments. The Business Needs and Investment Board;¹¹ the Planning, Architecture, Technology and Services Board;¹² and the Information Technology Leadership Board¹³ have begun providing oversight to ensure that investments align with the department's strategic plan and that business and budget requirements for ongoing and new initiatives meet user demands.¹⁴ One of the main functions of the boards is to designate funding according to the needs and requirements of the administrations and staff offices.

⁸ GAO-07-844.

⁹ 2 GAO-07-1264T.

¹⁰ 40 U.S.C. §§ 11311-11313.

¹¹ This board, which became operational in May 2007, is chaired by the Principal Deputy Assistant Secretary and membership consists of high ranking officials from the Veterans Health Administration, the Veterans Benefits Administration, the National Cemetery Administration, staff offices, and the deputy assistant secretaries in the Office of Information and Technology.

¹² This board, which became operational in June 2007, is chaired by the Acting Deputy Assistant Secretary for Enterprise, Strategy, Policy, Plans and Programs and its membership includes high-ranking officials from the Veterans Benefits Administration, the Veterans Health Administration, the National Cemetery Administration, and high-ranking officials from the offices of finance, budget, and human resources management.

¹³ This board, which became operational in June 2007, is chaired by the Assistant Secretary for Information and Technology and its members include undersecretaries for Health, Benefits, and Memorial Affairs, the Assistant Secretary for Management, and the Executive in Charge of Human Resources and Administration.

¹⁴ VA *IT Governance Plan*.

Each board meets monthly, and sometimes more frequently, as the need arises during the budget development phase.

The first involvement of the boards in VA's budget process began with their participation in formulating the fiscal year 2009 budget. As part of the budget formulation process, in May 2007 the Business Needs and Investment Board conducted its first meeting in which it evaluated the list of business projects being proposed in the budget using the department's Exhibit 300s¹⁵ for fiscal year 2009, and made departmentwide allocation recommendations. Then in June, these recommendations were passed on to the Planning, Architecture, Technology, and Services Board, which proposed a new structure for the fiscal year 2009 budget request. The recommended structure was to provide visibility to important initiatives and enable better communication of performance results and outcomes. In late June, based on input from the aforementioned boards, the Information Technology Leadership Board made recommendations to department decisionmakers for funding the major categories of IT projects. In July 2007, following its work on the fiscal year 2009 budget formulation, the boards then began monitoring fiscal year 2008 budget execution.

However, according to Office of Information and Technology officials, with the governance boards' first involvement in budget oversight having only recently begun (in May 2007), and with their activities to date being primarily focused on formulation of the fiscal year 2009 budget and execution of the fiscal year 2008 budget, none of the boards has yet been involved in all stages of the budget formulation and execution processes. Thus, they have not yet fully established their effectiveness in helping to ensure overall accountability for the department's IT appropriations. In addition, the Office of Information and Technology has not yet standardized the criteria that the boards are to use in reviewing, selecting, and assessing investments. The criteria is planned to be completed by the end of fiscal year 2008 and to be used as part of the fiscal year 2010 budget discussions.

Office of Information and Technology officials stated that, in response to operational experience with the 2009 budget formulation and 2008 budget execution, the department plans to further enhance the governance structure. For example, the Office of Information and Technology found that the boards' responsibilities needed to be more clearly defined in the IT governance plan to avoid confusion in roles. That is, one board (the Business Needs and Investment Board) was involved in the budget formulation for fiscal year 2009, but budget formulation is also the responsibility of the Deputy Assistant Secretary for Information Technology Resource Management, who is not a member of this board. According to the Principal Deputy Assistant Secretary for Information and Technology, the department is planning to update its governance plan by September 2008 to include more specificity on the role of the governance boards in the department's budget formulation process. Such an update could further improve the structure's effectiveness. In addition, as part of improving the governance strategy, the department has set targets by which the Planning, Architecture, Technology, and Services Board is to review and make departmentwide recommendations for VA's portfolio of investments. These targets call for the board to review major IT projects included in the fiscal year budgets. For example, the board is expected to review 10 percent for fiscal year 2008, 50 percent for fiscal year 2009, and 100 percent for fiscal year 2011.

As a third step in establishing oversight, in December 2007, VA finalized an IT strategic plan to guide, manage, and implement its operations and investments. This plan (for fiscal years 2006–2011) aligns Office of Information and Technology goals, priorities, and initiatives with the priorities of the Secretary of Veterans Affairs, as identified in the VA strategic plan for fiscal years 2006–2011. In addition, within the plan, the IT strategic goals are aligned with the CIO's IT priorities, as well as with specific initiatives and performance measures. This alignment frames the outcomes that IT executives and managers are expected to meet when delivering services and solutions to veterans and their dependents. Further, the plan includes a performance accountability matrix that highlights the alignment of the goals, priorities, initiatives, and performance measures, and an expanded version of the matrix designates specific entities within the Office of Information and Technology who are accountable for implementation of each initiative. The matrix also establishes

¹⁵The OMB Exhibit 300, also called the Capital Asset Plan and Business Case, is a document that agencies must submit to OMB to justify resource request for major IT investments. The Exhibit 300 contains information such as an investment's historical and future costs, performance measures and goals, cost-benefits analysis, acquisition strategy, risk assessment, and security issues.

goals and timelines through fiscal year 2011,¹⁶ which should enable VA to track progress and suggest midcourse corrections and sustain progress toward the realignment. As we previously reported, it is essential to establish and track implementation goals and establish a timeline to pinpoint performance shortfalls and gaps and suggest midcourse corrections.¹⁷

As a fourth step, the department has completed multi-year budget guidance to improve management of its IT portfolio. In December 2007, the CIO disseminated this guidance for the fiscal years 2010 through 2012 budgets. The purpose of the guidance is to provide general direction for proposing comprehensive multi-year IT planning proposals for centralized review and action. The process called for project managers to submit standardized concept papers and other review documentation in December 2007 for review in the January to March 2008 timeframe, to decide which projects will be included in the fiscal year 2010 portfolio of IT projects. The new process is to add rigor and uniformity to the department's investment approach and allow the investments to be consistently evaluated for alignment with the department's strategic planning and priorities and the enterprise architecture. According to VA officials, this planning approach is expected to allow for reviewing proposals across the department and for identifying opportunities to maximize investments in IT.

Nevertheless, although the multi-year programming guidance holds promise for obtaining better information for portfolio management, the guidance has not been fully implemented because it is applicable to future budgets (for fiscal years 2010 through 2012). As a result, it is too early to determine VA's effectiveness in implementing this guidance, and ultimately, its impact on the department's IT portfolio management.

Finally, the department has begun developing new management processes to establish the CIO's control over the IT budget. The department's December 2007 IT strategic plan identifies three processes as high priorities for establishing the foundation of the budget functions: project management, portfolio management, and service level agreements.

However, while the department had originally stated that its new management processes would be implemented by July 2008, the IT strategic plan indicates that key elements of these processes are not expected to be completed until at least fiscal year 2011. Specifically, the plan states that the project and portfolio management processes are to be completed by fiscal year 2011, and does not assign a completion date for the service level agreement process. As our previous report noted, it is crucial for the CIO to ensure that well-established and integrated processes are in place for leading, managing, and controlling VA's IT resources. The absence of such processes increases the risk to the department's ability to achieve a solid and sustainable management structure that ensures effective IT accountability and oversight.

Appendix I provides a timeline of the various actions that the department has undertaken and planned for the realignment.

In summary, while the department has made progress with implementing its centralized IT management approach, effective completion of its realignment and implementation of its improved processes is essential to ensuring that VA has a solid and sustainable approach to managing its IT investments. Because most of the actions taken by VA have only recently become operational, it is too early to assess their overall impact. Until the department carries out its plans to add rigor and uniformity to its investment approach and establishes a comprehensive set of improved management processes, the department may not achieve a sustainable and effective approach to managing its IT investments.

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

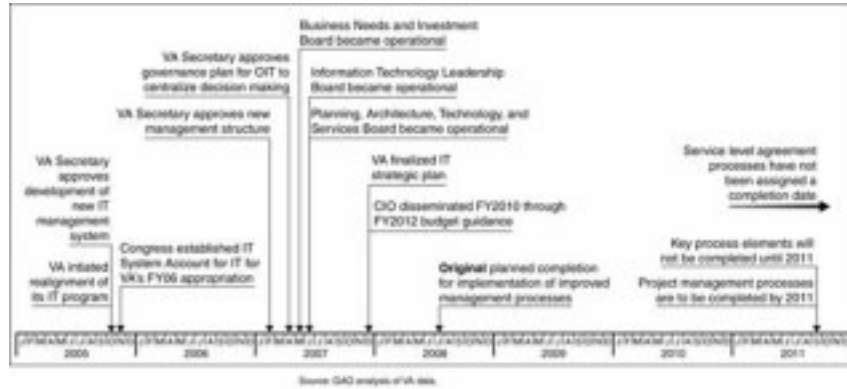
Contacts and Acknowledgments

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¹⁶The matrix uses fiscal year 2007 as the baseline and lists targets for fiscal years 2008 and 2011.

¹⁷GAO, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, GAO-03-669 (Washington, D.C.: July 2003).

Appendix I: Timeline of Key VA Activities



**Prepared Statement of Hon. Robert T. Howard
Assistant Secretary for Information and Technology and Chief Information
Officer, Office of Information and Technology,
U.S. Department of Veterans Affairs**

Chairman Harry Mitchell and Ranking Member Ginny Brown-Waite, good afternoon. Thank you for your invitation to discuss the President's Fiscal Year (FY) 2009 Information Technology (IT) budget proposal for the Department of Veterans Affairs (VA). As we look forward to the upcoming year, we remain focused on VA's primary mission—the health and well-being of our Nation's veterans. To ensure that we succeed in our mission, it is imperative that we employ all of our resources, including information technology, in the most effective way possible.

Let me begin this afternoon by recapping the major aspects of the IT reorganization and highlights of our experience to date. Through FY 2006 to FY 2007, OI&T began the transition to a new organization the detailing of 5,010 IT personnel and combining them with the original staff of 519 personnel. And in FY 2008, OI&T has the budget authority to consolidate all IT development of 1,151 FTE, along with operations and maintenance personnel of 5,535 FTE for our total staffing level of 6,686.

We have been operating under this new organization for about a year and continue to learn a lot about what it takes to provide effective and efficient IT support to an organization the size and complexity of the VA. As we move forward, we will continue to build upon our successes; however, we remain aware that our work is far from complete. As a result of the clarity we have been able to bring to the management of IT through the consolidation, we are discovering activities that need to be improved and enhanced from an overall management stand point. This is especially true in the area of data security and infrastructure improvements. For example we have increased our emphasis on certification and accreditation and are developing better procedures for asset management. Progress is being made but, there is still much to be done in establishing the organization and providing the IT support that VA and veterans deserve.

Working with our new centralized organization has certainly been a challenge for all of us, but the other critical change we are dealing with is the new IT appropriation which was established in 2006. In that regard we continue to focus our efforts in structuring and funding the IT appropriation along programmatic lines—relating IT to the principal missions of the VA. Since this is a line item appropriation, prior planning is critically important and getting the funding right up front is essential.

As you are aware, VA is requesting \$2.442 billion to support IT development, operations, and maintenance expenses including payroll for FY 2009, an 18.9-percent increase over the FY 2008 level. This request reflects the consolidation of VA IT into one appropriation, with certain exceptions such as non-payroll IT for credit reform programs and insurance benefits programs. In FY 2009, the majority of increases

represent program priorities to enhance the support to veterans both directly and indirectly—especially in the area of medical care.

The move toward a centralized IT Management System has been challenging, but it has also served to reinvigorate IT capability within VA. Placing all IT staffing, equipment, and budgetary resources under the VA Chief Information Officer (CIO) has provided an objective capability with visibility over all IT activities across the Department. This capability will also provide for a more standardized approach to our critical developmental efforts. Of critical urgency is accelerating the design and implementation of electronic health records which meet the national health IT standards and are interoperable with the Department of Defense (DoD), helping to streamline the benefits claims processing through improved IT support so claims may be adjudicated timely and efficiently, and ensuring portable IT equipment for benefit counselors traveling to DoD sites is encrypted and servicemembers' privacy is protected.

The non-pay portion of the FY 2009 budget has been realigned from previous submissions to delineate veteran strategic issues into two major classifications—*veteran facing IT systems* and *internal facing IT systems*. This has been done to better link the appropriation to the mission of VA. *Veteran facing IT systems* enable support of VA programs for veterans, such as, providing medical care, delivering compensation benefits, providing pension benefits, enhancing education opportunities, delivering vocational rehabilitation and employment services, promoting home ownership, providing insurance service, and delivering burial service. Veteran facing program account for \$1.295 billion of our request (The payroll portion of that budget is \$729.2 million). *Internal facing IT systems* are those that provide the capability to work more effectively in managing IT resources—such as corporate management, financial resources management, asset management, human capital management, IT infrastructure, and Information Protection. Internal facing program budget totals \$418 million.

These amounts reflect a sizable increase over FY 2008 which will obviously be very helpful in the improvement of IT support to VA. Over the past several years VA IT has had a fairly level budget, yet at the same time, the organizations we have to support, have been increasing in size; especially, in terms of facilities and people. And, as you well know, whenever you do that, you have to apply the necessary IT talent and tools to those activities. The increase has allowed us to provide the needed funding to accelerate such programs and at least keep most of them on track. Highlights are provided below.

Veteran Facing Medical Programs

Veterans Health Information Systems and Technology Architecture (VistA) Application Development

VistA Application Development consists of the enhancement and development activities that support the movement of the existing MUMPS-based applications from the “as-is” into the “to-be” VistA architecture, new data structures, and desired capabilities (MUMPS is an acronym for Massachusetts General Hospital Utility Multi-Programming System.). VistA Application Development, in conjunction with VistA Foundations Modernization, will take the necessary steps toward building VA's next generation healthcare information system.

VistA Foundations Modernization

Another extremely important developmental program in the medical area is the modernization of VA's world class Electronic Health Record. For the past two and a half years, VA has been working hard to support the President's vision to have electronic health record capability for most Americans by 2014, and to implement the associated Executive Order. For example, VA and the Department of Defense (DoD) have partnered on state-of-the-art software applications, including Bidirectional Health Information Exchange (BHIE) and Health Data Repository (CHDR). These applications allow VA and DoD to exchange health data for veterans including injured servicemembers as they move from DoD treatment facilities to VA healthcare facilities for continued treatment. This allows VA to care for all veterans, including seriously injured servicemembers more efficiently, effectively and safely.

VistA Foundations Modernization is the capital investment that provides the architecture and foundational elements of Vista HealthVet that support the delivery of the re-hosted/reengineered applications. In the FY 2009 Deployment Toolkit, Business Rules Engine and Workflow Engine will be delivered along with new testing services capabilities. Standardization activities in support of VA/DoD sharing

will continue as well as ongoing work to establish a common architecture to eliminate redundancies in coding, support common terminology sources between applications, and promote software and data use.

Scheduling Replacement

The goals of the Scheduling Replacement project are to improve access to care for veterans, decrease wait times for appointments, and increase provider availability. The first version will be placed in production at the VA Medical Center in Muskogee, Oklahoma during June 2008. Several activities will occur during FY 2009 to prepare Scheduling for national deployment. Activities include improvements to the application identified by the initial installations, acquisition of the hardware and software needed to operate the application at the deployment sites, and the launching of a national training campaign. In FY 2011, VA anticipates the completion of the national rollout to all VA sites.

VistA Laboratory Information Systems (IS) Re-engineering

The Laboratory System Reengineering project will provide VA with a modernized Laboratory Information Management System that supports the business processes of the Pathology and Laboratory Medicine Services. In FY 2009 the system will undergo independent verification and validation and field tests. The FY 2009, increase in funding is to acquire 20 percent of the equipment needed for the deployment. National deployment will begin in FY 2010, and will be phased over five years.

Health Data Repository

The Health Data Repository (HDR) is a repository of clinical information, normally residing on one or more independent computer systems, for use by clinicians and other personnel in support of patient centric care. Deliverables for FY 2008, include the addition of laboratory data, related to chemistry and hematology to HDR and CDR. Upon completion, this additional lab data will be exchanged with DoD on shared patients, as well as, all VA medical facilities. Deliverables also include the deployment of the new HDR National v2 that replaces two applications (HDR National v1 and Clinical Data Service) and provides a more robust system. National rollout for the final HDR solution is projected to begin in FY 2009.

MyHealtheVet

One of our real success stories is the application called "MyHealtheVet" (MHV). In FY 2007, MHV which is funded in FY09 at \$18.4 million, stabilized its platform, increased its total number of prescriptions refilled online to over 2.8 million, and supported the increase in the number of MHV accounts to over 400,000. Nearly 20,000 veterans have already made the trip to VA medical centers for in-person authentication, a prerequisite for a veteran accessing their VistA information online.

In fiscal years 2008 and 2009, veterans will be able to request and store copies of key portions of their VA electronic health record in their MHV personal eVault, along with their self-entered health information and health assessments. Veterans will be able to record medical events, medications, over the counter (OTC) medications and herbals, and tests. They will also be able to track vitals and health readings (e.g., blood pressure, blood sugar, weight, and pain level) and graph results, alongside any readings or lab test results from VA care. Veterans can also keep health journals (e.g., activity and food journals) and record health histories (family, self and military health histories), view upcoming appointments, get health reminders, and benefit from increasing mental health information and tools. MHV will stand up an architecture, that is ready to support the continued increase of veterans seeking the 24/7 access to VA information and services from anywhere, and veterans will also benefit from better communications and information sharing with their healthcare providers.

Pharmacy Reengineering

The pharmacy suite of applications is undergoing modernization to improve service and safety to veterans and to better support the current and future VA business needs. The project scope is to replace current pharmacy software modules with new technology through reengineering, new development, and purchase of commercial products. Plans are to deploy enhanced order checks in FY 2009, which will improve patient safety standards by reducing adverse drug events by 50 percent, with enhanced item management functionality to follow.

Enrollment Enhancements

Enrollment System Redesign (ESR), scheduled for deployment in June 2008, will replace Enrollment's Health Eligibility Center (HEC) Legacy system. The first in a series of enhancements will produce a workflow component to create, assign, view,

track and complete work items. It also provides for changes to VistA in order to support the technology and business changes that will occur with the implementation of ESR. The capabilities that are the focus in FY 2009 are the introduction of self-service functions to reduce application processing time, access of DoD military service data and existing benefits claim information to place the eligibility burden of proof on VA rather than the veteran, and productivity improvements in the area of veteran financial assessments and income verification.

VistA Legacy

As we continue our modernization efforts, we must maintain our current legacy system—called VistA. This system will need to remain operational for the foreseeable future as new applications are developed and implemented. This approach will mitigate transition and migration risks associated with the move to the new architecture. Our budget provides \$99 million in 2009 in this account.

Veteran Facing Benefits Programs—IT Support for Compensation and Pension

Information and technology investments over the past several years and those planned for the future will enable new technologies to be used to facilitate processing of veterans claims and for providing the vast number of benefits to veterans and their families. The majority of development in new technology includes the enhancement of the compensation components of VETSNET, development of the Virtual VA imaging solution for compensation and pension, and operation of the program integrity and data management program. The Benefits Delivery Network (BDN) will continue to be sustained until all programs, utilizing its shared components, are replaced. The retirement for the BDN platform is projected in early 2012. Highlights of the Veteran Facing Benefits programs are provided below.

VETSNET

VETSNET is the replacement system for Compensation and Pension functions of the legacy Benefits Delivery Network (BDN). It is a custom built suite of applications designed to support end-to-end Compensation and Pension claims processing, currently supporting C&P claims processing operations nationwide. A key benefit of VETSNET is the migration of compensation and pension benefit payments to a modernized, stable platform. Over 42 million compensation and pension payments are made annually from BDN, which was designed and built in the late sixties. Legacy record conversions, necessary for the payment of existing and compensation and pension beneficiaries, have begun and will be completed by July 2009—a major milestone for VA. Thus far in fiscal year '08, over 96 percent of new compensation claims have been completed in VETSNET, versus 5 percent in fiscal year 2006. As of the end of January 2008, over 863,000 are receiving their monthly compensation payments via VETSNET. This includes over 613,000 records converted from the BDN in FY 06 and FY 07. Over one billion dollars in C&P benefit payments have been made through VETSNET during FY 08.

Virtual VA

Virtual VA is web-based document and electronic claims-folder repository, and is the cornerstone of our Paperless Delivery of Veterans Benefits initiative. Planned FY 2008 activities include maintenance of the existing application functionality and planning for migration to a centralized infrastructure. Expansion of existing pilot efforts in support of compensation and pension claims processing will also be targeted for FY 2008, along with a development of a comprehensive strategy for full development of the Paperless initiative. Significant execution of the comprehensive plan will carry into FY 09, and will include integration with the C&P claims processing system, VETSNET.

IT Support for Education, Vocational Rehabilitation and Employment, Housing, and Insurance

Education opportunities, rehabilitation and employment services, life insurance, and the housing program are provided to eligible veterans and their dependents. These programs rely on supporting IT systems to ensure benefits and services are provided timely and consistently and support staff engaged in ensuring delivery of checks, electronic transfers and other related materials are as routine as clockwork. BDN supports compensation and pension, as well as education and vocational rehabilitation and employment.

The Education Program IT Support development costs represent 2.2 percent of the total development costs for veteran facing IT systems. During FY 2009, new technology efforts will begin the development of a rules based infrastructure, which when completed, will facilitate the adjudication of Chapters 30, 32, 35, 1606, and

1607 benefits. At full completion, it is planned that VA will automatically process the majority of claims, received electronically, by applying benefit-specific business rules and issuing payment for all claims.

Vocational Rehabilitation Program IT Support development costs represent less than 1.0 percent of the total development costs for veteran facing IT systems. C-WINRS is VR&E's system of workflow management, control, and reporting. At full implementation, C-WINRS will replace BDN in Chapter 31 claims processing. Beneficiary payments of subsistence allowance will be completed via interface with the VETSNET Finance and Accounting System (FAS). Targeted activities for FY 09 include completion of functional requirements and technical design.

Information Architecture and Legacy Document Project for Housing Program (funded through credit reform reimbursement from the Housing program) will establish online information architecture for Loan Guaranty. This project will convert critical microfiche and hand-copy documents into an electronic format with indexing capabilities. These documents would then be made available to authorized VA staff via current Loan Guaranty systems. The project will also enable Loan Guaranty to use workflow management by providing online collaboration and review capability within a paperless environment.

Internal Facing IT Programs

Internal facing IT systems link to specific management categories—corporate management, financial resources management, asset management, human capital management, IT infrastructure, cyber security, privacy, and E-Gov. VA is requesting \$418 million in FY 2009. Two significant investments are in the categories of human capital management and financial resources management to replace existing systems with new technologies. The Human Resources Information System is an OMB/OPM managed project, and the Financial and Logistics Integrated Technology Enterprise system addresses VA's long standing Federal Financial Management Integrity Act material weakness—lack of a VA-wide integrated financial management system.

Internal facing IT development and operational systems are those that will improve effectiveness and efficiency in managing its resources. As VA continues to meet challenges to enhance the delivery of timely, high quality services to veterans and their beneficiaries, internal system development requirements continue to grow. Operation and maintenance consists of those functions that ensure the IT infrastructure and business-critical applications have the availability, performance, adaptability, and scalability required to support business needs. Highlights are provided below.

Human Capital Management Programs

VA is requesting \$92.6 million for IT human capital management programs in FY 2009, an increase of \$32.8 million or 54.9-percent increase. As employees are one of VA's most important assets, investments in human resources systems will help VA meet the challenges of managing over 240,000 employees. These systems are focused on ensuring VA healthcare provider credentials are current and benefit claims specialists receive the latest training in an ever improving benefits delivery system. These systems also will help VA manage its mature workforce with a greater array of succession planning tools. Finally, VA will update its payroll system to a more modern, secure data information system.

Financial Resources Management Programs

VA is requesting \$65.3 million in FY 2009 for IT financial systems, an increase of \$14.8 million or 29 percent. These resources will enable the overall Department to better manage the \$93 billion in Federal resources to deliver services to the Nation's veterans. A critical part of this program is the Financial and Logistics Integrated Technology Enterprise (FLITE) initiative.

Financial and Logistics Integrated Technology Enterprise

Financial and Logistics Integrated Technology Enterprise (FLITE) is a multi-year initiative to replace the existing financial and logistics systems with integrated, enterprise-level systems. The two primary components are the Integrated Financial Accounting System (IFAS) and Strategic Asset Management (SAM) project. FLITE implementation has three primary objectives: (1) to effectively integrate and standardize financial/logistical data and processes across all VA offices; (2) to provide management with access to timely and accurate financial, logistics, budget, asset and related information on VA-wide operations as well as on specific programs and projects; and (3) to establish an advanced technology environment which provides VA with the greatest capability and an extended life cycle.

In FY 2007, VA completed the prerequisite planning, which included developing the FLITE governance framework and baseline cost estimates, documenting requirements, establishing an acquisition strategy, determining the COTS solution for SAM and IFAS, and conducting a stakeholder analysis and communications needs assessment as well as other project management strategies. In FY 2008, VA will award individual implementation/integration contracts for SAM and IFAS. The pilot test for SAM will be deployed at the Milwaukee VA Medical Center in FY 2008, and the pilot preparation for IFAS will start in FY 2008. FY 2009 will include deployment of additional beta sites for SAM and pilot testing for IFAS. The budget increase from FY 2008 to FY 2009 accounts for development and testing activities.

Cyber Security

VA is thoroughly examining every aspect of our information protection program to ensure that sensitive information, primarily Personally Identifiable Information (PII) and Personal Health Information (PHI), is neither mismanaged nor used for any unauthorized purpose. To do this we have requested \$93M in FY09 to meet this goal. This request can be broken into 2 major categories (as discussed below)—support for our Enterprise Cyber Security Program and support for the Personal Identification Verification (PIV) program. Highlights are provided below.

Enterprise Cyber Security Programs

An overarching program providing focus to all activity related to data security, the Data Security—Assessment and Strengthening of Controls (DS—ASC) program includes several hundred specific actions all oriented toward improving the position of VA in the area of information protection. To date, approximately 40 percent of the original DS—ASC items have been completed with the approval of VA Handbook 6500. This handbook is the primary cyber security procedural document for the Department. Recently, DS—ASC focused on the VA Office of Inspector General and GAO recommendations reported to the Congress. By reorganizing the DS—ASC around these recommendations, VA is confident it will reach the Gold Standard for Data Security and satisfy each recommendation within the next three years.

Through the Enterprise Cyber Security Program (ECSP) VA formulates and oversees the implementation of the Department-wide security program. ECSP provides a continuous cycle of risk assessment, modification of policies and procedures to reflect changes in the risk environment, identification of mitigating security controls, and the testing of those controls. ECSP is comprised of both management and technical components.

The management components establish VA IT security policies and procedures; oversee Department-wide risk management, certification and accreditation, and Federal Information Security Management Act (FISMA) reporting and compliance programs; update the Department IT security program plan; provide for credit monitoring and fraud detection services; sponsor the Department's security awareness training, role based training for information security officers ISOs, and VA's annual information security conference; and provides procurement, budgeting, personnel, and capital planning support for the investment. Field Security Operations and Information Security Officer Support Service (Field Ops) provide oversight for the facility-based ISOs. It also includes an incident response and risk management capability to monitor, respond, and report on data breach and other information security incidents. The incident response team has developed enterprise identity strategic and implementation plans for fiscal years 2008 through 2010.

Technical components include the Critical Infrastructure Protection Program, which directs the operation of the Network and Security Operations Center, is responsible for providing the centralized incident response and recovery capability as well as other enterprise network and security services, such as, firewall management; intrusion detection and prevention monitoring; Domain Naming System management; content filtering; patch management; antivirus program; and enhanced 24x7x365 monitoring of core VA infrastructure. The continued deployment of the enterprise host-based intrusion prevention, anti-spyware, and anti-spam solutions are ongoing as well as initiatives to implement an e-Discovery technology and anomaly detection services within VA's enterprise architecture to further enhance our security posture and network services availability.

The information protection program is responsible for reporting on the deployment of technical controls that bring VA in compliance with Federal regulations and VA policy. The technical controls protect information in transit and in storage. Such technical controls include encryption of laptops, secure network transmissions, mobile device security, remote access security, secure emails and documents, tape encryption, and scanning of emails being transmitted through VA's Internet gateways for Social Security numbers.

Personal Identification Verification (PIV) program

This initiative replaces VA's Authentication and Authorization Infrastructure Project with a system that directly addresses Homeland Security Presidential Directive 12 and FIPS 201 with the implementation of processes and procedures required to issue PIV cards. PIV includes five logical components that support PIV card issuance and the business process and procedures necessary to perform data capture, data management, identity proofing, identity management, access management, logical access control, physical access control, authorization, and authentication surrounding the PIV credential. PIV is a VA enterprise system that will be interoperable across the Federal Government. Coordination with other agencies facilitates knowledge sharing between VA and other Federal departments and agencies. In FY 2009 VA will deploy the PIV registrar and issuer workstations to 113 of 225 field locations and issue 50 percent of the cards to employees.

IT Infrastructure (Veteran Facing and Internal facing)

Before closing, I would like to provide an overview of the funds requested for IT Infrastructure supporting both Veteran Facing IT systems and Internal Facing IT systems. VA's extensive and complex IT infrastructure is the foundation for the operation of information systems in VA. IT systems are critical for the delivery of veterans' services, from the delivery of healthcare using the EHR to timely delivery of veterans' benefits claims and burial programs, through implementation and ongoing management of a wide array of technical and administrative support systems. VA is requesting \$800 million and an increase of \$140.2 million over FY 2008 operations. This significant investment is needed to begin rebuilding the VA IT Infrastructure to one that will provide effective and timely delivery of healthcare, benefits, and burial services to the Nation's veterans and their dependents. To keep up with growing data, network capacity, information sharing (e.g., DoD and business partners), security and privacy, and technical requirements created by innovative IT solutions, the VA IT infrastructure must be refreshed and modernized.

In FY 2007, the many different infrastructure accounts were combined to form the IT infrastructure activity now centrally managed by the CIO. This centralization allows VA to better manage computer systems, VA data networks, and voice services to better deliver veteran benefits with adequate security and continue to improve cost-effectiveness. Without proper operation and maintenance of the IT infrastructure (including planning and budgeting) and implementation of new technologies, the delivery of essential services and business operations of this or any other modern governmental function would literally halt in days and the health, lives, and well-being of veterans would be jeopardized.

Increased staffing and activation of new VA facilities comes with associated IT requirements and assets. Every new person hired requires IT tools, such as, a desktop computer, mobile device, laptop, printer, etc. For example, VA projects by FY 2009 numerous facility activations, including 51 new community based outpatient clinics. By their nature, community based outpatient clinics are not generally in close proximity to a medical center, and are quite often in rural areas, creating asset management challenges. Additionally, there are currently 209 readjustment counseling vet centers with more projected to be opened during fiscal years 2008. Vet centers are typically small in staff size and are not located on VA property. In serving veterans, both of these facility types require reliable IT equipment that embodies information assurance and data standardization.

In support of the veteran facing IT systems, IT infrastructure ensures the underlying platforms and services function properly in support of the wide variety of veteran facing applications supporting mechanism to ensure funding for. By definition, the infrastructure, which is comprised of application licenses, network and computing support, and voice, data and video infrastructure, is key to effective program delivery. It provides for the hardware and communication lines and systems that allow over 240,000 VA employees to deliver healthcare, benefits delivery, and memorial services to a grateful Nation's veterans. IT infrastructure support for veteran facing IT systems for FY 2009 is \$659.04 million. The breakout of this support across the major service areas at the VA is as follows:

- Medical Program IT Support: \$573.07 million
- Regional Data Processing Center: \$30.00 million;
- Compensation Program IT Support: \$35.23 million;
- Pension Program IT Support: \$6.40 million;
- Education Program IT Support: \$3.97 million;
- Vocational Rehabilitation Program IT Support: \$5.60 million;
- Burial Program IT Support: \$4.75 million.

VA IT infrastructure serves the entire range of business functions including primary missions, handling of Congressional and other correspondence, financial operations, interaction with veterans service organizations and other agencies including DoD healthcare systems, data exchange with business partners, Continuity of Operations (COOP) and continuity of business, radio frequency spectrum management; and implementation infrastructure for new and enhanced business applications.

IT infrastructure programs and activities for FY 2009 include work as a major participant in the GSA FTS program; transition of current long distance voice and data circuits from the FTS2001 contract to the new Network contract; implementing compliance with the Internet Protocol version 6 (IPv6) mandate by OMB; continuing to strengthen VA Gold Standard for Data Security; operation of a multi-carrier backbone wide area network; exploration of new and more efficient network technologies, including Internet 2, voice over IP (VOIP), and unified communications; and continued standardization of the infrastructure architecture from desktop to wide area network. Infrastructure programs require an increase to meet service projections for enhancing patient care services, additional care for returning war veterans, teleradiology and remote medical services, fund the phased replacement of PCs across VA, and provide greater network bandwidth for facilitating communications. IT infrastructure funding is essential to protect IT resources and strengthen data security for keeping sensitive veteran and employee data safe, secure, and confidential.

Telecommunications services are an integral and fundamental component of VA. While often taken for granted, these technology dependencies and interdependencies are essential to business functions and service providers. Without these services, essentially utilities, VA modern healthcare and benefit functions would not be possible and would be reduced to paper, other physical media (e.g., x-ray films), and physical mail or courier delivery. These are services that operate 24 hours a day, 7 days a week.

In closing, I want to assure you that VA IT is committed to providing effective and efficient support to veterans and in turn to the VA community-at-large. We have made progress over this past year and have experienced problems as well—so much more remains to be done. I appreciate having this opportunity to discuss this with you and will gladly respond to your questions.

U.S. Department of Veterans Affairs
Washington, DC.
March 20, 2008

The Honorable Harry E. Mitchell
Chairman
Subcommittee on Oversight and Investigations
Committee on Veterans' Affairs
United States House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Thank you for the opportunity to testify before the Subcommittee on February 13, 2008, on the fiscal year (FY) 2009 budget for the Office of Inspector General (OIG). At the hearing, we indicated we would provide additional information in two areas, the length of time VA has been developing an electronic system to track contracts and purchasing and on the monetary return for pre-award and post-award reviews in FY 2007. A similar letter has been sent to Congresswoman Ginny Brown-Waite, Ranking Republican Member.

According to VA's Office of Acquisition and Logistics (OA&L), in March 2003 initial development for a new system, Electronic Contract Management System (e-CMS) began. This system is a tool for VA acquisition staff to create and manage acquisition actions and documents, announce solicitations to vendors, receive and evaluate offers, make awards, and report awards to the Federal Procurement Data System for procurement actions above \$25,000. This centralized web based system resides on a server and is accessed using a web browser and specially configured workstations. In June 2007, OA&L mandated the use of e-CMS and they report that currently, approximately 1,500 users located at 194 facilities across the VA business lines have completed training to gain access to the system. An OIG audit of e-CMS is currently ongoing to determine the extent of the system's implementation throughout VA and whether e-CMS will provide needed information for VA to man-

age and report the cost of procurement more effectively. We will provide you a copy of the audit report, which we plan to issue in September 2008.

In FY 2007, OIG pre-award reviews resulted in \$133.7 million in potential cost savings; post-award reviews resulted in \$15.8 million in actual recoveries. We issued 83 reports on 62 unique vendors.

Thank you for your interest in the Department of Veterans Affairs.

Sincerely,

GEORGE J. OPFER
Inspector General

