

June 2007

VETERANS AFFAIRS

Continued Focus on Critical Success Factors Is Essential to Achieving Information Technology Realignment





Highlights of [GAO-07-844](#), a report to congressional requesters.

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Why GAO Did This Study

The Department of Veterans Affairs (VA) spends nearly \$1 billion yearly to support its information technology (IT) needs; yet it has encountered persistent challenges in managing IT projects. In October 2005, VA initiated a realignment to centralize its IT management program that it plans to complete by July 2008. GAO was requested to determine (1) whether the department's realignment plan includes critical factors for successful implementation and (2) how the centralized management approach is to ensure that the chief information officer (CIO) is accountable for the department's entire IT budget. To do so, GAO identified critical success factors, analyzed realignment and budget documents, and held discussions with VA officials.

What GAO Recommends

GAO is making several recommendations to VA, including that it dedicate an implementation team to manage change, expedite development of performance metrics, and establish a schedule for implementing management processes. Commenting on a draft of this report, VA generally concurred with GAO's recommendations and described actions to address them.

www.gao.gov/cgi-bin/getrpt?GAO-07-844.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Valerie C. Melvin at (202) 512-6304 or melvin@gao.gov.

What GAO Found

VA's plans for realigning the management of its IT program include elements of several factors that GAO identified as critical to the department's implementation of a centralized structure; additional departmental actions could increase assurance that the realignment will be completed successfully (see table). Since undertaking the realignment, VA has concentrated its efforts on transferring approximately 6,000 staff to the CIO's authority and on creating a new organizational structure. It has also taken certain actions to establish an IT governance plan, identify workforce management responsibilities, and increase communication about the realignment with staff. However, it has not yet created a knowledge and skills inventory to help determine proper roles for all employees in the new organization, established governance boards to manage resources, or dedicated an implementation team to manage change and track the progress of the realignment with performance metrics. As a result, the department risks jeopardizing the success of its efforts and may not realize the long-term benefits of the realignment.

Summary of VA's Actions Addressing Critical Success Factors

Critical success factor	Addressed	Progress
Ensuring commitment from top leadership	yes	Secretary approved the new IT organization structure and the transfer of employees
Establishing a governance structure to manage resources	partially	Secretary approved the IT governance plan but VA has not established governance boards or process descriptions for centrally managing IT
Linking IT strategic plan to organization strategic plan	no	VA has not yet updated its IT strategic plan to reflect the new organization but has established a date by which it intends to update the plan
Using workforce strategic management to identify proper roles for all employees	partially	VA has identified workforce management responsibilities but has not established a knowledge and skills inventory
Communicating change to all stakeholders	partially	VA has addressed staff concerns about the realignment through memorandums and conferences but has not fully staffed offices that will facilitate communication
Dedicating an implementation team to manage change	no	VA does not plan to establish a realignment implementation team

Source: GAO.

Within the new structure, the CIO is to have responsibility for ensuring that there are fiscal controls over the IT appropriation and for overseeing capital planning processes, budget execution, and financial management programs. According to the department, it plans to establish the CIO's control by (1) designating organizations with specific roles and responsibilities for controlling the budget to report directly to the CIO; (2) implementing a governance structure that assigns budget oversight responsibilities to specific governance boards; and (3) developing and implementing IT portfolio management and financial management processes. While these measures show the potential for establishing control of the budget, VA has not yet fully implemented them or committed to a time frame for doing so. Thus, their effectiveness in ensuring the CIO's accountability for the budget has not yet been established.

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Abbreviations

CIO	chief information officer
DAS	deputy assistant secretary
IT	information technology
IV&V	independent verification and validation
VA	Department of Veterans Affairs
VBA	Veterans Benefits Administration
VHA	Veterans Health Administration

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United States Government Accountability Office
Washington, DC 20548

June 15, 2007

The Honorable Bob Filner
Chairman
The Honorable Steve Buyer
Ranking Member
Committee on Veterans' Affairs
House of Representatives

The use of information technology (IT) is crucial to helping the Department of Veterans Affairs (VA) effectively serve our nation's veterans—the department expends about \$1 billion annually in support of its IT program. Nonetheless, VA has encountered persistent challenges in managing its IT projects. For example, in 2004, after spending almost \$250 million over 5 years, the department experienced a highly publicized failure on an initiative to replace its financial management system. According to VA's Inspector General, this failure was the result of issues related to managing and monitoring the implementation of the system. We previously reported¹ that a contributing factor to VA's challenges in managing projects was the department's decentralized management structure, in which its administrations² and headquarters offices³ controlled a majority of the department's IT budget.

To provide greater authority and accountability over its resources, in October 2005, the department initiated a realignment of its IT program. The goals were to centralize IT management under the department-level Chief Information Officer (CIO) and standardize operations and the development of systems across the department using new management processes based on industry best practices. Completion of the realignment is scheduled for July 2008.

¹GAO, *Veterans Affairs: The Role of the Chief Information Officer in Effectively Managing Information Technology*, [GAO-06-201T](#) (Washington, D.C.: Oct. 20, 2005); and *Veterans Affairs: The Critical Role of the Chief Information Officer Position in Effective Information Technology Management*, [GAO-05-1017T](#) (Washington, D.C.: Sept. 14, 2005).

²The VA comprises three administrations: the Veterans Benefits Administration (VBA), the Veterans Health Administration (VHA), and the National Cemetery Administration (NCA).

³The headquarters offices include the Office of the Secretary, six Assistant Secretaries, and three VA-level staff offices.

Given the importance of information technology for supporting VA's mission, you requested that we review the department's effort to realign its IT program. Specifically, our objectives were to determine (1) whether the department's realignment plan includes critical factors for successful implementation of a centralized management approach and (2) how the centralized management approach is to ensure that the CIO is accountable for the department's entire IT budget, including those funds that previously had been controlled by its administrations.

In conducting this review, we obtained and analyzed relevant documents from VA, its realignment contractor, and the independent verification and validation contractor supporting the initiative. To assess the realignment, we identified critical success factors by reviewing relevant GAO products and researching industry best practices on organizational transformations. In addition, we conferred with a leading provider of research and analysis on the IT industry to obtain its input on the relevance and soundness of factors we identified for consideration in our assessment of the realignment effort. We then assessed whether the department's realignment documentation identified actions that reflected these factors and held periodic meetings with realignment team members, including contractors, to discuss whether and how these factors were being considered in the department's realignment plans and actions. To determine how the centralized management approach will ensure that the CIO is accountable for the entire IT budget, we reviewed documentation and plans that addressed budget oversight and execution under the new organization. To supplement our analysis, we met with officials in VA's Office of Information and Technology who are responsible for managing and executing the budget. We conducted our study from June 2006 through May 2007 in accordance with generally accepted government auditing standards. For more details on our scope and methodology, see appendix I.

Results in Brief

VA's plans for realigning the management of its IT program include elements of several of the six factors we identified as critical for the department's implementation of a centralized management structure; additional departmental actions could increase assurance that the realignment will be completed successfully. Since undertaking the realignment in October 2005, VA has concentrated its efforts on transferring approximately 6,000 staff to the CIO's office and on creating a new centralized organizational structure. The department has also approved its IT governance plan to address how the Office of Information and Technology will manage resources; however, it has not yet established

the boards that are to provide governance over the centralized structure. In addition, the department has identified the responsibilities for managing its workforce within its new structure but has not yet established a knowledge and skills inventory to help determine the proper roles for all employees in the new organization. Further, while VA has highlighted the importance of managing change in its realignment documentation, it has not dedicated an implementation team to manage the realignment and track its progress through the use of performance metrics. As a result, the department may jeopardize the success of its efforts and may not realize the long-term benefits of the realignment.

Within the realigned structure, VA plans to ensure that the CIO will be accountable for the entire IT budget through three primary measures. First, the new centralized organization includes positions for two new deputy assistant secretaries who are to be responsible for the development of VA's annual IT budget and for tracking actual expenditures against the budget. Second, the new governance plan calls for the establishment of CIO-level governance boards, which are to oversee both the development and approval of the budget and monitor its execution. Third, implementation of two new IT management processes—portfolio management and financial management—are to be used to establish control over the budget. While these measures show the potential for establishing the CIO's control of the budget, VA has neither fully implemented them nor committed to a time frame for doing so. Thus, their effectiveness in ensuring accountability for the budget has not yet been established.

To address the critical success factors for implementing a centralized management structure and to ensure that the CIO has control of the IT budget, we are recommending that the Secretary of Veterans Affairs take actions in several areas, including dedicating an implementation team to manage change, expediting development of performance metrics to track the progress of the realignment, and establishing governance boards to provide oversight of the centralized structure.

In providing written comments on a draft of this report, the Deputy Secretary of Veterans Affairs generally concurred with the report's findings and recommendations. (The department's comments are reproduced in app. II.) The comments described actions that begin to address our recommendations. Among its actions, the department proposed to manage its change to a centralized structure without a separate dedicated implementation team; however, we continue to believe that a dedicated implementation team is crucial to the department's ability

to ensure that the realignment is successfully completed. Establishing such a team, as well as properly implementing our other recommendations, should help ensure that the IT realignment is successfully accomplished.

Background

VA's mission is to promote the health, welfare, and dignity of all veterans in recognition of their service to the nation by ensuring they receive medical care, benefits, social support, and lasting memorials. Its three major components, the Veterans Benefits Administration (VBA), the Veterans Health Administration (VHA), and the National Cemetery Administration are primarily responsible for carrying out this mission. Over time, the use of information technology has become crucial to the department's effort to provide benefits and services, with its budget for IT exceeding \$1 billion annually.

In reporting on VA's IT management over the past several years, we have highlighted⁴ challenges the department has faced in achieving its "One VA" vision,⁵ including that information systems and services were highly decentralized and that its administrations controlled a majority of the IT budget. For example, according to an October 2005 memorandum from the former CIO to the Secretary of Veterans Affairs, the CIO had direct control over only 3 percent of the department's IT budget and 6 percent of the department's IT personnel. In addition, in the department's fiscal year 2006 IT budget request, the Veterans Health Administration was identified to receive 88 percent of the requested funding, while the department was identified to receive only 4 percent. We have previously pointed out that, given the department's large IT funding and decentralized management structure, it was crucial for the department CIO to ensure that well-established and integrated processes for leading, managing, and controlling investments were followed throughout the department.

Further, a contractor's assessment of VA's IT organizational alignment, issued in February 2005, noted the lack of control for how and when

⁴GAO-06-201T and GAO-05-1017T.

⁵The One VA vision is to create versatile new ways for veterans to obtain services and information by streamlining interactions with customers and integrating IT resources to enable VA employees to help customers more quickly and effectively.

money is spent.⁶ The assessment found that project managers within the administrations had the ability to shift money to support individual projects. Also, according to the assessment, the focus of department-level management was only on reporting expenditures to the Office of Management and Budget and Congress, rather than on managing these expenditures within the department.

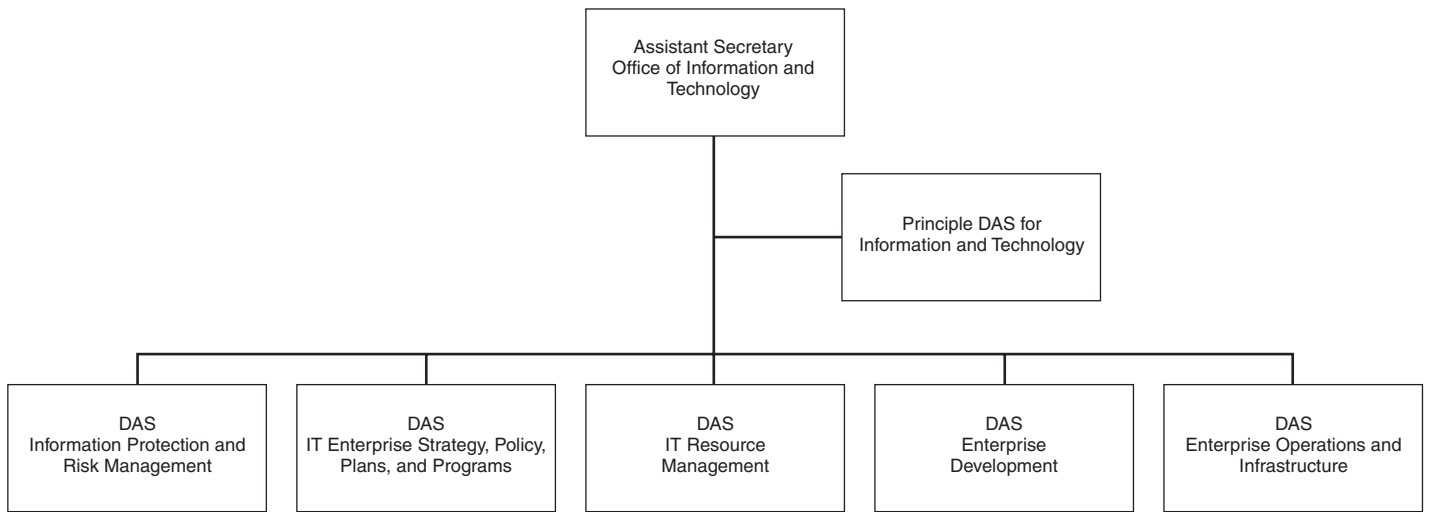
Centralized IT Organization

In response to the challenges that we and others noted, the department officially began its effort to provide the CIO with greater authority over IT in October 2005. At that time, the Secretary issued an executive decision memorandum granting approval for the development of a new IT management structure for the department. According to VA, its goals in moving to centralized management are to provide the department better oversight over the standardization, compatibility, and interoperability of IT systems, as well as better overall fiscal discipline for the budget.

By July 2006, the department's realignment contractor began work to assist with the realignment effort. The Secretary approved the department's new organization structure in February 2007. As noted in figure 1, the new structure includes the Assistant Secretary for Information and Technology (who serves as VA's CIO), the CIO's Principle Deputy Assistant Secretary (DAS), and five Deputy Assistant Secretaries. The five Deputy Assistant Secretaries are new senior leadership positions within the Office of Information and Technology created to assist the CIO in overseeing functions such as cyber security, IT portfolio management, systems development, and IT operations.

⁶Gartner Consulting, *OneVA IT Organizational Alignment Assessment Project "As-Is" Baseline* (McLean, Virginia; Feb. 18, 2005).

Figure 1: Office of Information and Technology Organizational Chart

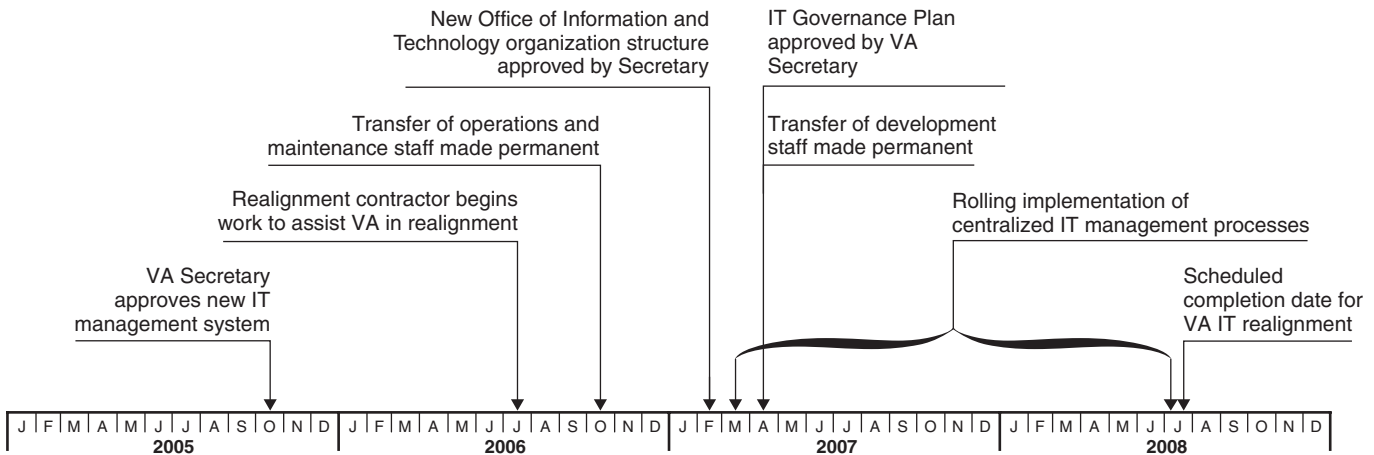


Source: VA.

The department has also identified the offices that will report to the Deputy Assistant Secretaries. For example, the Asset Management Office will report to the Deputy Assistant Secretary for Information Technology Resource Management and is charged with providing staff with the software and hardware needed to do their jobs in the most cost-effective manner.

In addition, the Secretary approved an IT governance plan in April 2007 that is intended to enable the Office of Information and Technology to centralize its decision making. The plan describes the relationship between IT governance and departmental governance and the approach the department intends to take to enhance governance. Figure 2 shows a timeline of the realignment effort.

Figure 2: Timeline of Key Events for VA IT Realignment



Source: GAO analysis of VA data.

IT Management Processes

As the foundation for its realignment, VA plans to implement improved management processes in five key areas: enterprise management, business management, business application management, infrastructure, and service support. These processes⁷ were recommended by the department’s realignment contractor and were based on industry best practices.⁸ According to the contractor, they are a key component of the realignment effort as the Office of Information and Technology moves to a process-based organization. By implementing these improved processes, VA expects to correct deficiencies it has encountered as a result of its decentralized management approach. Proper implementation should result in institutionalizing best management practices that will be sustained regardless of future leadership changes at the department. According to the contractor, with a system of defined processes, the Office of Information and Technology could quickly and accurately change the way IT supports the department. The contractor also noted that failure to include such processes in the realignment would introduce the risk that

⁷For example, some of the processes are risk management, IT architecture management, workforce management, and change management.

⁸Specifically, these processes are derived from the IT Governance Institute’s *Control Objectives for Information and related Technology (CobiT®)* and *Information Technology Infrastructure Library (ITIL)* as configured by the *Process Reference Model for IT (PRM-IT)* from a VA contractor.

any progress in completing the realignment would be the result of trial and error.

Successful Organization Transformations Are Based on Critical Success Factors

We have reported in the past⁹ on key factors that are needed in order to successfully transform an organization to be more results oriented, customer focused, and collaborative in nature. We reported that conducting large-scale change management initiatives are not simple endeavors and require the concentrated efforts of both leadership and employees to realize intended synergies and to accomplish new organizational goals. We also noted that there are a number of key practices that can serve as the basis for federal agencies to transform their cultures in response to governance challenges, such as those that an organization like VA might face when transforming to a centralized IT management structure.

Among the significant factors we identified as critical for ensuring the success of VA's move to centralized management are

- ensuring commitment from top leadership,
- establishing a governance structure to manage resources,
- linking the IT strategic plan to the organization strategic plan,
- using workforce strategic management to identify proper roles for all employees,
- communicating change to all stakeholders, and
- dedicating an implementation team to manage change.

⁹GAO, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, [GAO-03-669](#) (Washington, D.C.: July 2, 2003); and *Highlights of a GAO Forum: Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, [GAO-03-293SP](#) (Washington, D.C.: Nov. 14, 2002).

VA Realignment Plans Include Critical Success Factors

VA's plans for realigning the management of its IT program include elements of several of the six factors that we identified as critical to the department's implementation of a centralized management structure (see table 1). Additional departmental actions could increase assurance that the realignment will be completed successfully. Without further action to fully address the factors we have identified, the risk to successfully centralizing the IT operations increases and the long-term benefits of the realignment may not be realized.

Table 1: Summary of VA's Actions Addressing Critical Success Factors

Critical success factor	Addressed	Progress
Ensuring commitment from top leadership	yes	Secretary approved the new IT organization structure and the transfer of employees
Establishing a governance structure to manage resources	partially	Secretary approved the IT governance plan but VA has not established IT governance boards or process descriptions for centrally managing IT
Linking IT strategic plan to organization strategic plan	no	VA has not yet updated its IT strategic plan to reflect the new organization but has established a date by which it intends to update the plan
Using workforce strategic management to identify proper roles for all employees	partially	VA has identified workforce management responsibilities but has not established a knowledge and skills inventory
Communicating change to all stakeholders	partially	VA has addressed staff concerns about the realignment through memorandums and conferences but has not fully staffed offices that will facilitate communication
Dedicating an implementation team to manage change	no	VA does not plan to establish a realignment implementation team

Source: GAO.

Top Leadership Has Committed to the Realignment

It is important that an organization's top leadership supports and sustains major change initiatives through to completion. We have testified that top leadership involvement for making management improvements is critical to overcoming an organization's natural resistance to change, marshaling the resources needed to improve management, and building and

maintaining organizationwide commitment to new ways of doing business.¹⁰ In addition, in reporting on the results of a forum to identify useful practices and lessons learned from major private- and public-sector organizational transformations, we noted that a key factor for successful organizational transformation was ensuring that top leadership drives the effort.

The department has addressed this critical success factor through multiple actions. For example, in February 2007, the Secretary approved a new organization structure for centralized IT management. This structure was recommended by the realignment contractor following its review of the department's strategic business objectives, existing organization structure, and business processes and will serve as the framework for organizing the IT workforce under the centralized model. The structure assigns roles and responsibilities for IT management that VA expects will provide the Office of Information and Technology leadership the organizational stature and credibility to deal effectively with the administrations on IT matters.

Another example of the Secretary's commitment to the realignment came through approval of the transfer of IT personnel to the Office of Information and Technology. Previously these personnel had been assigned to the administrations (e.g., VHA and VBA) and staff offices. The movement of these personnel should enable the CIO to improve control over IT development and operations in the department.

Governance Structure to Manage Resources Not Yet Complete

A governance structure should ensure suitable stakeholder participation in the change initiative and reflect clearly defined stakeholder roles, responsibilities, and decision-making authority. When an organization is considering a major change initiative, it must ensure there is an established governance structure in place that provides for the effective use and oversight of resources during and after the change. According to VA's independent verification and validation contractor, two critical aspects of governance are (1) the inclusion of relevant stakeholders in the development of any new processes resulting from the initiative and (2) holding these parties accountable for execution of their responsibilities throughout the entire life cycle of the initiative. We have reported that organizations need to establish a governance structure that represents the entire stakeholder community and reflects clearly defined roles,

¹⁰[GAO-05-1017T](#).

responsibilities, and decision-making authority among the different levels of leadership.¹¹

VA has partially addressed this critical success factor. In particular, while the governance plan for centralized management has been approved by the Secretary, the department has not yet established boards necessary to provide governance over the centralized structure and processes that are being developed. One of these boards—the Business Needs and Investment Board—is to provide investment control for the department’s IT projects. According to VA officials, this board had not been established because some of the positions on the board had not yet been filled by permanent staff.

In addition, the documentation that the department provided to us lacks detailed descriptions of how the new organization would support a completed, centralized IT governance process. Until the department establishes the elements needed to provide governance over its new IT structure and processes, the department cannot provide assurance that implementation of centralized management will be successful.

IT Strategic Plan Is to Be Updated to Reflect New Organization

Our November 2002 report noted that organizations attempting a transformation needed to establish a coherent mission with integrated strategic goals and align the transformed organization to support those goals.¹² For example, if an organization’s strategic goal is top-quality medical care, IT strategic goals and the related transformation should be aligned to support that goal.

An IT strategic plan should define, in cooperation with the relevant stakeholders, how IT will contribute to the enterprise’s strategic objectives and related costs and risks. Industry documentation further notes that planning helps ensure that leadership understands the link between an organization’s direction and how IT is aligned to meet the organization’s goals. According to this documentation, an organization and its strategies should be integrated, clearly linking enterprise goals and IT goals, and recognize opportunities as well as current limitations. Further, integration of enterprise and goals should be broadly communicated throughout the

¹¹GAO, *Health Information Technology: HHS Is Taking Steps to Develop a National Strategy*, [GAO-05-628](#) (Washington, D.C.: May 27, 2005).

¹²[GAO-03-293SP](#).

organization to ensure that all users and stakeholders have a clear sense of what the organization is attempting to accomplish.

However, VA has not addressed this critical success factor because it has not yet updated an IT strategic plan to reflect the goals of the new centralized structure. According to department officials, a draft version of an updated IT strategic plan is expected to be completed by June 30, 2007. Additionally, this plan is expected to support the department's strategic plan, which includes the goals of each of the department's administrations. Until the IT strategic plan is updated, the department will have neither a clear link between the department's strategic plan and the IT strategic plan nor assurance that the realignment will meet the goals in these plans.

IT Workforce Aligned under CIO, but Staff Roles Have Yet to Be Defined

Workforce strategic management is necessary to ensure that an organization has the personnel resources capable of developing and delivering the services required of the organization. We have previously reported that success in major change initiatives is more likely when the best individuals are selected for each position based on their competencies rather than on where they work.¹³ That is, the new organization needs to avoid a situation where key personnel are selected on the basis of an understanding that each of the originating components gets its "turn" in the selection process. Such an approach not only undermines the quality of the selections but also raises questions about top leadership's ability and commitment to creating a new, integrated organization.

We have also reported that it is important to establish an organizationwide knowledge and skills inventory to exchange knowledge among transforming organizations. Valuable information resides in the organizational components of transformations, and when these components are combined, these intellectual assets are extremely powerful and beneficial to employees and stakeholders. Knowledge and skills inventories not only capture the intellectual assets of the new organization but also signal to employees that their particular expertise is valued by the organization.¹⁴ In addition, industry documentation notes that workforce strategic management should be supported by well-defined

¹³GAO-03-293SP.

¹⁴GAO-03-669.

personnel competencies, staffing of appropriate roles, training, and related factors necessary for high performance.

The department has taken steps to partially address this critical success factor. As stated previously, the department has aligned almost all of its IT workforce under the CIO, having transferred approximately 6,000 personnel from the administrations to the CIO's office. In addition, the department has identified the responsibilities for workforce strategic management within its new organizational structure—the Assistant Secretary for Information Technology has responsibility for workforce planning; the Deputy Assistant Secretary for Information Technology Resource Management has responsibility for ensuring the alignment of IT workforce skills with IT goals and objectives; and the Human Resources and Training Management Office has responsibility for developing and executing the human capital plan that supports the IT strategy.

Nonetheless, key tasks remain to be completed in order for this critical factor to be fully addressed. For example, department officials indicate that VA is currently assessing the roles and responsibilities of the approximately 6,000 staff that have been permanently assigned to the Office of Information and Technology, but the department has not yet established a knowledge and skills inventory to determine what skills are available in order to decide the proper roles for all employees within the new organization. Also, the department has not yet developed policies and procedures to centrally manage the IT personnel, assessed personnel requirements, defined training requirements, or created career and training paths and requirements for the personnel. Until the department completes these important tasks, the success of the realignment is at risk because IT personnel may be situated in inappropriate positions within the department or they may lack adequate training to fulfill their job requirements.

Certain Actions Have Been Taken to Address Communication

Any major change initiative should be supported by an effective communication strategy that shares expectations, reports on progress, and articulates the mission, service objectives, and policies and procedures. Our 2002 report on transformations noted that such communication should reach out to employees, customers, and stakeholders, engaging them in a two-way exchange.¹⁵ Furthermore, communication should

¹⁵GAO-03-293SP.

provide for feedback about progress and concerns from stakeholders that will result in meaningful improvement in the transformation.

The department has partially addressed this critical factor for successful implementation of its new structure. In particular, VA has taken actions to improve communication for the realignment by addressing staff concerns. During our site visits to two VA medical centers, communication of realignment goals and activities had been a concern for IT staff. The staff at these locations reported they had difficulty communicating directly with VA headquarters staff responsible for the realignment to obtain responses to issues. In addition, the department's realignment contractor reported in its survey of 167 VA facilities that 47 percent of VA facility staff wanted to see more information about the realignment and 23 percent of VA facility CIOs reported little opportunity for feedback from the VA field sites.

In response to these concerns, the department distributed policy memoranda on changes resulting from the realignment and requested employee input on the realignment through a forum on the VA Web site. In addition, the department held conferences for Office of Information and Technology management and staff (which included sessions with the VA CIO) to communicate the goals and activities of the realignment. Nonetheless, further action could help ensure sustained communication throughout the realignment effort. Specifically, while the department has identified the Business Relationship Management Office as the single point of contact between the Office of Information and Technology and the administrations, it has not yet staffed this office. According to the department, it has concentrated its efforts to date on transferring staff to the CIO's office and on creating a new organizational structure. However, the performance of the Business Relationship Management Office in communicating the needs of the administrations to the Office of Information and Technology will be critical to the success of the realignment. Until this office is fully staffed, VA increases the risk that communication across the department will be inadequate, jeopardizing user and stakeholder support for the initiative.

VA Has Not Dedicated an Implementation Team to Manage the Realignment

We reported in 2003 that a dedicated implementation team that is responsible for the day-to-day management of a major change initiative is critical to ensure that the project receives the focused, full-time attention needed to be sustained and successful.¹⁶ Specifically, the implementation

¹⁶GAO-03-669.

team is important to ensuring that various change initiatives are implemented in a coherent and integrated way. The team must have the necessary authority and resources to set priorities, make timely decisions, and move quickly to implement the transformation. In addition, the implementation team can assist in tracking implementation goals for a change initiative and identifying performance shortfalls or schedule slippages. It is important for the team to use performance metrics to provide a succinct and concrete statement of expected performance versus actual performance. Because of its close involvement with the change initiative, the implementation team can also suggest corrections to remedy any problems.

The department has not addressed this critical success factor because it has not dedicated an implementation team to manage the realignment effort and track its progress. At the conclusion of our review, staff from the IT realignment office, which was responsible for overseeing the realignment, had been reassigned to other areas of responsibility within the department's new structure. In addition, the Director of the Realignment Office told us that multiple offices will assume responsibility for managing the realignment through July 2008. For example, the Office of Quality and Performance Management will oversee process implementation across the Office of Information and Technology, and the Office of Oversight and Compliance Management will assess whether the department is complying with the new processes. However, there is no one entity currently responsible for managing the realignment.

In addition, according to the Director of the Realignment Office, the department has developed performance metrics to measure progress on the implementation of the new management processes. However, metrics have not yet been developed to assess progress in implementing key milestones of the realignment. He noted that the department planned to develop performance metrics for tracking the progress of the realignment and that these metrics would be finalized by mid-June 2007.

Also, the department expects to implement the new IT management processes incrementally by July 2008, but it has missed key implementation dates for these processes. Implementation of the first 9 of 36 processes was to begin in March 2007; however, as of early May 2007, the department had only begun pilot testing two of the new processes.¹⁷

¹⁷The two processes are (1) risk management and (2) solution test and acceptance.

With the dissolution of the IT Realignment Office in June, and the absence of any one entity currently dedicated for managing the realignment, it is less likely that VA will be able to ensure that the realignment is managed effectively throughout its implementation.

Centralized Control of IT Budget Has Not Yet Been Clearly Established

Within VA's new centralized management structure, the CIO is expected to be responsible for ensuring that there are fiscal controls over the department's IT appropriation and for overseeing capital planning and execution. These responsibilities are consistent with the Clinger-Cohen Act of 1996,¹⁸ which requires federal agencies to develop processes for the selection, control, and evaluation of major systems initiatives. According to the department, it plans to establish the CIO's control over the IT budget by (1) designating organizations with specific roles and responsibilities for controlling the budget to report directly to the CIO, (2) implementing an IT governance structure that assigns budget oversight responsibilities to specific governance boards, and (3) developing and implementing IT portfolio management and financial management processes in the new organization. While these measures show the potential for establishing the CIO's control of the budget, the department has not yet fully implemented them; thus, their effectiveness in ensuring accountability for the budget has not yet been established.

Deputy Assistant Secretaries to Control Aspects of IT Budget

As one measure to establish CIO control within the new organization, two deputy assistant secretaries under the CIO are expected to have responsibility for managing and controlling different aspects of the IT budget. Specifically, the Deputy Assistant Secretary for IT Enterprise Strategy, Policy, and Programs is to have responsibility for the creation, implementation, and control of an integrated IT portfolio, and for the design, development, and implementation of a portfolio management process. In addition, the Deputy Assistant Secretary for Information Technology Resource Management is to have responsibility for managing budget execution and compliance, including tracking actual expenditures against the budget.

However, as of May 2007, the deputy assistant secretary positions had been filled with acting officials,¹⁹ and department officials could not

¹⁸40 U.S.C. §§ 11311-11313.

¹⁹Currently, the titles for these positions are deputy CIO for IT Resource Management and deputy CIO for IT Enterprise Strategy, Policy, Plans, and Programs, pending congressional approval of the Senior Executive Service deputy assistant secretary positions.

IT Governance Plan Identifies
Boards to Assist in
Management of IT Budget

provide a date for when permanent appointees would be named to these positions. In addition, while these offices had been identified in the new organization structure, VA had not determined when personnel would be staffed to the offices and would assume their budget oversight responsibilities. Until these positions are filled with permanent appointees, the department cannot ensure their effectiveness in managing and controlling the IT budget.

As a second measure, the IT governance plan, which was approved by the Secretary in April 2007, describes VA's approach to enhancing governance, including management of the IT budget. The plan states that the decision to undertake IT investments requires adherence to the governance process to assure that investments align with the department's strategic plan. In addition, it states that investment governance decisions should address how the department will program and budget resources against the IT business plan, meet customer demands, and allocate funding according to the needs and requirements of the administrations and staff offices. According to the plan, two governance boards are to have responsibility for overseeing the development and approval of the budget and monitoring budget execution:

- The Business Needs and Investment Board is to provide departmentwide investment control for the IT programs. Its responsibilities are to include reviewing investments, formulating and approving budgets, determining the source and amount of funding for IT projects, and monitoring budget execution. This board is to be chaired by the Principle Deputy Assistant Secretary of the Office of Information and Technology, and its membership is to include senior representatives of the administrations and staff offices, resource management offices, and selected IT service managers.
- The IT Leadership Board is to develop and approve the departmentwide IT budget based on information submitted to it by the Business Needs and Investment Board. This board is to be chaired by the CIO, and membership is to include key executive leaders in the Office of Information and Technology, administrations, and staff offices.

In addition to these two governance boards, the Strategic Management Council is to be responsible for making decisions on the overall level of IT spending and priorities for the department and for approving budgets. The Strategic Management Council was in place prior to the realignment effort and the governance plan noted that it would be included as part of the governance structure. It is chaired by the Deputy Secretary, and its membership includes senior department leadership. As an example of the

planned interaction between the boards, the Business Needs and Investment Board is to ensure that the administrations and staff offices' requirements have been identified, documented, justified, scoped, planned, and prioritized and that funds have been allocated. This information is to be forwarded with all other prioritized requirements to the IT Leadership Board for review and endorsement and then sent on to the Strategic Management Council for departmentwide approval.

As of early May 2007, however, VA officials stated that neither the Business Needs and Investment Board nor the IT Leadership Board had been established. VA officials also could not provide a date for when they would be set up. Until the governance boards are in place with the Strategic Management Council, the department will lack a complete governance model for the new organization.

Two New Management Processes Are to Address IT Budget

As a third measure to establish the CIO's control over the IT budget, VA plans to implement processes that specifically address portfolio management and financial management. As noted earlier in this report, it is crucial for the CIO to ensure that well-established and integrated processes are in place for leading, managing, and controlling VA's IT resources. These two processes represent how the CIO organization intends to carry out its responsibilities for the development and control of the budget. Specifically, the IT portfolio management process is to address how the CIO will manage the department's investment portfolio to achieve strategic objectives and allocate funding. The process is to include steps VA will take to identify, select, initiate, manage, and control its projects. According to the realignment assistance contractor, implementation of this process should help VA make better investment decisions and gain better control over its projects.

The financial management process, according to its charter, will address how the CIO organization plans to manage IT investment programs,²⁰ address costs and benefits of investments, and provide a formal budgeting process for managing the IT portfolio against the budget. According to the realignment assistance contractor, implementation of this process should provide the CIO with accurate cost information to support IT investment decisions and justify expenditures, and enable this official to ensure that

²⁰According to the process charter, these programs encompass cost, benefits, prioritization within budget, a formal budgeting process and management against the budget.

the Office of Information and Technology operates in a cost-effective manner by providing a sound basis for cost-benefit analyses.

While the department had identified individuals who would be responsible for implementing these two processes, an official in the realignment office told us that the schedule for implementing the processes had not been established. The official stated that VA nonetheless expected to complete implementation of all management processes and meet the July 2008 target date for full implementation of the realignment. However, the absence of a schedule to implement these two processes increases the risk that they will not be implemented in a timely manner, thus reducing their effectiveness in contributing to improved IT budget accountability and oversight.

Conclusions

The department has taken various actions that address several of the factors we identified as critical to its realignment, including establishing a new organizational structure, approving its governance plan, and transferring IT staff to the CIO's authority. While these are positive steps, the department has much work to complete in order to ensure the success of its efforts. For example, the department has not yet developed detailed IT governance process descriptions to address the management of IT resources, established a knowledge and skills inventory to determine the proper roles for employees transferred to the new organization, or identified the personnel requirements, career paths, and training requirements for these employees. Further, the department has not fully staffed offices necessary for supporting the new structure, identified an implementation team that will be responsible for managing the change to the new management structure, or developed performance metrics to assess progress in implementing key milestones of the realignment. The department's continued focus on ensuring that these important actions are taken is essential to successfully achieving and realizing the benefits of the realignment.

While department officials and realignment documents identified three measures of the realignment that are to provide the CIO with control over the IT budget, VA has yet to identify how and when this control will be achieved. Specifically, the department has not yet staffed with permanent appointees the two deputy assistant secretary positions that will have responsibility for IT budget management and control, established the two governance boards that are to have IT budget oversight responsibility, or developed a schedule for implementation of the IT portfolio management and financial management processes. Without showing how and when

such controls will be in place, it remains unclear if VA's actions will result in optimizing its IT investment management process to provide the CIO with full control over the budget.

Recommendations for Executive Action

To ensure that VA's IT realignment is successfully accomplished, we recommend that the Secretary of Veterans Affairs direct the Chief Information Officer to take the following six actions:

- Develop detailed IT governance process descriptions that address how the department will manage IT resources within the centralized organization.
- Establish a knowledge and skills inventory to determine what skills are available in order to decide the proper roles for all employees transferred to the new organization.
- Assess personnel requirements under the centralized management model, including career paths and appropriate training requirements.
- Fully staff all offices necessary for supporting the new organizational structure.
- Dedicate an implementation team responsible for change management processes throughout the transformation to a centralized IT structure.
- Expedite the development of performance metrics to track the progress of the realignment.

In addition, to ensure that centralized control of the IT budget is established, we recommend that the Secretary of Veterans Affairs direct the Chief Information Officer to take the following three actions:

- Establish milestones to permanently staff the deputy assistant secretary position for IT Enterprise Strategy, Policy, and Programs and the deputy assistant secretary position for IT Resource Management.
- Commit to a date for establishing the Business Needs and Investment Board and the IT Leadership Board.
- Establish a schedule for the implementation of the IT portfolio management and financial management processes.

Agency Comments and Our Evaluation

In providing written comments on a draft of this report, the Deputy Secretary of Veterans Affairs agreed with our findings and generally concurred with our recommendations. (The department's comments are reproduced in app. II.) The comments described actions planned that respond to our recommendations: for example, developing and implementing an IT career management program that includes a knowledge and skills inventory for Office of Information and Technology employees, and fully implementing the IT governance plan by October 2007. In addition, the comments provided further information on the department's actions taken since receiving our draft report, such as the establishment of the Business Needs and Investment Board that is a key component of the IT governance process; establishment of offices responsible for ensuring compliance with IT policies, directives and core IT processes; and filling a senior executive position in the Office of Information and Technology. If the actions that the department has planned to undertake are properly implemented, they should help ensure that the IT realignment is successfully accomplished.

Although the department concurred with all our recommendations, it provided an alternative approach to dedicating an implementation team responsible for change management processes throughout the transformation to a centralized IT structure. Its written comments indicated that change management would be the responsibility of two organizations in the new structure. However, in our view, having a dedicated implementation team, responsible for day-to-day management of major change initiatives, is crucial to VA's ability to ensure that the IT realignment is fully and successfully implemented in a coherent, integrated, and coordinated manner. The approach articulated in the department's comments does not make clear how progress will be monitored, schedule slippages or shortfalls identified, and solutions to problems developed and implemented. Without having a dedicated implementation team, as we recommend, the department may increase the risk to the success of the realignment.

We are sending copies of this report to the Chairman and Ranking Member of the Committee on Veterans' Affairs, House of Representatives. We are also sending copies to the Secretary of Veterans Affairs and appropriate congressional committees. We will also make copies available to others on request. In addition, the report is available at no charge on GAO's Web site at <http://www.gao.gov>.

If you and your staff have any questions about this report, please contact me at (202) 512-6304 or melvinv@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Major contributors to this report are listed in appendix III.

Valerie C. Melvin

Valerie C. Melvin
Director, Human Capital and
Management Information Systems Issues

Appendix I: Scope and Methodology

To determine whether the Department of Veterans Affairs (VA) realignment plan includes critical factors for successful implementation of a centralized management approach, we obtained and analyzed realignment documents from VA, its realignment contractor, and the independent verification and validation (IV&V) contractor. These documents included the realignment contract request for quotes and memorandums signed by the Secretary and Deputy Secretary relating to approval of the permanent assignment of operations and maintenance and development staff to the Office of Information and Technology. The documents also included the establishment of the VA single information technology (IT) leadership authority. We also obtained and analyzed the realignment contractor's performance work statement, which detailed the work the contractor was to perform. In addition, we reviewed other contractor deliverables, such as process charters for the new IT management processes, the "to be" organization structure transition plan, and the transition management plan. VA also provided IV&V contractor documents that assessed each of the realignment contract deliverables. We reviewed these documents to identify problems and concerns raised by the IV&V contractor.

To identify factors critical to the success of the centralization effort, we reviewed GAO products relevant to organizational transformation. We also reviewed industry best practices documentation, such as the IT Governance Institute's Control Objectives for Information and related Technology 4.0, to identify industry standard success factors for IT organizations. To validate the success factors, we met with IV&V contractor officials to elicit their input on the relevance and soundness of factors we identified for consideration in our assessment of the realignment effort. IV&V contractor officials concurred that the factors we developed are critical to VA's successful IT realignment. In addition, we compared documents obtained from VA and realignment contractor officials against these factors to determine the level to which the critical success factors were included. We also conducted monthly meetings with the VA realignment team and the realignment contractor to determine whether these critical success factors were being considered in the implementation of the realignment.

We visited the VA medical center and a benefits administration office in Baltimore and a VA medical center in Philadelphia to become familiar with the methodology that the realignment contractor was using to assess VA's readiness for the realignment. We observed teams from the realignment contractor as they gathered information that would be used to create a baseline of IT activities and a transition plan for the department. We

selected these locations due to the schedule availability of the department and the contractor and because they are representative of VA facilities.

To determine how the centralized management approach will ensure that the CIO is accountable for VA's entire IT budget, including those funds that previously had been administered by its administrations, we reviewed VA and realignment contractor documentation and plans that specifically address IT budget oversight and execution under the realignment. These documents included roles and responsibilities for those VA organizations listed in the single IT leadership organization structure that are to have responsibility for IT portfolio and financial management, the IT Governance Plan, and the IT Portfolio Management and Financial Management Process Design and Implementation Plans. To supplement our analysis, we met with officials in VA's Office of Information and Technology who are responsible for managing and executing the IT budget. We conducted our work in VA offices in Washington, D.C., and at VA facilities in Baltimore and Philadelphia from June 2006 through May 2007 in accordance with generally accepted government auditing standards.

Appendix II: Comments from the Department of Veterans Affairs



THE DEPUTY SECRETARY OF VETERANS AFFAIRS
WASHINGTON

June 8, 2007

Ms. Valerie C. Melvin
Director, Human Capital and
Management Information Systems Issues
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Melvin:

The Department of Veterans Affairs (VA) has reviewed the Government Accountability Office's (GAO) draft report: **VETERANS AFFAIRS: Continued Focus on Critical Success Factors is Essential to Achieving Information Technology Realignment** (GAO-07-844), and generally agrees with its findings. The GAO report recognizes that the Information Technology (IT) Realignment Program is an ongoing program that will conclude July 2008. It correctly acknowledges the work VA has accomplished to date and the continuing work that needs to be accomplished.

The IT Realignment Program is an immense task, and the Department has laid a solid foundation for success. We have approved the VA Chief Information Officer as the single IT leadership authority for all IT activities within VA; approved the new organizational structure for the Office of Information and Technology; approved an IT Governance Plan; and developed 36 core IT processes that represent proven best business practices. We are now implementing these IT processes in order to be fully transitioned by July 2008.

Although we have made significant progress to date, VA acknowledges that there are difficult challenges ahead of us. VA's leadership remains committed to the IT Realignment Program and fully expects to achieve all IT realignment objectives and goals on schedule by July 2008.

I appreciate your independent analysis of the progress of VA's IT Realignment Program to date and your recommendations to increase its chances of success. The enclosure outlines each of the GAO's recommendations in detail and provides an update of our continued progress since you provided us with your draft report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Gordon H. Mansfield".

Gordon H. Mansfield

Enclosure

Enclosure

Department of Veterans Affairs (VA) comments to
Government Accountability Office (GAO) draft report
***VETERANS AFFAIRS: Continued Focus on Critical Success Factors is Essential
to Achieving Information Technology Realignment***
(GAO-07-844)

To ensure that VA's IT realignment is successfully accomplished, GAO recommends that the Secretary of Veterans Affairs direct the Chief Information Officer to take the following six actions:

- **Develop detailed IT governance process descriptions that address how the department will manage IT resources within the centralized organization**

Concur - The Information Technology (IT) Governance Plan approved by the Secretary April 12, 2007, establishes the processes, responsibilities, and authorities required to manage the Department of Veterans Affairs (VA) IT resources under a centralized organization. The VA Chief Information Officer (CIO) has taken steps to establish the necessary governance boards approved in the IT Governance Plan. The Business Needs and Investment (BNI) Board convened on May 30, 2007. The Planning, Architecture, Technology, and Services (PATS) Board convened the week of June 4, 2007. The IT Leadership Board (ITLB) will convene in mid-June. These boards, in conjunction with the Strategic Management Council (SMC) constitute the decision making structure needed to centrally manage IT resources. The IT governance plan will be fully implemented over the next 4 months during the development of the VA IT fiscal year (FY) 2009 budget. After the completion of the current budget submission process, VA's CIO will assess the IT governance procedures and make adjustments as required.

- **Establish a knowledge and skills inventory to determine what skills are available in order to decide the proper roles for all employees transferred to the new organization**

Concur - A key component of the IT Realignment Program is the development and implementation of an IT Human Resources Management Plan and a Career Management Program. The Human Resources Management Plan and its related processes will dictate the human resources management administrative activities OI&T will use. The Career Management Program is a component of the IT Human Resources Plan. It will guide the career progression of IT personnel throughout their career in VA. Additionally, it will contain the knowledge and skills inventory to ensure that OI&T personnel are capable of delivering the services VA requires. The Human Resources Management Plan and a Career Management Program will be implemented fully by July 2008.

Enclosure

Department of Veterans Affairs (VA) comments to
Government Accountability Office (GAO) draft report
***VETERANS BENEFITS AFFAIRS: Continued Focus on Critical Success Factors is
Essential to Achieving Information Technology Realignment***
(GAO-07-844)
(Continued)

- **Assess personnel requirements under the centralized management model, including career paths and appropriate training requirements.**

Concur - This is a key component of the IT Career Management Program OI&T is developing. The OI&T has already established an office that is responsible for refining the human resource management core IT process. The IT Career Management Program is on schedule to be implemented by July 2008.

- **Fully staff all offices necessary for supporting the new organizational structure.**

Concur - Staffing of the new OI&T organization is a complex issue involving numerous critical sub-tasks. First, OI&T needs to determine its personnel requirements; second, funded FTE positions need to be allocated based on required capability; third, vacancies need to be filled within funding constraints; and fourth, physical space needs to be obtained to house the additional staff. The CIO has taken steps to ensure that all offices will meet minimum staffing requirements. IT personnel are being reassigned and hired as quickly as possible to meet minimum organizational requirements. This critical factor will be considered successfully achieved once key leadership is in place and OI&T is staffed at 95 percent of funded allocations. VA anticipates meeting this goal by July 2008.

- **Dedicate an implementation team responsible for change management processes throughout the transformation to a centralized IT structure.**

Concur in principle - In October 2005, VA developed a change management strategy and implemented change management processes for the IT Realignment Program across the Department. VA embraced an innovative approach to achieve its goals and objectives by July 2008. Specifically:

- The IT Realignment Office was the initial catalyst that directed change management during Phase 1 of the transformation.
- During Phase 1, VA approved its OI&T structure, the IT Governance Plan, and the 36 core IT processes. Additionally, VA consolidated all IT activities and personnel under the VA CIO.
- At the start of Phase 2 in June 2007, the VA CIO integrated the IT Realignment Office into the new OI&T organization. This approach requires key OI&T leaders to

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(Continued)

implement and direct the change management associated with the 36 core IT processes.

- Additionally, the CIO has established a Process Improvement Office under the Quality and Performance Office that will spearhead IT processes improvement within VA
- To ensure continuity of the change management processes, the current Director of the IT Realignment Office has been designated as the Executive Director, IT Organizational Management. He will advise and assist the CIO during the final transformation to a centralized IT structure.

VA leadership remains committed to this strategy and anticipates achieving all IT Realignment objectives and goals by July 2008. A separate dedicated implementation team responsible for change management throughout the transformation is not required.

- **Expedite the development of performance metrics to track the progress of the realignment.**

Concur - VA has already initiated action to meet this critical success factor. The CIO has established (1) Oversight and Compliance Management and (2) Quality and Performance offices that will develop, manage and ensure compliance with IT policies, directives and the 36 core IT processes the OI&T is implementing. Key OI&T leaders are responsible for developing performance metrics and for implementing each of the 36 core IT processes. The 36 core processes will be implemented by July 2008.

In addition, to ensure that centralized control of the IT budget is established, GAO recommends that the Secretary of Veterans Affairs direct the Chief Information Officer to take the following three actions:

- **Establish milestones to permanently staff the Deputy Assistant Secretary position for IT Enterprise Strategy, Policy, and Programs and the Deputy Assistant Secretary position for IT Resource Management.**

Concur – The CIO initially filled these two positions with acting members of the Senior Executive Service to provide immediate leadership to these organizations. The Deputy Secretary approved a selection for the Deputy Assistant Secretary for IT Resource Management position on May 30, 2007, and directed that the second senior

Enclosure

Department of Veterans Affairs (VA) comments to
Government Accountability Office (GAO) draft report
***VETERANS BENEFITS AFFAIRS: Continued Focus on Critical Success Factors is
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(GAO-07-844)
(Continued)

management position be established, announced and competitively bid. It is estimated that a permanent selection of an individual for this second position will be made by September 30, 2007.

- **Commit to a date for establishing the Business Needs Investment Board and the IT Leadership Board.**

Concur - The CIO has already established the governance boards approved in the IT Governance Plan. The Business Needs and Investment (BNI) Board convened on May 30, 2007. The Planning, Architecture, Technology and Services (PATS) Board held its initial meeting June 5 and will continue meeting through June 12. The IT Leadership Board (ITLB) will convene June 23. These boards, in conjunction with the SMC constitute the decision making structure to centrally manage IT resources.

- **Establish a schedule for the implementation of the IT Portfolio Management and Financial Management processes.**

Concur - This recommendation is already being addressed as part of the IT Process Implementation Program. The IT Portfolio Management and Financial Management processes have been developed and assigned to the Deputy Assistant Secretary for IT Resource Management for implementation. With the establishment of the BNI Board and PATS Board, the major decision-making aspects of these two processes will be fully exercised over the next 4 months during the development of the VA IT FY 2009 budget. After the completion of the current budget submission process, VA's CIO will assess these two IT processes and make adjustments as required.

The CIO has taken two additional steps to ensure successful implementation of these processes. First, he established a Quality and Performance Office to oversee the implementation all 36 core IT processes and to measure performance standards for these processes. Second, he established the Office of Oversight and Compliance to ensure VA compliance with these processes.

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Valerie C. Melvin, (202) 512-6304 or melvinv@gao.gov

Staff Acknowledgments

In addition to the contact named above, major contributors to this report were Barbara Oliver, Assistant Director; Nabajyoti Barkakati; Jacki Bauer; Neil Doherty; Nancy Glover; B. Scott Pettis; J. Michael Resser; and Eric Trout.

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