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Use of Information Technology by VA's
Department of Veterans Benefits

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



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Mr. Chairman and Members of the Subcommittee:

We are pleased to participate in these hearings on the use of information technology by the Veterans Administration's (VA) Department of Veterans Benefits (DVB).

In August 1986, October 1987, and January 1988, we issued reports¹ with recommendations to improve VA's management of its information resources. VA agreed with our recommendations and told us that it was taking several management initiatives to respond to them. Currently, we are following up on VA's responses to our recommendations.

This morning, we would like to discuss VA's actions to improve management of its information resources and to share some observations. In particular, we will be discussing several agencywide management initiatives and how these are affecting the management of information systems within DVB. In addition, we will be discussing DVB's modernization program for its information systems and its efforts to improve its current systems in the interim.

¹Computer Systems: VA's Target Project Never Achieved Redesign of its Processing Software (GAO/IMTEC-86-30BR, Aug. 21, 1986), ADP Systems: Department of Veterans Benefits Modernization Program (GAO/IMTEC-88-3, Oct. 30, 1987), and Information Systems: Veterans Administration Information Resources Management Is Improving (GAO/IMTEC-88-17, Jan. 27, 1988).

At this juncture in our effort, we can offer some observations about VA's efforts to respond to our recommendations. Our testimony today is based on our examination of VA's annual Information Systems Plan for 1988; recently issued policies, procedures, and guidelines for information systems; completed portions of VA's revised DVB modernization program; and supporting documentation for 13 short-term interim improvement projects intended to improve current DVB information systems.

To manage a large and diverse network of service providers effectively, VA management must have well-conceived and designed information systems to give it timely, complete, and accurate cost and workload performance data. Our past work on VA's information systems has identified long-standing gaps that impair the capability of VA management to provide responsive service to veterans in an efficient, cost-effective manner. These gaps include

- the lack of centralized control and oversight of VA information systems,
- the absence of goals and measurable objectives for its information system development efforts,
- incomplete analysis and definition of information requirements,
- information systems that cannot provide data to all users, and

--inadequate analysis of costs and benefits of alternatives to meet information requirements.

For fiscal year 1988, VA plans to obligate nearly \$480 million on information technology including telecommunications. Of this amount, \$101 million is for DVB benefit programs. Because DVB is highly dependent on information processing to deliver benefits to veterans, its information systems will affect the effectiveness of the \$15.4 billion in benefits that Congress appropriated for fiscal year 1988.

VA Initiatives to Improve Information Resource Management

VA has instituted a number of revisions to its management of information resources. First, VA has established centralized control and oversight of its information resources by designating that the VA Administrator has authority for all matters relating to ADP, office automation, and telecommunications. Most of the responsibility for oversight and control for systems development has now been transferred from the departments and offices to the Associate Deputy Administrator for Management. The Associate Deputy Administrator for Management is now the senior official for information resources management at VA. Besides responsibilities as the senior official for information resources, the Associate Deputy Administrator for Management also has responsibility for program analysis and evaluation. While we endorse placing the

senior information resource management official at a high level, considering the past problems and major modernization efforts underway in its information systems, VA may want to carefully monitor whether these additional duties will hamper the senior official's ability to manage information resources.

As part of its effort to centralize oversight and control, VA has established a review and approval process within the Office of the Associate Deputy Administrator for Management for all ADP initiatives over \$50,000. (We have included as exhibit 1 an overview of the approval process currently used by VA.) In addition, VA has just instituted a quarterly progress reporting system in the office of the Associate Deputy Administrator for Management to provide regular oversight for these initiatives. In October 1987, VA established a Systems Integration Review Board, chaired by the Associate Deputy Administrator for Management and comprised of senior policy officials from VA departments and staff offices, to develop VA system integration goals, to review progress of major systems efforts, and to resolve systems integration issues raised.

Lack of integrated information systems is a problem in many federal agencies. VA recognizes that systems integration is a key element required to develop an efficient system for providing quality care and benefits. Many of VA's systems currently supporting DVB programs were developed as long as 20 years ago. Benefits from

these computer systems are limited because more information is needed for servicing veterans, and program management and oversight. These systems are also unable to exchange needed information with other operational information systems. Because of the time involved in collecting and manipulating operating data from these systems, the information often arrives too late for VA employees to use to improve service to veterans. For example, information on some of the most recent payments made to veterans is usually 4 to 6 weeks old before it is available on microfilm at the regional offices. With integrated systems, current payment information could be available to all authorized users electronically.

VA's 12-Point Plan to Modernize DVB Information Systems

Within the framework of VA's recent management initiatives, DVB is following a 12-point plan to modernize its existing information systems extending from 1986 through 1994. A revised plan, developed in April 1988, responds to our recommendation² that VA revise its modernization program in order to provide specific goals and objectives against which program progress can be measured, and to validate that the chosen solution is optimal, based on a documented analysis that clearly lays out the costs and benefits of alternatives.

²(GAO/IMTEC-88-3, Oct. 30, 1987).

Currently, only the first two points of the plan have been completed--defining goals and objectives and identifying the constraints and assumptions for the modernization program. (We have included DVB's modernization schedule for its 12-point plan as exhibit 2.)

Under its earlier DVB modernization effort, the Target project, VA provided computer terminals to its regional offices to automate the claims authorization and inquiry functions but did not achieve its objective to redesign the claims-processing software.³ Thus, it did not achieve its intended benefits--improved claims processing times, better controls over claims processing, and improved software that is more responsive to change. In contrast to that effort, VA is using an incremental, building-block approach to rebuild its information systems, where the adequacy of each phase can be assessed by management before committing resources to the total project. VA has defined measurable performance objectives for the modernization program. It is now defining the activities and supporting information required to run each of its programs, and documenting the current systems in place--both manual and automated. After these steps are completed, VA plans to evaluate alternatives, including their costs and benefits, to provide modernized information systems to support DVB programs.

³(GAO/IMTEC-86-30BR, Aug. 21, 1986).

Upgrades to Current Systems

Because VA is more than 3 years away, at a minimum, from beginning to implement modernized systems, it is appropriate that system enhancements or maintenance--both hardware and software--continue on the existing systems. While the modernization effort is being conducted, it plans to pursue 13 short-term improvements to its existing information systems supporting DVB programs. Program officials said they believe these efforts will address some of the critical shortcomings of its existing information systems before the modernized systems are installed. They added that these system enhancements will provide sufficient benefits to justify their costs by replacing manual processes with automation, and providing secondary benefits of reducing benefit program costs through the availability of more timely and complete information.

For each of the 13 improvement projects, VA plans to use its newly established procedures that require that a needs analysis, requirements analysis, and cost-benefit analysis for feasible alternatives be completed for each project. When these efforts are completed, each project is to be reviewed by the Associate Deputy Administrator for Management. (Exhibit 3 is an annotated listing of the 13 projects, and describes the shortcomings of and proposed changes to existing systems.)

We have not conducted a detailed analysis of these short-term improvement projects. However, we have some observations about the 13 project justifications that we reviewed. First, for each of the projects, VA has a supporting statement of needs that ties the project to one of the missions of the VA. Second, for each of the projects, VA has completed a requirements analysis that delineates the improvements in information processing that VA plans to achieve and does so at a level where improvements can be measured. Third, for six of the projects, VA has completed a cost-benefit analysis.

Although we did not review every aspect of these cost-benefit analyses, we have some observations to share. On the basis of aggregated data from the six completed cost-benefit analyses, VA expects these projects to cost \$52 million and provide benefits of \$211 million, a one-to-four ratio. VA has phased in both anticipated benefits and costs over a period of years in the manner that it expects them to accrue over their limited life-cycle (ending when the modernized systems are implemented). These cost-benefit analyses divide expected benefits into direct benefits by reducing personnel and secondary benefits derived from improved information handling. Total personnel reduction benefits are \$83 million (from a net savings of 405 full-time equivalents) and total secondary benefits are \$128 million. In the case of direct benefits achieved by reducing personnel, VA based its estimates on measured savings from prototype systems or time-in-motion studies.

VA's estimate of \$128 million in secondary benefits is considerable, more than 60 percent of total benefits. Almost all of the secondary benefits were attributable to the Loan Guaranty Program Operational Improvement Project. In the cost-benefit analysis for this project, VA estimated secondary benefits of more than \$30 million annually in the following areas: a decrease in property holding time, interest on properties held, and an increase in the cure rate of foreclosures (percent of total defaults that avoid foreclosure).

Summary

VA has recognized that its existing information systems do not provide sufficient information to (1) improve service to veterans, (2) improve the efficiency of its employees, and (3) reduce the costs of its benefit programs. In response, VA has undertaken several management initiatives that should help it to capitalize on advances in information technology. We believe that these initiatives form an appropriate framework for improving its information systems, including those supporting DVB programs.

VA's 12-Point Plan is a step in the right direction because it provides an appropriate framework for modernizing DVB information systems. To date, VA has completed only 2 of the 12 points in the plan. To the extent VA successfully implements the remaining 10 points, its DVB modernization program should be successful.

In addition to the modernization effort, VA plans 13 interim, short-term projects to meet critical needs within DVB. In our opinion, VA is developing the information needed to justify these projects by conducting a needs analysis, requirements analysis, and cost-benefit analysis of alternatives for each effort. On the basis of cost-benefit analyses completed to date, VA expects to reap substantial benefits from these efforts by reducing the number of personnel to run its programs and by increasing secondary benefits derived from more timely and complete information. We caution, however, that because these interim projects do not fully address all of the critical shortcomings of VA's existing information systems, they should not be considered a substitute for the modernization program. Thus, care should be taken to ensure that the interim projects do not inappropriately drive the modernization program or its schedule. At this time, we believe in the long run, these shortcomings can best be resolved through modernized systems that integrate information.

This concludes my prepared statement. We will be happy to answer any questions you may have.

OVERVIEW OF VA INFORMATION SYSTEM APPROVAL PROCESS

Purchase value of \$50,000 or less

- Approval must be obtained from the appropriate Associate Deputy Administrator and/or department head or staff office director

Purchase value greater than \$50,000

- Approval must be obtained from the Associate Deputy Administrator for Management

- Initiatives with a life cycle cost of \$500,000 or less require

- Requirements analysis
- Cost/benefit analysis
- Installation plan/post installation review

- Initiatives with a life cycle cost greater than \$500,000 require

- Requirements analysis
- Cost/benefit analysis
- Sources of funding
- Acquisition strategy
- Waivers from agency standards
- Statement of nonavailability of excess/surplus resources
- Vendor evaluations
- Acceptance criteria
- Performance evaluation criteria

ANNOTATED LISTING OF SHORT-TERM IMPROVEMENT PROJECTS

1. Automated Payment History File -- With this project, DVB will maintain the most recent payment and returned check information in an on-line, Automated Payment History File for all Compensation, Pension, and Education payments. Currently, recurring payment information is provided on microfilm, but this information cannot be accessed until 4 to 6 weeks after payment, resulting in inefficient and untimely payment procedures.

2. Control of Veterans Records -- Currently, veterans records are handled by a manual process that is labor-intensive and time-consuming. VA proposes an automated folder control system using bar coding techniques in each of its 58 regional offices.

3. DVB/DM&S (Department of Medicine and Surgery) Data Exchange -- The purpose of this project is to improve the exchange of information between VA medical centers and VA regional offices. The existing methods for exchanging information between regional offices and medical centers are paper-bound, labor-intensive, and pose a high risk of benefits overpayment. VA's Office of the Inspector General has documented \$13 million in net erroneous payments that are due, in part, to poor controls in these processes.

4. Fiduciary and Field Examination Automation Project -- The Fiduciary and Field Examination (F&FE) program oversees distribution of benefit payments to about 125,000 beneficiaries who are incompetent or minors. Many F&FE functions, such as supervising payees, reviewing benefit accounting statements, and conducting field examinations, lack adequate automated support. The purpose of this project is to examine and implement alternatives for providing automated support for a variety of activities supporting F&FE functions.

5. Acquisition of Hand-held Terminals for File Maintenance

Activities -- Currently, a highly labor-intensive file maintenance process exists of selecting records, removing folders, creating and mailing punch cards, and converting data to tape. VA plans to automate this process by installing hand-held terminals in all 58 regional offices. The proposed system has been tested and has proved to be a viable alternative to current manual procedures.

6. Integrated Target/Office Automation Access for Itinerant

Personnel -- The goal of this project is to provide the capability of exchanging information between regional offices and itinerant personnel in the most efficient and cost-effective manner.

Currently, field examiners write their reports by hand, type them, or dictate them for transcription at regional offices. Proposed capabilities call for access by itinerant personnel to common information and work processes in the regional offices, and prompt file transfer capabilities between field examiners and regional offices.

7. Integrated Target/Office Automation Access for Outbased

Personnel -- Currently, sublocations of regional offices, called outbased locations, are significantly hindered by dependence on manual systems, as only 2 out of 44 sites have Target capability. The proposed system will give VA personnel at these locations access to Target, office automation, and ad hoc processing functions, significantly improving responsiveness to veterans.

8. Integrated Target/Office Automation Access for Central and Regional Office Personnel

-- Currently, support operations and claimant assistance services are severely hindered by limited access to both office automation resources and benefit delivery support systems. This project proposes that award and disallowance features of the current Target system be combined with word processing features, and that single-purpose terminals be changed to multi-functional workstations in all 58 regional offices and in the central office.

9. Loan Guaranty Automated Payment File -- VA's aim through this project is to eliminate manual preparation of vouchers (SF 1166) and code sheets at the 49 affected regional offices. At an unspecified date, Treasury will not accept manually prepared vouchers; therefore, VA must automate its vouchers.

10. Centralized Accounting for Local Management (CALM) Code Sheet Elimination -- This project will eliminate manual preparation of CALM code sheets and will provide for the direct transmission of accounting transactions to the CALM system, located in Austin, Texas. Direct transmission will better utilize funds by insuring that payments are made in accord with the Prompt Payment Act of 1982.

11. Voucher Integration and Payment System -- Currently, 325,000 cards supporting finance activities are manually maintained at the 58 regional offices. Maintenance of these cards consumes approximately 150,000 staff hours per year. With the proposed system, payment/receipt of information will be kept electronically. The new system will eliminate paper records and will more efficiently use staff resources.

12. Loan Guaranty Program Operational Improvement Project -- Currently, 2,100 VA Loan Guaranty personnel are impeded by outdated batch processing systems and paper-intensive manual procedures. The proposed system focuses on three areas: 1) construction and valuation/loan processing; 2) code sheet elimination; and 3) property management. Furthermore, the system calls for the installation of an on-line, data base production system. VA anticipates major savings by decreasing property holding time and operating expenses, as well as the interest on properties held, and by increasing the cure rate of foreclosures (percent of total defaults that avoid foreclosure).

13. Target Terminal Purchase -- Currently, because of a lack of Target terminals in the regional offices, many VA personnel must use manual processes. The goal of this project is to provide regional offices with an increased number of terminals that will provide adequate access to the original Target system plus all functions added to Target since 1979.