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**Health, Education, and
Human Services Division**

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July 11, 1997

The Honorable Richard K. Armey
Majority Leader
House of Representatives

The Honorable John Kasich
Chairman, Committee on the Budget
House of Representatives

The Honorable Dan Burton
Chairman, Committee on Government
Reform and Oversight
House of Representatives

The Honorable Bob Livingston
Chairman, Committee on Appropriations
House of Representatives

Subject: The Results Act: Observations on VA's June 1997 Draft Strategic Plan

On June 12, 1997, you asked us to review the draft strategic plans submitted by federal agencies to facilitate the consultations between the Congress and the agencies required by the Government Performance and Results Act of 1993 (the Results Act). This letter provides our observations on the draft plan the Department of Veterans Affairs (VA) submitted to the Congress on June 9, 1997. Under the Results Act, VA and other departments and agencies are required to submit strategic plans by September 30, 1997.

Objectives, Scope, and Methodology

On the basis of the guidance provided in your June 12, 1997, letter, we focused our review of VA's June 9, 1997, draft strategic plan on

- VA's compliance with the Results Act's requirements and the draft plan's overall quality,
- how well the draft plan addresses VA's statutory responsibilities,
- how well the draft plan identifies crosscutting functions and plans for coordination with other departments and agencies,
- the extent to which the plan addresses major VA management challenges we have identified in our reviews of VA programs, and

- VA's capacity to provide reliable performance and cost information to support its strategic plan.

To evaluate VA's draft plan, we used our May 1997 guidance for congressional review of strategic plans;¹ Office of Management and Budget (OMB) guidance on strategic planning (Circular A-11, part 2); and our numerous reports and testimonies on VA programs and departmental management. (See Related GAO Products at the end of this correspondence.) In addition, we have participated in consultations between VA officials and the staffs of the House and Senate Committees on Veterans' Affairs. Some of our preliminary comments on VA's draft strategic plan were discussed at these meetings.

In passing the Results Act, the Congress anticipated that several planning cycles might be needed to perfect the process of developing a strategic plan and that the plan would be continually refined. Thus, our comments reflect a "snapshot" of the status of the plan at a particular point. We recognize that developing a strategic plan is a dynamic process and that VA is continuing to work to revise the draft with input from OMB, congressional staff, and other stakeholders.

Background

In fiscal year 1996, VA spent over \$38 billion to provide a wide array of benefits and services to its customers—veterans and their families. VA's programs are administered by three major components:

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

VA began its strategic planning process about 2 years ago. VA established a Strategic Management Group, consisting of senior VA officials, to develop a

¹Agencies' Strategic Plans Under GPRA: Key Questions to Facilitate Congressional Review (GAO/GGD-10.1.16, Version 1, May 1997).

departmentwide strategic planning process, and to coordinate planning among VA's components.

VA incorporated the strategic planning documents of VHA, VBA, and NCS into its fiscal year 1998 budget, which was submitted to the Congress in February 1997. NCS and the loan guaranty "business line" in VBA are Results Act pilot programs.²

Results in Brief

Overall, we found VA's June 9 draft strategic plan to be incomplete in terms of the elements of a strategic plan as required under the Results Act. In addition, the plan generally lacks a focus on the results of VA programs. Also, the draft plan is somewhat confusing and difficult to follow, mainly because it has several different levels of goals, objectives, and strategies. VA officials and congressional staff have consulted extensively about VA's June 9 draft, and VA officials have acknowledged that their plan needs improvement. VA has indicated that it intends to make significant changes to its draft strategic plan by mid-July to ensure that it is more results oriented and complete, and less confusing.

More specifically, we found that VA's draft plan represents an inconsistent and incomplete application of the six key components of a strategic plan under the Results Act. One of the six—a comprehensive agency mission statement—is present. Other elements are not consistently represented in the plan. For example:

- Most of VA's goals are focused on the process of providing benefits and services, but not on the results of VA programs for veterans and their families, such as assisting veterans in their readjustment to civilian life.
- Some major strategic goals are unsupported by objectives and strategies for achieving them. The draft plan includes placeholders indicating that these elements will be added later. The most significant gap is in the discussion of goals and objectives for most of VBA's programs.
- Discussions of external factors beyond the control of VA that could affect achievement of goals are limited and omit some important external factors, such as trends in the demographics of the veteran population.
- VA's draft plan is not based on formal program evaluations. Although the draft plan includes a schedule of program evaluations, these evaluations will not be complete for several years.

²The Results Act required OMB to select at least 10 agencies to pilot the act's performance planning and reporting requirements for one or more of each agency's major functions, during fiscal years 1994 through 1996. VBA's New York Regional Office also participated in this pilot phase.

While we found that VA's draft strategic plan is generally based on VA's statutory responsibilities, we noted that VA states part of its mission as serving as "principal advocate" for veterans. This mission is not stated in VA's statutory authority and may not be an accurate characterization of VA's role under the law. VA does not necessarily speak for all veterans at all times and may on occasion take positions that veterans may regard as not in their best interests.

The plan acknowledges that VA needs to systematically identify areas where coordination is required. The plan includes a strategic goal to improve the coordination of veterans' services among multiple agencies, because some veterans receive services from agencies other than VA. For example, some veterans receive employment training services from the Department of Labor. Also, VA sometimes relies on other agencies for the information it needs to administer programs—for example, military service records from the Department of Defense (DOD). On the other hand, VA's draft strategic plan either does not address major management challenges for VA that we have previously identified or addresses them in little detail. Examples of such challenges are major delays in resolving compensation and pension claims, challenges created by the "year-2000" computer problem, and recent legislation expanding eligibility for VA medical care and expanding VA's authority to contract with non-VA providers for medical services.

Finally, while VA has made progress in developing the financial and information systems needed to provide accurate and timely cost and performance data to support its strategic planning, much work remains to be done. VA's draft plan reflects VA's need to develop both cost accounting systems and an information technology infrastructure that will provide the data VA needs to develop results-oriented goals and objectives, measure progress, and manage its programs. However, the plan does not address such issues as correcting internal control weaknesses in VA's financial systems and developing an information technology framework based on "best practices" of leading public and private organizations.

Strategic planning under the Results Act is a long-term challenge for federal agencies. We recently reported that, while agencies are likely to meet the September 30, 1997, deadline for producing initial strategic plans, these plans will not be as useful for congressional and agency

decision-making as they could have been.³ This conclusion applies to VA. The draft strategic plan acknowledges many of its own deficiencies and recognizes that much work remains to be done before VA can produce a strategic plan meeting the Results Act's requirements. VA also recognizes that it will not overcome all of the deficiencies in its draft strategic plan by the Results Act's deadline.

VA's Draft Strategic Plan Does Not Fully Address Key Results Act Elements

The Results Act requires that agency strategic plans contain the following key elements: (1) a comprehensive mission statement; (2) general goals and objectives, including outcome-related goals and objectives; (3) a description of how the goals and objectives are to be achieved; (4) a description of how performance goals in annual agency performance plans will be related to the general goals and objectives; (5) identification of key external factors that could affect achievement of the general goals and objectives; and (6) a description of program evaluations used in establishing or revising the general goals and objectives, as well as a schedule for future program evaluations. VA's draft strategic plan contains a comprehensive mission statement but is deficient in addressing the other five key elements. For two of the key elements (development of results-oriented goals and use of program evaluations), the draft plan contains plans to help correct the deficiencies.

VA's Mission Statement

VA's draft strategic plan contains a basic mission statement, followed by a more detailed discussion of the purposes of its major program areas. A mission statement should focus on an agency's purpose and how it will achieve that purpose. VA's mission statement does this by stating that part of its mission is to help promote the health, welfare, and dignity of veterans, in recognition of their service to the nation. The more detailed discussions of VA's major program areas support the basic mission statement by describing how each major program assists veterans and their families. For example, the plan states that

- through NCS, VA ensures that veterans' service is honored by providing dignified burials and lasting memorials, as well as by maintaining veterans' cemeteries as national shrines, and
- VBA's educational assistance program has several purposes, such as assisting service members in readjusting to civilian life; extending opportunities for higher education to people who might not otherwise be

³The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven (GAO/GGD-97-109, June 2, 1997).

able to afford it; and aiding in the recruitment and retention of members of the Armed Forces, Selected Reserve, and National Guard.

Corporate and Strategic Goals, Objectives, and Strategies and Performance Goals

VA's draft strategic plan contains multiple layers of goals, along with objectives, strategies, and performance goals to support them. This is a major source of confusion in attempting to evaluate the plan. Most of the plan's strategic goals are accompanied by objectives, strategies, and measurable performance goals. However, some corporate and strategic goals are not explained at all; instead, the plan states that explanations will be provided at a later date. Also, most of the plan's goals are oriented toward VA's operations and processes, rather than toward the results of VA's programs for veterans and their families. VA officials agree that their goals need to be more results oriented and focused and told us they intend to make such changes in their mid-July revision of the draft strategic plan.

VA's draft strategic plan is organized around two levels of goals: four corporate goals, which are subdivided into 34 strategic goals. A complete list of these goals appears in enclosure I. The four corporate goals are to

- honor, compensate, and care for veterans in recognition of their sacrifices for America;
- provide "One-VA" world class customer service;
- create and maintain a high performing workforce to serve veterans; and
- provide the taxpayer maximum return on investment.

Under the first corporate goal, which reflects program purposes set forth in various VA statutes, VA lists strategic goals for all of its major programs. The other three corporate goals are not based on specific requirements in VA's statutes but reflect the need to provide quality, efficient service to veterans. In addition, the last three corporate goals lack a focus on the results of VA programs for veterans and their families; instead, they focus on VA's processes for providing benefits and services.

Each corporate goal has up to 10 strategic goals. This additional layer of goals is one of the factors that makes the plan confusing and difficult to evaluate. Also, almost all of the strategic goals are process oriented, rather than results oriented. For example, two strategic goals are geared toward the implementation of the Results Act:

- A strategic goal stating that "VA programs are effective in meeting the needs of veterans and their beneficiaries" is very broad. However, the

explanation of this goal describes a process for meeting some of the key requirements of the Results Act. Under this strategic goal, VA plans to identify the purpose of each program, establish results-oriented performance measures, identify the data needed for strategic planning purposes, and initiate formal program evaluations.

- The strategic goal to “improve the continuity and coordination of delivery of veteran services and benefits from multiple federal agencies” describes VA’s intention to establish a process for identifying overlaps and linkages between VA and other agencies, enhancing and improving communications links with other agencies, and improving communications with state veterans’ offices and other state officials.

Wide differences also exist in the scopes of strategic goals. For example, compare the strategic goal to “improve the overall health care of veterans” with the strategic goal to “establish an ongoing process of collecting employee information about the workforce and integrate priority concerns into the strategic management process.” The former goal is very broad, covering VHA’s statutory responsibility to provide health care to veterans; the latter appears to be an objective or strategy for achieving a larger strategic goal.

In general, VA’s strategic goals are supported by statements of objectives, strategies to implement the objectives, and performance goals against which VA’s progress in meeting strategic goals can be measured. However, not all of the strategic goals are supported by objectives, strategies, and performance goals. The most significant gap is in the strategic goal to “improve benefit programs.” This goal covers all five of VBA’s business lines, but supporting details are provided for only one business line: loan guaranty. Thus, the plan lacks any discussion of objectives, strategies, or performance goals for several major VBA program areas, including compensation and pension—one of VA’s two largest program areas (the other being medical care). VBA has done strategic planning for these programs, as reflected in its fiscal year 1998 budget submission. However, VA is still working to incorporate VBA’s strategic planning into the Department’s strategic plan, including the development of results-oriented goals and objectives. Other gaps in VA’s draft strategic plan are in the strategic goals related to VHA’s medical education and emergency medical back-up functions.

One of the necessary features of a strategic plan is a discussion of how an agency plans to ensure accountability for achieving strategic goals. VA’s draft plan contains such a discussion, in the form of a strategic goal to

ensure that VA employees are accountable for their performance in achieving VA's goals. VA's strategy is to establish a performance management system to emphasize achievement by individual employees, or groups of employees, of specific organizational goals; emphasize accountability for outcomes; and promote innovation. Executive rewards are to be made consistent with this new performance management system.

Some of the statements of strategies do not address how they will contribute to achieving strategic goals, or how the strategies will be implemented. For example, under the strategic goal to "improve the overall health care of veterans," one of the strategies is to increase the proportion of VA residents trained in primary care to 50 percent. The strategy does not explain how increasing the proportion of residents trained in primary care will help improve veterans' health care, nor does it describe how VA will increase the proportion of medical residents trained in primary care.

Most of the plan's strategic goals are accompanied by measurable performance goals. Many of VA's performance goals meet the definition of an annual performance goal because they have (1) a performance measure used to track progress in achieving the performance goal (for example, the average number of days required to process a claim for educational assistance) and (2) a target level to be achieved during a given fiscal year (for example, reducing the average number of days to process an educational assistance claim to 23 days by fiscal year 2002).

The strategic goal to provide "prompt delivery of services and benefits" is accompanied by 15 measurable performance goals covering promptness of service for most of VA's major program areas, such as to

- provide veterans with decisions on vocational rehabilitation claims within 60 days, by fiscal year 2002;
- set headstones and grave markers in national cemeteries within 60 days of interment, by fiscal year 2002; and
- schedule primary care appointments for VA patients within 7 days of their contacting VA, by fiscal year 2003.

Reflection of External Factors

Most of the strategic goals in VA's draft plan are accompanied by discussions of external factors affecting achievement of the strategic goal. External factors can be economic, demographic, social, technological, or environmental. Assessments of such external factors can be valuable to

agencies in setting goals and can assist the Congress and agencies in determining the likelihood of achieving strategic goals. Further, such assessments can explain why agencies did not meet their strategic goals.

In many cases, the draft plan's discussion of external factors supporting strategic goals is limited to whether the Congress will appropriate sufficient funds, or make substantive legislative changes, to allow VA to meet its goals. This is particularly true for VA's discretionary programs, such as health care and NCS. Also, discussions omit external factors that are beyond the control of both VA and the Congress. For example, while the plan includes some data on demographic trends in the veteran population, it does not explain how these were used in setting strategic goals, or how they will be used to measure progress in achieving these goals. Also, larger trends, such as in the overall workforce and health care system, are not tied to strategic goals.

One of the major strategic goals of NCS is to ensure that a burial option is available to all eligible veterans. The plan defines a burial option as burial in a VA national cemetery or a state veterans' cemetery within 75 miles of the veteran's place of residence. NCS' performance goals, in turn, are geared toward constructing new VA national cemeteries; expanding existing VA cemeteries; and assisting, through the State Cemetery Grants Program, the construction of new state veterans' cemeteries. The plan lists specific VA cemeteries to be constructed or expanded, with specific target fiscal years for each. The plan's discussion of external factors consists of a statement that resource constraints could delay achievement of the plan's performance goals. However, the plan does not tie the strategic and performance goals to external factors, such as the mortality rate for veterans and veterans' relative preferences for VA, state, and private cemeteries, which will affect the need for additional VA and state cemetery capacity.

The first strategic goal specific to VHA—to improve the overall health care of veterans—is defined, in part, in terms of increasing the number of users of VA's health care system. The plan's discussion of external factors indicates that its objective to increase VA health care system users is dependent on enactment of legislation to allow VA to keep reimbursements from third-party insurers, and to obtain Medicare reimbursements, for some of the medical care VA provides.⁴ However, the plan does not address the effects of major external factors on future use of VA's health care

⁴In general, VA can collect the costs of providing care not related to veterans' service-connected disabilities from private insurers but cannot collect from Medicare. Third-party collections not needed to cover VA's collection costs are deposited in the Treasury.

system, notably, changes in the overall health care market (such as the trend toward managed care in the private sector) and veterans' demographics (such as the decline in numbers and aging of the veteran population). These factors could potentially limit the increase in health care that VA is attempting to achieve.

Program Evaluations

The goals in VA's draft strategic plan are not supported by formal program evaluations. Program evaluations are objective, formal assessments of the results, impact, or effects of a program or policy. Program evaluations can be an important source of information in helping the Congress and others ensure that agency goals and strategies are valid and reasonable, providing baselines for agencies to use in developing performance measures and developing performance goals, and identifying factors likely to affect agency performance.

VA's plan acknowledges that VA has not performed such evaluations. To prepare for evaluations, VA programs are conducting "strategic program scans." These are general reviews of VA's current programs, including identification of each program's purpose, outcomes, existing performance measures, and data needed to measure program outcomes and impact.

VA's draft strategic plan includes a plan for beginning a formal evaluation process for its programs. VA's strategy is to identify and prioritize, in consultation with congressional oversight committees and stakeholders, programs to be evaluated. VA plans to establish its prioritization in fiscal year 1998 and begin conducting evaluations in fiscal year 1999. VA also plans to begin performing more focused reevaluations of the first programs evaluated, starting in fiscal year 2001.

OMB guidance suggests that agencies include a schedule for program evaluations in their strategic plans. These schedules should communicate the general scope and methodology of evaluations, key issues to be addressed, and when evaluations will occur. VA's strategic plan does not contain this information; its schedule is general, stating that two evaluations will be initiated in fiscal year 1999, and four will be initiated every fiscal year thereafter until all VA programs have been evaluated.

Key Statutory Responsibilities Are Addressed in VA's Strategic Plan

VA's draft plan addresses its major statutory responsibilities and is generally consistent with them. The mission statement includes a reference to VA's general authority to administer laws providing benefits to veterans and their beneficiaries. The basic mission statement is supported by more specific references to the statutory authorities for VA's major programs. VA's major statutory responsibilities are to provide

- health care (38 U.S.C. 1701);
- burial services (38 U.S.C. 2400);
- vocational rehabilitation (38 U.S.C. 3100);
- educational assistance (38 U.S.C. 3001, 3201, and 3451);
- compensation for disabilities (38 U.S.C. 1101 and 1301);
- pensions (38 U.S.C. 1501);
- insurance (38 U.S.C. 1901); and
- home loan guarantees (38 U.S.C. 3701).

The mission statement also includes an element that is not dictated by law. In particular, VA describes part of its basic mission as serving as the "principal advocate" for veterans and their families in "ensuring that they receive medical care, benefits, social support, and lasting memorials promoting the health, welfare, and dignity of all veterans." This role is not directly linked to anything in the laws governing VA and may not be an accurate characterization of its role under the law. A senior VA official stated that VA has a responsibility to determine whether its programs are adequate to meet the needs of veterans and, from time to time, to recommend changes in statutory authority to the Congress. While it is reasonable for VA to review its programs and recommend changes, serving as a principal advocate for veterans and their families is not an accurate description of that role. VA does not necessarily speak for all veterans at all times and—because of factors such as its statutory duties, the policies of the executive branch, and the availability of funds—may on occasion take positions that veterans may regard as not in their best interests.

VA Has Not Fully Identified and Coordinated Crosscutting Functions

VA has not clearly identified the areas where its programs overlap with those of other federal agencies, nor has it coordinated its strategic planning efforts with those agencies. Instead, one of VA's strategic goals is to identify areas of overlap and coordinate with other federal agencies. According to the draft plan, this will involve (1) identifying programmatic overlaps and linkages with other federal agencies, (2) enhancing and improving communication links with other federal agencies, and (3) keeping state directors of veterans affairs and other state officials

apprised of VA benefits and programs and of opportunities for collaboration and coordination.

In some areas, VA provides benefits and services to veterans that are similar to those provided by other federal agencies to nonveterans or exclusively to veterans. Examples of areas where VA needs to coordinate with other departments and agencies follow.

Employment Training

We have identified 163 separate employment training programs in the federal government.⁵ VA administers 11 of these programs, including its largest education program—the Montgomery G.I. Bill—and VA’s vocational rehabilitation program.

Substance Abuse

In October 1996, we reported that VA was one of 16 federal agencies providing substance abuse treatment and prevention programs.⁶ VA’s focus is on treatment programs for veterans, provided through VHA’s medical centers, outpatient clinics, and domiciliaries. Treatment services can include diagnostic assessment; detoxification; and medical, psychiatric, and psychological counseling. VA’s draft strategic plan does not indicate whether VA plans to coordinate with other agencies providing substance abuse treatment and prevention services, notably the Departments of Health and Human Services, Education, and Housing and Urban Development.

Telemedicine

VA is one of nine federal agencies developing telemedicine systems. Telemedicine, in its broadest sense, refers to the use of communications technology to help deliver medical care without regard to the distance separating the participants. VA examples include the following:

- The Baltimore VA Medical Center stores X rays and magnetic resonance images electronically, rather than on film. This provides better images and allows several users at distant sites to view them at the same time.
- The Washington and San Francisco Medical Centers routinely review, via telephone lines, the status of cardiac pacemakers worn by VA patients. This reduces the number of unnecessary operations to replace pacemakers.

⁵Multiple Employment Training Programs: Information Crosswalk on 163 Employment Training Programs (GAO/HEHS-95-85FS, Feb. 14, 1995).

⁶Drug and Alcohol Abuse: Billions Spent Annually for Treatment and Prevention Activities (GAO/HEHS-97-12, Oct. 8, 1996).

- The Atlanta Medical Center uses its telemedicine system to provide continuing medical education and training to residents, including classes conducted by the Centers for Disease Control and Prevention.

VA participates in the Joint Working Group on Telemedicine (JWGT), which was established in 1995 to coordinate federal agencies' telemedicine efforts. We reported in February 1997 that JWGT is having difficulty developing an inventory of telemedicine programs and that agencies do not have strategic plans to guide their telemedicine investments.⁷ VA's draft strategic plan addresses VA's efforts to implement telemedicine systems under the strategic goal of reducing medical care costs and improving VHA's revenue stream. VA's main performance goals include developing a telemedicine strategic plan in fiscal year 1998 and developing and implementing standards for such projects. The plan does not, however, mention JWGT or any efforts to coordinate telemedicine development with other agencies—for example, with the DOD health care system.

Also, VA relies on other agencies for information and must coordinate with these agencies. VA relies heavily on DOD to provide records of veterans' military service. For example, VA needs military records

- as part of the evidence required to determine whether veterans have service-connected disabilities, which affects veterans' eligibility and entitlement for many VA programs, including disability compensation and medical care, and
- to determine whether veterans and Selected Reserve and National Guard members meet the military service requirements for eligibility for Montgomery G.I. Bill educational assistance.

VA's Strategic Plan Does Not Address Some Major Management Challenges

Our work at VA has identified a number of major management challenges that VA faces, some of which are not addressed in VA's draft strategic plan.

We have reported that VA's vocational rehabilitation program should be more focused on whether it helps disabled veterans find jobs than on whether veterans complete the program.⁸ As we have noted above, VA's draft strategic plan is silent on the goals and objectives of most of its programs, including the vocational rehabilitation program. A

⁷Telemedicine: Federal Strategy Is Needed to Guide Investments (GAO/NSIAD/HEHS-97-67, Feb. 14, 1997).

⁸Vocational Rehabilitation: VA Continues to Place Few Disabled Veterans in Jobs (GAO/HEHS-96-155, Sept. 3, 1996).

results-oriented goal for this program would focus on issues such as how well it assisted disabled veterans in overcoming their employment handicaps to obtain and maintain employment consistent with their abilities, aptitudes, and interests.

Veterans face major delays in the resolution of their compensation and pension claims by the time the appeals process has been completed. VA's draft plan includes a strategic goal to "do it right the first time." This strategic goal includes performance goals related to reducing delays in claims processing, including (1) providing correct entitlement decisions on claims 97 percent of the time by fiscal year 2002 and (2) reducing the proportion of veterans' appeals that are remanded by the Board of Veterans Appeals back to VBA benefits offices from 43.7 percent to 20 percent by fiscal year 2002. Also, under the strategic goal of "prompt delivery of services and benefits," VA has set a performance goal to reduce appeal processing time by 64 percent (from 1,000 days to 365 days) or more by fiscal year 2003.

VBA may not be able to make accurate and timely benefit payments to veterans at the beginning of the year 2000 unless it is able to reprogram its computers to recognize the next century. Most computer software in use today is limited to a two-digit date field, such as "97" for 1997. Thus, this software will not be able to distinguish between the years 1900 and 2000 because both will be designated "00." We recently reported and testified that VBA could do more to address its year-2000 problems and recommended a number of actions VBA should take to address the serious risks associated with its year-2000 activities.⁹ The discussion in VA's draft strategic plan on developing a departmentwide information technology infrastructure addresses the year-2000 issue. The plan states that VA's objective is to ensure that its information systems will provide uninterrupted service to support VA benefits delivery and medical care in the year 2000. The plan also includes a performance goal that full implementation and testing of compliant software (that is, software capable of processing dates beyond 1999) will be completed by December 1999.

VBA also needs to strengthen its ability to prevent overpayments of compensation and pension benefits. At the end of 1996, VA's outstanding overpayments exceeded \$500 million. VA has the capability to prevent millions of dollars in overpayments but has not done so because it has not

⁹Veterans Benefits Computer Systems: Risks of VBA's Year-2000 Efforts (GAO/AIMD-97-79, May 30, 1997) and Veterans Benefits Computer Systems: Uninterrupted Delivery of Benefits Depends on Timely Correction of Year-2000 Problems (GAO/T-AIMD-97-114, June 26, 1997).

focused on this area. VA's draft strategic plan states that, through efforts within VA and with other agencies, VA will work to ensure that data used in making decisions are correct and up to date. Among the decisions that should be improved with better data are VBA's determinations of compensation and pension payment amounts. However, the plan does not establish a strategy or performance goal for reducing overpayments.

VHA faces challenges in implementing the Veterans' Health Care Eligibility Reform Act of 1996 (P.L. 104-262). This law expanded eligibility for VA health care services and required VHA to establish an enrollment system for veterans using VA's health care system. VHA's challenge is to develop an enrollment system that accurately reflects the law's priorities. The Eligibility Reform Act also expanded VHA's authority to procure health care services from other providers and sell its services to other providers. VHA's challenge is to determine when it should provide services in its own facilities and when it should contract for services. VA's draft strategic plan sets out a performance goal to increase the number of enrolled veterans that is based on VA's objective to preserve its existing health care system for all veterans by increasing the number of veterans using the system. The plan does not address how the enrollment system will be developed to support its strategic goal of improving veterans' health care, nor does it address contracting out care as an option for meeting the health care needs of veterans.

VA's Capacity to Provide Reliable Information on Achievement of Strategic Goals Is Still Limited

In addition to the Results Act, the Congress in recent years has enacted other legislation designed to help federal agencies meet their needs for accurate and reliable information to support executive branch and congressional decision-making.

- The Chief Financial Officers' (CFO) Act of 1990, as expanded by the Government Management Reform Act of 1994 and the Federal Financial Management Improvement Act of 1996, was designed to improve the timeliness, reliability, usefulness, and consistency of agencies' financial information and requires, among other things, cost accounting.
- The Paperwork Reduction Act of 1995 and the Clinger-Cohen Act of 1996 are intended to improve agencies' ability to use information technology to support their mission and improve performance.

VA has begun to implement these acts and has made progress in financial management and information technology. But VA still has financial management and information technology issues that it needs to address

before it can be assured that it has the performance and cost information needed to measure its progress in achieving results-oriented goals.

VA has established a sound financial management structure, a goal of the CFO Act of 1990. The Assistant Secretary for Management serves as VA's Chief Financial Officer, and CFO positions have been established in VHA, VBA, and NCS. Also, VHA plans to establish a CFO position in each of its 22 veterans integrated service networks. Further, VA participated in a pilot for annual accountability reports beginning with fiscal year 1995. Accountability reports are designed to consolidate reporting of performance and financial data under various laws and provide a comprehensive picture of an agency's program performance and financial condition.

A good financial management system is important to help VA ensure that it has reliable and timely information on the costs of its programs. For example, VHA needs accurate and timely information on its costs for providing medical care in order to determine whether providing health care in a VA facility is more or less costly than contracting it out. The installation of its Financial Management System gives VA, for the first time, an integrated financial management system. This system has led to improvements in reporting of receivables and property management, which resulted in the first issuance by VA's Inspector General of an unqualified opinion on VA's Statement of Financial Position for the fiscal year ending September 30, 1996.¹⁰

However, the Inspector General identified six areas where VA still needs to correct internal control weaknesses:

- continuing efforts are needed to refine property, plant, and equipment records;
- continuing action is needed to improve estimates used in valuing accounts receivable;
- aggressive efforts are needed to cancel unneeded obligations;
- continuing progress is needed in correcting problems of the antiquated VA Life Insurance system;
- information system security controls need improvement; and
- the Housing Credit Assistance program financial accounting process needs strengthening.

¹⁰VA has been preparing audited annual financial statements since fiscal year 1986.

In addition, VA's fiscal year 1996 Accountability Report mentioned 12 material weaknesses, reported under the Federal Managers' Financial Integrity Act (FMFIA), dealing with such issues as compliance with credit reform requirements, loan sale program management, controls over prescription drugs, and antiquated computer hardware and software. The strategic plan does not discuss any planned corrective actions with regard to the six reportable conditions or the 12 FMFIA material weaknesses.

VA's draft strategic plan includes a strategic goal to establish an effective departmentwide cost accounting system. According to the plan, this system would include two cost accounting systems already in development: VHA's Decision Support System (DSS) and VBA's Activity Based Costing (ABC) system.

Using DSS to combine clinical and financial information, VA can compare the costs of surgery performed by different physicians at different medical facilities; evaluate patient outcomes; and analyze ways to increase service quality, reduce costs, and appropriately price excess services for sale to the private sector or other federal agencies. We previously reported, however, that some of the clinical and cost data DSS requires are incomplete, inaccurate, or inconsistent.¹¹ VHA plans to achieve universal usage of DSS for its management and budgeting by fiscal year 2000.

In general, the ABC model involves (1) developing cost information, (2) identifying specific program activities to be costed, and (3) allocating costs to the specific activities. The ABC model has been pilot tested at VBA's St. Louis and Philadelphia Regional Offices to capture these offices' costs that were attributable to VBA's educational assistance and insurance business lines, respectively. Three other pilots were completed in May 1997—at VBA's St. Paul Debt Management Center; its Benefits Delivery Center and Finance Office in Hines, Illinois; and VBA's Central Office operations.

The Paperwork Reduction Act of 1995 provides basic guidance to federal agencies on acquiring and managing information resources. Based on the concept that information resources should support agency missions and performance, the act requires that information resources management plans (1) delineate the resources that are needed and (2) explain how the agency plans to minimize the paperwork burden on the public and the cost

¹¹VA Health Care Delivery: Top Management Leadership Critical to Success of Decision Support System (GAO/AIMD-95-182, Sept. 29, 1995).

to the government of collecting information. The Clinger-Cohen Act of 1996 reinforces this guidance and adds requirements designed to promote the use of information technology to better support agencies' missions and performance. This act is primarily concerned with ensuring that agencies have systems to prioritize information technology investments.

VBA's information technology efforts have yielded some improvements in its hardware and software capabilities. Our work on VA's information technology development, focusing on VBA, identified areas where improvements are needed before VBA can provide accurate performance data to support its strategic planning and program management.

One such problem is the need for VBA to develop credible strategic business and information resources management plans. VBA has undertaken several initiatives to improve claims processing efficiency and reduce its large backlog of unprocessed claims. But it has done so without an overall business strategy clearly setting forth how it would achieve its goals. Instead, VBA has used stopgap measures to deal with its claims processing problems. While these measures have improved processing times and reduced the claims backlog, VA needs to find other solutions. VBA plans to use business process reengineering (BPR) methods to develop new strategic goals and resource requirements for each of its business lines. Three of these business lines, including compensation and pension, have begun BPR projects, but only the compensation and pension BPR project has progressed sufficiently to produce formal goals and detailed plans.

Another challenge for VBA is to do a better job of managing its information technology development projects as investments. Our reviews of VBA's information technology initiatives show that VBA lacks the critical cost, benefit, and risk information it needs to determine whether it has made worthwhile investments—a first step in determining what it needs to meet its information resource management priorities.¹² For example, VBA's January 1997 information resource management support plan identified the year-2000 problem discussed earlier as VBA's top priority, but neither these plans nor VBA's year-2000 plan adequately discusses the resources required to deal with the problem. VBA needs to develop the tools needed to follow a three-phased management approach for selecting, controlling, and evaluating information technology-related projects. It also needs to develop a process to rank and prioritize information technology investments as a consolidated portfolio.

¹²VBA Information Technology Investment (GAO/AIMD-97-10R, Oct. 18, 1996).

A third challenge for VBA is to improve its software development capability. Once agencies have identified their top priority information technology projects, they must be able to determine whether the projects should be developed in house or contracted out. Our review of VBA's software development capabilities found that, on a scale of software development maturity, VBA was in the "least mature" category.¹³ Thus, VBA cannot reliably develop and maintain high-quality software within existing cost and schedule constraints. This, in turn, places VBA's information technology modernization efforts at significant risk. We made several recommendations to the Secretary of Veterans Affairs. These recommendations and VBA's responses follow:

- Obtain expert advice on developing high-quality software. VBA is working with the Air Force, under an interagency agreement, to implement this recommendation.
- Develop a plan to achieve a higher level of software development maturity. VBA has developed such a plan and has taken other actions to improve software development maturity.
- Require that future software development contracts specify that services be obtained from contractors with at least a level 2 (on a scale of 1 to 5, with 5 being the highest level) rating. According to VBA, it has awarded a general software contract that requires contractors to have knowledge of the software capability evaluation methodology and use it where applicable.

VA's draft strategic plan identifies several actions it will take to address VA-wide information technology planning, including the following:

- Development of a VA-wide Capital Asset Plan and establishment of a VA Capital Investment Board to generate policies for capital investments, including investments in information technology, and review proposed capital investments.
- Development of a VA-wide information technology strategic plan and a portfolio of information technology capital investments.

The draft plan's discussion of information technology does not address VA's need to address its information security weaknesses—an issue we have identified as high-risk throughout the federal government.¹⁴ Also, the Paperwork Reduction Act of 1995 and the Clinger-Cohen Act of 1996 call

¹³Software Capability Evaluation: VA's Software Development Process Is Immature (GAO/AIMD-96-90, June 19, 1996).

¹⁴Information Management and Technology (GAO/HR-97-9, Feb. 1997).

for agencies to implement a framework of modern technology management based on the “best practices” followed by leading private- and public-sector organizations that have successfully used technology to dramatically improve performance and meet strategic goals. VA’s draft plan does not include these “best practices.”

Agency Comments

We met with VA officials on July 9, 1997, to discuss their comments on a draft of this letter. At that time, the Assistant Secretary for Policy and Planning provided a letter stating VA’s general comments (see enc. II).

VA officials agreed that VA’s strategic plan needs to focus more on results but noted that congressional oversight of VA has focused on program delivery (such as expanding benefits to more veterans and increasing benefit amounts) and not, for the most part, on program outcomes or results.

In addition, VA officials said that VA will continue to place “appropriate emphasis” on customer service, workforce development, and management issues. They noted that VA is in the business of providing services and benefits; thus, they believe that VA’s processes are important to serving its customers. Also, these officials believe that the Results Act does not preclude focusing on VA’s processes. We agree that process-oriented goals and measures are important and can support results-oriented goals and measures.

VA officials also believe that our letter should reflect the “extensive and constructive” consultations that have already taken place on VA’s draft strategic plan. As we have noted, we participated in the consultations between VA officials and staffs of the House and Senate Committees on Veterans’ Affairs and discussed many of the observations in this letter at these meetings.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this correspondence until 30 days after its issue date. At that time, we will send copies to the Minority Leader of the House of Representatives; the Ranking Minority Members of the House Committees on Budget, Government Reform and Oversight, and Appropriations; the Chairmen and Ranking Minority Members of the Senate Committees on Budget, Government Reform and Oversight, and Appropriations; the Chairmen and Ranking Minority Members of the

House and Senate Committees on Veterans' Affairs; the Secretary of Veterans Affairs; and the Director, Office of Management and Budget. We will also send copies to others on request.

Please contact me on (202) 512-7202 if you have any questions. Greg Whitney also contributed to this correspondence.

A handwritten signature in black ink that reads "Cynthia M. Fagnoni". The signature is written in a cursive style with a large, stylized "C" and "F".

Cynthia M. Fagnoni
Acting Associate Director
Veterans' Affairs and
Military Health Care Issues

Enclosures - 2

Corporate and Strategic Goals in the Department of Veterans Affairs' Draft Strategic Plan

Corporate goal	Strategic goals
1. Honor, compensate, and care for veterans in recognition of their sacrifices for America.	1.1: VA programs are effective in meeting the needs of veterans and their beneficiaries and contribute to improving the quality of their lives. 1.2: Improve the overall health care of veterans. 1.3: 100 percent of the VA medical research projects are demonstrably related to the health care of veterans or to other departmental missions. 1.4: VA will collaborate with the Department of Health and Human Services and affiliated medical schools to regulate the number of physicians trained to ensure there are a sufficient number in each subspecialty and avoid creating a surplus in particular subspecialties. 1.5: Provide back-up medical care for the Department of Defense in times of emergency. 1.6: Improve benefit programs. 1.7: Ensure that a burial option is available to all eligible veterans. 1.8: Improve minority veterans' awareness and utilization of VA programs, services, and benefits. 1.9: Improve women veterans' utilization of VA programs, services, and benefits. 1.10: Improve the continuity and coordination of delivery of veteran services and benefits from multiple federal agencies.
2. Provide "One-VA" world class customer service.	2.1: <u>Ease of access</u>: A veteran, beneficiary, or representative will be able and encouraged to access VA in the fastest possible time; by the easiest possible means; and, where possible, receive one-stop assistance. 2.2: <u>Customer satisfaction</u>: Service will meet or exceed customer expectations. 2.3: <u>Courtesy</u>: Service will be delivered with respect, dignity, and compassion. 2.4: <u>Do it right the first time</u>: Accurate and complete benefits and services will be delivered with zero defects. If it is not done right the first time, there will be candid acknowledgment of mistakes and priority assignment to correction of mistakes. 2.5: <u>Prompt delivery of services and benefits</u>: Timeliness of service delivery will meet or exceed customer expectations and will be analyzed against the best-in-business. 2.6: <u>Effective outreach</u>: Veterans, dependents, and beneficiaries will know and understand the available benefits and services.

(continued)

Enclosure I
Corporate and Strategic Goals in the
Department of Veterans Affairs' Draft
Strategic Plan

Corporate goal	Strategic goals
3. Create and maintain a high-performing workforce to serve veterans.	3.1: Establish an ongoing process of collecting employee information about the workplace and integrate priority concerns into the strategic management process. 3.2: Support VA's ability to create and maintain a high- performing workforce to serve veterans today and tomorrow. 3.3: Promote VA's mission to train future health care providers in service to veterans and all Americans. 3.4: Ensure that VA's future workforce is well prepared to carry out its responsibilities. 3.5: Ensure that VA employees are accountable for their performance. 3.6: Promote efforts to ensure that VA's workforce reflects the diversity of the customers we serve: the nation's veterans and their dependents. 3.7: VA's work environment is recognized by employees as conducive to productivity, achievement, and fostering respect among all. 3.8: Advance innovative work and employment practices.
4. Provide the taxpayer maximum return on investment.	4.1: Establish an effective departmental cost accounting system. 4.2: Reduce costs and improve the revenue stream for the health care system. 4.3: Reduce benefit delivery costs and improve productivity. 4.4: Manage the national cemeteries in the most efficient and effective manner. 4.5: Develop and implement a departmental Capital Asset Plan that addresses the construction and information technology needs of medical facilities, cemeteries, and veterans' benefits offices. 4.6: Implement an overarching departmental information technology infrastructure to integrate information resources management within the Department. 4.7: Enhance the departmental Procurement System. 4.8: Ensure that corporate data and information are timely maintained; accurate; used consistently throughout VA; and readily available within the Department, to external stakeholders, and to the general public, as appropriate. 4.9: Provide fast, efficient, and cost-competitive delivery of human resource and payroll services. 4.10: Increase the use of alternate dispute resolution to conserve time, money, and resources.

Note: Not all of the strategic goals are numbered in VA's draft plan; we added numbering for ease of identification.

Source: VA draft strategic plan dated June 9, 1997.

Comments From the Department of Veterans Affairs



DEPARTMENT OF VETERANS AFFAIRS
ASSISTANT SECRETARY FOR POLICY AND PLANNING
WASHINGTON DC 20420

July 9, 1997

Acting Associate Director
Veterans' Affairs and Military Health Care Issues
General Accounting Office

We appreciate the opportunity to review the GAO draft report commenting on VA's draft Strategic Plan. In view of the limited amount of time allowed for the Department to comment on GAO's draft report, our response will, of necessity, be brief.

In general, GAO makes a number of valuable observations on how to improve our initial draft plan. However, its principal criticism seems to be that our plan is process oriented rather than outcome or results oriented. VA agrees that we need to enhance our focus on outcomes and results but wish to point out that the GPRA includes both performance and results. GAO's view is somewhat one-sided in favor of results and fails to recognize sufficiently the statutory construct of VA programs and Congressional policy direction that has generally been silent on policy objectives.

Veterans benefit programs, which are almost always the result of Congressional rather than VA policy initiatives, traditionally say little about intended program goals and are vague when they do. Rather, they establish a very specific benefit with detailed criteria as to who and under what conditions the benefits are available. Because they are enacted as legal entitlements, the VA has virtually no discretion about who receives the benefits, provided the specific statutory criteria are met. Congressional oversight has traditionally focused on program delivery rather than program outcomes. Substantive program review has typically concerned either increasing the benefit to reflect CPI changes, or expanding the benefit to those not currently entitled. Until our recent GPRA efforts, neither the authorizing committees nor VA have, for the most part, focused on outcome or results.

While VA agrees that the strategic plan should place greater emphasis on program results or outcomes, the Department is in the business of providing services and benefits to a specific group of citizens: military veterans and their dependents and survivors. We do not believe that GPRA was intended to exclude attention to process and operations nor that the same format and structure of the plans should be uniform for all departments and agencies. Few departments have the same level of direct customer service responsibilities. We intend to enhance the program areas of our plan and ensure that readers clearly grasp that those areas are of preeminent importance. However, we continue to believe that processes and operations are important to serving veterans and will continue to place appropriate emphasis on the areas of customer service, workforce development, and management issues.

**Enclosure II
Comments From the Department of
Veterans Affairs**

Page 2.

Indeed, GAO seems to place considerable importance in these areas also since much of your draft report focuses on these areas.

Given this reality, the VA's initial reliance on process issues together with its commitment to seek the data that permits evaluation should be seen in a more positive light than is presented by GAO.

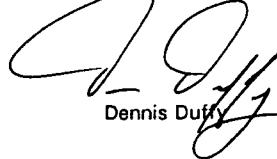
VA's approach to program evaluation recognizes that the historical focus has been on process and operations leading to mostly process-related data being available. To a lesser extent, there has been concern with what might be called intermediate outcomes such as matriculation from education programs or purchase of a home. A major result of the program evaluation effort will be the establishment of end outcome goals and measures.

We believe that GAO's draft should be revised to reflect the extensive and constructive consultation that has occurred over the past few weeks or at least acknowledge that the consultation occurred and that GAO participated fully. We would anticipate that GAO will continue to participate as further consultations take place leading to a final strategic plan. VA plans to conduct consultation with the veterans service organizations as well as with the Office of Management and Budget in the coming weeks.

VA agrees with many of GAO's observations concerning refinements to the plan that we intend to make, especially filling the gaps in program-related areas. In fact, VA forthrightly acknowledged those gaps and improvements needed in both the initial draft plan and the transmittal letter.

The strategic planning processes engendered by the GPRA will require considerable time to develop, implement, and mature into the kind of effective processes that we all believe are needed. The completion of the FY 1998-2003 Strategic Plan for the Department of Veterans Affairs will only be the beginning of that long journey. It will be an important milestone, not an end of itself. We believe that this plan will need to be revised and improved virtually continuously over the coming months and years.

Sincerely,



Dennis Duffy

Related GAO Products

Veterans Benefits Administration: Focusing on Results in Vocational Rehabilitation and Education Programs ([GAO/T-HEHS-97-148](#), June 5, 1997).

The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven ([GAO/GGD-97-109](#), June 2, 1997).

Veterans Benefits Computer Systems: Risks of VBA's Year-2000 Efforts ([GAO/AIMD-97-79](#), May 30, 1997).

Veterans' Affairs: Veterans Benefits Administration's Progress and Challenges in Implementing GPRA ([GAO/T-HEHS-97-131](#), May 14, 1997).

Veterans' Employment and Training Service: Focusing on Program Results to Improve Agency Performance ([GAO/T-HEHS-97-129](#), May 7, 1997).

Agencies' Strategic Plans Under GPRA: Key Questions to Facilitate Congressional Review ([GAO/GGD-10.1.16](#), Version 1, May 1997).

Department of Veterans Affairs: Programmatic and Management Challenges Facing the Department ([GAO/T-HEHS-97-97](#), Mar. 18, 1997).

Managing for Results: Using GPRA to Assist Congressional and Executive Branch Decisionmaking ([GAO/T-GGD-97-43](#), Feb. 12, 1997).

VA Disability Compensation: Disability Ratings May Not Reflect Veterans' Economic Losses ([GAO/HEHS-97-9](#), Jan. 7, 1997).

VA Health Care: Improving Veterans' Access Poses Financial and Mission-Related Challenges ([GAO/HEHS-97-7](#), Oct. 25, 1996).

Vocational Rehabilitation: VA Continues to Place Few Disabled Veterans in Jobs ([GAO/HEHS-96-155](#), Sept. 3, 1996).

VA Health Care: Opportunities for Service Delivery Efficiencies Within Existing Resources ([GAO/HEHS-96-121](#), July 25, 1996).

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