1988 TO 2016: VETSNET TO VBMS; BILLIONS SPENT, BACKLOG GRINDS ON

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C O N T E N T S

Tuesday, January 12, 2016

1988 TO 2016: VETSNET TO VBMS; BILLIONS SPENT, BACKLOG GRINDS ON

Tuesday, January 12, 2016

COMMITTEE ON VETERANS' AFFAIRS,
U. S. HOUSE OF REPRESENTATIVES,
Washington, D.C.

The Committee met, pursuant to notice, at 10:30 a.m., in Room 334, Cannon House Office Building, Hon. Jeff Miller [Chairman of the Committee] presiding.

Present: Representatives Miller, Lamborn, Bilirakis, Roe, Huelskamp, Coffman, Wenstrup, Zeldin, Costello, Bost, Brown, Takano, Brownley, Titus, Ruiz, Kuster, and Rice.

OPENING STATEMENT OF JEFF MILLER, CHAIRMAN

The CHAIRMAN. Good morning, everybody. This hearing will come to order. Happy New Year. We are here to discuss yet another VA project that is over budget and under achieving. Unfortunately, this is becoming a similar theme in hearings at this Committee.

Today we are going to address the mismanagement of the Veterans Benefits Management System, called VBMS, which is VA's electronic claims processing system. VBMS is supposed to help expedite benefit claims decisions, eliminate rating inconsistencies and errors, and enable a more efficient claims processing work flow. Unfortunately, it is not working as it was intended.

VA promised to eliminate the backlog in 2015. It is now 2016 and while VA has made progress, the backlog does still exist. And similarly, VBMS is not yet completed, and VA has been unable to provide this Committee with a timeline as to when it will be completed.

As of the first of this year, there were over 360,000 disability claims pending, over 75,000 of which were pending more than 125 days which is what VA defines, as we all know, a backlog in the system. And I am going to address that definition in just a minute. This is despite Congress devoting substantial resources, including significantly increasing VBA's workforce by approximately 7,300 full-time employees between 2007 and 2014, to help VA meet its goal of eliminating the claims backlog by the end of last year. Additionally, Congress has allocated more than $1 billion to VBMS even though VA's estimate in September of 2009 priced VBMS at $580 million. Since then, the projected cost of the program has jumped to $1.3 billion and there is no guarantee that VA will not need more money for the system in the future. So it looks like history may in fact be repeating itself again.

The cost overruns for VBMS would be bad enough. But after six years in development it is still not able to fully support disability claims and pension applications. It only acts as a document repository for appeals. And that brings me to VA's definition of what constitutes a backlog.

As of April 1st, 2013, VA had an appeals inventory of almost 250,000. But as of January the 1st of this year that number had ballooned to about 433,000 appeals, which are not counted by VA as apart of the backlog. With the large increase in the number of appeals, it makes no sense that VA has not ensured VBMS' ability to actually process appeals, as it did for initial claims work. In fact, I recently learned that the VA is projecting that it will certify almost 360,000 new appeals in fiscal year 2017. That is in comparison to almost 70,000 certified appeals in fiscal year 2015.

I am also alarmed that according to a GAO report between January of 2013 and May of 2015, VBMS suffered from multiple system crashes, and was offline for a total of 117 hours, which is almost three full work weeks. I expect VA to argue that any temporary disruptions caused by the implementation of the system have been outweighed by the program's benefits.

Based on recent OIG and GAO investigations, I am not sure that I agree because of the many other factors in reducing VA's definition of the backlog. Moreover, both the OIG and GAO reports of September of 2015 criticized the department for not setting clear benchmarks for developing and implementing VBMS.

Of course, without concrete deadlines for the VBMS roll out, it is impossible to hold VA management accountable, a word that we hear a lot here, for meeting deadlines and demonstrating progress. But even if the Veterans Benefits Management System was performing perfectly, there are still management issues that add to processing times. In a report issued just last week, the OIG found that the St. Petersburg Regional Office had a significant backlog of unprocessed veteran claims information at a scanning contractor facility. I, and I am sure the Ranking Member, are appalled that Florida veterans may have waited longer than any other veterans due to this delay in scanning.

I would like to draw your attention to the image above, which demonstrates the extent of improperly stored and co-mingled veteran information at the contractor site. And there is a photograph of it in your packet if you cannot see the screen. Everybody see it? Understandably, I am troubled that in addition to the scanning delays based on how this information was insecurely stored at the scanning facility, veterans' information was potentially vulnerable to loss, theft, and misuse. I am going to further explore this and other issues outlined in my statement during the course of this hearing.

With that cheerful report, I yield to the Ranking Member for her opening statement. And again, wish her a Happy New Year as well.

[THE PREPARED STATEMENT OF JEFF MILLER APPEARS IN THE APPENDIX]

OPENING STATEMENT OF CORRINE BROWN, RANKING MEMBER

Ms. BROWN. Thank you, Mr. Chairman, and thank you for holding this hearing. I find the title of this hearing interesting. We have spent trillions of dollars on wars since 1988. And as you would expect, with these wars has come an increase in veterans claims and backlogs. We need to remember taking care of the veteran is a cost of war. Let me repeat that. We need to remember taking care of veterans needs to be figured in as a cost of war.

Since our engagement in Operation Iraqi Freedom, which I voted against, we have seen VA continue to be inundated with work. As Vietnam veterans grow older and become ill, and our newest servicemembers return home injured, VA's workload has risen to record highs year after year.

At the height of the VA backlog the decision was made, and encouraged and funded by Congress, to eliminate the backlog by 2015 by implementing a paperless transformation.

The VA backlog has been significantly reduced from 611,073 claims to 75,395 claims. In less than three years. VA has reduced the backlog by nearly 90%. While it is not mission complete, and the change has been significant, we need to continue to work to reduce the backlog.

For our Florida veterans the average days pending at the height of the backlog was 248 days to 92 days.

We look forward to hearing how much of this reduction is due to the investments that we have made in moving from an antiquated paper processing system and into an electronic one. What more is needs to be done to provide timely outcomes for our veterans that deserve decisions today, and not tomorrow?

Like the Joint Strike Force or the Iraqi War, or the Select Committee on Benghazi, surely the Veterans Benefits Management System could and should cost less than it has.

I hope to hear how VA plans to improve their costing, budgeting and execution of IT projects. We need accurate numbers in terms of the investment and sustainment of the Veterans Benefits Management System.

I am also concerned about the IG's findings regarding Florida's backlog of veterans evidence in 2014. I hope to hear from the VA on their efforts to address both the GAO and the VAOIG recommendations. I hope to hear that in the report.

Fighting for our veterans is a team effort and a cost of war. While VA has had remarkable progress on reducing the backlog, more needs to be done. So let us all get to work.

I yield back the balance of my time.

The CHAIRMAN. Thank you very much, Ms. Brown. I would ask that all Members would waive their opening statement as is customary with this Committee.

Joining us on our first and only panel this morning are Ms. Beth McCoy, the Deputy Under Secretary for Field Operations at the Veterans Benefit Administration. She is accompanied by Ms. Dawn Bontempo, the Director of the Veterans Benefit Management System Program Office; Mr. Steven Schliesman, the Assistant Deputy Chief Information Officer for Program Management; and Mr. Thomas Murphy, the Director of Compensation Service. Also testi-

fying for us today, Mr. Brent Arronte, the Deputy Assistant Inspector General for Audits and Evaluations with the Office of the IG. Mr. Arronte is accompanied by Mr. Michael Bowman, the Director of Information Technology and Security Audits Division of the Office of the Inspector General; and finally Valerie Melvin, the Director of Information Technology at the United States Government Accountability Office. Thank you all for being with us this morning. Your complete written statements will be entered into the record. Ms. McCoy, you are recognized for five minutes to present your opening testimony.

STATEMENT OF BETH MCCOY

Ms. McCoy. Thank you. Good morning, Mr. Chairman, Chairman Miller, Ranking Member Brown, and Members of the Committee. Thank you for the opportunity to discuss the recent Department of Veterans Affairs Office of Inspector General and the Government Accountability Office reports dated September 14th and September 15th, 2015, respectively. Also, Chairman, thank you for recognizing those who have accompanied me today.

The Veterans Benefits Management System, or VBMS, is a web-based application primarily used by Veterans Benefits Administration employees to process disability claims. VBMS has supported more than 30,000 unique users, including those from the Veterans Health Administration and our veterans service organization partners. VBMS has a customized view of the electronic folder to support appeals processing at the Board of the Veterans Appeals also. VBMS enables us to receive service treatment records electronically from the Department of Defense, which is something that we could not do before VBMS.

Historically, VBA claims processors used a paper intensive process to deliver disability benefits to America's veterans. At the end of fiscal year 2012 VBMS was at only five regional offices with a limited number of users and about 1,000 claims completed in it. By June, 2013, VBMS was rolled out to all 56 regional offices and it was done six months ahead of schedule. In November, 2014 we had processed 1 million veterans claims in VBMS. And just ten months later in September 2015, we reached that milestone of 2 million veterans claims processed end to end in VBMS.

The OIG and GAO reports both provided recommendations related to the scope and cost of VBMS. Scope and cost increases were planned, essential, and approved to move beyond just that initial electronic claims folder repository functionality to a point of an automation enhanced claims processing platform. VBMS has delivered 17 major software releases and 56 minor releases in just four years and has implemented thousands of business requirements. VBMS currently houses over 1.9 billion images.

Through modern tools and improved processes for employees, VBMS enables VA to provide better service for veterans. One key element is that multiple users can view a veteran's electronic folder at the same time so that various claims actions can be done in parallel at the same time rather sequentially and eliminating delays waiting for that one paper claims folder. Additionally, there are broader telework opportunities available for our VBA employees in a paperless processing world. More veterans are receiving faster

decisions because of the increase in both production and productivity that VBMS has enabled.

As VBA's Deputy Under Secretary for Field Operations, from my perspective, VBMS was delivered to the field quickly, six months early; it worked; and functionality has been added every three months with each new release. When I go to regional offices to talk to employees and veterans service officers, they tell me they would not go back to a paper-based process. And they are constantly bringing up ideas and recommendations for more things to do in VBMS. We are working with our labor partners to make sure that we get all of those recommendations implemented as quickly as possible.

I am incredibly proud of our VBA employees, 53 percent of whom are veterans themselves, for all of the changes they have adopted and all of the work they have completed for veterans and their families through VBA transformation efforts.

So what have they accomplished? This past fiscal year, VA reached an historic milestone in delivery of benefits and services to America's veterans, their families, and survivors. VBA reduced the backlog of disability claims pending to a low of just over 71,000 claims at the end of fiscal year 2015, nearly a 90 percent reduction in the backlog as Ranking Member Brown pointed out, from its peak of more than 611,000 pending in March of 2013, and lowest in our history. In fiscal year 2015, we provided disability rating claim decisions to nearly 1.4 million veterans. That is a new record as well. And we did not sacrifice quality. In fact, we improved national accuracy scores from 83 percent in June of 2011 to nearly 91 percent in fiscal year 2015. And that is at the claim level. If you drill down to the individual contention, the individual issue level, we are at over 96 percent on our quality. At the same time, we reduced the veterans pension backlog by 93 percent from a peak of 15,000 claims to less than 1,000 currently. Also the number of appeals actions taken by VBA increased by 30 percent from 2011 to 2015.

These milestones were achieved through implementation of an aggressive and comprehensive information plan that included people, process, technology initiatives, and VBMS has been the cornerstone of our technology strategy. Our veterans deserve the best possible customer service and VBMS is the right tool to support that. While there is more work to be done, our efforts are generating positive and significant results. VBMS is poised to drive continued improvements to claims processing, accuracy, timeliness, and transparency.

We want to thank the Chairman and the Members of the Committee for their support and resources. Mr. Chairman, this concludes my statement. We would be happy to answer questions. And thank you for allowing us to appear.

[THE PREPARED STATEMENT OF BETH MCCOY APPEARS IN THE APPENDIX]

The CHAIRMAN. Thank you, Ms. McCoy. Mr. Arronte?

STATEMENT OF BRENT ARRONTE

Mr. ARRONTE. Chairman Miller, Ranking Member Brown, and Members of the Committee, thank you for the opportunity to discuss the Inspector General's recent reports on the implementation of VBMS. As indicated earlier, I am accompanied today by Mr. Michael Bowman, Director of the IG's IT and Security Audits Division.

VA continues to face challenges in developing the IT systems it needs to support its current goals and overall mission. Since 2007, we have identified IT as a major management challenge for VA. Our audits in recent years have shown that IT system development and management at VA is a longstanding high risk challenge. Despite some advances, our reports indicate that VA IT programs are still often susceptible to cost overruns, schedule slippages, performance problems, and in some cases complete failure.

In February 2013, we issued a report evaluating whether VA had performed sufficient testing of VBMS. This work assessed whether VA was positioned to meet its goal of eliminating the disability claims backlog and attaining a 98 percent accuracy rate for claims. However, we did note that the system had not been fully developed to process claims from the initial application to benefits delivery and as of today, in some instances, that is still the case.

In our September 2015 follow-up report on VBMS, we focused on whether VA had improved its schedule, cost, and performance to support VBMS development. We reported that VA remained only partially effective in managing VBMS development. We noted that VA had stayed on schedule in deploying VBMS functionality to all of its regional offices in 2013. However, since September 2009, total estimated program costs have increased significantly from $579 million to approximately $1.3 billion as of January 2015. This increase was due to inadequate cost controls, unplanned changes in system and business requirements, and inefficient contracting practices. At this point VA cannot ensure an effective return on its investment and the total actual system development costs still remain unknown.

As recently as our January 2016 report, "Review of Alleged Problems with VBMS and Claims Processing", we substantiated an allegation regarding a significant backlog of unprocessed mail waiting to be scanned into VBMS. Specifically according to VBA personnel and our own observations, the St. Petersburg VA Regional Office had more than 41,000 mail packages and over 1,600 boxes of evidence waiting to be scanned into VBMS at the scanning facility, and that was the picture that the Chairman alluded to.

Visits to the scanning facility showed numerous pallets of boxes containing significant amounts of paper documents that had been waiting more than 30 days to be scanned into VBMS. This is contrary to VA's contract requiring the contractor to scan all evidence into VBMS within 5 days.

Although VBA reports it has made progress in reducing the backlog and reported significant improvement in claims processing accuracy, we cannot attribute that improvement specifically to VBMS. VBMS was one of more than 40 initiatives VA has undertaken as part of its transformation plan. We have observed and attribute several factors leading to reducing the backlog. For exam-

ple, VBA spent over $130 million in mandatory overtime in fiscal year 2015, and $125 million in fiscal year 2014. VA also reallocated staff to process only those claims that affect the backlog while sacrificing other types of claims such as those on appeal and non-rating claims issues. And VBA has implemented the fully developed claims process which shortens claims processing times. As for VBA's improved claims processing accuracy rate, this could be related to a change in how they are calculating error rates overall and not specifically to the accuracy of those claims processed in VBMS.

In conclusion, our recent work demonstrates that VA continues to face challenges in developing and managing its IT projects. We acknowledge that VA has taken some actions to address our outstanding report recommendations for enhanced discipline, oversight, and resource management in support of IT programs. However, it remains to be seen whether such actions will improve VA's ability to meet established cost, schedule, and performance goals. Given the changing business requirements, our observations indicate that VBMS costs will continue to spiral upward and final end-state costs still remain unknown.

Mr. Chairman, this concludes my statement and we would be happy to answer any of your questions or those of the Committee.

[THE PREPARED STATEMENT OF BRENT ARRONTE APPEARS IN THE APPENDIX]

The CHAIRMAN. Thank you very much. Ms. Melvin, you are recognized for five minutes.

STATEMENT OF VALERIE MELVIN

Ms. MELVIN. Good morning, Chairman Miller, Ranking Member Brown, and Members of the Committee. Thank you for inviting me to discuss VA's efforts to develop and implement its veterans benefits management system, VBMS.

In September, 2015 we issued a report to your Committee documenting our study of the system and my remarks today highlight key findings from that study which, one, assessed VA's progress toward completing VBMS, and two, determined the extent that users reported satisfaction with the system.

VA began developing VBMS in 2009 with the intent of providing automated capabilities to support disability and pension claims processing and appeals. As of September, 2015 the department reported having spent about $1 billion on its efforts. In this regard, an initial version of VBMS was deployed to all VBA regional offices by June, 2013, and since then, as has been noted, the department has continued developing and implementing additional system functionality and enhancements to support electronic claims processing.

Nevertheless, several aspects of the ongoing efforts to develop and implement the system could be strengthened. Specifically, VBMS is not yet able to fully support disability and pension claims or appeals processing, as has been noted. While the Under Secretary for Benefits stated in March, 2013 that the system was expected to be completed in 2015, implementation of functionality to fully support electronic claims processing has been delayed and the

department has yet to produce a plan that identifies when VBMS will be completed. Thus the department lacks an effective means to hold management accountable for meeting a timeframe and demonstrating progress on completing the system.

Further, as VA continues developing and implementing VBMS, three additional areas could benefit from increased management attention. First, the program lacks a reliable estimate of the costs for completing the system. Without such an estimate, management and stakeholders have a limited view of the system's future resource needs and the program risks not having sufficient funding to complete the system.

Second, while VA has improved the system's availability to users, it has not established system response time goals. Without such goals, users do not have an expectation of the system response times they can anticipate and management does not have an indication of how well the system is performing relative to desired performance levels.

Third, while the program was taking steps to manage system defects, a recent system release included unresolved defects that impacted system performance and users' experiences. Continuing to deploy releases with large numbers of defects that reduce system functionality could adversely affect users' ability to process disability claims in an efficient manner.

Beyond these concerns, the department has not conducted a customer satisfaction survey to compile data on how users view the system's performance and, ultimately, to develop goals for improving the system. Our own survey of VBMS users found more than half of them were satisfied with the system, although decision review officers were considerably less satisfied. However, while our survey results provided important data about the use of VBMS, the absence of user satisfaction goals limits their utility. Specifically, without having established goals to define user satisfaction, VBA lacks a basis for gauging its success in promoting user acceptance of the system and for identifying areas where its efforts to complete development and implementation of the system might need attention.

Our report recommended five actions for improving VA's efforts and the department concurred with all of our recommendations. We now look forward to following the department's actions to address them.

Mr. Chairman, this concludes my oral statement and I would be pleased to respond to your questions.

[THE PREPARED STATEMENT OF VALERIE MELVIN APPEARS IN THE APPENDIX]

The CHAIRMAN. Thank you very much for everybody being here and testifying. Real quickly Ms. McCoy, I want to go back to your testimony and specifically your written testimony where you said you closed fiscal year 2015 having provided claims decisions to nearly 1.4 million veterans, exceeding 1 million claims for the sixth year in a row. And first of all, I do not want my comments to be perceived in any way of bashing the good people that have been out there that have made a difference and made a dent. But we are trying to find out why the ball keeps moving, why the definition

for a backlog claim keeps changing. And you know, while the focus has been on eliminating the backlog, we think that is great, there have been a tremendous amount of resources that have been given to VA in order to do that and we are going to discuss that in just a minute. But I think you said something about you set a record of delivering benefits to veterans. My question is, if a veterans has appealed the decision, is that veteran getting benefits or are they still waiting?

Ms. MCCOY. So Mr. Chairman, thank you for that question. The definition of our backlog has been disability rating claims pending more than 125 days. So that definition has not changed. And from that standpoint we did set a record of 1.4 million disability rating claims—

The CHAIRMAN. But my question is, if the veteran appeals your claim and your rating, is that veteran getting their benefits? Or are they still waiting in a backlog position?

Ms. MCCOY. Mr. Chairman, we do have a number of appeals that need to be addressed and we are working on those every day. A—

The CHAIRMAN. Over 200,000 more appeals. And that is the point. I mean, yes there has been progress made. But I think by saying that you have reduced the backlog the inference to the American public is that the veterans are receiving the benefits. And they are not receiving the benefit yet if they are in an appeals position.

Ms. MCCOY. I appreciate your question and your statement, sir. I would point out that 73 percent of those who have an appeal pending are receiving benefits and 56 percent of them are receiving 50 percent or more. And as—

The CHAIRMAN. They are not receiving their entire benefit claim.

Ms. MCCOY [continued]. And it is important to us that we address those appeals and get them anything more that they are entitled to. And as we make incremental decisions along the way there are multiple decisions that are made in the appeals process. If we find that someone is entitled to a benefit, an increased benefit, an additional benefit, we do pay that along the way. I wanted to point that out.

The CHAIRMAN. Mr. Schliesman, both the Inspector General and GAO found that one of the major reasons for the cost overruns associated with VBMS has been due to VBA expanding functionality requirements. And I understand some need to do that. But since 2009, how many times has VBA changed functional requirements?

Mr. SCHLIESMAN. I apologize. I was working the mute button over here. Sir, I specifically do not have that answer in regards to the specific number. I think what is important to highlight though—

The CHAIRMAN. Well, but I would like to have the number. So if you would take that for the record, and in addition to that, if you would, how much of the more than $1 billion that has been spent can be attributed to the programmatic changes?

Mr. SCHLIESMAN. Absolutely. That sir is $610 million has been invested in the enhancements. I want to clarify—

The CHAIRMAN. Because of the, excuse me, sir, sir—

Mr. SCHLIESMAN. I am sorry?

The CHAIRMAN [continued]. Because of the changes that were required it was a $610 million add?

Mr. SCHLIESMAN. No, sir. Over the life cycle, the eight-year development life cycle—

The CHAIRMAN. I understand that.

Mr. SCHLIESMAN. Yes, sir.

The CHAIRMAN. What I want to know is, what changes were requested and how much of that $600 million was as a result of those changes? And if you do not have the answer today if you would for the record please provide it.

Ms. Bontempo, in their September reports both the IG and the GAO criticized VA for rolling out new software updates without training employees on the new VBMS features. My question is did the department develop an integrated plan that included employee training with each software upgrade? And if not, why not?

Ms. BONTEMPO. Absolutely. Thank you very much for the question, sir. We absolutely have a training plan. In advance of every release, and as Ms. McCoy pointed out we have software releases every three months, we employ a train the trainer model. And the trainers that we talk to in advance of that release are called super users.

The CHAIRMAN. Okay, thank you very much for that. And I would like to ask the GAO and the IG to respond to that. Because in your reports you said there was not adequate training for the new software updates.

Ms. MELVIN. I am going to defer to the IG on that. I believe their report was more specific to that particular issue.

The CHAIRMAN. Okay, thank you. Mr. Bowman?

Mr. BOWMAN. During our field work in 2013 and 2014, we interviewed over 90 users of VBMS and we heard quite a few complaints about new releases, with an emphasis on pushing out functionality without the end users knowing how to use that functionality. There were a lot of complaints that there was inadequate training for the VAROs to be able to leverage that functionality to help process claims.

The CHAIRMAN. Ms. Bontempo, my last question is the cost has risen from $580 million to $1.3 billion. Substantial investment has been made, and this Congress has provided those dollars. But it is still not functionally operational after six years. I am sure that can be argued, but there is going to be more money required. So my question is, what is the current life cycle cost estimate for VBMS?

Ms. BONTEMPO. And I very much appreciate that question—

The CHAIRMAN. And for the record, whether you appreciate the questions or not, you do not have to take the time to say that. We appreciate you answering the questions.

Ms. BONTEMPO. Well I do appreciate that your staffers came over about a month ago. I think it was a very good conversation. And as part of that—

The CHAIRMAN. If you would just answer the question.

Ms. BONTEMPO [continued]. So as we submitted in our pre-hearing questions, we will never stop looking for ways to improve our service to veterans. However—

The CHAIRMAN. You will never start or stop?

Ms. BONTEMPO [continued]. We will never stop.

The CHAIRMAN. Okay. It sounded like you said start.

Ms. BONTEMPO. Maybe it is that little bit of a southern accent, sir. I am sorry.

The CHAIRMAN. I am from the South, too. I understand Southern dialect.

Ms. BONTEMPO. So we will—

The CHAIRMAN. The cost is? The life cycle cost is?

Ms. BONTEMPO [continued]. So we will be turning our attention to new innovations as part of the fiscal year 2018 budget.

The CHAIRMAN. So it will cost more than $1.3 billion. Ms. Brown?

Ms. BROWN. Thank you, Mr. Chairman. Ms. McCoy, both of these reports are over a year. Can you tell me what you have done to address and how VA has implemented the recommendations that both agencies made?

Ms. MCCOY. I would be happy to share that, ma'am. There have been a number of different things that we have done. As far as training, back in 2013 and even early in 2014 when these reports were generated, when you get a new something, a new piece of technology, a new smart phone, I think there is that big learning curve that comes up front with that. It is brand new. You are getting used to it. And there is some change management that goes with that. So we did work with our employees to get through that change management and we had many different mechanisms to get feedback from our employees and the users about how that was going. Chat rooms, change management agents in every regional office, we had user, we always have users that are involved with testing and with requirements building. So there are many mechanisms. We also have minute videos that we put out for our employees over the past couple of years. I have done one myself. And there are videos that help people on their desktops see functionality. If there is something new they can see somebody using it. As far—yes, ma'am?

Ms. BROWN. Yes, ma'am. Let me get right to the question. We have a serious backlog—many veterans are not recieving health care. And of course once they get in the system it is one of two things. You give them a certain percentage or once you have cleared it you make it retroactive. But there are some cases that is more complicated and so can you give us, quickly give us a review of the overall process? Just like in 30 seconds?

Ms. MCCOY. Yes. Absolutely, ma'am. So as far as the backlog, you noted we were at 611,000 in March of 2013. We have reduced that 90 percent. Currently about 75,000, 80,000 claims. As far as time limits, we have improved it from over almost 300 days, 280-some days, down to 92 days, 94 days. So those time limits and delivery improvements have been there. We also have—

Ms. BROWN. These are the backlogs.

Ms. MCCOY [continued]. We have also granted more benefits. Since 2009 and for decades before that, the average compensation paid to a veteran for disability claims was about 30 percent. Just in the past few years it has risen to an average of 47 percent. So we are paying more veterans, we are paying a higher percentage of veterans claims. Some of this started when we added three new presumptive conditions back in 2010 for Agent Orange exposed veterans. So that big extra work, those additional veterans, we were

able to serve and pay benefits to. That was a fantastic thing and we were glad to do that. But it also bogged down the system, if you will, and we had to work through that work. And VBMS and other transformation initiatives have enabled us to do that from a people, process, and technology standpoint.

Ms. BROWN. One of the things, there are some, and the veterans come to me because once they put their application in, you are processing it. Some of these claims are simple and then some can be difficult because so many veterans have several different claims in the system, making it difficult to just go in and do a checklist. Can you explain that?

Ms. MCCOY. Absolutely. So there are, it is our goal to process every claim disability rating in 125 days. But we will not do that just for the sake of hitting a number. We want to make sure that every veteran gets everything they are entitled to. And there are sometimes, there are some cases that are more complex. Veterans living in foreign counties, veterans with radiation exposure, veterans who move around the country and are not able to appear for a VA examination, getting some treatment records, particularly National Guard and Reserve records from DoD. There are some things that are harder to do and we cannot do it within 125 days. Another big reason is, if you have filed a claim for a few conditions and midway you add another condition, we do not stop our clock. We continue to process and make sure you get everything you are entitled to. But it may take us longer than 125 days. And ma'am, those are the reasons that there are still about 70,000 claims pending in our backlog.

Ms. BROWN. Thank you. And I yield back the balance.

The CHAIRMAN. Real quick, I think you said your claims, the number of claims that you processed appropriately was, what was the percentage? Ninety—

Ms. MCCOY. At the issue by issue level, 96 percent, over 96 percent.

The CHAIRMAN. Ninety-six percent? So for the 200,000-plus people who are now in appeals, how does that factor into that rating?

Ms. MCCOY. So we have not found a correlation between quality of the initial rating decision and the appeal. People are entitled to appeal anything that they choose. There are some folks who appeal things that they are not entitled to. But they are entitled to that due process. We go through every appeal very seriously and look for anything that they—

The CHAIRMAN. So basically they are disagreeing with your four percent and they—

Ms. MCCOY [continued]. No, I would not say that, sir. They are disagreeing with the decision they got for whatever reason. It may be—

The CHAIRMAN. But you are still saying that it was 96 percent correct?

Ms. MCCOY [continued]. Absolutely.

The CHAIRMAN. Okay. Very good. Mr. Bilirakis?

Mr. BILIRAKIS. Thank you, Mr. Chairman. I appreciate it. And I thank the panel for their testimony as well.

Ms. McCoy, when claims are processed in the absence of supporting evidence, what could potentially happen to a veteran's disability claim?

Ms. McCoy. We do an exhaustive development process to get all of the evidence that is relevant to a claim. We do that up front. And we work with a veteran, their representative, and other service providers, other Federal records. We do an exhaustive search to get everything front.

Mr. Bilirakis. But what could possibly happen—

Ms. McCoy. If something—

Mr. Bilirakis. —to veterans' claims if evidence is not submitted?

Ms. McCoy [continued]. If evidence is not submitted we do not have to consider and we make a decision and weigh the evidence that we have. If subsequently we find that we missed something, a veteran submits something late, a doctor finds something late in a drawer and that is medical evidence to consider, we will revisit that claim.

Mr. Bilirakis. How long would that take? And how long would a veteran have to wait for their claims—

Ms. McCoy. It would be—

Mr. Bilirakis [continued]. —because the evidence is not submitted due to the fault of the VA?

Ms. McCoy. There might be many reasons for the reason that we do not have that evidence and that would be a case by case basis.

Mr. Bilirakis. Thank you. Next question for Mr. Arronte. Based on your office's investigation, do you agree with the VBA's insistence that the St. Petersburg RO's mail backlog was not due to poor preparation of handling the documents?

Mr. Arronte. I am sorry, could you repeat that?

Mr. Bilirakis. Okay. Let me, based on your office's investigation, do you agree with VBA's insistence that the St. Petersburg RO, I am also from Florida, that the St. Petersburg RO's mail backlog was not due to poor preparation of handling of documents?

Mr. Arronte. Sir, we think that it was due to poor management. And it did affect the timeliness of claims processing. I think it added, you cannot say just that alone, but from July or June 2014 to the end of December, their average time to process claims jumped about 29 points. So to say 18,000 documents did not affect claims processing timeliness, I do not think anybody could say that.

Mr. Bilirakis. Are there any plans for the VBA to ensure that the claims in this RO backlog were not negatively affected resulting in denials or claims receiving lower ratings due to missing and unprocessed evidence of a claimant?

Ms. McCoy. Congressman, we process all of our claims in the electronic system and we now have that centralized mail system, which was what we went into in July of 2015, in—

Mr. Bilirakis. Thank you. Mr. Arronte, please, can you respond to that question?

Mr. Arronte. I am sorry, could you repeat that?

Mr. Bilirakis. Again, are there any plans for the VBA to ensure the claims in this RO backlog were not negatively affected resulting in denials or claims receiving lower ratings due to missing and unprocessed of a claimant? Do you have any information with regard to that?

Mr. ARRONTE. I have no information.

Mr. BILIRAKIS. This affects my constituents.

Mr. ARRONTE. Right. I have no information. They are going to process the mail. Are they going to go back and make it right? That is a question for VBA. But I have no knowledge that they are or they are not.

Mr. BILIRAKIS. Ms. McCoy?

Ms. MCCOY. Congressman, we make sure that to the extent possible we have all the evidence when we make a decision. The amount of mail that was in the mail portal at the time in July of 2014 was, this was a new process for us. We were learning from it and St. Petersburg was one of our earliest adopters. There were pieces of mail in the regional office that were what we call drop mail. They were not active mail, but they needed to be put with the folder. An example would be a copy of a letter we sent out. So it is not a piece of evidence, but it needs to be with the folder. So we had a clean up effort in St. Petersburg and other places where we had to get that drop mail associated. We—

Mr. BILIRAKIS. How many of our heroes were negatively affected by this?

Ms. MCCOY. I would say that there was some time delay in the processing, but there was not a delay in making sure that the right decision was made for the veteran.

Mr. BILIRAKIS. Thank you. Mr. Arronte, in the CACI scanning facility, would you say that the VA staff followed VBA's shipping standard operating procedure on veteran's intake program regulations?

Mr. ARRONTE. Sir, no. I do not think that was followed. I do not know how, I guess if I found 100 pieces of mail I could say maybe that was a mistake or somebody did not manage that properly. But 18,000 pieces of mail? I do not know if there were any procedures being followed. I just do not know how that amount of mail accumulates.

Mr. BILIRAKIS. Okay. Thank you. I yield back, Mr. Chairman.

The CHAIRMAN. Ms. McCoy, one quick question before I recognize Ms. Brownley. Out of all the mail that was in St. Petersburg that was just shown in that photograph, has everything now been scanned and processed?

Ms. MCCOY. Everything has been scanned and—

The CHAIRMAN. Okay. And what happened with that? Once it gets scanned, what happens with that material?

Ms. MCCOY [continued]. So the drop mail that we had scanned, it was associated with the folder. If there is no action that needs to be taken, it goes in there.

The CHAIRMAN. No, no, no. No, no. The boxes that we saw?

Ms. MCCOY. Yes.

The CHAIRMAN. Okay? You scanned it. Where are those boxes?

Ms. MCCOY. I do not believe all of those boxes that we saw on the page were St. Petersburg. That is not my understanding. Once they are scanned they go into the VBMS electronic claims folder. Currently in St. Petersburg—

The CHAIRMAN. Okay. What were the boxes that we showed the picture of?

Ms. McCoy. There was, it was my understanding there was a storeroom at that facility where they had training materials and other materials that were already scanned and ready to be sent.

The CHAIRMAN. There were shipping, I think there were shipping labels on those as if they were shipped to be scanned. And so I guess my question is that information, where is it now?

Ms. McCoy. The information that needed to be associated with a veteran's folder has been scanned and put in the folder.

The CHAIRMAN. And where is, all those boxes, where are those boxes today?

Ms. McCoy. So you are asking about the physical boxes themselves?

The CHAIRMAN. And the material in the boxes.

Ms. McCoy. That material would have been processed and sent to a long term storage facility that—

The CHAIRMAN. So you still have the boxes of information that was scanned somewhere?

Ms. McCoy. They exist somewhere. Yes, sir.

The CHAIRMAN. Okay. Could you find them for us?

Ms. McCoy. We—

The CHAIRMAN. I am going to make an official request, because you are making out as if this is just junk mail.

Ms. McCoy. No, sir.

The CHAIRMAN. Okay. Yes, you are. And it is not junk mail. So this Committee would like to see what was in those boxes. I know it is going to be difficult and I know the Secretary is going to raise Cain. And I would rather not do it with a subpoena. I would rather do it because this Committee is asking in a good faith effort. You have got to hold some people accountable. I have yet to hear you say that because these people did not meet their contractual requirements that they are going to be held accountable.

Ms. McCoy. We have had additional oversight at that facility.

The CHAIRMAN. Accountability.

Ms. McCoy. We have worked with the contractor and we have worked with that contractor to make sure that they understand what our expectations—

The CHAIRMAN. And how were they held accountable for not meeting the terms of their contract?

Ms. McCoy. I do not have that information. I would have to ask that and take it for the record.

The CHAIRMAN. Will you take that for the record?

Ms. McCoy. I will, sir.

The CHAIRMAN. When can we expect an answer?

Ms. McCoy. I will go back and work with the individuals in VBA that manage that contract and I will get an answer as soon as possible.

The CHAIRMAN. In other words, I do not want to hear any of that stuff was shredded.

Ms. McCoy. That was not shredded, sir.

The CHAIRMAN. Okay. Ms. Brownley?

Ms. BROWNLEY. Thank you, Mr. Chairman. And thank you for having this hearing. It certainly in my opinion we have to continue to have these hearings until we get it absolutely right for our veterans.

I will say, though, that I, back in November, I visited the Los Angeles Regional Office and met with VBA employees there, saw the process, and met with VBA employees without their managers there, met with them privately to get their feedback on how the transition was going. And I will say that they acknowledged that the process was rather rocky but they feel as though the processing now in a paperless fashion is much more efficient and more accurate. And they describe it as, you know, a night and day difference. So I do think that it is important that we acknowledge the progress that we have made. I do think that there is still more that needs to be done to make sure that we are processing these claims on a timely basis, you know, across the country. And that we get a better handle on the appeals process as well. So it is a, you know, a fail safe service that we can provide to our veterans. And obviously these benefits are very important to them and they have earned and deserved them.

So in following up on Ms. Brown's questioning, just to ask a few more specific questions, I know on the implementation timeline, this question is to Ms. McCoy, one of the GAO's chief concerns was about the, is about the timeline for reaching 100 percent implementation. Has the VA addressed that concern?

Ms. McCoy. I will start that answer and I would turn to Ms. Bontempo to supplement my answer. From the original intended goal of VBMS, the idea was to create an electronic repository, an electronic file room if you will. And we have accomplished that. We rolled it out at the end of 2012 to the first five stations and by June of 2013 to all 56 regional offices so they had that functionality that was the original intent.

We did not stop there. We went on to add in automation, because that made sense and that was the right thing to do for veterans and for our employees. And if Ms. Bontempo could add to that?

Ms. BONTEMPO. Thank you. I appreciate the opportunity to be able to talk about why is VBMS different. VBMS is different because we use what we refer to agile methodology, and that means that we can release software every three months and bring high value functionality to the field as quickly as possible to serve our veterans. That is a little different than maybe you have seen before. And as a result, once we were able to deliver that electronic folder, a lot of folks were able to look around and say, wow, you could do so much more. So we turned our attention to what is the so much more that we could do?

So let me give you an example of that. One of those is being able to receive the electronic service treatment records from DoD. Another one is the evaluation builders. The evaluation builders, they take over several hundred pages of documents that look at the nearly 800 diagnostic codes that are part of the rating schedule and they assist with that standardization and consistency across VBA to make sure that our veterans are served.

Ms. BROWNLEY. So what about those, and I appreciate your responses and those are important elements. But in terms of the timeline and reaching 100 percent implementation, when do you expect that to happen?

Ms. BONTEMPO. So we have reached 100 percent of our original goal, and our original goal was the electronic folder.

Ms. BROWNLEY. Okay, so of your new goals? When is, you know, how are you monitoring your new goals now?

Ms. BONTEMPO. Correct. And so as we submitted in our pre-hearing questions, we do understand that there needs to be an end time. So we are looking at what a new investment would be and what that new innovation would be as part of the fiscal year 2018 budget process.

Ms. BROWNLEY. So you are working on a timeframe for new goals, new goals being important to full implementation and better operational procedures. You are working on that timeline and will have it by 2018?

Ms. BONTEMPO. 2018 is when we would intend to start a new investment.

Ms. BROWNLEY. Thank you. I yield back.

The CHAIRMAN. Also Members, for the record, there are two instances, and staff has just clarified with me. One is the installation in Georgia that we showed the picture of that had what we considered insecure information on veterans. That was the stacks of boxes, not the 45,000 claims I believe that were for St. Petersburg. Am I correct in that, Ms. McCoy?

Ms. McCOY. That is—

The CHAIRMAN. Okay. Very good.

Ms. McCOY [continued]. Sorry, that is my understanding.

The CHAIRMAN. Okay. Thank you. I still want those boxes. We want to see them. We do not want you to bring them here. We will go wherever they are. Mr. Costello?

Mr. COSTELLO. Thank you, Mr. Chairman. I have a question for Mr. Arronte. In fiscal year 2015 your office substantiated at least six allegations of data manipulation in VBA regional offices, two in Houston, one in Los Angeles, one in Philadelphia, one in Honolulu, one in Little Rock. Given these findings, how can we trust VA statistics indicating that the department has substantially reduced the disability claims backlog? Can you share with us what methodology you went through so that we can feel confident that the claims backlog has been reduced by the amount that in fact is indicated?

Mr. ARRONTE. Yes, sir. The methodology that we used was—let me back up. First of all in the two Houston situations, VBA actually reached out to us. They were aware of the data manipulation before we were. And we went out and then we obtained the data that was manipulated and we took a statistical sample and we tested those samples. And that was the case in all regional offices. And we determined that data manipulation did occur. And at three of the facilities the employees resigned. Our concern is when you manipulate data that is in a set. As long as that corrupt data stays in the system, you do not go back and fix that and fix the data, claims, or correct whatever manipulation happened, that data is corrupt. And it is going to remain corrupt until those claims are out of the system. So do we believe that this had an effect on the backlog to some degree? It did. We do not believe all the numbers are reliable.

Mr. COSTELLO. Okay. You do not believe all the numbers are reliable in relation to how much the claims backlog has been reduced?

Mr. ARRONTE. Yes. And not just from the data manipulation. I mean, if you manipulate data—

Mr. COSTELLO. Right.

Mr. ARRONTE [continued]. —and you do not clear the system of that corrupt data, that system stays corrupt. So if you manipulated 3,000 claims to show that they were either done early or not done at all, then that number reduces from the backlog, that is an incorrect number because the data was manipulated. And we also wrote a report on VBA's claims processing initiative to process claims over 2 years. And what we found was they were touting that they reduced or cleared all these claims, but in fact they just shifted. They shifted from the backlog to an end product that they used to track claims and that end product was not part of the backlog.

Mr. COSTELLO. So, and I appreciate your candor, two questions, two points. One, could it be then that the claims backlog is actually higher than is now indicated? Number two, moving forward, will the focus be on ensuring that new claims do not become part of the backlog while simultaneously conceding that those that have already been manipulated, it is very difficult to go back in and deal with data that has been manipulated because those claims, to your point a little while ago, those claims, it is impossible to sort of sift through some of that because the data has already been corrupted?

Mr. ARRONTE. Okay. So for the second question, I think that is probably better asked of VBA, and how they are going to process these types of claims. And when they find instances where employees have manipulated data what are they going to do to ensure the data is correct. I can tell you we are going to start two reviews here shortly. One of those reviews is to look at the mail process and the scanning process, which is the front end of VBMS, and we are also going to look at data integrity of VBA's reporting mechanisms and how they capture information for their metrics. And we want to see how they count their numbers.

Mr. COSTELLO. Okay. So talking about the issue of data integrity, and you say you want to look at that, does that mean that there could be issues there?

Mr. ARRONTE. Yes. We believe based on the six instances that we corroborated during fiscal year 2015, that there may be a systemic issue across the Nation. So we are going to test their data reliability.

Mr. COSTELLO. Again, I do appreciate your candor. And it seems that based on that testimony, you know, we are not out of the woods yet by any stretch of the measure.

Mr. ARRONTE. I would say right now it would be safe to say we are not out of the woods.

Mr. COSTELLO. And I probably should not use metaphors, but—

Mr. ARRONTE. Right. I am with you.

Mr. COSTELLO [continued]. —I appreciate it. Thank you. I yield back.

The CHAIRMAN. Mr. Takano?

Mr. TAKANO. Hi. Ms. McCoy, does any of your colleagues—you or any of your colleagues want to respond to some rather serious statements just made by Mr. Arronte?

Ms. MCCOY. Thank you very much for the chance to do that. So, a couple of points I would make, we have more robust and trans-

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parent data and reporting systems now with VBMS than we have ever had before. We have ways—every action that is taken in our systems, there is, I would call it an electronic fingerprint that is left, so we can go back and see who did what. We did not have that in a paper-based world, number one.

Number two, I do not agree with Mr. Arronte's statement that all of those regional office that he mentioned had a data manipulation substantiated. One example I would give is Little Rock. So, very quickly, there was a Fast Letter that was released; it was Fast Letter 13–10 and it was instructing regional offices—it was a national policy to, if you found an old claim, to use a current date of claim to process it because we did not want to dissuade a claims processor who opened up a filed and said, oh, my goodness, there is a claim in here that somebody missed from 17 years ago.

We did not—we wanted to encourage everybody to make sure veterans got everything that they were deserving, so we said we won't count that. You know, bring it forward. We want to make sure we capture that and we will use a current date of claim. It was a very minuscule number of claims that we did that, but it was intended to make sure veterans' missed claims were captured.

At the Little Rock Regional Office, IG found that they changed some of these date of claims using the national policy, but they kept a very extensive log to go back and—they knew which ones they did. So I struggle because IG says they substantiated that these dates of claim were changed, but, yet, it was in line with the national policy. So that is a rock and a hard spot; did they not follow national policy or—so I disagree that there was data manipulation there. They were following the national policy.

We can agree or disagree about whether or not the national policy was correct. It has since been rescinded. We do not do that anymore, but that is not a data manipulation situation.

Mr. TAKANO. Ms. McCoy, an important takeaway I am getting from your testimony is the new capacity of an electronic system versus the previous paper system which existed in the previous administration, throughout the duration of that administration. My understanding is we initiated, under this administration, the electronic system, and the initial cost estimates were lower. It cost—it has cost us a lot more to implement this system and to develop the system, but you might want to—can I ask you to comment on the advantages of moving forward with electronic system with all its flaws.

Are we better off today than we were under the previous seven to eight years as we saw our veterans' claims rising for obvious reasons?

Ms. McCOY. Thank you, sir.

We are much better off and veterans are much better off because of the electronic system that we have built. We were behind the eight ball. We were outdated in our paper-based system. We should have done this years ago, so the cross of kind of catching up and doing that now has been that there has been a lot of change that our employees have had to go through. There has been a cost to do that catch-up.

Mr. TAKANO. You mean to tell me for the entire duration of the previous administration, the seven to eight years when we started

our conflicts, the intervening conflicts around the world, there was no attempt to establish an electronic claims system?

Ms. McCOY. We had little bits and pieces of our claims that were paperless, but there was not a wholesale effort until the last few years—

Mr. TAKANO. So the effort to automate and to bring in a complete electronic claim testimony into operation started in 2009?

Ms. McCOY. Foundationally, yes.

Mr. TAKANO. Foundationally, okay.

And we are far better off than under a paper-based system with all the flaws and hiccups and one would say, underestimated costs. Can you tell us—well, my time is running out. I hope my Members—my colleagues will ask what we can do to help further this along.

Ms. McCOY. Well—okay.

Mr. TAKANO. Sorry, my time is up, and I yield back.

The CHAIRMAN. Yeah, no, you are welcome to answer the question.

Ms. McCOY. Oh, thank you, sir.

I would very quickly say that there are a number of things that we can do now with an electronic system that we never could before. We electronically receive service treatment records from DoD. We do not have to go hunting and waiting for those. We can move, work fluidly around our entire country, around the entire system and get the full capacity out of our employees. We could not do that before, except very inartfully with boxing up paper records and shipping them around.

We are able to use automation to speed up and standardize the decisions that we make. We are—we bring over disability benefit questionnaire information electronically from VHA that pre-populates the system. There are key strokes that are saved. Our employees do not have to type every single key stroke that they used to have to. There are—

The CHAIRMAN. Ms. McCoy, I gave you some extra time, but—

Ms. McCOY [continued]. Okay.

The CHAIRMAN [continued]. —I think the question is: What can we do to help?

Ms. McCOY. I'm sorry, sir. I was so excited telling you about what we were getting from the system.

The CHAIRMAN. Well, we are used to VA coming in—for the Committee, so thank you.

Ms. McCOY. I would—I would say that the support we have received already has been phenomenal, and that we would ask for your continued support and the interaction that we have had with this Committee and your staffs for ideas and ways that we can improve the system.

The CHAIRMAN. So following with Mr. Takano's tact, since I have been Chairman of this Committee, you have received great support; is that correct? Just like under the Obama Administration, you were talking about how the electronic medical record has gone on in the last few years, correct?

Mr. TAKANO. Well, Mr. Chairman, I wanted to point out that we had a paper-based system—

The CHAIRMAN. Under the previous administration.

Mr. TAKANO [continued]. —under the previous administration. The electronic system we are trying to move to with VBMS has obviously had its share of problems, but my contention is that we are probably better off, even with all the problems we had and I would say unexpected costs, than we were, had we not attempted to do this.

The CHAIRMAN. I concur. We are moving in the—

Mr. TAKANO. And I am glad you are interested in talking about what can Congress do to continue the process of getting the system to work as it should.

The CHAIRMAN. But it cannot be please pour more and more and more money with no cost controls, and I think that is what the Committee needs to focus on, is the fact that while Ms. Bontempo says, we cannot tell you how much it is going to cost, because we are going to continue to keep it changing.

Well, you know, it has been 147 percent increase and become a huge increase in costs—and your time is expired—so, the one question I would ask Ms. McCoy is: Why was the Fast Letter rescinded?

Ms. McCOY. There were a number of policy and procedural discussions and we thought it was best to rescind it.

The CHAIRMAN. And why was that?

Ms. McCOY. I was not involved in all of the discussions.

The CHAIRMAN. Could it have been that there was some manipulation taking place because of the way the Fast Letter was designed?

Ms. McCOY. I think it was the fact that we had a chance to see how it was utilized when we put it out. We learned from that and we made a decision to stop using it.

The CHAIRMAN. Mr. Arronte, could you comment?

Mr. ARRONTE. I agree with Ms. McCoy, that at Little Rock they found this information and they corrected the information. But the fact is that they followed the Fast Letter. It was the same Fast Letter that we had problems with in Philadelphia.

And data manipulation, I am not sure if that is the right or wrong term. If you go in and change data, and regardless if your policy is good or bad, you still changed data and the data is now corrupt, and that is what that Fast Letter did. And I would suspect that the Fast Letter was rescinded—and I was part of this discussion related to the incidents that happened in the Philadelphia Regional Office when they were manipulating data there—because it was bad policy because data was being manipulated.

The CHAIRMAN. Thank you.

Mr. Huelskamp?

Mr. HUELSKAMP. Thank you, Mr. Chairman.

I appreciate the topic and the discussion and the reports here. I will remind the Committee, I think it was approximately two years ago we sat here and heard glowing reports of other parts of the VA right before a lot of data manipulation scandals did break, and I hope we are not going there.

But I want to establish the facts here, as you understand them, Ms. McCoy. So, the backlog data, there is no question, you believe it is improved and the backlog is down to—how many veterans are awaiting claims?

Ms. McCoy. The backlog has been greatly reduced and currently, we are about 88 percent reduced from what we were in—

Mr. Huelskamp. And how many veterans are still waiting?

Ms. McCoy. In the backlog, this morning it was just about 80,000.

Mr. Huelskamp. And they all have an electronic file attached to them; is that correct?

Ms. McCoy. Ninety-nine point eight percent of our disability claims work is paperless.

Mr. Huelskamp. So you should be able to generate a list of my constituents that are still waiting in the backlog, then?

Ms. McCoy. We could provide that.

Mr. Huelskamp. Would you do that?

Thank you. The second thing is, if I understand correctly, we do not know what the cost is going to be. All we know is it has been overrun by $720 million, but we still do not know what the final cost will be for implementation; is that correct?

Ms. McCoy. I would say that—I will turn to my colleagues to supplement—but I would say that from the beginning of where we started with electronic repository, check, and moving forward, continuing to build up the automation, the functionality, that is something we probably will never finish because we always want to make sure we are doing a better job and—

Mr. Huelskamp. Is that what you told Congress when you requested the money, that you had no idea what it was going to cost?

Ms. McCoy [continued]. The request—

Mr. Huelskamp. No, you did not. So what I want to establish here and try to figure out is, you do not know what the final cost is going to be—

Ms. McCoy. I will ask Ms. Bontempo to address that.

Mr. Huelskamp [continued]. —and you are going to go to the appropriations process this year and say, we want more money, but we do not know when this will end and what the final cost will be for a very specific project; is that correct?

Ms. Bontempo. So, let me take that in two parts. The first is in a traditional IT project that we would call a waterfall which is, essentially, we gather all those requirements upfront, then we turn them over to IT, then they build the system, and years later you have something delivered that may not be meeting your user needs; that is a traditional IT project. We did not go down that path.

We used something called Agile, which allowed us to take and build requirements as we were going along. VBMS was not intended to be 100 percent complete on day one. We deliver every three months, that high-value functionality. As we are going through the process, the budgeting process that you are referencing, we will be looking at a new investment to look at new innovations as part of the fiscal year 2018 process.

Mr. Huelskamp. So, what will the—how much are you going to ask for, on top of the 580 million that is now at 1.3 billion? And you need how much more—or you are just trying to tell us, we are going to tell you—we will let you know how much we will need.

Ms. BONTEMPO. So the fiscal year 2017 budget has been—is working through the department, and as soon as it is released to Congress, we will be happy to talk to that more.

Mr. HUELSKAMP. So—but 2018, is that when this particular project will be completed? You keep talking about 2018.

Ms. BONTEMPO. 2018 is when we are looking at a new investment and a new investment will allow us to take advantage of what we have done so far and what other things could we bring into that.

Mr. HUELSKAMP. And how do you hold your contractors accountable, particularly like the folks in the scanning facility in Georgia, and, by the way, were they held—did they lose any money over that? Did you punish them financially for all those records that were sitting there and presumably—and I am guessing some of them might have been lost.

Ms. McCOY. I mentioned earlier that I would check on that to make sure we deliver that, anything that was done. But there were no records lost and there was not a wrongdoing.

There was a cleanup effort that needed to be done and we have completed that.

Mr. HUELSKAMP. The contractor was held accountable for—I mean this is from a year ago. That picture is from a year ago.

Ms. McCOY. And it does not look like that any longer, sir.

Mr. HUELSKAMP. Who was—what did the contractor—I mean, what, did you go to them and say, hey, sorry, let's fix this up. I don't understand.

Can you describe how you held the contractor accountable? If I were you, I would be very embarrassed. This is the first time I have seen that picture. I mean, I assume this is going to show up in a lot of places across this country, and your explanation is we held them accountable how?

Ms. McCOY. I do not have that information with me, sir. I am going to take that for the record and provide it.

As far as—

Mr. HUELSKAMP. And I appreciate that. I am about out of time.

Mr. Chairman, again, this picture is a year old. You knew about this a year ago. Your staff knew about that from the folks right here at this table. We should have heard about it in the Committee a year ago. I am very disappointed that a year later, you cannot say, hey, this has been taken care of and this is why.

You assured us it has been taken care of, but you cannot tell us what you did with the contractor that failed, and that is what I worry about when you say you have a never-ending project with a never-ending price tag that has moving goals and you tell us at the beginning it is only going to be 580 million, but, magically, it is at 1.3 billion with no end in sight, no timeframe in sight; just, we will let you know in 2018, which, by the way, will be under another administration.

So, with that, Mr. Chairman, I yield back. Thank you for the topic at this hearing.

The CHAIRMAN. Dr. Ruiz, you are recognized.

Mr. RUIZ. Thank you, Mr. Chairman.

Thank you for being here today. Thank you for all your efforts. I know your intentions are to serve our veterans with the utmost

quality, and there are wins and there are losses and there is a lot of interrogation here from this Committee, I am sure.

I think we need to take a step back and look at the big picture. This hearing is about backlog; backlog is a description of a metric definition saying that we do not have resolution on a veteran's application for their benefits after 125 days. And we are even going even more specific away from the big picture when we focus on VBMS, as that is only one of several tools that we have to help reduce the backlog.

However, after, you know, many conversations with our veterans, after many attempts and advocacy fighting the system and helping our veterans back home, and after visiting the LA Regional Office with Representative Brownley to hear from staff and many others, we must ask ourselves the simple question: What does backlog mean for our veterans, especially when we try to become a veteran-centered institution of excellence for them?

So what does it mean for our veterans when we throw out these terms "backlog"? One, is that the claims that they believe they have earned are not being answered. What does that do to a veteran? That means that they are waiting anxiously. There is more stress; stress affects their health. That means that they are not getting the resources or the services that they need.

Two, that they are not getting the benefits that they believe that they deserve. Now, granted, some claims that they are applying for, they are not going to get because they do not qualify under the current requirements; however, the worst-case scenario is that we have a veteran who actually deserves the benefits and they have been waiting so long and they are suffering from morbidity or from whatever economic hardships that they are undergoing because they are not getting what they should, and it is a systematic problem that they are not getting that benefit that they should. And even worse, that they should get the benefit, but they have been denied and now they are in the appeals process. So what does it mean to a veteran? It means that their quality of life is not where it should be, and that is why all of this is important.

Three, the appeals is part of a continuum of that process. So we talk about backlog, and we are focusing on backlog, and so we are looking at it one backlog metrics of the claims application, but then once they get an answer, we say, we reduced the backlog because we gave them an answer. Well, the answer is just a half of what the veteran is really looking for. So then they want to appeal and the actual outcome of this is that they want their benefit. So the appeals process should not be seen as a completely entirely separate set of metrics. If we are going to look at the veteran's experience, the appeals process should be seen as a continuum of that.

The other thing I need to note is often times we are looking at cost and we would definitely love to reduce cost and make it efficient. Because cost is a part of efficiency that we want to produce the best outcome for the least amount of resources as possible, but cost is not stagnant; cost is dynamic. And the reason why we cannot predict what the cost is going to be next year or five years or ten years from now is because the veteran's needs change. Veterans' needs are dynamic. Our ability to improve our efficiencies are dynamic. Those are metrics that are out of our control.

So when we have an influx of veterans coming back from the Middle East, when we have an increase in our efficiencies, therefore, we are able to reach out to more veterans and process their needs quicker—for example, in 2006, since then, we have had 191 percent increase in output, then we are moving the pieces so that we can get the veterans the answer and what they need.

So having said that, looking at the big picture, how can we reform the metric system so that we can take the veteran's experience and look at, are the veterans getting resolutions to their answers and, two, are they getting the benefits that they earn and they deserve from day one when they fill their application to whatever end point it may be, whether it is the appeals process, as well.

The CHAIRMAN. You have two seconds. Just kidding. Please answer the question.

Ms. MCCOY. Thank you, sir.

I would like to make just a couple quick points. To your point, sir, that the number of cases that we resolved, I just want to share a couple of metrics and then I will move on. In fiscal year 2006, which is as far back as we can drill down to the issue, by issue level with our data, while we completed 774,000 rating claims, in that, there were almost 2.2 million different issues. It was an average of 2.8 issues per claim.

This last year in fiscal year 2015, while we really hit that big number, it was almost 1.4 rating claims completed, but within that, it was 6.3 million issues. So that, as you mentioned, has been 191 increase in the amount of work we have had to do to deliver those benefits; an average of 4.6 issues per claim. So, a claim is not a claim. We are doing more work per claim than we were in the past.

As far as the appeals and the metrics, I agree with you that from the veteran's experience, those who appeal, see it as a continuum. I—we are—I struggle with how to make it one long continuum, because only 10 to 11 percent of veterans who receive a decision actually file an appeal, and only about 4 to 5 percent go all the way through to file a formal appeal. So, it is the majority of those who get decisions do not appeal.

So within the appeal process, we have more work—we have much more work than we can tackle. It is a broken appeal system and we have talked to stakeholders, our veterans service officer partners, Congress. We have—we are looking for solutions and we welcome any ideas and solutions. We have put forth—we need significant legislative reform for the appeals issue, including closing the record. The only other alternative that I can see is more people and that is not an efficient answer.

Mr. RUIZ. How about using resolution as a metric; resolution, from day one to the final, final answer for our veterans and looking at that in the whole continuum?

The CHAIRMAN. Did I hear—did I hear you say that the VA wants legislative approval to close a veteran's appeals process?

Ms. MCCOY. We have had that as a legislative proposal to close the record, yes, sir—

The CHAIRMAN. And how far—

Ms. MCCOY [continued]. —on appeal.

The CHAIRMAN [continued]. —did that go, legislatively?

Ms. MCCOY. We are still—we have introduced it several times was my understanding, and we are still working on that.

The CHAIRMAN. Yeah, I don't know that you will get this Committee to allow the VA to close a veteran's appeal, just because you want to clean your books up.

Ms. MCCOY. That is not the intention.

The CHAIRMAN. Mr. Coffman, you are recognized.

Mr. COFFMAN. Thank you, Mr. Chairman.

Ms. McCoy, I have heard from a lot of my constituents about the backlog problems in the Denver VA office, particularly on non-rating adjustment claims. VA's own Denver office numbers from last week peg the average days pending on non-rating claims at 384 days over a year, and that assumes that this data is reliable, something the IG is skeptical of, based on reviews in the Denver office and elsewhere, related to reports of data manipulation.

One constituent was told the wait time may be two years simply to add dependents to her award, which means in the meantime, her children are not eligible for dependent education benefits.

Can you explain why some of these simple non-rating adjustments can take so long? It seems more of a management issue, than an IT issue, given the simplicity of many of them.

Ms. MCCOY. Congressman, I will speak on the non-rating element to the dependency issue you mentioned. So, we have many different solutions for dependency, and it is our agency priority goal for fiscal year 2016 and 2017. So, we are putting in a more concentrated effort on resolving dependency claims.

There is the Rules-Based Processing System called RBPS and veterans can file online and about 60—60—65 percent of those go through and are automatically processed within just a day or two, so that is one solution.

Mr. COFFMAN. So where would this two-year wait come—that this individual was told—where would that come from?

Ms. MCCOY. So, there are some situations where we have tried to put those through the RBPS system multiple times. As we have added functionality, there are some instances where we are still looking for evidence or information. We are prioritizing—

Mr. COFFMAN. Excuse me. I would like to go to the IG, if I could.

Mr. Arronte, I wondered if you could comment on this issue?

Mr. ARRONTE. Yes, sir.

I would—I would suspect that this is a goal for VBA in fiscal year 2016 and 2017, because during the push to reduce the backlog, a lot of resources were moved to rate and process those claims. In my written statement—in my opening statement, we have seen, because of the shift in the reallocation of staff to work claims associated with the backlog, it created backlogs in other areas.

Mr. COFFMAN. So this is more of a management issue than IT?

Mr. ARRONTE. I absolutely believe so.

Mr. COFFMAN. Okay. Thank you.

According—Ms. McCoy, according to the September 14th, 2015 OIG report, costs for the development of VBMS increased from nearly 579 million in September of 2009 to almost 1.3 billion in January of 2015, and the IG attributed the cost increases to, "Inadequate cost controls, unplanned changes in system and business requirements, and inefficient contracting practices."

Those details sound an awful lot like the construction debacle we had in my district with the building of the hospital and the incredible cost overruns on that. Can you give us any specifics in terms of VA employees—first of all, who was in charge of the day-to-day oversight of the VBMS system, the development of the system?

Ms. McCoy. So, I would ask Mr. Schliesman or Ms. Bontempo to speak to that since they are—

Mr. Coffman. Who—who was in charge of it? That is why I just want the name of the individual who was in charge of it.

Ms. Bontempo. So, I am the director—

Mr. Coffman. Okay.

Ms. Bontempo [continued]. —of the Veterans Benefits Management System Program Management Office. I work within the VBA chain of command.

Mr. Coffman. Are you in charge—that is my question—are you in charge—

Ms. Bontempo. In—in addition, I am—

Mr. Coffman [continued]. —of the day-to-day—just tell me whether or not you are in charge of the day-to-day management of this—development of this system; that is all I want to know.

Ms. Bontempo. On the business side.

On the IT side, there are folks who are in charge of the day-to-day operations and I will defer to Mr. Schliesman to talk about the IT.

Mr. Schliesman. Yes, sir.

Sir, the scope changes we talk about, it is important to understand those are the deliberate decisions of the agency in support of the agency's priority goals. Those are determined by the secretary—

Mr. Coffman. Okay—

Mr. Schliesman [continued]. —on the needs of supporting the veteran.

Mr. Coffman [continued]. —I am not going to get a clear answer here.

Because has anybody been disciplined—let me put it this way: Can you tell me, has anybody been disciplined for what the IG has identified, in terms of this incredible cost overrun, and the mismanagement in the development of this system?

Mr. Schliesman. So, again, sir, you know, the cost overruns alluded to here, again, were deliberate decisions—

Mr. Coffman. Can you tell me, has anybody been disciplined? And I guess the answer is no; is that correct?

The fact that we have got these incredible cost overruns, mismanagement has been identified by the IG, and what you are telling me is that nobody has been disciplined, which is—which is really reflective of VA's culture of, I think, in terms of just the bureaucratic incompetence.

Let me—Ms. McCoy, as you know, there are—there are not only a claims backlog—

Okay. Mr. Chairman, I yield back. Sorry.

The Chairman. Dr. Roe?

Mr. Roe. Thank you, Chairman.

Just to clarify what Mr. Takano was saying, is that this progression to electronic records occurred in medicine; in about 2008 or

2009, about 30 to 40 percent of doctors' offices had EMRs. So this was a progression of all businesses. The private sector was just way ahead of the public sector in doing that; that is all. The public sector was actually behind the private sector. I wish you were here to clarify that.

First of all, I have been here seven years, a little less than the Chairman has, and the claims backlog is better. There is no question that in 2009, we had a half million or maybe a million—it was a huge number of claims that needed to be looked at. So I think the VA is moving in the right direction and I thank you for that.

Also, Mr. Arronte brought up some very interesting comments about bad data just creates bad decisions. I mean if you have corrupt data in your system, you cannot tell—that is the problem the VA has had with us now on the Committee is we have lost trust. We cannot believe the information we—we will hear one thing and then when we do an investigation, we will find that it was not exactly like it. Maybe there was no intent involved; it could just be bad information. I mean nobody intentionally did that, but it just happened because you gave us the corrupt data.

So I know that what Mr. Coffman pointed out about the 500 million to 1.3 billion, this does seem symptomatic and, I mean, when we look at—it is embarrassing to go home, back to East Tennessee where people do not make a lot of money, where the average incomes in some of my counties are less than $25,000 for families of four. They are working just to get by, and then I hear we have a billion-dollar overrun at the hospital in Denver and we have a $700 million miscalculation here and really no explanation why.

It is hard for me to go home, as their representative, and explain that to them when you have a veteran who is waiting on an answer for a claim that has been submitted. I have no answer for them. I just tell them, I cannot answer your question, I cannot. And they want to know why.

And I think that is what we are asking, and I think what he was trying to get to was, who was the person responsible? You know, I knew every time I walked in the operating room who was responsible: me. It wasn't the anesthesiologist. It was not the scrub nurse. It was not the circulating nurse. It wasn't anybody in there, but me. It was not the assistant surgeon; it was me. I could answer it.

And that is the problem. I think the Chairman has done this—done a very good job of this, of trying to pinpoint just who is responsible so we can have some accountability. I think that is all we are asking.

Mr. Chairman, I think—and I appreciate you having this hearing because probably the things you hear and I hear when we go home are claims that people cannot—their claims are out there. These people are really—Dr. Ruiz was talking about it a minute ago—these folks are just waiting by the phone to hear this, because if they get this benefit, it changes how they live. And these are elderly veterans, widows, people who have lost their husbands.

I have a friend of mine—one of my best friends in this world died less than a year ago and his wife is waiting now, still, to see if she has any benefits. So I think that is the thing we are—these are real people at the end of this electronic record and so forth.

And I don't know where this happened, but this actually is a picture right here that looks worse than my garage. It is hard to believe that anything could, but that actually does, and that is embarrassing to actually—if veterans saw that at home, to think that their record was somewhere in that, they would be livid.

And I think we can do better than we are, and with that, I yield back.

The CHAIRMAN. Thank you very much, Dr. Roe.

Actually, that is your garage. I was over there last week and took a picture.

Mr. ROE. I can still park my car in there, though.

The CHAIRMAN. I know that the folks at the department do not relish the opportunity to come testify before this Committee, but I think Dr. Roe said it well. I mean the idea is, if you are going to say something, do it. If you are going to do it, do it right. And if you screw up, admit that you made a mistake—and not necessarily today; I am just talking about VA in general.

I believe that Bob McDonald and Sloan Gibson are outstanding leaders trying to move the department into the 21st Century. It is not going to be cheap. It is not going to be easy. The new buzzword is flexibility, and the problem is there has been so much misspending of dollars, inappropriately appropriated dollars, that this Congress is going to be very hard to move in a direction that allows the department flexibility because of mistakes that have been made, budgeting that has been done, lack of accountability.

Again, we are asking one simple question on the contractor: Has anybody been held accountable? I mean a contract is written down and signed for specific reason, and that reason is to hold somebody accountable.

The same thing with the employees at the department. And, yes, we may want to see a little more movement in some instances, but any movement is better than no movement.

Yes, Mr. Takano was absolutely correct, and I appreciate Dr. Roe bringing it to our attention that health and medical records and electronic records have been a thing of the more recent future, and we are trying to get there, but it is very difficult when we have a finite amount of money that we are allowed to budget and provide to the agency. And I don't believe anybody at the Department of Veterans Affairs can quarrel with the money that has been given to the department over the last decade, a tremendous amount of money; I mean in the 70 percentile increases. Huge dollars.

I appreciate you coming and testifying. I appreciate your knowledge in the areas in which you are working in and I appreciate right down to the person that may be a line clerical worker making the difference, but I hope you understand that as we sit here and we argue on what the backlog is—I think Dr. Ruiz said it right—the end outcome is the most important thing to the veteran. And while the media may focus on the backlog dropping, if that veteran hasn't gotten their benefits that they think that they have earned, they are still backlogged.

And so, to watch this process evolve, we are going to continue the oversight responsibility. We want to be a partner, but when we ask a question, we would like a direct answer. And sometimes that is difficult to get—not necessarily out of the witnesses here today. We

talked about the six areas this morning that the IG had found where there was data manipulation, and you immediately went directly to Little Rock. So you were ready for the answer to that question.

Well, interestingly enough, Little Rock can be blamed on the Fast Letter which, in fact, did allow data manipulation within the system, but we did not talk about the other four or five issues that were raised. And interestingly enough, I had staff go check and the department concurred with what the IG had said as it related to the data manipulation in those areas.

And so I say all that to say this Committee desires very much to work with the department, but we are going to continue the oversight responsibility that the constitution requires of us. And as Mr. Takano has asked before, tell us what you need. Sometimes the answer from us is going to be no, but sometimes it is going to be yes.

And with that, I would ask that all Members would have five legislative days with which to revise and extend their remarks or add any extraneous material.

Without objection, so ordered.

With that, this hearing is adjourned. Thank you very much.

[Whereupon, at 12:09 p.m., the Committee adjourned.]

APPENDIX

Prepared Statement of Jeff Miller, Chairman

Good morning, this hearing will come to order.

We are here to discuss yet another VA project that is over budget and under-achieving. Unfortunately, this is a familiar subject for the Committee.

Today, we will address the mismanagement of the Veterans Benefits Management System, called VBMS, which is VA's electronic claims processing system.

VBMS is supposed to help expedite benefit claims decisions, eliminate rating inconsistencies and errors, and enable a more efficient claims process workflow.

Unfortunately, it isn't working as intended.

VA promised to eliminate the backlog in 2015. It's now 2016 and while VA has made progress, the backlog still exists. Similarly, VBMS is not yet completed, and VA has been unable to provide this Committee with a timeline for when it will be done.

As of January 1, 2016, there were over 360,000 disability claims pending, over 75,000 of which were pending more than 125 days, which is what VA defines as the "backlog," and I will address that definition in a moment. This is despite Congress devoting substantial taxpayer resources-including significantly increasing VBA's workforce by approximately 7,300 full-time employees between 2007 and 2014-to help VA meet its goal of eliminating the claims backlog by the end of 2015

Additionally, Congress has allocated more than $1 billion to VBMS - even though VA's estimate in September 2009 priced VBMS at $580 million. Since then, the projected cost of the program has jumped to $1.3 billion-and there is no guarantee that VA will not need more money for VBMS in the future.

History seems to be repeating itself here. The cost overruns for VBMS would be bad enough but, after six years in development, VBMS is still not able to fully support disability claims and pension applications-and only acts as a document repository for appeals. That brings me to VA's definition of what constitutes a backlog.

As of April 1, 2013, VA had an appeals inventory of almost 250,000; but, as of January 1, 2016, that number had ballooned to about 433,000 appeals, which are not counted by VA as part of the backlog. With the large increase in the number of appeals, it makes no sense that VA has not ensured VBMS' ability to actually process appeals, as it did for initial claims.

In fact, I recently learned that the VA is projecting that it will certify almost 360,000 new appeals in FY 17 - that's in comparison to almost 70,000 certified appeals in FY 15.

I am also alarmed that according to a GAO report, between January 2013 and May 2015, VBMS suffered from multiple system crashes, and was offline for a total of 117 hours-or almost three full work weeks.

I expect VA to argue that any temporary disruptions caused by the implementation of VBMS have been outweighed by the program's benefits.

Based on recent OIG and GAO investigations, I'm not sure that I agree because of the many other factors in reducing VA's definition of the backlog.

Moreover, both the OIG and GAO reports of September 2015 criticize VA for not setting clear benchmarks for developing and implementing VBMS.

Of course, without concrete deadlines for the VBMS rollout, it is impossible to hold VA management accountable for meeting deadlines and demonstrating progress. But even if VBMS was performing perfectly, there are still management issues that add to processing times.

In a report issued just last week, the OIG found that the St. Petersburg Regional Office had a significant backlog of unprocessed veterans' claims information at a scanning contractor facility. I am appalled that Florida veterans may have waited longer than other veterans due to this scanning delay.

Members, I'd like to draw your attention to the image above which demonstrates the extent of improperly stored and commingled veteran information at the contractor site.

Understandably, I am troubled that, in addition to the scanning delays, based on how this information was insecurely stored at the scanning facility; veterans' information was potentially vulnerable to loss, theft, and misuse.

I will further explore this and other issues outline in my statement during the course of this hearing.

I now yield to the Ranking Member.

Prepared Statement of Beth McCoy

Introduction

Good Morning Chairman Miller, Ranking Member Brown, and Members of the Committee. Thank you for the opportunity to discuss the recent Department of Veterans Affairs (VA) Office of Inspector General (OIG) and Government Accountability Office (GAO) reports, dated September 14, 2015, and September 15, 2015, respectively.

Transforming to Meet the Needs of Our Veterans

VA reached an historic milestone in its efforts to improve the delivery of benefits and services to America's Veterans, their families, and Survivors - reducing the backlog of disability claims (claims pending more than 125 days) to 75,444 - an 88 percent reduction from its peak of 611,000 claims in March 2013 and the lowest in our history. We closed fiscal year (FY) 2015 having provided claim decisions to nearly 1.4 million Veterans - exceeding one million claims for the sixth year in a row and setting a new record for claims production. These milestones were achieved through implementation of an aggressive and comprehensive transformation plan that included initiatives to retrain and reorganize our people, streamline our business processes, and build and implement new secure technology solutions. VBMS is and has been the cornerstone of our transformation strategy.

VBMS and the Electronic Folder

Prior to 2011, claims processors used an extraordinarily inefficient, paper-intensive process to deliver disability benefits to America's Veterans. When VA received a Veteran's application, the paper folder had to be retrieved from storage, and it could take days or even weeks to arrive. Claims processors would route the paper claims folders through various processing points in the regional office (RO) a minimum of five times for each claim, and they diligently reviewed files that were often over 18 inches deep. When a Veteran needed a medical examination, the paper claims folder had to be shipped to the medical center so it could be available to the examining physician.

All of this took time - and while the paper claims folder was in one location, subsequent actions were delayed until the paper folder was returned and again available. The opportunity was great to misplace files and documents - or to not have the file in the right place at the right time in order to deliver a timely decision.

As Kelli from the Lincoln RO describes, "It was very cumbersome. We were limited by the physical paper file in that we had to have the paper file before we could take any further action. When the paper file was off station, the claim sat idle until the paper file was returned. The paper files in themselves were difficult to manage. Even the smallest files ran a high risk of lost documents due to the mechanics of the paper file setup. Additionally, the larger the files became, the heavier the files became, putting strain on employees lifting and carrying files."

It was obvious that our benefits delivery processes were in need of major overhaul if VA was to provide Veterans with high quality decisions on their claims within 125 days. While the VBMS initiative initially focused on building an electronic claims folder to attack the inefficiencies of the paper folders and the problems of misplaced files and records, it was of necessity expanded to include streamlining and automating steps in the decision process.

VBMS has delivered on the electronic claims folder - and currently houses over 260 million documents and 1.7 billion images. This has made a major difference for our employees, for Veterans, and for their representatives. Natalie from Indianapolis said, "With VBMS, VA employees now have a unified system of record, which allows for a more efficient and transparent claims process when assisting Veterans and beneficiaries with their claims. For example, if I receive a phone call from a Service Officer regarding a Veteran's claim, I can look inside the Veteran's electronic folder to review evidence and no longer would need to refer the question to

the employee with the physical claims folder on their desk. This saves time and provides a superior level of customer service."

VBMS provides a web-based application where multiple, geographically separated users can view the electronic folder simultaneously, minimizing the need for sequential processing and eliminating the delays our employees endured waiting for paper folders. Additionally, paperless claims processing technology enables telework opportunities for our employees. VBMS has an impressive list of accomplishments. At the end of FY 2012, VBMS was operational at five ROs with a limited number of users and fewer than 1,000 claims completed. By June 2013, VBMS was operational at all 56 ROs - six months ahead of schedule. Since then, VBMS has supported more than 30,000 unique users at all VBA facilities, 148 Veterans Health Administration (VHA) facilities, Veterans Service Organizations (VSOs), and many other sites. VBMS also delivered a customized "Board of Veterans' Appeals (Board) View" of the electronic folder to support appeals processing at the Board. By February 2015, VBMS had completed 1 million awards in VBMS. Demonstrating the growing momentum of the system, the 2 millionth award was completed just 6 months later. The most recent milestone, processing 2 million claims end-to-end in VBMS, was reached in September.

VBMS and the Employee Experience of Helping Veterans

Veterans have benefited substantially from VBMS as a result of new capabilities at every step of the claims process. More Veterans are receiving faster decisions because of the increase in both production and productivity that VBMS has enabled. VBMS is removing administrative-type duties from users by automatically recording receipt of evidence, moving claims to the next decision status, and submitting service treatment record (STR) requests as soon as we receive Veterans' claims. In every step of the process from intake processing, to evidence gathering, to the rating decision, to awarding the benefit, VBMS continues to transform the way our claims processors work.

For example, VBMS provides evidence-gathering capabilities that include a correspondence engine to automatically generate commonly used letters to Veterans and claimants using standard templates. It also integrates business-rules to route claims to specific users and provides secure connections with other internal and external applications and systems (including VHA, DoD, and VSO systems). Receipt of evidence, movement of claims to the next stage, and updates to the claims status are automated. In addition, embedded calculators provide decision-support tools that improve accuracy through standardization and consistency among all ROs. These improvements enable raters to spend their time applying their expertise to decisions for Veterans. The rules-based system in VBMS takes into consideration all factors to grant the Veteran the maximum benefits with improved quality, thus making the rating process more seamless. We have now completed over 3.7 million rating decisions in VBMS.

The VBMS Awards functionality saves up to ten minutes per claim when compared to the manual paper process, and enables a consistent and streamlined decision notification. Prior to VBMS, award notifications could vary greatly depending on who prepared them, creating the impression of variance in decision processes and inconsistency from RO to RO.

Agile Methodology and User Feedback

VA's success with VBMS is attributed to using an iterative development methodology, known as Agile, to deliver functionality in three-month increments, along with an intense focus on collaboration between those that use the system, business representatives, and OI&T software development teams. Agile methodology has enabled VBMS to mitigate many of the challenges typical of complex, transformational software development efforts by rapidly delivering high-value functionality in short increments and involving users throughout the software design and development process.VBMS was never intended to deliver full end-to-end processing on "day one." Such an approach would have been high-risk and, due to the continuously evolving nature of the requirements, would have resulted in the system failing to meet real user requirements when finally delivered - a classic failure of large system development. Therefore, VA purposely chose to develop VBMS using Agile methodology in order to accelerate its implementation and ensure flexibility to changing business requirements. This decision enabled employees to begin using VBMS while the solution was still under construction, and has provided a mechanism for software development teams to continuously respond to user feedback and needs as the software product is being built. The Agile process for VBMS was tailored, but the foundational goals remained of faster delivery with more business value and user involvement throughout the process.

A critical element of success is an intense focus on soliciting input from users at every step and providing many avenues for continuous feedback. VBA users from across the country frequently attend software design and testing sessions with system developers to provide essential input on the direction of VBMS development. This user-in-the-middle approach has resulted in a collaborative effort unprecedented in a project of this magnitude in federal government.

Training and Change Management

Not only was user feedback critical to our progress, we took a very measured approach to change management that complemented the Agile methodology. Our employees are the key to success, and VBA made the investment of appointing Change Management Agents (CMAs) at every RO. VBMS was rolled out to ROs and stakeholders in a carefully planned sequence, allowing technology to be introduced as employees were trained to use the system.

VBMS used a ″Train-the-Trainer″ model, ensuring availability of resources to support users at ROs. These local points of contact, called Superusers, provide local training and prepare employees to successfully use VBMS. Approximately 800 Superusers receive live virtual training every three months in advance of each VBMS major release. The training materials are made available to the Superusers to facilitate consistent and standardized training at the local level.

OI&T Collaboration

VBMS has been transformational not only because of the software capabilities delivered, but also because of the collaborative relationship between VBA and OI&T that is a large part of the VBMS success story. One of the keys to VBMS success is understanding business responsibilities in an IT project.

In the early stages of VBMS development, the system experienced issues with latency, but great strides have been made to address and resolve VBMS application performance issues. VBMS system availability (i.e., the percentage of time that VBMS is available to users during work hours) was 99.2 percent in FY 2014 and 99.8 percent in FY 2015). From October 2013 to August 2015, the VBMS response times improved 36 percent, while the number of daily system users increased 60 percent. OI&T has scrutinized every step of VBMS architecture, from desktop to database, to identify, analyze, and remediate the root causes of system ″latency″. For example, in 2013 OI&T conducted a series of on-site performance tests at ROs to observe VBMS performance as users worked in system. These tests identified opportunities for configuration and software modifications that have since been incorporated into major software releases and resulted in moderate-to-significant performance improvements in the user experience.

As a result of performance testing and improvement efforts, and to mitigate the risks of downtime, OI&T monitors application performance through redundant end-to-end system monitoring software (Foglight, Introscope) and continuous monitoring of application servers by a production operations team. Twenty-four hours a day, seven days a week, there are monitoring tools that test system availability and end-to-end response times from every RO to ensure the best possible up-time and user experience.

OI&T is supported by project management and engineering competency services provided through an Inter-Agency Agreement (IAA) with the Department of the Navy's Space and Naval Warfare Systems Center (SPAWAR). Since 2011, SPAWAR has served as the lead for engineering and developing the core VBMS application. When the VBMS program was launched, SPAWAR was supporting VA on the Chapter 33 Long Term Solution project and had established itself as an industry leader in information assurance, information management, and program management. At the time, SPAWAR was the only organization VA identified that could simultaneously provide technology services related to the development, implementation, operations, and maintenance of VBMS, thereby filling an engineering competency that VA lacked. The SPAWAR IAA has played a crucial role on this project, and continues to serve as the single integrator for implementing the VBMS solution. The SPAWAR team has served as both a major contributor to the success of VBMS and a champion for VA's efforts to improve overall benefits delivery to Veterans and their beneficiaries. SPAWAR's collaboration with VA is an outstanding example of how federal agencies can work together and leverage shared resources to better serve taxpayers.

The Vision for VBMS

In FY 2016, VBA is implementing a national workload strategy through a phased rollout of the National Work Queue (NWQ). This initiative improves visibility and provides greater flexibility in management of our workload and performance by ena-

bling automated distribution across VBA. NWQ prioritizes and distributes our claims inventory at a national level and further standardizes claims processing. This will give Veterans in every state in the country the same access to benefits and timely decisions.

In FY 2016, VBMS will continue to reduce reliance on legacy systems. As part of planned improvements to the electronic folder for this fiscal year, Veterans will start to see a unique identifier (like a QR code or a barcode) on the letters they receive from us. When Veterans return the information we request along with that code, we will be able to automatically add the information to the electronic folder and quickly move the claim to the next step. Additionally, VBMS will implement functionality necessary to establish one authoritative source for Veteran contact information in FY 2016. The possibilities are great to further improve accuracy, timeliness, and standardization of claims processing, and to ultimately improve service to our Veterans.

Conclusion

While we know there is more work to be done, our efforts are continually generating positive and significant results. VBMS is poised to capitalize on our achievements to date and drive continued improvements in claim processing timeliness, accuracy, and transparency. Realization of the long-term vision requires continued support and resources.

The OIG and GAO reports both provide recommendations related to the scope and cost of VBMS. VBMS scope and cost increases were planned, essential, and approved to move beyond the initial electronic folder functionality to automated processing capabilities. VBMS has delivered 17 major software releases and 56 minor releases in just four years, and has implemented thousands of business requirements.

Through the momentum of each release, VBMS has enabled a successful transformation from a paper-based system to a streamlined digital system. That momentum has resulted in confidence in the system and the progression of the structure in place to successfully deliver modern technology.

We have assembled the right team comprised of a multi-disciplinary group of individuals who understand the complex business requirements. They have the technical expertise to translate stakeholder needs into desired functionality. VBMS enables us to provide the best possible customer service to our Veterans. Since the electronic folder now provides simultaneous and searchable access to Veterans' records, VA continues to enhance VBMS' capabilities to further improve accuracy and timeliness throughout the claims lifecycle. We will continue to coordinate and integrate with strategic partners, such as the Board, VSOs, and DoD to to achieve the goals of interoperability.

I look forward to your continued support and commitment on behalf of Veterans, their families, and Survivors. Thank you for allowing me to address the Committee today. Mr. Chairman, this concludes my statement. I would be pleased to answer any questions you or other Members of the Committee may have.

Prepared Statement of Brent Arronte

Mr. Chairman and Members of the Committee, thank you for the opportunity to discuss the Office of Inspector General's (OIG) recent reports on the implementation of the Veterans Benefits Management System (VBMS), Follow-up Review of the Veterans Benefits Management System, and Review of Alleged Problems with Veterans Management System and Claims Processing. [1] Our statement today focuses on our review of how effectively VA managed cost, performance, and schedule in VBMS development to meet its claims processing accuracy and backlog elimination goals. We will also discuss the results of work conducted at one regional office with regards to scanning the information supporting claims processing. We draw our conclusions from past and ongoing audits of the Department's information security program, oversight of information technology (IT) systems development activities, and benefits inspections of VA Regional Offices (VAROs). I am accompanied by Mr. Michael Bowman, Director, OIG's Information Technology and Security Audits Division.

BACKGROUND

IT systems and networks are critical to VA in carrying out its mission of providing medical care and a range of benefits and services to veterans. Our audits in recent

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[1] Published on September 14, 2015, and January 6, 2016, respectively.

years also show that IT systems development at VA is a long standing high-risk challenge, susceptible to cost overruns, schedule slippages, performance problems, and in some cases, complete project failures. For fiscal year (FY) 2016, VA requested a total IT investment of about $4.1 billion to fund information system security, system development initiatives, and system operations and maintenance. To the extent that VA does not properly plan and manage these IT investments, they can become costly, risky, and do not consistently align with user requirements. Although IT investments may be managed by the Office of Information and Technology (OI&T), it is imperative to include input from VA business owners and other stakeholders throughout the incremental system development process. Project Management Accountability System (PMAS) is VA's principal means of holding IT project managers accountable for meeting cost, schedule, and performance targets. PMAS is designed to reduce project implementation risks, institute monitoring and controls, establish accountability, and create a reporting discipline. Despite PMAS objectives, we continue to identify deficiencies with VA's IT investment oversight processes that are discussed in our statement below.Effective January 1, 2016, OIT began transitioning from PMAS to a new capital planning investment model called the Veteran-focused Integration Process (VIP). VIP plans to further embrace the Department's Agile system development methodology into a single, unified, and streamlined release process that will focuses on delivering high-quality and secure IT capabilities to the veteran. Until system development projects have successfully transitioned to VIP, project managers will continue to follow PMAS guidelines. VA plans to complete the transition to VIP by the end of FY 2016. In the coming years, we plan to evaluate VIP to determine whether the framework successfully addresses the shortcomings associated with VA's IT investment oversight process.As early as 2000, the OIG has identified Information Management as a major management challenge because VA has a long standing history of not properly planning and managing its critical IT investments. Also, IT security remains a repeat material weakness in VA's Consolidated Financial Statement audit for FY 2015. During our financial statement audit, we noted a number of high risk security vulnerabilities affecting databases supporting VBMS to include:

- Users with the ability to access certain procedures allowing unauthorized escalation of database privileges
- Accounts that could escalate system privileges through well-known security vulnerabilities
- Missing security patches that could result in unresolved security vulnerabilities
- Inadequate passwords controls providing attackers with well-known security vulnerabilities that could result in unauthorized access.

Claims Backlog

Although the Veterans Benefits Administration (VBA) reports it has made progress in reducing the backlog and reported significant improvement in claims processing accuracy, we cannot attribute that improvement specifically to VBMS, which was is one of the more than 40 initiatives VA undertook as part of its transformation plan. Several factors have contributed to reducing the backlog:

- Using over $130 million in mandatory overtime
- Reallocating staff to process only claims that affect the backlog while sacrificing other types of claims such as those on appeal
- Implementing the Fully Developed Claim
- Using disability benefit questionnaires.

Further, VBA's improved claims processing accuracy rate is related to a change in methodology regarding how they calculate error rates for claims processing accuracy and not specifically an aspect of VBMS. Also, in FY 2015, the OIG conducted 13 reviews at 11 VAROs related to data manipulation in response to allegations we received and requests from VBA leadership to review areas of particular concern.[2] Based on the results of those reviews, we believe the data used to determine the claims backlog inventory and the number of claims completed is not consistently reliable.

INFORMATION TECHNOLOGY SYSTEMS DEVELOPMENT LIFECYCLE

VA continues to face challenges in developing the IT systems it needs to support VA's mission goals. Recent OIG reports disclose that some progress has been made

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[2] VA Regional Offices: Baltimore, MD; Boston, MA; Denver, CO; Honolulu, HI; Houston, TX*; Little Rock, AR; Los Angeles, CA*; New York, NY; Oakland, CA; San Diego, CA; St. Paul, MN (*denotes two separate reviews).

in timely deploying system functionality because of the Agile system development methodology. The Agile methodology allows subject matter experts to validate requirements and functionality in increments of 6 months or fewer, while technology is developed and updated to meet user needs. Despite these advances, VA continues to struggle with cost overruns and performance shortfalls in its efforts to develop several major mission-critical systems. VA's procedures for overseeing IT program management has improved but has not been fully effective in controlling these IT investments.

Veterans Benefits Management System

In February 2013, we issued a report, Review of Transition to a Paperless Claims Processing Environment, that evaluated whether VA had performed sufficient testing of VBMS and assessed whether VA was positioned to meet its goal of eliminating the disability claims backlog and increasing the accuracy rate of processing claims to 98 percent by 2015.[3] At that time, VBMS was still in the early stages of development. We also noted that, due to the use of VA's Agile incremental development approach, the system had not been fully developed to the extent that its capability to process claims from the initial application through benefits delivery could be sufficiently tested. We concluded VA would continue to face challenges in meeting its goal of eliminating the backlog of disability claims processing by 2015. However, because the system was in an early stage of development and deployment, the number of claims processed using VBMS was considered too small to adequately examine whether VBMS was improving VBA's ability to process claims with 98 percent accuracy. We recommended that VA establish a plan with milestones for resolving system issues and develop a detailed approach to scanning and digitizing claims so that transformation efforts did not adversely affect claims processing and add to the existing backlog. VA concurred with our recommendations and provided plans that addressed the findings and recommendations for this report.

In our September 2015 report, Follow-up Review of the Veterans Benefits Management System, we focused on whether VA had improved its schedule, cost, and performance supporting VBMS development to meet its claims processing accuracy and backlog elimination goals.[4] We noted that VA remained partially effective in managing VBMS development to help meet claims processing accuracy and backlog elimination goals. We also found that VA stayed on schedule in deploying planned VBMS functionality to all VAROs in 2013. However, since September 2009, total estimated VBMS costs increased significantly from about $579.2 million to approximately $1.3 billion in January 2015. The increases were due to inadequate cost control, unplanned changes in system and business requirements, and inefficient contracting practices. As a result, VA cannot ensure an effective return on its investment and total actual VBMS system development costs remained unknown. Further, VBA did not design performance metrics to assess the actual time saved by processing claims using the new system. We also noted that:

- VBMS did not fully provide the capability to process claims from initial application to benefits delivery.
- Users lacked training needed to leverage the enhanced functionality provided.
- System response-time issues resulted from rapid software enhancements while system disruptions were due to inadequate service continuity practices.

Until these issues are addressed, VA will continue to lack reasonable assurance of meeting its claims processing accuracy and backlog elimination goals.We recommended the Executive in Charge for OI&T, in conjunction with the Under Secretary for Benefits, define and stabilize system and business requirements, address system performance problems, deploy required functionality to process claims end-to-end, and institute metrics needed to identify and ensure progress toward meeting stated goals. The Executive in Charge for OI&T, in conjunction with VBA, generally agreed with most of our findings and recommendations.[5] As such, we will monitor implementation of corrective action plans to ensure that our findings and recommendations are fully addressed.

We are currently reviewing allegations related to VBMS' security controls. We are examining whether VA failed to integrate VBMS security edits to prevent stations from inappropriately processing veteran employee claims at their assigned stations and if VA has not integrated exception logs into VBMS, which allows information security specialists to review, audit, and intervene in potential security violations. Our work in this area is ongoing and we plan to issue a final report in March 2016.

[3] Review of Transition to a Paperless Claims Processing Environment, February 4, 2013.
[4] Follow-up Review of the Veterans Benefits Management System, September 14, 2015.
[5] See the OIG response to Management's comments in the report.

In our January 2016 report, Review of Alleged Problems with Veterans Benefits Management System and Claims Processing, we substantiated the allegation regarding a significant backlog of unprocessed mail in December 2014 waiting to be scanned into VBMS. This resulted from inefficient preparation and handling of veteran provided documentation at a contractor operated facility. Specifically, at the time of the review, according to VBA personnel and VBA portal metrics, the St. Petersburg VARO had more than 41,900 mail packages of veterans' claims material that were backlogged and over 1,600 boxes awaiting processing at the scanning facility. Furthermore, while on site at the contractor facility in early 2015, we observed numerous pallets of boxes containing significant amounts of hard copy veterans' claims material that required processing and were more than 30 days old, according to pallet tracking labels. From a sample of this documentation, we determined that it took an average of 30 days to scan the material from these claims into VBMS after arriving at the scanning facility. VA's contract requires the contractor to scan hard copy veterans' claims evidence into VBMS within 5 calendar days of receipt. VBA personnel stated they were aware of this scanning delay but we did not find evidence of VBA prioritizing this issue and taking effective corrective action.

Program Management Accountability System

In June 2009, VA launched PMAS to improve its IT development success rate. At the request of VA's Chief Information Officer, we conducted an audit to evaluate the effectiveness of PMAS planning and implementation. In August 2011, we reported that OI&T did not establish key management controls to ensure PMAS data reliability, verify project compliance, and track project costs.[6] Additionally, we noted that OI&T did not put in place detailed guidance on how such controls will be used within the framework of PMAS to manage and oversee IT projects. Consequently, the PMAS framework was not providing a sound basis for future success.

We performed a follow-up audit to determine whether OI&T had addressed our previous PMAS recommendations. In January 2015, we reported that OI&T had taken some steps to improve PMAS performance.[7] Although improvements were made, OI&T had not fully infused PMAS with the discipline and accountability necessary for effective oversight of IT development projects. The PMAS Business Office still had Federal employee vacancies and the PMAS Dashboard lacked a complete audit trail of baseline data. Project managers continued to struggle with capturing increment costs and project teams were not reporting costs related to enhancements on the PMAS Dashboard. Until these deficiencies are addressed, VA's portfolio of IT development projects will remain susceptible to cost overruns, schedule slippages, and poor performance.

CONCLUSION

Our recent work demonstrated that VA continues to face challenges in managing its IT development projects. However, these challenges are affecting IT system development across Federal agencies. VA has taken some actions to address our outstanding report recommendations for enhanced discipline, oversight, and resources management to support IT development. However, it remains to be seen as to whether such actions will improve VA's ability to meet established cost, schedule, and performance goals in its mission critical system initiatives. Moreover, these IT shortfalls constitute poor financial stewardship and are counterproductive investments of taxpayer dollars. VA's use of Agile methodology is commended for adding value by allowing for iterative refinement of VBMS development amid frequent changing business requirements. However, the use of Agile does not preclude the need to work towards stabilizing functionality requirements that are aligned with meeting project cost and scheduling goals. Given the changing business requirements and competing priorities, VBMS costs continue to spiral upward and final end-state costs remain unknown.

Although VBA has made strides in reducing the backlog of disability claims, we cannot state that VBMS significantly contributed to this reduction. As we have provided oversight of VBMS's development over the past several years, VBA did not put adequate performance metrics in place that could support the efficiencies gained from using the new system, such as the actual time it takes to process certain types of claims. Thus, when the costs of system development exceed a billion dollars or have high financial development costs, this type of information is important to ensure economies and efficiencies are being realized over time.

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[6] Audit of the Project Management Accountability System Implementation, August 29, 2011.
[7] Follow-Up Audit of the Information Technology Project Management Accountability System, January 22, 2015.

Further, because of the 13 reviews we completed in FY 2015 related to data manipulation at 11 VAROs, we have concerns that the total number of claims processed and/or those counted in the inventory are not accurately reported.

Mr. Chairman, this concludes my statement. We would be happy to answer any questions you or members of the Committee may have.

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Prepared Statement of Valerie C. Melvin

Ongoing Efforts Can Be Improved; Goals Are Needed To Promote Increased User Satisfaction

Chairman Miller, Ranking Member Brown, and Members of the Committee:

I am pleased to be here to testify at today's hearing on the Department of Veterans Affairs' (VA) efforts to develop and implement its Veterans Benefits Management System (VBMS). As you know, VA's disability claims process has been a subject of attention for many years, due in part to long waits for decisions and the large number of claims pending a decision. In February 2010, the Secretary of Veterans Affairs committed the department to eliminating the disability claims backlog and directed the Veterans Benefits Administration (VBA) to process all incoming claims within 125 days of their receipt and with at least 98 percent accuracy. This was to be accomplished by the end of fiscal year 2015. [1]

To help reduce the backlog and meet these claims processing goals, VBA engaged in efforts to replace its paper-based claims process with VBMS-a system intended to streamline the disability claims process by providing claims processors with an electronic, paperless environment in which to maintain, review, and make rating decisions for veterans' claims. The agency took an incremental approach to developing and implementing VBMS and, as of June 2013, claims processors had begun using an initial version of the system at all 56 regional offices. Since that time, the agency has continued its efforts toward completing the system and, through fiscal year 2015, had received approximately $1 billion in funding for the initiative.

In September 2015, we issued a report documenting the results of a study of VBMS that we undertook at this committee's request. [2] My remarks today summarize key findings from that study, which (1) assessed VA's progress toward completing the development and implementation of VBMS and (2) determined to what extent users reported satisfaction with the system.

For the September 2015 report, we reviewed relevant program documentation and interviewed appropriate VA officials. We also administered a Web-based survey to a nationally representative stratified random sample of VBMS users. [3] More detailed information on our objectives, scope, and methodology can be found in the issued report.

The work on which this statement is based was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Throughout the disability compensation claims process, VBA staff have various roles and responsibilities.

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[1] VA defines a backlogged claim as one that has been awaiting a decision for more than 125 days.

[2] GAO, Veterans Benefits Management System: Ongoing Development and Implementation Can Be Improved; Goals Are Needed to Promote Increased User Satisfaction, GAO 15 582 (Washington, D.C.: September 2015).

[3] These users (claims processors) included claims assistants, veteran service representatives, supervisory veteran service representatives, rating veterans service representatives, decision review officers, and others. We randomly sampled 3,475 VBA-eligible claims processors to create estimates about the population of all claims processors. Confidence intervals for estimates we reported from this survey were based on a confidence level of 95 percent and were calculated using methods appropriate for a stratified random sample. They were never wider than plus or minus 5 percentage points. At a 95 percent confidence level, this means that, in about 95 out of 100 instances, the sampling procedures we used would be expected to produce a confidence interval containing the true population value we estimate.

- Claims assistants are primarily responsible for establishing the electronic claims folders to determine whether the dispositions of the claims and control actions have been appropriately identified.
- Veteran service representatives are responsible for providing veterans with explanations regarding the disability compensation benefits programs and entitlement criteria. They also are to conduct interviews, gather relevant evidence, adjudicate claims, authorize payments, and input the data necessary to generate the awards and notification letters to veterans describing the decisions and the reasons for them.
- Rating veterans service representatives are to make claims rating decisions and analyze claims by applying VBA's schedule for rating disabilities (rating schedule) against claims submissions; they also are to prepare rating decisions and the supporting justifications. Further, they are to inform the veteran service representative, who then notifies the claimant of the decision and the reasons for the decision.
- Supervisory veteran service representatives are to ensure that the quality and timeliness of service provided by VBA meets performance indicator goals. They are also responsible for the cost-effective use of resources to accomplish assigned outcomes.
- Decision review officers are to examine claims decisions and perform an array of duties to resolve issues raised by veterans and their representatives. They may conduct a new review or complete a review of a claim without deference to the original decision; they also can revise that decision without new evidence or clear and obvious evidence of errors in the original evaluation.

The disability compensation claims process starts when a veteran (or other designated individual) submits a claim to VA in paper or electronic form.[4] If submitted electronically, a claim folder is created automatically.

When a paper claim is submitted, a claims assistant creates the electronic folder. Specifically, when a regional office receives a new paper claim, the receipt date is recorded electronically and the paper files (e.g., medical records and other supporting documents) are shipped to one of four document conversion locations so that the supporting documents can be scanned and converted into a digital image.

n the processing of both electronic and paper claims, a veteran service representative reviews the information supporting the claim and helps identify any additional evidence that is needed to evaluate the claim, such as the veteran's military service records, medical examinations, and treatment records from medical facilities and private medical service providers. Also, if necessary to provide support to substantiate the claim, the department performs a medical examination on the veteran.

Once all of the supporting evidence has been gathered, a rating veterans service representative evaluates the claim and determines whether the veteran is eligible for benefits. If so, the rating veterans service representative assigns a disability rating (expressed as a percentage). A veteran who submits a claim with multiple disabilities receives a single composite rating. If the veteran is due to receive compensation, an award is prepared and the veteran is notified of the decision.

A veteran can reopen a claim for additional disability benefits if, for example, he or she experiences a new or worsening service-connected disability. If the veteran disagrees with the regional office's decision on the additional claim, a written notice of disagreement may be submitted to the regional office to appeal the decision, and the veteran may request to have the appeal processed at the regional office by a decision review officer or through the Board of Veterans' Appeals.[5] Figure 1 presents a simplified view of VA's disability compensation claims process.

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[4] Veterans and their beneficiaries can submit claims electronically through the eBenefits portal, a Web-based system that combines data from the VBA and Department of Defense to provide veterans, active duty military, and their dependents with an alternate method to obtain assistance with a wide range of online benefits-related tools and information. Additionally, they can apply for benefits electronically using the Veterans Online Application.

[5] The Board of Veterans' Appeals makes final decisions on behalf of the VA Secretary on appeals from decisions of local VA offices.

Figure 1: Simplified View of VBA's Disability Compensation Claims Process
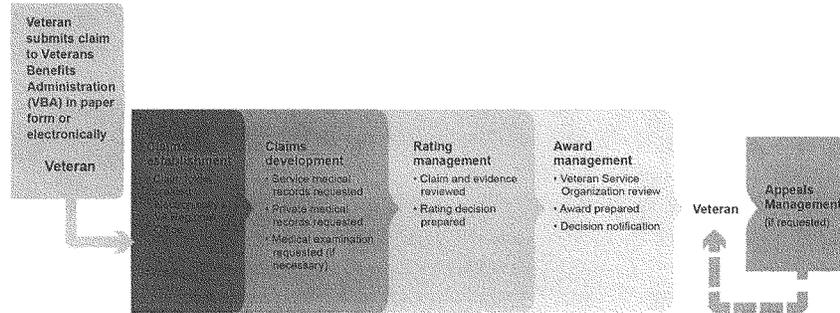
Source: GAO analysis of Veterans Benefits Administration procedures. | GAO-15-582

VBA began the transformation of its paper-intensive claims process to a paperless environment in March 2009, and the effort became formally established as the Veterans Benefits Management System program in May 2010. VBA's initial plans for VBMS emphasized the development of a paperless claims platform to fully support the processing of disability compensation and pension benefits, as well as appeals.

The program's primary focus was to convert existing paper-based claims folders into electronic claims folders (eFolders)[6] to allow VBA staff to access claims information and evidence in an electronic format. Beyond the establishment of eFolders, VBMS is intended to streamline the entire disability claims process, from establishment through award, by automating rating decision recommendations, award and notification processes, and communications between VBA and the veteran throughout the claims life cycle. The system is also intended to assist in eliminating the claims backlog and serve as the enabling technology for quicker, more accurate, and integrated claims processing in the future. Moreover, it is to replace many of the key outdated legacy systems-which are still in use today-for managing the claims process, including:

- Share-used to establish claims; it records and updates basic information about veterans and dependents.
- Modern Award Processing-Development-used to manage the claims development process, including the collection of data to support the claims and tracking of them.
- Rating Board Automation 2000-provides information about laws and regulations pertaining to disabilities, which are by rating specialists in evaluating and rating disability claims.
- Award-used to prepare and calculate the benefit award based on the rating specialist's determination of the claimant's percentage of disability. It is also used to authorize the claim for payment.

VBMS is to consist of three modules:

- VBMS-Core is intended to provide the foundation for document processing and storage during the claims development process, including establishing claims; viewing and storing electronic documents in the eFolder; and tracking evidence requested from beneficiaries. The eFolder serves as a digital repository for all documents related to a claim, such as the veteran's military service records, medical examinations, and treatment records from VA and Department of Defense medical facilities, and from private medical service providers. Unlike with paper files, this evidence can be reviewed simultaneously by multiple VBA claims processors at any location.
- VBMS-Rating is to provide raters with Web-accessible tools, including rules-based rating calculators and the capability for automated decision recommendations. For example, the hearing loss calculator is to automate decisions using objective audiology data and rules-based functionality to provide the rater with a suggested rating decision. In addition, the module is expected to include stand-alone evaluation builders-essentially interactive disability rating sched-

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[6] The eFolder is the electronic equivalent of a VBA paper claims folder. It contains all of the documents associated with a particular veteran and his or her claims.

ules-for all parts of the human body. With this tool, the rater uses a series of check boxes to identify the veteran's symptoms and the evaluation builder identifies the proper diagnostic code and the level of compensation based on those symptoms.

- VBMS-Awards is to provide an automated award and notification process to improve award accuracy and reduce rework associated with manual development of awards. This module is intended to automate and standardize communications between VBA and the veteran at the final stages of the claims process.

VBA is using an agile software development methodology to develop, test, and deliver the system's functionality to its users. An agile approach allows subject matter experts to validate requirements, processes, and system functionality in increments, and to deliver the functionality to users in shorter cycles. Accordingly, the strategic road map that the VBMS Program Management Office is using to guide the system development effort indicated that releases of system functionality were to occur every 6 months.[7] In a March 2013 Senate Veterans Affairs Committee hearing, VA's Under Secretary for Benefits stated that VBMS development was expected to be completed in 2015.

Development and Implementation of VBMS Is Ongoing; Activities Can Benefit from Increased Management Attention

Our September 2015 report noted that, since completing rollout of the initial version of VBMS at all regional offices in June 2013, VBA has continued developing and implementing additional system functionality and enhancements that support the electronic processing of disability compensation claims. As a result, 95 percent of records related to veterans' disability claims are electronic and reside in the system. However, while the Under Secretary for Benefits stated in March 2013 that the development of the system was expected to be completed in 2015, implementation of functionality to fully support electronic claims processing was delayed until beyond 2015.

Specifically, even with the progress VBA has made toward developing and implementing the system, the timeline for initial deployment of a national workload management capability was delayed beyond the originally planned date of September 2014 to October 2015, with additional deployment to occur throughout fiscal year 2016. Efforts undertaken thus far have addressed the strategic road map's objective to deliver a national workload management capability and have entailed developing the technology and business processes needed to support the National Work Queue, which is intended to handle new disability claims in a centralized queue and assign claims to the next regional office with available capacity.[8]

The Program Management Office began work for the National Work Queue in June 2014, and had intended to deploy the first phase of functionality to users in September 2014. However, in late May 2015, the Director of the office informed us that VBA had delayed the initial rollout of the National Work Queue until October 2015 so that the department could fully focus on meeting its goal to eliminate the claims backlog by the end of September 2015. Following the initial rollout, the Program Management Office intends to implement the National Work Queue at all regional offices through fiscal year 2016.

Beyond this effort, VBMS program documentation identified additional work to be performed after fiscal year 2015 to fully automate disability claims processing.[9] Specifically, the Program Management Office identified the need to automate steps associated with a veteran's request for an increase in disability benefits, such as when an existing medical condition worsens. In addition, the Director stated that the Program Management Office intends to develop a capability to automatically associate veterans' correspondence when a new piece of evidence to support a claim is received electronically or scanned into VBMS. The office also plans to integrate VBMS with VA's Integrated Disability Evaluation System, which contains the re-

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[7] To help guide its system development efforts, the VBMS Program Management Office developed a strategic road map that identified the program's high-level objectives.

[8] Traditionally, veterans have submitted disability claims-typically via mail-to their local regional office, where the claims are usually processed. Under the previous paper-based model, claims folders were physically stored and processed at the regional office and material was often mailed between the veteran, the regional office, and the closest VA medical facility. This paper-based business process is no longer necessary, now that 95 percent of all disability claims are digital and all regional offices use VBMS.

[9] As of June 2015, claims processors are directed to establish all initial and supplemental compensation claims in VBMS, with several exclusions including pension claims, dual compensation and pension claims, sensitive cases, and claims where the claimant is not the veteran.

sults of veterans' disability medical examinations,[10] as well as with external systems that contain military service treatment records for veterans, including those at the National Personnel Records Center.

Further, while VBMS was planned to support the processing of disability compensation and pension benefits, VBA has not yet developed and implemented end-to-end pension processing capabilities in the system. Without such capabilities, the agency must continue to rely on three legacy systems to process pension claims. Specifically, program officials stated that both the Modern Award Processing-Development and Award legacy systems contain functionality related to processing pensions and will need to remain operational until VBMS can process pension claims. In addition, the Share legacy system contains functionality that is still needed throughout the claims process.[11]

Program documentation indicates that the first phase of pension-related functionality is expected to be introduced in December 2015. However, VBA has not yet developed plans and schedules for retiring the legacy systems and for fully developing and implementing their functionality in VBMS.

VBA's progress toward developing and implementing appeals processing capabilities in VBMS also has been limited. Specifically, although the information in a veteran's eFolder is available to appeals staff for review, the appeals process for disability claims is not managed using the new system. According to VA's fiscal year 2016 budget submission, the department is pursuing a separate effort to manage end-to-end appeals modernization, and has requested $19.1 million in fiscal year 2016 funds to develop a system that will provide functionality not available in VBMS or other VA systems. The Director of the Program Management Office stated that VBA is currently analyzing commercial IT solutions that can meet the business requirements for appeals, such as providing document navigation capabilities. According to the Director, VBMS, nevertheless, is expected to be part of the appeals modernization solution because components of the system, such as the eFolder and certain workload management functionality, are planned to continue supporting appeals management.

In the Director's view, the fact that VBMS requires additional development beyond 2015 does not reflect a delay in completing the system's development. Instead, the additional time is a consequence of decisions to enlarge the program's scope over time. The Director stated that the system's original purpose had been to serve primarily as an electronic document repository, and that the program has met this goal.

In addition, the Director said that, as the program's mission has expanded to support the department's efforts to eliminate the disability claims backlog, the office has had to re-prioritize, add, and defer system requirements to accommodate broader departmental decisions and, in some cases, regulatory changes. For example, the office was tasked with developing functionality in VBMS to meet regulatory requirements for processing disability claims using mandatory forms.[12] Officials in the office said they were made aware of this requirement well after system planning for the March 2015 release had been completed, which had introduced significant complexity to their development work.

Finally, VBA included in its strategic road map a number of objectives related to VBMS that are planned to be addressed in fiscal year 2016. Officials in the Program Management Office stated that they intend to develop tactical plans that identify expected capabilities to be provided in future releases.

Nevertheless, due to the department's incremental approach to developing and implementing VBMS, VBA has not yet produced a plan that identifies when VBMS will be completed and can be expected to fully support disability and pension claims processing and appeals. Thus, it will be difficult for the department to hold its managers accountable for meeting the time frame and for demonstrating progress. Accordingly, we recommended that the department develop an updated plan for VBMS that includes a schedule for when VBA intends to complete development and imple-

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[10] Managed by both VA and the Department of Defense, the Integrated Disability Evaluation System provides a single set of disability medical examinations designed for determining a service member's (1) fitness and ability to return to duty and (2) disability if the service member is inhibited from performing his or her assigned duties as a result of a service-connected injury or illness. The department's assessment of fitness for duty occurs concurrently with the VA disability determination process.

[11] These statements regarding the use of legacy systems are consistent with the results of our survey of VBMS claims processors. In addition to VBMS, an estimated 52 percent of users depend on Share, an estimated 37 percent depend on Modern Award Processing-Development, and an estimated 13 percent depend on Award Processing "a great deal" in order to process claims.

[12] Department of Veterans Affairs, Standard Claims and Appeals Forms, Final Rule, 79 Fed. Reg. 57660 (Sept. 25, 2014).The effective date for the Final Rule is March 2015.

mentation of the system, including capabilities that fully support disability claims, pension claims, and appeals processing. VA agreed with our recommendation.

VBMS Development and Implementation Have Been Hindered by Lack of a Reliable Cost Estimate

Consistent with our guidance on estimating program costs, an important aspect of planning for IT projects, such as VBMS, involves developing a reliable cost estimate to help managers evaluate a program's affordability and performance against its plans, and provide estimates of the funding required to efficiently execute a program.[13] In 2011, VBA submitted to the Office of Management and Budget a life-cycle cost estimate for VBMS of $934.8 million. This estimate was intended to capture costs for the system's development, deployment, sustainment, and general operating expenses through the end of fiscal year 2018. However, as of July 2015, the program's actual costs had exceeded the 2011 life-cycle cost estimate. Specifically, VBMS received approximately $1 billion in funding through the end of fiscal year 2015 and the department has requested an additional $290 million for the program in fiscal year 2016.[14]

A significant concern is that the Program Management Office has not reliably updated the VBMS life-cycle cost estimate to reflect the program's expanded scope and timelines for completion of the system. This is largely attributable to the fact that the office has developed cost estimates for 2-year project cycles that are used for VBMS milestone reviews under the Office of Information and Technology's Project Management Accountability System.

When asked how the Program Management Office arrived at the cost estimates reported in the milestone reviews, program officials stated that they developed rough order of magnitude estimates for each business need based on expert knowledge of the system, past development and engineering experience, and lessons learned. However, while this approach may have provided adequate information for VBA to prioritize VBMS system requirements to be addressed in the next release, it has not produced estimates that could serve as a basis for identifying the system's funding needs. Because it is typically derived from limited data and in a short time, a rough order of magnitude analysis is not equivalent to a budget-quality cost estimate and may limit an agency's ability to identify the funding necessary to efficiently execute a program.

In addition, the Program Management Office's annual operating plan, which is generally limited to high-level information about the program's organization, priorities, staffing, milestones, and performance measures for fiscal year 2015, also shows estimated costs totaling $512 million for VBMS development from fiscal years 2017 through 2020. However, according to the Director of the Program Management Office, this estimate was also developed using rough order of magnitude analysis. Further, the estimate does not provide reliable information on life-cycle costs because it does not include estimated IT sustainment and general operating expenses.

Thus, even though the Program Management Office developed rough order of magnitude cost estimates for VBMS, these estimates have not been sufficiently reliable to effectively identify the program's funding needs. Instead, during the last 3 fiscal years, the Director has had to request an additional $118 million in IT development funds to meet program demands and to ensure support for ongoing development contracts.[15] Specifically, in May 2013, VA requested $13.3 million to support additional work on VBMS. Then, during fiscal year 2014, VA reprogrammed $73 million of unobligated IT sustainment funds to develop functionality to transfer service treatment records from the Department of Defense to VA, and to support development of VBMS-Core functionality. In December 2014, the Program Management Office identified the need for additional fiscal year 2015 funds for ongoing system development contracts for VBMS-Core and VBMS-Awards, and, in late April 2015, department leadership submitted a letter to Congress requesting permission to reprogram $31.7 million to support work on these contracts, the National Work Queue, and other VBMS efforts.

According to the Program Management Office Director, the need to request additional funding does not represent additional risk to the program, but is the result

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[13] GAO, GAO Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs, GAO 09 3SP (Washington, D.C.: March 2009).

[14] The $1 billion figure represents funding for VBMS IT development, sustainment, and general operating expenses for fiscal years 2009 through 2015. For fiscal year 2016, VA has requested $76 million for IT development, $177 million for sustainment, and $37 million for general operating expenses.

[15] In fiscal years 2013, 2014, and 2015, VA requested permission from Congress to reprogram Office of Information and Technology funds that had not been used in the prior year or had been identified for IT sustainment to support IT development.

of VBMS's success. The Director further noted that, as the Program Management Office has identified opportunities to increase functionality to improve the electronic claims process, their funding needs have also increased. Nevertheless, evolution of the VBMS program illustrates the importance of continuous planning, including cost estimating, so that trade-offs between cost, schedule, and scope can be effectively managed. Further, without a reliable estimate of the total costs associated with completing work on VBMS, stakeholders will have a limited view of VBMS's future resource needs and the program is at risk of not being able to secure appropriate funding to fully develop and implement the system. Therefore, we recommended that VA develop an updated plan for VBMS that includes the estimated cost to complete development and implementation of the system. VA agreed with our recommendation.

VBA Has Made Progress toward Improving VBMS Operation, but Does Not Have Key System Performance Goals

Our and other federal IT guidance recognize the importance of defining program goals and related performance targets, and using such targets to assess progress in achieving the goals.[16] System performance and response times have a large impact on whether staff successfully complete work tasks. If systems are not responding at agreed-upon levels for availability and performance, it can be difficult to ensure that staff will complete tasks in a timely manner. This is especially important in the VBA claims processing environment, where staff are evaluated on their ability to process claims in a timely manner.

VBA reported that, since its initial rollout in January 2013, VBMS has exceeded its 95 percent goal for availability. Specifically, the system was available at a rate of 98.9 percent in fiscal year 2013 and 99.3 percent in fiscal year 2014. Through May of fiscal year 2015, it was available for 99.98 percent of the time.

Nevertheless, while VBA has reported exceeding its availability goals for VBMS, the system has also experienced periods of unavailability, many times at a critical level affecting all users. Specifically, since January 2013, VBA reported 57 VBMS outages that totaled about 117 hours of system unavailability. The system experienced about 18 hours of outages in January 2014, which were almost entirely at the critical level and affected all users. It reported experiencing only 2 system outages since July 2014-a 30-minute critical outage in December 2014 and a 23-minute critical outage in May 2015.

In addition to system availability, VBA monitors system response times for each of the VBMS modules using an application that measures the amount of time taken for each transaction. From September 2013 through April 2015, VBA reported a decrease in average response times for VBMS-Core and VBMS-Rating. It attributed the decrease in response times to continuous engineering improvements to system performance. Program officials also explained that the difference in response times between modules was due to the type of information that is being pulled into each module from various other VBA systems. For example, both VBMS-Core and VBMS-Rating require information from the VBA corporate database, but VBMS-Core is populated with data from multiple VBA systems in addition to the corporate database.

Program officials told us that specific goals for mean transaction response times have not been established because they feel that adequate tools are in place to monitor system performance and provide alerts if there are response time issues. For example, VBMS performance is monitored in real time by dedicated staff at a contractor's facility, users have access to a live chat feature where they can provide feedback on any issues they are experiencing with the system, and the VBMS help desk offers another avenue for users to provide feedback on the system's performance. The officials also noted that, because transaction response times have decreased, which can be indicative of an improvement to system performance, they are focusing their resources on adding additional functionality instead of trying to get the system to achieve a specific average transaction response time.

While VBA's monitoring of VBMS's performance is commendable and the system's performance and response times have improved over time, the system is still in development and there is no guarantee that performance will remain at current levels as the system evolves. Performance targets and goals for VBMS response times would provide users with an expectation of the system response times they should anticipate, and management with an indication of how well the system is per-

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[16] GAO, *Information Technology Investment Management: A Framework for Assessing and Improving Process Maturity*, GAO 04 394G (Washington, D.C.: March 2004) and Executive Office of the President, Office of Management and Budget, *Evaluating Information Technology Investments, A Practical Guide* (November 1995).

forming relative to performance goals. To address this situation, we recommended that the department establish goals for system response time and use the goals as a basis for periodically reporting actual system performance. VA agreed with this recommendation.

A Recent VBMS Release Included Unresolved Defects that Adversely Impacted System Implementation

A key element of successful system testing is appropriately identifying and handling defects that are discovered during testing. Outstanding defects can delay the release of functionality to end users, denying them the benefit of features. Key aspects of a sound defect management process include the planning, identification and classification, tracking, and resolution of defects. Leading industry and government organizations consider defect management and resolution to be among the primary goals of testing. [17]

The VBMS program has defect management policies in place and is actively performing defect management activities. Specifically, in October 2012, the department developed the VBMS Program Management and Technical Support Defect Management Plan, which describes the program's defect management process. The plan was updated in March 2015 and describes, among other things, the process for identifying, classifying, tracking, and resolving VBMS defects. For example, it provides criteria for assigning four different levels of severity for defects-critical, high, medium, and low. [18]

According to the plan, critical severity defects are characterized by complete system or subsystem failure, complete loss of functionality, and compromised security or confidentiality. Critical defects also have extensive user impact and do not have workarounds. High severity defects can have major user impact, leading to significant loss of system functionality. Medium severity defects can have moderate user impact and lead to moderate loss of functionality. For high and medium severity defects, workarounds could exist. Low severity defects lead to minor loss of functionality with no workaround necessary. According to the Program Management Office, high, medium, and low severity defects do not need to be resolved prior to a system release.

The Program Management Office uses an automated tool to monitor and track defects in the VBMS defect repository. It is used to produce a daily defect management report that is shared with VBMS leadership, and to provide the current status of all open defects identified in testing of a forthcoming VBMS release or identified during production of a previous release. [19]

According to the defect management plan, defects can be resolved in a number of different ways, and, once a defect has been fixed, tested, and has passed testing, it is considered done or resolved. Defects that cannot be attributed to an existing requirement are reclassified as a system enhancement and considered resolved, as they do not affect a current system release requirement. A defect is also considered resolved if it is determined to work as designed, duplicate another defect, or if it is no longer evident in the system.

From March 2014 through March 2015, the total number of VBMS defects declined as release dates approached for four releases (7.0, 7.1, 8.0, and 8.1). Additionally, to the department's credit, no critical defects remained at the time of each of these releases.

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[17] The Project Management Institute, Inc., A Guide to the Project Management Body of Knowledge (PMBOKr Guide), Fifth Edition, (Newtown Square, Pa.: 2013); Institute of Electrical and Electronics Engineers, Software and systems engineering - Software testing, ISO/TEC/IEEE Std 29119 (New York, N.Y.: Sept. 1, 2013); Institute of Electrical and Electronics Engineers, IEEE Standard for Software and System Test Documentation, IEEE Std 829-2008 (New York, N.Y.: July 10, 2008); Institute of Electrical and Electronics Engineers, IEEE Standard Classification for Software Anomalies, IEEE Std 1044-2009 (New York, N.Y.: Jan. 7, 2010); Software Engineering Institute, CMMIr for Acquisition, Version 1.3 (Pittsburgh, Pa.: November 2010); Software Engineering Institute, CMMIr for Development, Version 1.3 (Pittsburgh, Pa.: November 2010); GAO, Year 2000 Computing Crisis: A Testing Guide, GAO/AIMD 10.1.21 (Washington, D.C.: November 1998); GAO Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs, GAO 09 3SP (Washington, D.C.: March 2009); and GAO Schedule Assessment Guide: Best Practices for Project Schedules-Exposure Draft, GAO 12 120G (Washington, D.C.: May 2012).

[18] In addition to the defect severity level, these four defect priority-level assignments are used to designate the immediacy of repair: (1) resolve immediately, (2) give high attention, (3) normal queue, and (4) low priority.

[19] The daily defect management report consists of the following data: (1) total critical and high, priority one defects for resolution; (2) total number of critical defects; (3) total number of high, priority one defects; and (4) total defects for resolution.

However, even with the department's efforts to resolve defects prior to a VBMS release, defects that affected system functionality remained open at the time of the releases. Specifically, of the 254 open defects at the time of VBMS release 8.1, 76 were high severity, 99 were medium severity, and 79 were low severity. Examples of medium and high level defects that remained open at the time of VBMS release 8.1 included:

- E-mail addresses for dependents only occasionally allowed special characters (medium).
- The intent to file for compensation/pension had an active status for a deceased veteran (medium).
- Creating a claim in legacy or VBMS would remove the Homeless, POW, and/ or Gulf War Registry Flash (high).
- Disability name appeared incorrectly in Issue and Decision text for amyotrophic lateral sclerosis (ALS) (high).
- VBMS-Core did not recognize updated rating decisions from VBMS-Rating (high).

According to the Program Management Office, these defects were communicated to users and an appropriate workaround for each was established. Nevertheless, even with the workarounds, high and medium severity open defects, which by definition impact system functionality, degraded users' experiences with the system. Continuing to deploy system releases with defects that impact system functionality increases the risk that these defects will diminish users' ability to process disability claims in an efficient manner. Accordingly, we recommended that VA reduce the incidence of high and medium severity level defects that are present at the time of future VBMS releases. The department agreed with this recommendation.

VBA Had Not Conducted a Survey to Obtain Users' Feedback or Established Related Goals; GAO Found that Satisfaction with the System Varied

Our September 2015 report noted that, in addition to having defined program goals and related performance targets, leading practices identify continuous customer feedback as a crucial element of IT project success. [20] Particularly for projects like VBMS, where development activities are iterative, customer and end user perspectives and insights can be solicited through various methods-user acceptance testing, interviews, complaint programs, and satisfaction surveys-to validate or raise questions about the project's implementation.

Further, leading practices emphasize that periodic customer satisfaction data should be proactively used to improve performance and demonstrate the level of satisfaction the project is delivering. The Office of Management and Budget has developed standards and guidelines in survey research that are generally consistent with best practices [21] and call for statistically valid data collection efforts to be used in fulfilling agencies' customer service data collection. [22] These leading practices also stress the importance of centrally integrating all customer feedback data in order to have more complete diagnostic information to guide improvement efforts. [23]

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[20] GAO, Information Technology Investment Management: A Framework for Assessing and Improving Process Maturity, GAO 04 394G (Washington, D.C.: March 2004); and Executive Office of the President, Office of Management and Budget, Evaluating Information Technology Investments, A Practical Guide (November 1995).

[21] For example, the American Association of Public Opinion Research (AAPOR) best practices (http://www.aapor.org/best—practices1.htm), describe the manner in which to produce a quality survey when a need for information arises for which existing data appear to be insufficient. AAPOR describes features such as random selection that should be used when selecting samples in order to allow the results to be projectable to the population being studied.

[22] OMB, Standards and Guidelines for Statistical Surveys (September 2006). In part, this guidance directs that agency survey designs use generally accepted statistical methods, such as probabilistic methods that can provide estimates of sampling error. Any use of nonprobability sampling methods must be justified statistically and be able to measure estimation error. According to the OMB standards, the size and design of the sample must reflect the level of detail needed in tabulations and other data products, and the precision required of key estimates.

[23] GAO, Information Technology Investment Management: A Framework for Assessing and Improving Process Maturity, GAO 04 394G (Washington, D.C.: March 2004); Carnegie Mellon Software Engineering Institute, Capability Maturity Modelr Integration (CMMI) for Development, Version 1.3 (Pittsburgh, Pa.: November 2010); M.S. Garver and R.L. Cook, ″Best Practice Customer Value and Satisfaction Cultures,″ Mid-American Journal of Business, vol. 16, no. 1 (2001); M.S. Garver, ″Modeling Best Practices for Government Agencies: Implementing Customer Satisfaction Programs″ (Jan. 28, 2002); Best Practices, LLC, ″Achieving World-Class Customer Service: An Integrated Approach″ (copyright 1998-2001); Federal Benchmarking Consor-

VA has used a variety of methods for obtaining customer and end user feedback on the performance of VBMS. For example, the department solicits end user involvement and feedback in the iterative system development process based on user acceptance criteria.[24] According to the Senior Project Manager for VBMS Development within the Office of Information and Technology, at the end of each development cycle and before a new version of VBMS is deployed, end users are involved in user acceptance testing and a final customer acceptance meeting.[25]

The department also provides training to a subset of end users-known as "superusers"-on the updated functionality introduced in a new version of VBMS. These superusers are expected to train the remaining users in the field on the new version's features. The department tracks the overall satisfaction level with training received after each VBMS major release. However, this tracking is limited to superusers' satisfaction with the training, rather than with their satisfaction with the system.[26]

Further, the department solicits customer feedback about the system through interviews. For example, the Director of the Program Management Office stated that the Under Secretary for Benefits hosts a weekly phone call with bargaining unit employees as a "pulse check" on VBA transformation activities, including VBMS. According to this official, the VBA Office of Field Operations also offers an instant messaging chat service to all regional office employees to solicit feedback about the latest deployment of VBMS functionality.

Another method in which the department obtains customer input is through a formal feedback process. For example, according to the Director, VA provides national service desk support to assist users in troubleshooting system issues and identifying system defects. In addition, VBMS applications include a built-in feature that enables users to provide feedback to the Program Management Office on problems with the system. According to the Director, the feedback received by the office also helps to identify user training issues.

Nevertheless, while VA has taken these various steps to obtain feedback on the performance and implementation of VBMS, it has not established goals to define user satisfaction that can be used as a basis for gauging the success of its efforts to promote satisfaction with the system. Further, while the efforts that have been taken to solicit users' feedback provide VBA with useful insights about particular problems, data are not centrally compiled or sufficient for supporting overall conclusions about whether customers are satisfied. In addition, VBA has not employed a customer satisfaction survey of claims processing employees who use the system on a daily basis to process disability claims. Such a survey could provide a more comprehensive picture of overall customer satisfaction and help identify areas where the system's development and implementation efforts might need additional attention.

According to the Director of the Program Management Office, VBA has not used a survey to solicit feedback because of concern that such a mechanism may negatively impact the efficiency of claims processors in completing disability compensation claims on behalf of veterans. Further, the Director believed that the office had the benefit of receiving ongoing end user input on VBMS by virtue of the intensive testing cycles, as well as several of the other mechanisms by which end users have provided ongoing feedback. Nevertheless, without establishing user satisfaction goals and collecting the comprehensive data that a statistically valid survey can provide, the Program Management Office limits its ability to obtain a comprehensive understanding of VBMS users' satisfaction with the system. Thus, VBA could miss opportunities to improve the efficiency of its claims process by increasing satisfaction with VBMS. Therefore, we recommended that VA develop and administer a statistically valid survey of VBMS users to determine the effectiveness of steps taken to make improvements in users' satisfaction. The department agreed with this recommendation.

Most Types of Users Reported Satisfaction with VBMS, but Decision Review Officers Were Generally Dissatisfied

In response to a statistical survey that we administered, most of the VBMS users reported that they were satisfied with the system that had been implemented at the

tium, "Serving the American Public: Best Practices in Customer-Driven Strategic Planning" (February 1997); and OMB, Evaluating Information Technology Investments, A Practical Guide (November 1995).

[24] User acceptance criteria are criteria that a deliverable must satisfy to be accepted by a user, customer, or other authorized entity.

[25] User acceptance testing is formal testing conducted to enable a user, customer, or other authorized entity to determine whether to accept a deliverable.

[26] As of March 31, 2015, VA reported it had exceeded its target goal of 90 percent with a 94 percent satisfaction rate with VBMS superuser training.

time of the survey.[27] These users (claims assistants, veteran service representatives, supervisory veteran service representatives, rating veterans service representatives, decision review officers, and others)[28] were satisfied with the three modules of VBMS.[29]

Specifically, an estimated 59 percent of the claims processors were satisfied with VBMS-Core; an estimated 63 percent were satisfied with the Rating module, and an estimated 67 percent were satisfied with the Awards module.

Nevertheless, while a majority of users were satisfied with the three modules, decision review officers expressed considerably less satisfaction than other users with VBMS-Core and VBMS-Rating.[30] Specifically, for VBMS-Core, an estimated 27 percent of decision review officers were satisfied compared to an estimated 59 percent of all roles of claims processors (including decision review officers) who were satisfied. In addition, for VBMS-Rating, an estimated 38 percent of decision review officers were satisfied, compared to an estimated 63 percent of all roles of claims processors.

Decision review officers were considerably less satisfied with VBMS in comparison to all roles of claims processors in additional areas. For example, an estimated 26 percent of decision review officers viewed VBMS-Core as an improvement over the previous legacy system or systems for establishing claims and storing and reviewing electronic documents related to a claim in an eFolder. In contrast, an estimated 58 percent of all users (including decision review officers) viewed the Core module as an improvement.

In addition, an estimated 26 percent of decision review officers viewed VBMS-Rating as an improvement over the previous systems with respect to providing Web-accessible tools, including rules-based rating calculators, to assist in making claims rating decisions. In contrast, an estimated 55 percent of all roles of claims processors viewed the Rating module as an improvement. For VBMS-Awards, an estimated 61 percent of all roles viewed this module as an improvement over the previous systems to automate the award and notification process.

Similarly, in considering the three modules, a majority of users (including decision review officers) would have chosen VBMS over the legacy system or systems. However, decision review officers indicated that they were less likely to have chosen VBMS-Core and VBMS-Rating over legacy systems. Specifically, an estimated 27 percent of decision review officers would have chosen VBMS-Core compared to an estimated 60 percent of all roles of claims processors. In addition, an estimated 27 percent of decision review officers would have chosen VBMS-Rating compared to 61 percent of all roles that would have chosen the system over the legacy system or systems. For VBMS-Awards, an estimated 67 percent of all roles would have chosen this module over the previous systems.

Decision review officers perform an array of duties to resolve claims issues raised by veterans and their representatives. They may also conduct a new review or complete a review of a claim without deference to the original decision, and, in doing so, must click through all documents included in the e-Folder. Survey comments from decision review officers stated, for example, that reviews in the VBMS paperless environment take longer because of the length of time spent loading, scrolling, and viewing each document (particularly if the documents are large, such as a service medical record file). Additionally, multiple decision review officers commented that it is easier and faster to review documents in a paper file. Although

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[27] We received a response rate of 60 percent. We adjusted for characteristics that were associated with survey response propensity using standard weighting class adjustments defined by sampling strata. We assumed that nonresponse adjusted data are missing at random and therefore concluded the respondent analyses using the nonresponse adjusted weights are unbiased for the population of VBMS users sampled in the survey and the responses to be generalizable to all VBA claims processors at 56 VA regional offices. Confidence intervals for estimates we report from this survey are based on a confidence level of 95 percent and are calculated using methods appropriate for a stratified random sample. Confidence intervals are never wider than plus or minus 5 percentage points. At a 95 percent confidence level, this means that in about 95 out of 100 instances, the sampling procedures we used would be expected to produce a confidence interval containing the true population value we estimate.

[28] Some survey respondents identified themselves as "other" when selecting their role (e.g., rating quality review specialist).

[29] Survey respondents were asked to rate their VBMS experience with various system usability statements and were given the option to select the following answer choices: "strongly agree," "agree," "neither agree nor disagree," "disagree," "strongly disagree," and "not applicable or no basis to judge." We defined satisfaction as a combination of the "strongly agree" and "agree" responses, and excluded those respondents who selected "not applicable or no basis to judge" for analysis of satisfaction, within the main report.

[30] Decision review officers do not typically use VBMS-Awards. Therefore, decision review officers were not compared to other users for that module.

such comments provide illustrative examples of individual decision review officers' views and are not representative, according to the Director of the Program Management Office, decision review officers' relative dissatisfaction is not surprising because the system does not yet include functionality that supports their work, which primarily relates to appeals processing. To improve this situation, we recommended that VA establish goals that define customer satisfaction with the system and report on actual performance toward achieving the goals based on the results of our survey of VBMS users and any future surveys VA conducts. The department concurred with this recommendation.

In conclusion, while VA has made progress in developing and implementing VBMS, additional capabilities to fully process disability claims were delayed beyond when the system's completion was originally planned. Further, in the absence of a plan that identifies when and at what cost the system can be expected to fully support disability compensation and pension claims processing and appeals, holding VA management accountable for meeting a schedule, while ensuring sufficient program funding, will be difficult. Also, without goals for system response times, users do not have an expectation of the response times they can anticipate, and management lacks an indication of how well the system is performing. Furthermore, continuing to deploy system releases with defects that impact functionality increases the risk that these defects will diminish users' ability to process disability claims in an efficient manner. Lastly, although the results of our survey provide VBA with useful data about users' satisfaction with VBMS (e.g., the majority of users are satisfied), without having goals to define user satisfaction, VBA does not have a basis for gauging the success of its efforts to improve the system. As we stressed in our report, attention to these issues can improve VA's efforts to effectively complete the development and implementation of VBMS. Fully addressing our recommendations, as VA agreed to do, should help the department give appropriate attention to these issues.

Chairman Miller, Ranking Member Brown, and Members of the Committee, this concludes my prepared statement. I would be pleased to respond to any questions that you may have.

Contacts and Staff Acknowledgments

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Why GAO Did This Study

VBA pays disability benefits for conditions incurred or aggravated while in military service, and pension benefits for low-income veterans who are either elderly or have disabilities unrelated to military service. In fiscal year 2014, the department paid about $58 billion in disability compensation and about $5 billion in pension claims.

The disability claims process has been the subject of attention by Congress and others, due in part to long waits for processing claims and a large backlog of claims. To process disability and pension claims more efficiently, VA began development and implementation of an electronic, paperless system-VBMS-in 2009.

This statement summarizes GAO's September 2015 report (GAO-15-582) on (1) VA's progress toward completing the development and implementation of VBMS and (2) the extent to which users report satisfaction with the system.

What GAO Recommends

In its September 2015 report, GAO recommended that VA develop a plan with a time frame and a reliable cost estimate for completing VBMS, establish goals for system response time, minimize the incidence of high and medium severity system defects for future VBMS releases, assess user satisfaction, and establish satisfaction goals to promote improvement. VA concurred with GAO's recommendations.

What GAO Found

As GAO reported in September 2015, the Veterans Benefits Administration (VBA) within the Department of Veterans Affairs (VA) has made progress in developing and implementing the Veterans Benefits Management System (VBMS), with deployment of the initial version of the system to all of its regional offices as of June 2013. Since then, VBA has continued developing and implementing additional system functionality and enhancements that support the electronic processing of disability compensation claims. As a result, 95 percent of records related to veterans' disability claims are electronic and reside in the system. However, VBMS is not yet able to fully support disability and pension claims, as well as appeals processing. Nevertheless, while the Under Secretary for Benefits stated in March 2013 that the development of VBMS was expected to be completed in 2015, implementation of functionality to fully support electronic claims processing has been delayed beyond 2015. In addition, VBA has not yet produced a plan that identifies when the system will be completed. Accordingly, holding VA management accountable for meeting a time frame and for demonstrating progress will be difficult.

As VA continues its efforts to complete development and implementation of VBMS, three areas could benefit from increased management attention.

- *Cost estimating:* The program office does not have a reliable estimate of the cost for completing the system. Without such an estimate, VA management and the

department's stakeholders have a limited view of the system's future resource needs, and the program risks not having sufficient funding to complete development and implementation of the system.

- *System availability:* Although VBA has improved its performance regarding system availability to users, it has not established system response time goals. Without such goals, users do not have an expectation of the system response times they can anticipate and management does not have an indication of how well the system is performing relative to performance goals.

- *System defects:* While the program has actively managed system defects, a recent system release included unresolved defects that impacted system performance and users' experiences. Continuing to deploy releases with large numbers of defects that reduce system functionality could adversely affect users' ability to process disability claims in an efficient manner.

- VA has not conducted a customer satisfaction survey that would allow the department to compile data on how users view the system's performance, and ultimately, to develop goals for improving the system. GAO's survey of VBMS users found that a majority of them were satisfied with the system, but decision review officers were considerably less satisfied. Although the results of GAO's survey provide VBA with data about users' satisfaction with VBMS, the absence of user satisfaction goals limits the utility of survey results. Specifically, without having established goals to define user satisfaction, VBA does not have a basis for gauging the success of its efforts to promote satisfaction with the system, or for identifying areas where its efforts to complete development and implementation of the system might need attention.

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Statements For The Record

THE AMERICAN LEGION

Information Technology (IT) systems are only as effective as the data they have to work with. There is a tremendous amount of promise in the Department of Veterans Affairs (VA) Veterans Benefits Management System (VBMS). VBMS represents something the veterans' community has been hoping for since 1988 and that VA has spent over a billion dollars working to implement. However, no matter what technological rewards this system promises, it will only be as strong as the data and if VA doesn't make substantial improvements to the scanning procedures that collect that data, the system will continue to deliver substandard results.

Chairman Miller, Ranking Member Brown and distinguished Members of the Committee on Veterans' Affairs, on behalf of Commander Dale Barnett and the over 2 million members of The American Legion, we applaud you and your colleagues for conducting this hearing to examine the VBMS and how it ultimately impacts delivery of benefits to disabled veterans.

Background

Although efforts to move to an electronic claims processing system date back to at least 1988, the current VA system, VBMS, was created through former VA Secretary Eric Shinseki's directive to modernize the claims processing system in 2009. VBMS was deployed with a mission of reducing claims processing times and improving accuracy in adjudications. Today, VBMS is utilized by Veterans Benefits Administration (VBA) and Board of Veterans' Appeals (BVA) personnel to adjudicate claims.

In September 2009 VA's initial foray into electronic claims processing cost $579.2 million, and by January 2015 costs had exploded to approximately $1.3 billion[1], according to a September 2015 VA Office of Inspector General (VAOIG) report. Within the same report, VA contends that VBMS is expected to meet VA's objective of eliminating the backlog with a 98 percent accuracy by the end of 2015.

The key question is whether this represents a realistic prediction of the impact of the VBMS electronic claims processing system.

According to the VA's final Monday Morning Workload Report (MMWR) for 2015, VBA had the following claims in its inventory[2]:

■ 361,973 claims that were pending;

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[1] *VAOIG Report: Follow-up of the Veterans Benefits Management System: Sept. 2015*
[2] *VA Monday Morning Workload Report: December 28, 2015*

■ 74, 378 claims waiting in excess of 125 days for adjudication (20.5%);
■ 318,266 appeals; and
■ 214,154 dependency claims

The first MMWR following the initial September 2009 investment in VBMS indicated VBA's inventory as [3]:

■ 388,774 claims pending
■ 158,290 claims waiting in excess of 125 days for adjudication (35.6%)
■ 174,891 appeals
■ 50,790 dependency claims

Though VA regularly assured the veteran community in Congressional testimonies that it would meet its stated goal of ending the backlog by the end of 2015, the December 2015 MMWR reflects a failure to meet the stated objective. Additionally, the same MMWR indicated VA's claims accuracy as 90.19 percent and issue based accuracy as 96.3 percent.

The American Legion commends VA for its significant efforts in reducing the backlog - however, we continue to maintain our concerns and frustrations in which VA has approached this task. Since the inception of VBMS in September 2009 the appeals inventory has more than doubled - ballooning over 108 percent. Dependency claims awaiting adjudication have exploded by over 400 percent. Conveniently, VA fails to include these statistics in it backlog measure. With these startling numbers, The American Legion remains concerned that VA has largely focused upon adjudicating certain claims that comprise VA's chosen ″backlog statistics″ rather than addressing the root concern - that veterans must wait for justice for their service connected injuries. A veteran waiting on appeal is a veteran who is still waiting, and absolutely must be considered part of the real backlog.

Feedback on VBMS

The American Legion has over 3,000 accredited representatives located throughout the nation. These dedicated advocates are employed in numerous capacities throughout the nation. Many of these employees are employed in VA facilities and utilize VBMS daily. While many acknowledge that VBMS has improved functions within VA, they will also point out the shortcomings of the system.

In response to the September 2015 VAOIG and Government Accountability Reports, The American Legion collated information from our personnel located within the VA's facilities that utilize the VBMS system to provide feedback. Noted concerns pertaining to VBMS included:

■ Inability to assist sensitive cases requiring accredited representatives to contact other VA regional offices (VAROs) to assist veterans employed by VA.
■ Non-rating claims are not integrated completely within VBMS.
■ Debt Management Center has not been integrated.
■ Veterans On-Line Applications (VONAPPS) and documents reflecting E-benefits powers of attorney/Stakeholders Enterprise Portal (SEP) acceptances only appear in Virtual VA (a separate electronic system).
■ Pension Management Center (PMC) claims only appear in Virtual VA.
■ Correspondence sent to veteran's state that the power of attorney (POA) has received a copy; accredited representatives are not receiving these copies and no alert is provided by VA to the POA indicating correspondence has occurred.
■ POAs are required to review a decision within 48 hours. If a claim is adjudicated and the POA is out of the office, it can put additional pressure on POAs to review the decisions.
■ Rating decisions performed by adjudicators that telework are unable to be reviewed due to the manner VA has created the telework procedures.
■ As the day progresses, the system becomes slower until 5 PM Eastern, when VAROs in the Eastern Time Zone end their duty days and reduces the number of users.
■ Lack of search capability within VBMS
■ Scanned documents are frequently improperly identified

The American Legion conducts training biannually for our accredited representatives. The issue of VBMS and its limits in functionality were a topic of great concern in August 2015. Our representatives called for a resolution to address their concerns. In September 2015, The American Legion urged ″VA to keep the veterans' accredited service organization representatives at the local VAROs informed of all

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[3] *VA Monday Morning Workload Report: October 5, 2009*

decisions made on claims and/or appeals of claimants/appellants who have assigned the service organizations as their VA accredited representative [4]."

Examining the concerns cited above, perhaps the key limiting factor revolves around the improperly identified scanned documents and lack of search capabilities. When VBMS was still in the development stage, the ability to rapidly search through data within a veteran's file for medical information relevant to their claim was consistently cited as the primary advantage of electronic over paper processing. However, this feature continues to fall short in VA's delivery of VBMS.

The American Legion continues to find inconsistent scanning results nationwide. Finding improperly labeled folders in a veteran's file is not a rare occurrence, but an almost daily occurrence for those who work with claims files. This has been a consistent complaint from both service officers and the VA employees The American Legion has spoken with. While a mislabeled folder can be relabeled by initiating contact with appropriate personnel in VA offices, this is still a complicating factor that makes the VBMS files more difficult to work through. The mislabeling is clearly a result of substandard scanning, and making a stronger effort to improve the quality of scanning on the front end would help alleviate this problem.

Further compounding efforts to utilize advantages of an electronic system is the lack of an effective search mechanism. Because the scanned documents have no Optical Character Recognition (OCR) - a promised feature from the early stage of VBMS planning - there is no way to search these documents for key words and phrases. It therefore offers little to no improvement over manually searching though paper files, with perhaps additional eye strain from staring at monitors.

VA has included the veteran's service organizations (VSOs) while designing and implementing VBMS, and they have asked for input to improve functionality. However, this is where the conversation often ends. VA rarely, if ever, implements the requests, and it is particularly frustrating to repeatedly make requests or suggestions for improvement in the field or VA Central Office and fail to see them implemented.

However, The American Legion applauds VA's efforts to modernize its claims processing system. As always, The American Legion is willing to assist VA to ensure that veterans are best served.

Conclusion

In order to improve the VBMS system, it makes the most sense to start at the beginning, with the scanning of documents. If improvements can be made to the scanning process, adding nationwide consistency, properly labeled file folders, and improving the ability to electronically search documents, this system could begin to live up to its potential. Until then, with substandard product input in the system, we are virtually guaranteed substandard output.As always, The American Legion thanks this committee for the opportunity to explain the position of the more than 2 million veteran members of this organization. For additional information regarding this testimony, please contact Mr. Warren J. Goldstein at The American Legion's Legislative Division at (202) 861-2700 or *wgoldstein@legion.org*.

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BRENTWOOD VILLAGE BUSINESS IMPROVEMENT DISTRICT

Chairman Benishek, Ranking Member Brownley and distinguished members of the Subcommittee on Health, I appreciate the opportunity to present this testimony for the record on behalf of the Brentwood Village Business Improvement District (BID) and the Brentwood Village Chamber of Commerce (BVCC) a 501(c)(6) non-profit.

Collectively, the BID and BVCC work with over 100 businesses currently operating in Brentwood Village, an area on the north end of Zone 4 in the West Los Angeles VA Campus. While our storefronts operate adjacent to the VA property, our community is inextricably linked to the VA by our shared values and patronage.

To this end, for the past 70 years, the VA has generously provided parking lots on the eastern edge of its campus that have helped service both Veterans, residents, employees and customers to Brentwood Village as well as the community at large. We believe that the continued shared used of the North Parking lot and Playing Field/South parking lot in Zone 4 is necessary to provide these continued services for veterans.

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[4] *Resolution No. 104: Local Accredited Representative Access to Veterans Benefits Management System Decisions: SEP 2015*

Under the new VA Master Plan, the aforementioned parking lots in Zone 4 are to become green space and/or access roads, which would negatively impact both the businesses that utilize those parking lots and the Veterans who work there and frequent those establishments.

Not only would this eliminate hundreds of parking spaces for Veterans, village businesses and park patrons, but it would cause additional adverse effects such as compounding traffic in an already over-populated and congested area of West Los Angeles. Unfortunately, there are no other parking alternatives in the immediate vicinity.

We have submitted a number of ideas to the VA that would be beneficial to Veterans within the community and ameliorate the aforementioned issue with the parking. Please find some of our suggestions below for your consideration:

1) Promote health and wellness by working with the VA to implement a Food Donation Program for all West Los Angeles Veterans, especially homeless and disadvantaged Veterans - Participating Brentwood Village restaurants to provide unused/unsold food to Veterans.
2) Provide skill building and employment by working with the VA to change the Playing field/South parking lot to a Veteran's Park and potentially create licensing fee for people who bring dogs to the park - this will offer socialization, physical recreation and volunteerism.
3) Participating Brentwood Village Merchants to provide training/employment for Veterans through Mentorship/Internship programs. We will adopt a "Veterans First" hiring policy.
4) Work with the VA to update the ticketing hardware/software and pricing for both parking lots to ensure better access for Veterans and offer potential employment opportunities to elderly and service connected disabled veterans.
5) Participating Brentwood Village Merchants will offer Veterans discounts on goods/services to help promote health, wellness and socialization.
6) Raise funds for scholarship programs/housing and for Veterans currently housed at the Domiciliary who will be transitioning to their first year of independent living.

Thank you for your consideration of our observations, suggestions and recommendations. Taking care of our nation's Veterans is a priority for all of us. As members of the BID and BVCC we take pride in our longstanding connection to the West Los Angeles VA and look forward to resolving this issue together. We welcome the opportunity to continue this dialogue, answer any questions, or provide you with any additional information that you may require.

Questions And Answers For The Record

Department of Veterans Affairs Pre-Hearing Questions:

Question a: As noted in the GAO report, Congress has provided VA with approximately $1.3 billion dollars in funding for the VBMS program. As part of the FY 2016 budget request, VBA asked for $253 million in funding for various technology improvements and processes, and for sustainment of the existing components of VBMS. Provide the total projected cost of developing, implementing, and sustaining the VBMS.

Response: Modernizing VBA systems is an essential part of VBA's overall transformation effort. Resources have already been invested in VBMS to enable VA to fulfill its ambitious goal to transition from paper-based claims to 21st century, electronic claims processing. Delivering the remaining VBMS requirements will allow VBA to capitalize on the investment with a comprehensive technical solution. Each VBMS release provides new or enhanced application functionality, and the system continues to evolve to meet end-user and organizational needs over time.

The FY 2016 budget request includes $76 million for development efforts to enhance the capabilities of VBMS. This funding will deliver functionality such as appeals processing enhancements at the Agency of Original Jurisdiction level, pension automation, and enhancements to the National Work Queue (NWQ). Improvements to electronic communications and expanded access to Veteran information in the VBMS electronic folder (eFolder) are also scheduled for FY 2016. These capabilities have been identified as a high priority for VA stakeholders. Furthermore, FY 2016 funding will also allow VA to integrate with Department of Defense (DoD) information systems to improve evidence request suspense times, eliminate interagency du-

plication of efforts, and allow end-users to process benefit claims faster and more accurately.

The remainder of the FY 2016 funding request will provide sustainment services to support continued system stability to the workforce through performance monitoring, defect and incident resolution, and routine maintenance procedures. Sustainment funding is critical to support the enterprise business capabilities that enable efficient claims processing.

Planned enhancements for FY 2017 will allow end-users to process more claims end-to-end within a single system, further reducing the reliance on legacy systems. This transition will allow VBA to drive improvements on the timeliness and quality of benefits delivery and focus on the MyVA initiative, which outlines VA's transformation to a Veteran-centric organization. At that time, VA expects to achieve department-wide interoperability goals and will evaluate a new investment plan for FY 2018.

Question b: Describe in detail how the Department distinguishes between what is considered ″development″ of VBMS, as compared to ″sustainment″ of VBMS.

Response: Development funds are used to enhance and complete the functionality that will enable VA to electronically process disability compensation claims from end-to-end in VBMS. Development and integration efforts will deliver new functionality, such as support of pension and appeals business processes, which are currently supported primarily by legacy systems. Although VBMS now supports the full lifecycle of disability compensation claims, enhancement requests from end-users are considered valuable development opportunities to streamline business processes and increase productivity.

Sustainment funds support all activities related to the operation and maintenance of the VBMS application in production at the current capability and performance level, including support for deployment resources and equipment. Sustainment costs do not support new functionality or enhancements, but rather the maintenance of existing information systems and applications. There are two types of sustainment funds: mandatory and marginal. Mandatory sustainment provides funding to keep production systems and applications running. Marginal sustainment supports new cost or increased cost to maintain a newly deployed application or system from the point of deployment until the end of the fiscal year.

Question c: Describe in detail the features of VBMS that have been developed thus far, and which of those features are now considered to be in sustainment.

Response: VBMS is a web-based application primarily used by VBA employees to electronically process disability compensation claims. Additional stakeholder groups, including the Veterans Health Administration (VHA), and Veterans Service Organizations (VSO), can access VBMS to aid in the claims process and execute their respective actions. The Board of Veterans' Appeals (the Board) also has access to VBMS to review the eFolder.

A major feature of VBMS is the eFolder, which is used to electronically store claim-related documents and evidence. VBMS features developed to date enable VA to electronically intake and establish claims, develop and evaluate evidence, provide rating decisions, and generate awards. Rating functionality provides rules-based tools and automated decision recommendations. Awards functionality automates award and notification processes.

Sustainment funding is used to sustain all of the above deployed capabilities, along with the VBMS infrastructure. Development funding only supports the development of new features and system enhancements, along with integration work that enables VBMS to support the strategic partners of VBA. All features are considered in sustainment as soon as they are deployed to production.

Question d: Provide the percentage of total VBMS development that has been completed, and the expected date of completion.

Response: With the completion of the electronic eFolder, VBMS has reached its initial operating capability. Ongoing development efforts enhance existing functionality and application performance, as well as deploy new features to increase claims processing efficiency and help the VA workforce meet its strategic goals. VA recognizes the need to continue to invest in ″next generation″ VBMS. VBMS employs an Agile development methodology that allows solutions and requirements to evolve based on priority for each development cycle. Development plans are prioritized and tailored as new business requirements are identified. The long-term vision for the VBMS program will involve transitioning from an application-centric model to one focused on delivering enterprise business capabilities. VA

expects to achieve Department-wide interoperability goals that support common access, stakeholder integration, and end-user satisfaction in FY 2018.

Question e: Describe in detail the functionality VBMS currently contains to process paperless appeals.

Response: Some appeals-specific functionality has been delivered for VBA and the Board. This functionality provides the Board's end-users with a distinct eFolder view, the ability to bookmark, and restricted viewing of the Board's annotations and notes. These features support paperless appeals processing to view documents in the eFolder. VBMS is collaborating with appeals subject matter experts to include more Agency of Original Jurisdiction appeals-specific requirements for future development.

Question f: Describe in detail the Department's plan to determine to what extent end-users are satisfied with the VBMS program.

Response: The VBMS Program Management Office (PMO) has a strong desire to obtain customer satisfaction information from all end-users, to include claims processors, VHA clinicians, and other stakeholders. As stated in response to the recent GAO report (GAO-15-582), VBA is working with labor partners on distribution of a survey, as well as the specific items to be assessed by this survey. The VBMS PMO expects to release a survey in March 2016 to measure end-user satisfaction.

However, a survey gives only a snapshot in time, while continuous feedback provides opportunity for the system to be adapted based on that feedback and realization of benefits offered by Agile methodology. The VBMS PMO has sought feedback from users since initial deployment and also relied on the subject-matter expertise of users to develop the system. The VBMS PMO provides various channels for customer feedback, including stakeholder reengagement, user acceptance testing (UAT), requirements and design sessions, a post-deployment command center, superuser training, change management agent calls, Under Secretary for Benefits (USB) pulse check calls, and the national Transformation Chat. These channels are in addition to the help desk report that captures and prioritizes all reported VBMS-related issues. Enhancement requests from end-users are frequently reviewed and considered for possible inclusion in a future release, as they offer insight to potential improvements to everyday processes. VBMS will continue this process of continual feedback.

Question g: Provide the percentage of all decisions that were appealed through a Notice of Disagreement (NOD) in FY 2015. Please also provide the total number of NODs filed in FY 2015.

Response: Five percent of the 1.4 million rating-related claim decisions made in FY 2015 had been appealed by the end of FY 2015. Most of the Veterans who received a decision in 2015 are still within their one-year appeal period. There were 169,069 NODs established in FY 2015. Approximately 91 percent of these NODs were filed on compensation and pension rating claim decisions. Within this 91 percent, approximately 55 percent of the NODs were submitted on claims completed in FY 2015, with the remainder submitted on claims completed in earlier fiscal years.

Question h: Provide the total number of Statements of the Case (SOCs) that were issued in FY 2015.

Response: There were 100,018 SOCs issued in FY 2015. Many of these SOCs were issued for NODs submitted in earlier fiscal years. An additional 28,766 Supplemental SOCs (SSOCs) were issued in FY 2015.

Question i: Provide the percentage of all Statements of the Case (SOCs) issued in FY 2015 that granted the claimed benefit(s) on appeal. Please also provide the percentage of all SOCs issued in FY 2015 that denied the claimed benefit(s) on appeal.

Response: In FY 2015, VBA resolved 16,718 appeals through a full grant of the benefit sought; as a result, no SOC was issued on these NODs. VBA resolved an additional 2,193 appeals following issuance of an SOC, but prior to certification to the Board of Veterans' Appeals (Board). In addition, 54,468 appellants were satisfied with their SOC and chose not to pursue their appeal to the Board. Approximately 46 percent of appellants who were issued an SOC in FY 2015 chose to continue their appeal to the Board.

Question j: Provide the Average Days Pending (ADP) between the filing of a non-rating claim and the issuance of a decision in FY 2015.

Response: The FY 2015 Average Days to Complete (ADC) non-rating claims data (from the date of filing to the issuance of a decision) is provided in the table below. Non-Rating Related End Products (EPs) represent that grouping of other than rating claims most likely to impact the benefit provided to a Veteran or Survivor.

Other-Than-Rating End Product Activity FY2015

Other Than Rating EP Group	Completes	ADC
Non-Rating Related EPs	**1,219,432**	**94.6**
Control End Products	1,042,740	179.9
Other C&P End Products	850,213	151.9
Total Other Than Rating	3,112,385	143.7

Question k: Describe in detail what resources VBA has devoted to ensure that the functionality of VBMS remains responsive to needs of BVA employees working on appeals cases.

Response: The primary focus of VBMS has been to deliver functionality supporting paperless compensation claims processing toward reducing the claims backlog. As a result, many appeals are available in a paperless environment, and the Board leverages many of the same features as VBA, including simultaneous access by multiple users, ability to search documents electronically, and reduction in the potential for lost mail or misplaced files. Functionality specific to the Board was added to the scope of Major Release 5.0, 6.0, and 7.0. The Board now has nearly 700 end-users in unique user roles for judges, attorneys, and administration of appeals work. In December 2013, VBMS Release 6.0 featured a customized ″Board View″ of the electronic folder. This distinct view of the electronic folder includes restricted viewing of Board annotations and notes, and bookmarking capabilities.

VBA continues to work with the Board to identify and address areas of improvement in appeals processing. VBA is also collaborating with the Board-led Appeals Modernization effort, which is leveraging the U.S. Digital Services Team to integrate the electronic folder with the Department's legacy appeals database known as the Veterans Appeals Control and Locator System (VACOLS).

For Steven Schliesman from Chairman Miller:

The IG and GAO found that the major reason for cost overruns of VBMS is due to VA expanding functionality requirements.

Question: Since 2009, how many times has VA changed functionality requirements?

VA Response: The scope of VBMS functionality has changed six times since 2009 as part of a robust VA prioritization and Congressional approval process. The initial VBMS scope included requirements for converting paper claims documents into an electronic format, storing them in an electronic document repository, and allowing Veterans Benefits Administration (VBA) employees access to these documents to facilitate claims processing. In FY 2012, VBMS development priorities shifted to support the goals of the VBA Transformation Plan, including a new focus on processing electronic data and increasing automation of claim establishment, development, and rating. The initial scope capabilities were delivered by 2013. However, VBMS development continued as VA identified additional opportunities for improving the claims process electronically.

The following six changes resulted from programmatic and business decisions aligned with the VA priority goal to end the claims backlog through implementation of VBMS capabilities:

1. In FY 2013, VA submitted a reprogramming request, which was approved by Congress, to develop and deliver functionality to support VA priority goals, including (but not limited to) Disability Benefits Questionnaires (DBQ) integration and rating evaluation builders.
2. In FY 2014, VA submitted a reprogramming request, which was approved by Congress, to develop and deliver functionality to support VA priority

goals, including (but not limited to) Service Treatment Record integration with DoD, rating decision capabilities, Virtual VA integration, and workload management improvements.

3. In FY 2014, VA submitted a reprogramming request, which was approved by Congress, to accelerate automation of workflow and workload management functionality.

4. The FY 2015 Budget, which was approved by Congress, enabled the development and delivery of functionality to support VA priority goals, including (but not limited to) National Work Queue and rating capabilities.

5. In FY 2015, VA submitted a reprogramming request, which was approved by Congress, to develop and deliver Centralized Mail support, eFolder functionality, National Work Queue capabilities, and awards modernization.

6. The FY 2016 Budget, which was approved by Congress, enabled the development and delivery of functionality to support VA priority goals, including (but not limited to) National Work Queue, rating, and awards capabilities.

Question: How much of the $600 million [stated by Steven Schliesman in his exchange with Chairman Miller] is a result of those changes?

VA Response: Based on the information provided above regarding the reprogramming, of the $610.6M appropriated as VBMS Development, Modernization & Enhancement (DME) funding since 2009, $239.1M is a result of these changes and were managed through both VA Prioritization and Reprogramming processes.

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For Beth McCoy from Rep. Huelskamp:

Question: Please provide a list of my (Kansas First U.S. Congressional District) constituents [that have claims] that are in the backlog.

Response: As of May 22, 2016, there were 111 claims in the rating backlog with zip codes located in the Kansas First U.S. Congressional District. A hard copy of the list of claimants is provided to HVAC committee staff by courier. Please note that VA is unable to determine if 7 of the claims with only a 5 digit zip code were definitively in the Kansas First U.S. Congressional District, because the zip code crosses into another congressional district. The 7 claims are on page 10 of the hard copy list.

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