U.S. DEPARTMENT OF VETERANS AFFAIRS OFFICE OF INSPECTOR GENERAL AND OFFICE OF INFORMATION TECHNOLOGY BUDGET REQUESTS FOR FISCAL YEAR 2011

HEARING

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

OF THE

COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES

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TUESDAY, FEBRUARY 23, 2010

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

The Subcommittee met, pursuant to notice, at 10:05 a.m., in Room 334, Cannon House Office Building, Hon. Harry E. Mitchell [Chairman of the Subcommittee] presiding.

Present: Representatives Mitchell, Space, Walz, Roe, Stearns, Bilbray, Buyer.

OPENING STATEMENT OF CHAIRMAN MITCHELL

Mr. MITCHELL. I would like to welcome everyone to the Subcommittee on Oversight Investigations hearing on their U.S. Department of Veterans Affairs (VA) Office of Inspector General (OIG) and Office of Information and Technology (OI&T) Budget Request for Fiscal Year 2011.

This hearing will come to order.

I ask unanimous consent that all Members have 5 legislative days to revise and extend the remarks and that statements may be entered into the record. Hearing no objections. So ordered.

Today we will examine the recently released budget request of these two vital offices within VA. The President and Secretary Shinseki have made a clear goal of transforming the VA into a 21st century organization.

In the President's budget for fiscal year 2011, the request for VA has increased by 10 percent over the 2010 enacted budget to $125 billion. The surge of new veterans from our Nation's current wars requires a proportional surge in the capacity and capabilities of the VA to properly care for all of our veterans and their families.

The Office of Information and Technology and the Office of Inspector General are critical in accomplishing this goal. They facilitate the VA's mission through the use of modern computing infrastructure, as well as by identifying waste, fraud and abuse within the VA through internal investigations. These two offices work closely with the Subcommittee by providing important information regarding urgent challenges facing the VA, including full interoperable health records of Oversight and Investigations into the serious allegations within the Department.

The OIG has been important to this Subcommittee's work providing crucial information concerning VA activities such as the Philadelphia Veterans Affairs Medical Center (VAMC) brachytherapy cases and improper hiring practices within the VA, to name a few.

Over time we have seen an increased demand being placed on the OIG for inspections and audits in order to facilitate Secretary Shinseki's goals of improved transparency and accountability. We must ensure that the OIG is properly resourced and staffed to fulfill this critical role as watchdog of the VA.

Our first panel will address the Office of Inspector General's proposed budget. The OIG's request shows an increase of $367 thousand over fiscal year 2010 levels. And even though funding for the OIG may be increasing, it is important for the VA to remain fiscally responsible.

At the same time, this modest increase is still approximately $11 million less than what the office initially requested for their fiscal year 2011 budget. The Office of Inspector General has a proven track record and for every dollar invested in the OIG, we get a return of $38.

Our second panel will discuss the proposed budget for the Office of Information and Technology. The budget request remains at the 2010 level. As more demands are placed on the VA's IT infrastructure and wide range in programs calling for technological advances such as paperless initiatives, the office will, of course, need appropriate resources, especially as it works to transform the VA into a 21st century agency.

We are very interested to hear the Department's plan for executing this budget and ensure that we will meet the needs of our Nation's heroes. Our veterans have borne a tremendous burden on our behalf and we are, therefore, obliged to ensure that they receive the care and opportunities that were commensurate with their selfless service.

Thank you all, again, for attending today's hearing and I look forward to all the testimony being presented today. Before I recognize the Ranking Republican Member, I would like to swear in our witnesses. I ask that all witnesses stand and raise their right hand.

[Witnesses sworn.]

I now recognize Dr. Roe for his opening remarks.

[The prepared statement of Chairman Mitchell appears on p. 30.]

OPENING STATEMENT OF HON. DAVID P. ROE

Mr. ROE. Thank you and good morning, Mr. Chairman. Thank you for holding this hearing to discuss the fiscal year 2011 budgets for the Office of Information and Technology and the VA Inspector General.

As we all know, both these components of VA are critical to operations at the VA, OI&T and their IT infrastructure responsibility and that of the OIG for their oversight responsibilities. I will tell you that I am very interested in where the resources are going and have been delegated to OI&T and I am quite concerned that the budget for the VA OIG has been flat-lined for fiscal year 2011, par-

ticularly given the amount of oversight this office has had to perform.

VA OI&T, Assistant Secretary Baker, has undergone a top-down review of all ongoing IT projects, and at this point put on hold the development of approximately 45 IT projects. I am interested in learning the downstream prospects for these projects, including the stalled Financial and Logistics Integrated Technology Enterprise (FLITE) project in which we have invested a large amount of resources since 2000. I am also interested in future planning for OI&T—how are we going to advance joint ventures such as those being used at the North Chicago/Great Lakes Venture that Chairman Mitchell and I visited earlier this year.

I am concerned about funding for VA to stop the practice of cutting and pasting and altering the VA's electronic medical record. I find it disturbing that the VA has not learned its $26 million lesson from its data security breach in May of 2006. I understand VA still allows personal unencrypted laptops and other devices on VA's secure networks.

I am also concerned that VA OIG budget has remained at the fiscal year 2010 level. With the increased responsibility of conducting Veterans Benefits Administration (VBA) Regional Office reviews similar to the Combined Assessment Program (CAP) reports issued for VA medical facilities, I am uncertain that the resources allocated to VA OIG will be enough for them to adequately complete their mission for fiscal year 2011. These reports are an invaluable resource to review and correct inadequacies within the VA program.

Without the oversight of the VA OIG, we would not be able to conduct proper oversight here at this Committee, and I just did some quick math, and I think I am correct that less than one-tenth of 1 percent of VA budget is for oversight and that is, as the Chairman clearly said, the 38 to 1, I would like to invest in that and I think we need to make an investment.

Mr. Chairman, I look forward to hearing the testimony today and working with you on making certain, both, that the VA OI&T and the VA OIG have both adequate resources with which to perform their duties. Thank you and I yield back.

[The prepared statement of Congressman Roe appears on p. 30.]

Mr. MITCHELL. Thank you.

Mr. Walz.

Mr. Buyer.

Mr. BUYER. I would ask unanimous consent to participate in your hearing today. Thank you, and I will waive my opening statement.

Mr. MITCHELL. At this time I would like to welcome Panel 1 to the witness table. Joining us on our panel is Richard Griffin, Deputy Inspector General, U.S. Department of Veterans Affairs. Mr. Griffin is accompanied by James J. O'Neill, Assistant Inspector General for Investigations; Dr. John Daigh, Jr., Assistant Inspector General for Healthcare Inspections; Belinda Finn, Assistant Inspector General for Audits and Evaluations and Maureen Regan, Counsel to the Inspector General.

I would ask that all witnesses please stay within the 5 minutes for their opening remarks. Your complete statements will be made part of the hearing record. Mr. Griffin.

STATEMENT OF HON. RICHARD J. GRIFFIN, DEPUTY INSPECTOR GENERAL, OFFICE OF INSPECTOR GENERAL, U.S. DEPARTMENT OF VETERANS AFFAIRS; ACCOMPANIED BY JAMES J. O'NEILL, ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS, OFFICE OF INSPECTOR GENERAL, U.S. DEPARTMENT OF VETERANS AFFAIRS; JOHN D. DAIGH, JR., M.D., CPA, ASSISTANT INSPECTOR GENERAL FOR HEALTHCARE INSPECTIONS, OFFICE OF INSPECTOR GENERAL, U.S. DEPARTMENT OF VETERANS AFFAIRS; BELINDA J. FINN, ASSISTANT INSPECTOR GENERAL FOR AUDITS AND EVALUATIONS, OFFICE OF INSPECTOR GENERAL, U.S. DEPARTMENT OF VETERANS AFFAIRS; AND MAUREEN T. REGAN, COUNSEL TO THE INSPECTOR GENERAL, OFFICE OF INSPECTOR GENERAL, U.S. DEPARTMENT OF VETERANS AFFAIRS

Mr. GRIFFIN. Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to have this hearing and address the important work that we are trying to do in the Office of Inspector General. As you know, our mission is to provide independent and objective oversight of VA programs to ensure that veterans receive the care, support and recognition that they have earned in service to our country.

Our efforts include mandated, proactive and reactive projects, which continually challenge our resources. We strive to be responsive to Congressional requests as reflected in our work concerning improper disinfection of endoscopes, brachytherapy procedures, informed consent of research subjects, the interagency agreement between VA and Space and Naval Warfare Systems Command and claims related mail processing.

During fiscal year 2009, we also testified at eight Congressional hearings, conducted 52 briefings and responded to 234 congressional requests. Today's hearing marks the fifth hearing of this fiscal year for the VA OIG.

Other major reactive work is performed by the men and women of our Office of Investigations. Significant criminal investigations in the past year resulted in convictions of a VBA employee, a veterans service organization (VSO) service officer, 11 veterans and one nonveteran who conspired to defraud VA of $2 million in undeserved benefits; the conviction of an Associate Director of a VA consolidated mail-out pharmacy and his wife for secretly running an 8A business, having contracts with his facility; and the conviction of the Nation's first pharmaceutical chief executive officer for off-label marketing.

Our proactive work includes national audits and health care reviews; cyclical reviews of medical centers, outpatient clinics and VBA regional offices; along with pre-award and post-award reviews of VA contracts.

One proactive audit found that 37 percent of non-VA fee-basis care had payments that were improper. We recommended changes to improve the accuracy that could reduce $1 billion in improper payments. Our contract review staff continues to work collaboratively with VA's Office of Acquisition, Logistics and Construction, and in the current fiscal year they have already identified potential cost savings of $243 million and have identified more than $10 million in overcharges that are being recovered.

Maureen Regan and her staff have been providing invaluable support by sharing their expertise with VA employees, leading sessions at the Acquisition Training Center in Frederick, Maryland, and at other locations.

We clearly recognize the growing demand for the full range of benefits and services provided by the Department of Veterans Affairs and the parallel increase in VA staffing and budget.

We also recognize our responsibility to ensure every dollar appropriated is effectively and efficiently spent for the well-being of our Nation's veterans.

In view of our existing workload, our proposed budget of $109,367,000 will not allow us to take on any new initiatives, to include our desire to focus on the quality of outsourced health care; to expand audit coverage of IT systems development, acquisition and implementation; and to conduct proactive investigations of fiduciary, procurement and workers compensation fraud.

As always, we will prioritize our work and we will continue to try to be responsive to requests from the VA Secretary and Members of Congress.

I want to thank you for your continued support and the opportunity to testify today. We will be pleased to answer your questions.

[The prepared statement of Mr. Griffin appears on p. 31.]

Mr. MITCHELL. Thank you, Mr. Griffin. I have a couple of quick questions. Are there any areas in the VA health care that would benefit from OIG oversight that are in jeopardy due to the resources that are being limited?

Mr. GRIFFIN. Well, as you know, Mr. Chairman, we started doing reviews of outpatient clinics within the last 12 to 18 months. There are presently over 800 outpatient clinics under the Veterans Health Administration's (VHA's) purview. Current staffing allows us to do about 40 clinic reviews a year. If you do the math, that is a 20-year cycle before we could get to every clinic and ensure that the quality of care at those clinics is equal to the quality of care at the primary medical centers. I think that is an unacceptable cycle.

Mr. MITCHELL. Let me follow up on that. Of the outpatient clinics that you have investigated, are there any conclusions that you can drop on that are the top issues facing the VHA?

Mr. GRIFFIN. We can, and I am going to ask Dr. Daigh to speak to those early conclusions because we are just getting into the initiative.

Dr. DAIGH. Yes, sir. I would say that we will have a formal report that summarizes the work. I would say that the quality of care that we have seen in primary care delivery, not mental health care delivery, has been about the same. As I said, we are very happy to report that what we have seen from the community-based outpatient clinics (CBOCs), the quality of care is the same, using the same metrics used at the hospital in both clinics so that is very satisfying.

We may find some difference between contracted clinics and VA owned and operated clinics but we haven't run that data set yet and I am not able from just looking at the data to answer that question.

On the contracting side, we have found significant difficulties where VA manages a contract at the CBOC with respect to being able to ensure that we are paying the correct bill. And what we find, for example, is that the contracting officer's technical representative, who often is a clinician or nurse or another provider who has this as a side occupation, often doesn't have the IT support lined up with the contract so that they can easily get the bill from the contractor and determine whether or not the work has been done according to VA's data, so there will be some findings in the contract area there.

We have not looked at the mental health delivery at CBOCs as we would like and we will, in the coming years, spend more effort looking at the mental health contract for care provided CBOCs.

Mr. MITCHELL. We know that the budget included a lot less for the Inspector General than was originally requested. We also know, as I mentioned earlier, for every dollar that we invested in the OIG, we get $38 back. What explanation did the VA give you on why you were getting such a small increase, especially since the Department is asking for one of the largest increases in its overall budget?

Mr. GRIFFIN. Mr. Chairman, I believe that in reality we have a decrease because when we submitted our budget, we projected that we would need about $4.4 million just to maintain current services. The amount that we were given over 2010, the $394,000, is specifically earmarked for the Council of the Inspectors General for Integrity and Efficiency administrative requirements.

I think that in view of the current deficit situation, and that is speculation on my part. We were straight lined or less than current services in this budget.

Mr. MITCHELL. So there really were no programs, just more training in Mr. Regan's office, is that right?

Mr. GRIFFIN. Now this is training, training requirements that were mandated by the Inspector General Reform Act and funding for the Council of the Inspectors General for Integrity and Efficiency. It is a council made up of all the OIGs that administers programs, tries to organize training that is unique to the OIG community and each OIG had to pay for a pro-rated share of that activity.

Mr. MITCHELL. I see. I yield.

Dr. Roe.

Mr. ROE. Thank you, Mr. Chairman. I probably am the last person up here that wants to see big brother looking over your shoulder, but clearly when you have a $125 billion budget, that is seven times the budget of the State of Tennessee. That is a huge responsibility, and we always talk in Medicare and Medicaid about fraud and abuse, and what I found fascinating was you, with less than one-tenth of 1 percent of the VA budget you were able to, with those resources, find almost 3 percent—$2.9 billion, I believe.

And we couldn't, quite frankly, I mean just after a year on this job, we can't do our job without you being able to do your job because we won't know about brachytherapy problems, and we won't know whether the followup is there if you don't have the resources to follow up. That is just current.

We wouldn't know about the endoscopy and the very quick response that the OIG did. That was amazing how fast you went out

and, I think, looked at 42 different facilities and a rapid response, which we need that information. Otherwise, we can't do our job.

So I also see that from this relative resource chart that you have the least people, also, in addition to budget. I think we understand that. I think everybody up here gets that.

So what things will go undone that you feel are needed this year if you have a flat-lined budget? There were critical issues out there. Is it relooking at endoscopy or brachytherapy. Or, as the Chairman and I went to Great Lakes, is it looking at that project or the FLITE project or whatever?

Mr. GRIFFIN. I would say, before I give you the answer, that part of our difficulty is, as I mentioned in my oral remarks, we have proactive and reactive work. When we started out last year, we had no way of knowing that we were going to do the endoscopy review, which tied up a great number of David Daigh's assets and removes from us the ability to strategically go after areas that we have identified as needing review.

Right now, there is a lot of money in the current budget for homelessness issues. We have, on an episodic basis with the homelessness, looked at elderly care, but not to the extent that we did a national review and could come forward with systemwide conclusions and recommendations. I know that that is something that Dr. Daigh would like to get into if we had the time and resources to do it. There are a number of audits, also, that Ms. Finn could talk about that we also feel are in dire need for a review, many things in the IT area that we would like to look at more closely.

As you know it is a very expensive area for the Department. Over the past decade there have been some successes and some failures in that area and a lot of money involved. We would like to have sufficient staff and expertise in our audit section to be able to more closely monitor the IT program at the Department.

Mr. ROE. Mr. Griffin, I agree with you a hundred percent because if we had had that kind of oversight in the U.S. Department of Defense (DoD) and VA, there might, after however many 20 years and billions of dollars, be able to talk to each other, if someone had looked at it and I could not agree more.

And you hear things that go on. For instance, the homeless, which there is not a person on this Committee that doesn't want every homeless veteran to have a place to live, but it is a $4 billion program ripe for abuse if it is not carefully looked at, and I think you have to have the resources to be able to do that, to do your job. And right now you are not going to have the resources, the best I can tell, to do your job.

How many people work for your department? Not exact, just approximately.

Mr. GRIFFIN. About 530, with some coming and going, you know, from time to time.

Mr. ROE. Five hundred, somewhere thereabouts.

Mr. GRIFFIN. Right.

Mr. ROE. Thank you. I yield back.

Mr. MITCHELL. Thank you. Mr. Walz.

Mr. WALZ. Well, thank you, Mr. Chairman, and thank you to each of you for being here.

Mr. Griffin, I very much appreciate your testimony—very candid, very helpful, exactly what I think people expect of how we need to work together.

To the rest of you, Dr. Daigh, you have been here before, Ms. Regan, and we thank you for this. I am a huge advocate of the work you do and I think the questions being brought up here are absolutely relevant.

Just a couple of things. Dr. Roe, I agree with you. I don't think any of us up here wants big brother ever watching, but I do think we have a responsibility to the taxpayers as taxpayer advocates and watchdogs, making sure that we get this right and I think we need to be very clear that when I am looking at some of these improper things, 37 percent of the fee-based payments—now, I am not sure if that's VA's fault or the private sectors. I do know that $2.3 billion on the pharmaceutical side, there is not an all benevolent private sector either on this.

This is a job of taking care of our veterans. Nobody in my district is saying balance this budget on the backs of veterans, but we have a responsibility and I have been saying for a long time, as your budgets increase at VA, the accountability must increase exponentially to make sure that every dime is being spent correctly. So I am very concerned that your budget is not there. I appreciate the candidness of tell us exactly what it means by not having that money there and I think it is important for all of us to understand when we vote on VA appropriations when we vote—did you receive money from the Recovery Act dollars? Did any of the Recovery Act dollars go to you?

Mr. GRIFFIN. We received $1 million out of the $1.4 billion——

Mr. WALZ. That went to VA.

Mr. GRIFFIN [continuing]. That the VA got, which was less than one-tenth of 1 percent.

Mr. WALZ. That's right.

Mr. GRIFFIN. And we spent it in the first year because trying to do the audits that were required and to do the investigations that Mr. O'Neill's people have undertaken as a result of suspected fraud in those areas. We have spent our million and we are going to continue to do those audits and do the investigations that come to us.

Mr. WALZ. So you didn't even receive enough money from the Recovery Act to monitor the Recovery Act dollars that went to VA?

Mr. GRIFFIN. That is right.

Mr. WALZ. Okay. Well, you have come to the right people who believe in you. We believe that there is some money—we believe it is the proper role of oversight of government of taxpayer dollars.

I have one question to you and it is somewhat subjective, but it came up in a round table discussion with the VSOs. They are firm supporters of yours. They want—accountability is the word I am hearing from them this year—accountability, accountability, accountability.

The Vietnam Veterans of America made a comment to me that got me thinking on this because I was touting the OIG's office, touting this Committee's—the Ranking Member and the Chairman's continuous push together to get more money into this and they said they think you do a wonderful job on fraud and abuse. They question the waste side of things, and I am wondering, do you

think that's coming from a perception of, as you said, it is very difficult for you to do proactive things when you barely can chase down the fires that are started or do you think that is a mischaracterization on their part, on the waste side of things?

I just want to get at it so I have a way to go back to them.

Mr. GRIFFIN. I think the old buzz words from the OIG, active waste, fraud and abuse, are probably tired. I think if it is fraud, that is waste to me, if people are being abused in our medical facilities or on the job or whatever. That is a waste of taxpayer's money because that is not what we are supposed to be about.

Mr. WALZ. I think they were getting at if there is illegal activity going on, we are great at it. If there is just simply redundant programs that are not providing patient care increases, we don't do a very good job of stopping that because if it is not illegal and it is under the auspices of the Veterans Integrated Services Network (VISN) director or the hospital director, you don't really get involved with telling them we could streamline.

When the next panel comes up, I have some folks that ask me, with all that money we spent on IT, how come the private sector can do it better. And we will ask them. They are saying that part of it could be done better. Do you think that is just because that is not really your area to comment on?

Mr. GRIFFIN. No. I think that some of the initiatives that we have undertaken several years ago and we started doing our medical center inspections under the CAP program. The outpatient clinic reviews, the benefit inspection reviews that audit is doing now, so we can get out to regional offices (ROs) and see what is going on there.

And as Dr. Daigh alluded to earlier, after 6 or 12 months where we have been to a number of facilities where we found the same issue at 90 percent of the facilities, and you are not talking about an anecdotal problem. You are talking about something that is crying out for a systemic fix.

Mr. WALZ. That's right.

Mr. GRIFFIN. And when we can roll those things up and take it to the Under Secretary and say, look, this is what we found at the last 20 facilities we have been to, then it is not just, you know, one individual hotline that somebody came in with. It is a systemic problem, and by addressing those systemic problems, that is when you can get at the waste.

Mr. WALZ. Okay.

Mr. GRIFFIN. And you need to have the capability to continue to do those things and not just be like responding to a fireman's call every time, you know, some issue that none of us can predict comes up because every year there is something that was not on the radar screen that winds up consuming resources.

Mr. WALZ. Well, thank you. And again, I want to thank each and every one of you. The job you do as taxpayer advocates, of advocates for the care of our veterans is appreciated by this panel, so thank you.

Mr. GRIFFIN. Thank you.

Mr. MITCHELL. Thank you.

Mr. Buyer.

Mr. BUYER. Thank you. First of all, I don't view any of you as big brother. I view this as a very important function of accountability and one particular question I am going to ask is, the endoscopy review, what did that cost, do you know? I know it is not completed, but give me a ballpark figure.

Mr. DAIGH. I am going to say it cost between 3 and 4 man years of time, so it probably cost $700,000.

Mr. BUYER. That is on the cheap.

Mr. DAIGH. It was two reports. The first report was a statistical review where we came up with, identified a problem. The second report we visited about 153 medical centers personally, so that took about 40 of my people about a week to accomplish, so.

Mr. BUYER. You know, even if you, by the time you complete your work, let us say it is $1 million, what we have to pay out on the back end on claims on this one alone is going to shock you, how much we are going to have to pay on claims on this one. So I agree, Sergeant Major. Your comments about the payoff—actually both of you also talked about the multiplier effect, Mr. Chairman. That level of investment, the ability to have an office that can do that type of oversight so we can get ahead of the curve before it ends up costing us more money in the end.

Let me ask this question. Our staff is, on the Republican side, is we are preparing our views and estimates and we will work together with the majority. You have been shorted, with regard to your budget, as it went over to the Office of Management and Budget in final analysis. If we take the President's budget number and were to plus it up $50 million, what would that $50 million do for you?

Mr. GRIFFIN. Fifty million dollars?

Mr. BUYER. We would plus it up $50 million, so actually we cover your hole. Your hole is what, about $19?

Mr. GRIFFIN. We requested 122 in our initial submission which is, you know, a matter of record. That 122 would have covered the $4.4 million that we needed to maintain current services over fiscal year 2010 and it would have allowed us to bring on 44 additional full-time employees, 20 of whom we had intended to dedicate to the health care area, 6 which we intended to dedicate to beefing up our IT audit capacity and 18 for proactive investigations.

Mr. BUYER. So Mr. Griffin, if we were to plus it up 50, then you have a hole—your boggy is 12, so we actually plus you up by 38. What would that plus of $38 million do for you?

Mr. GRIFFIN. Well, the $38 million, certainly in view of my comments about a 20 year cycle to see outpatient clinics, we would try to shrink that to something that is more comparable to the CAP reviews where we are getting to every facility every 3 years. We are going to try to shrink the Regional Office cycle. It is a new initiative. When we started out with the initial resources, we are able to get to 12 Regional Offices a year. Of course, there are 57. We would like to cut that cycle in half, so we would do that.

There are—the criminal investigative work, which again is reactive, but even though their job is to put people in jail that need to be there, our criminal investigators return about $1.6 million a year in addition to locking people up. So we could staff up our criminal investigative unit. We could staff up our audit personnel

and in health care to get into homelessness and elderly care and to look at non-VA care. Dr. Daigh's people recently did a study in Montana of mental health care and they found that 85 percent of the mental health care provided in Montana is by non-VA physicians.

Well, we need to make sure—it is good that we are making care available in rural areas. I know that is a big issue, but we want to make sure that it is quality and that is correct from the standpoint of what we are being charged for.

Mr. BUYER. I think, as I work with the majority on this one, I think we will probably come together on a number. We would—any plus-up that is headed your way, we would want it to be more on the, I would ask, that it be more on the front end to bringing those efficiencies and economies to scale and being proactive rather than being reactive and that would be the purpose of that form of plus-up. Would the gentlemen on the Committee agree?

All right. I yield back.

Mr. MITCHELL. Well. Thank you very much. We want to excuse you and thank you again for your service and what you are doing. I think we all know and I have said many times, as I use to teach government in high school, and we all know that you teach that the legislative branch's main job is to make laws, but I am finding out here that right up there next to it is what we are doing here and that is holding people accountable for what we do and making sure that the laws are carried out the way we intended and making sure that the government is getting what it should.

So we thank you very much, and as Mr. Walz said, that you have a real friend up here because you help us. Well, I guess we help each other. It is one of those situations that you let us know and we will bring it to light. So thank you very much.

Mr. GRIFFIN. Mr. Chairman, thank you for your continued support.

Mr. MITCHELL. I would like to welcome Panel Number 2 to the witness table and for our second panel we will hear from the Honorable Roger W. Baker, Assistant Secretary for Information and Technology, U.S. Department of Veterans Affairs. Mr. Baker is accompanied by Rom Mascetti, Deputy Assistant Secretary for Information Technology Resource Management, as well as the Acting Deputy Chief Information Officer for Information Technology Enterprises Strategy, Policy, Plans and Programs with the U.S. Department of Veterans Affairs.

And I would like to recognize Mr. Baker for up to 5 minutes and we appreciate you being here.

STATEMENT OF HON. ROGER W. BAKER, ASSISTANT SECRETARY FOR INFORMATION AND TECHNOLOGY, OFFICE OF INFORMATION AND TECHNOLOGY, U.S. DEPARTMENT OF VETERANS AFFAIRS; ACCOMPANIED BY ROM MASCETTI, DEPUTY ASSISTANT SECRETARY FOR INFORMATION TECHNOLOGY RESOURCE MANAGEMENT, AND ACTING DEPUTY CHIEF INFORMATION OFFICER FOR INFORMATION TECHNOLOGY ENTERPRISE STRATEGY, POLICY, PLANS AND PROGRAMS, OFFICE OF INFORMATION AND TECHNOLOGY, U.S. DEPARTMENT OF VETERANS AFFAIRS

Mr. BAKER. Thank you, Mr. Chairman. I would like to note my oral testimony will be somewhat different from my written.

So thank you for the opportunity to present the Department of Veterans Affairs fiscal year 2011 Budget for the Office of Information and Technology. As you noted, I am accompanied by Mr. Rom Mascetti, the Department Assistant Secretary for IT Resource Management of VA.

I would like to start by thanking the Members of this Committee for the substantial role you have played in creating the consolidated IT organization. My first encounter with the House Veterans Affairs Committee was in 2006. It was in this room in a meeting called with industry to discuss the pros and cons of IT consolidation.

Your leadership was critical and you helped create something unique in the Federal Government, the Department level IT organization under a single Chief Information Officer (CIO). And while the process of consolidation may have been painful, in 2010 I can report to you that the consolidated IT organization at VA is functioning effectively.

More importantly, I can tell you the consolidated IT organization has given us a platform to drive necessary changes. Our goal for 2010 and 2011 is to establish the VA as the best managed IT organization in government. I believe we must first achieve that goal before we can achieve our long-term goal, which is for VA to have the best IT organization in government. That is what our veterans deserve.

President Obama and Secretary Shinseki have set forth two overarching goals for the Department, to transform VA into a 21st century organization, and to ensure that we provide timely access to benefits and high quality care for our veterans.

To achieve the transformation of VA into a 21st century organization, we must effectively leverage the power of information technology. IT is absolutely integral to everything we do at the Department and it is imperative that VA have a strong IT organization, one capable of creating and operating the new technologies required.

Simply put, an effective IT organization is essential to achieving VA's mission. Over the last 8 months, we have focused on implementing five key management approaches to improve the results of VA's IT investments. They are the Program Management Accountability System (PMAS), a prioritized IT operating plan, transparent operational metrics, a next-generation IT security plan and a customer service focus in every area of IT.

While my written testimony provides detail on each of these approaches, I would like to make two key points. First, that taken together, these management approaches will instill in the organization the level of discipline seen in well-run private sector IT organizations.

When these approaches are fully implemented during fiscal year 2010, we will be able to track every IT project and ensure that it is on schedule, we will be able to track every IT dollar to the results we expect from its expenditures, we will be able to track operational metrics across the enterprise to ensure our systems and processes are functioning well, we will have increased visibility into and control over the security of our IT systems and information to better protect veterans' privacy, and most importantly, we will

work closely with the administrations as our customers to ensure that we are a strong partner in our joint mission to serve our Nation's veterans.

My second point is that none of this would have been possible without the consolidated IT organization, combined with the strong leadership and support of Secretary Shinseki.

As we steadily improve our management effectiveness, our customer service and the results of our IT investments, I hope that the Members of this Committee will take great pride in the benefits that both taxpayers and veterans are seeing for the work you have done.

The VA 2011 budget provides $3.3 billion for IT, the same level of funding provided in 2011. The IT budget request for 2011, while level with 2010, is fully supportive of our goals, and I note that it is a 32-percent increase over our 2009 IT appropriation.

The new management approaches we have implemented over the last 8 months will help ensure we obtain maximum value for veterans from taxpayer dollars invested.

While we are realizing the benefits from these changes during fiscal year 2010 and 2011, we expect the full implementation will result in substantial performance improvements and cost avoidance. In effect, by implementing approaches to maximize the value of every dollar we spend, we are giving ourselves a budget increase without asking for an increased appropriation.

As an example, our implementation to the Program Management Accountability System on 45 of our IT projects, which we announced last July, has generated $54 million in cost avoidance during fiscal year 2010.

Of the 45 projects we placed under PMAS last July, we restarted 17 immediately, we replanned and eventually restarted 15 and we terminated 12. For 2010, we will use the $54 million to fund other higher priority projects that create more value for veterans.

Today we will announce that effective February 15th, all VA IT projects will be placed under PMAS. As we fully implement PMAS for all of our projects, I expect further savings. PMAS gives us much greater insight into our IT projects and ensures that they continue to meet their scheduled milestones. Projects that are not meeting milestones are stopped and either replanned or terminated.

I expect that we will see continued improvement of the results of our systems development projects throughout 2010 and 2011 and an increased probability that each project will stay on track and continue to meet its scheduled milestones.

In closing, I would like to thank you again for your continued support and for the opportunity to testify before this Committee on the important work we are undertaking to improve VA's IT results. We will use these more rigorous management approaches as we create the new IT systems necessary to support the President's vision of a 21st century VA, committing to serving those who have selflessly served our Nation.

I will now address any questions you might have. Thank you.

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

Mr. MITCHELL. Thank you very much, Mr. Baker. I have a couple of questions.

Even though the IT budget was the same from last fiscal year to this, can you explain the decrease? If there is going to be a negative effect on the medical IT and the benefits IT, with this cut or the budget being flat, do you expect to see a negative effect on both the medical IT and the benefits IT?

Mr. BAKER. I actually do not expect to see that. I think of the budget in three main areas. There is operational support and sustainment or, I phrase it, keeping the lights on in the facilities. Clearly, we will not see any decrease in that. That is a mandatory spend from our standpoint.

The second is the development of new projects. We are going to spend a lot of dollars on the Veterans Benefit Management System (VBMS), the paperless system, and several other projects inside of the VA, both health and benefits. That is where I expect to see the major savings come in. VA in the past has not been good at delivering IT projects on budget and on schedule.

In that area, I expect to spend fewer dollars and get better results. That is the main focus of what we are doing and why I feel comfortable with a flat-lined budget. The third area is on information security. We are going to make certain that we spend the appropriate amount of dollars in there. We have a lot of work to do still in information security. We have come a long way. We have a long way to go. It is an area we can't compromise on.

I believe for 2011 that number, when you take out some investments, is relatively flat. If we see that we are not spending enough dollars there, we will find ways to move dollars, either from infrastructure or development into that area. We cannot compromise that information security and privacy.

Mr. MITCHELL. The corporate IT support investment is decreased by over $25 million. What negative impact does this have on the VA?

Mr. BAKER. Let me, for a moment, turn to Mr. Mascetti, and just look at—we have just today, I believe, set up a fiscal year 2010 baseline letter that adjusts the numbers for 2010 per the appropriation. We make certain that we are actually in that baseline seeing a reduction and then from there I can address what I believe is probably occurring in that area.

Mr. MITCHELL. Thank you.

Mr. MASCETTI. Under the corporate IT investments, our appropriation is 2 years. We had a significant carryover from our 2009 into fiscal year 2010, such that, for example—and corporate IT is our FLITE initiative and we have a substantial amount of dollars that we have carried forward into fiscal year 2010, so that when you look at 2011, compared to 2010, it may look like it is down, decreased, but we have funds going forward, using fiscal year 2009 funds to support the corporate IT systems within our appropriation.

Mr. BAKER. I would also comment that we are being very careful on the FLITE program. One of the things that we are clearly implementing—we have slowed that project down substantially to make certain that we can deliver on the initial project, which is the asset management project before we spend the significant dollars on the integrated financial system. And so those dollars, while I believe they are appropriated in 2010, are likely to roll into 2011 for

actual expenditures, presuming that the FLITE project stays on the schedule it is on right now.

Mr. MITCHELL. One last question. First of all, are you satisfied with the IT budget, and if you had more money, what would you spend it on?

Mr. BAKER. Mr. Chairman, thank you for asking that question. I am, I guess I would say a number of things, but I am a taxpayer. I believe we have to have some fiscal discipline in the government and, I guess, looking in the mirror, my organization is a good place to start.

I think we can give ourselves a budget increase by spending the dollars better. We did get a substantial increase in 2010. We had a substantial carryover from 2009 to 2010. I have to recognize that it is likely we will carryover from 2010 into 2011.

My goal, before I come back to this Committee and ask for substantial additional dollars, is to be able to tell you that for every dollar we spent, I know we spent it well, that the results are documentable and that they are well known.

I think we have the things in place to move that forward. I think by the time we come in for our 2012 request, I will be able to make that representation very forthrightly to this Committee.

Right now we have a lot of work to do in that area and I think that there are places where we can tighten down and, as I said, give ourselves an increase.

Mr. MITCHELL. Thank you.

Dr. Roe.

Mr. ROE. Mr. Baker, thank you for your remarks. I appreciate that and all the taxpayers in the United States should appreciate that, and I think you have one of the most important jobs in the VA system. When I first came here, I didn't realize the enormity of the IT problem, being able to manage all this data and information and reams of when—and the Chairman and I visited in Detroit to see this enormous amount of paperwork.

And it also has a lot to do with the customer service part. When you can't—when you start digging through a veteran's chart this thick and you can't find the paper chart and you don't know where it is, I mean, I think it is absolutely critical going forward that you be successful and you have the resources to be successful.

I think that is why the Chairman asked the question, "Do you have the resources you need," because what we hear in the—I am sure what every Member up here on this Committee when they go home and visit the VAs, is about "how I can't get my claim looked at," "I don't have my education benefits, it is all messed up," "I can't track it." Is it possible with this IT system—and I was thinking about that this morning. Fedex can track where your package is. You know you can order your coat from L.L. Bean and you know exactly where it is before it gets to you. Will it be possible when a veteran puts in for their benefits to track where their claim is with this current system that we are setting up, so that a veteran will know you don't have to call my office, my office has to call the VA, take up all these man hours, is it possible to use technology just to say, hey, it is in Nashville, we will hear something from it in 3 weeks and I, as a customer, know exactly where that is?

Mr. BAKER. Absolutely. Let me give you an example. Where we are going with Veterans Benefit Management, I am confident, will include that, but an example I can speak very straightforward to because I know the project plan is on the Chapter 33 education benefits long-term solution.

The final deliverable of that system in fiscal year 2010 will be a Web site to which veterans can come and see the exact status of their claim from the point where it is received by the VA from the school, to the point where the check is cut and sent to the veteran and be able to tell them everywhere along the process where they sit in that.

So self service is a large part of good service for our customer service organization. So absolutely, that part has to be there for the Veterans Benefit Management System as well.

Mr. ROE. Will that be on time? The Veterans Benefit package is supposed to be up and operable by December of this year, as I read in the packet. Is that correct? December 2010?

Mr. BAKER. I don't know if the initial pilot of the VBMS—the Chapter 33, the long-term solution that I know is scheduled for December 2010 is on schedule——

Mr. ROE. Okay.

Mr. BAKER [continuing]. And will make December 2010. The date I have in my head for VBMS is the full roll-out, which we are still committing to Congress, will occur throughout 2012, that we will move to a fully paperless system in that time frame. There are interim milestones along the way, but I can't speak to whether there is one in December of 2010 on that.

Mr. ROE. Right. Well, in the FLITE program, just, I had a chance to look at that a little bit. That is now entering into its almost teenage years. It is not a toddler anymore. When is that going—how much have we spent on that?

Mr. BAKER. I will tell you that there is a difference of opinion as to whether or not the previous Core Financial and Logistics System (CoreFLS) should be viewed as a precursor to FLITE, but let us just say that it should because we have tried to implement at VA an integrated financial management system in the past and we failed. And I think anybody who goes into this project looking at FLITE has to recognize that track record.

The discipline that I am trying to drive and the transparency I am trying to drive is to talk about the reality of where we are and what the best thing for the taxpayer is, given that we need a new financial system at the VA, but we have a problematic process and project to get there, you know, the combination of those.

We have delayed further large expenditures on the integrated financial system part of FLITE because we have not yet demonstrated that we can successfully deliver the asset management part of FLITE. And I really want to credit the Deputy Secretary, Secretary Gould, on this, for making a very hard decision to decide we are going to take the hard path. Sometimes the right path for the taxpayer is the hard path, which is we are just going to prove we can succeed or prove that we are going to fail on the small project before we get to the big project, so we are working through that. I liken it to a swamp fairly frequently. You know, I am hop-

ing that the water gets lower, but sometimes it seems to get a little bit higher as we go through it.

Mr. ROE. Will you sort of keep, could you keep us informed about where in the swamp we are?

Mr. BAKER. Yes, absolutely. I can tell you there are alligators right now.

Mr. ROE. Okay. Thank you for your testimony.

And Mr. Chairman, I ask unanimous consent that the Minority Counsel sit following Mr. Buyer's comment. I am going to run over to another Committee for just about 10 minutes. I will be right back.

Mr. MITCHELL. Mr. Walz.

Mr. WALZ. Well, thank you, and thank you, both, for the work you are doing. I am a broken record around here about seeing this transition. I believe it is the systemic change that needs to happen between DoD and VA, and a large part of that, not all—it is cultural, it is integration on a different level, but a large part of it is tech and so I have just a couple of questions here and before this hearing, in preparation, I met with a group of folk from IAVA, the Iraq and Afghanistan Veterans of America, and what they know is, is given—they understand the demographics of this. The vast majority, 90-plus percent of our incoming warriors never lived in a world without the Internet. They never lived in a world without social networking.

And the question that I have is several on this and I would go back to where Dr. Roe was at. We have been developing paperless claim systems, whether it was RBA 2000 Virtual VA and all that. By the time they come online, the technology is gone and they are outdated.

And my question today is, and I will be the strongest advocate for the money that is needed to get this done, but there are some questions that I have that trouble me with the amount that we put into IT and the lack of progress that I see.

Mr. Baker, you talk about 2006, meeting with those professionals on the IT sector. Is the VA up to industry standards on software development?

Mr. BAKER. No.

Mr. WALZ. Okay. Because my question was, is how can Google come up with Chrome and Android in months and we are 15 years into things and those are obviously powerful. I look today and I think of this group that is out there. I have my iPhone here and I go to this and I have an app here call VA and I can open it up and go down here and it says "VA Office of Inspector General," and I can go to that. Is this yours?

Mr. BAKER. No, that's an encrypted device, so it wouldn't be possible to——

Mr. WALZ. It wouldn't be possible for me to look up Title 38 and my benefits as I am seeing here and I see an official time, Northridge Chicago VA Medical Center, what is going on and things like that. I am talking about where veterans can get this. I go to IAVA Web site and there has been a calculator on there for months, months and months and months for every college in my district to say exactly what their benefits were going to be, how they applied and all of that. Does your site do that as easily?

Mr. BAKER. I actually believe that in the last week we brought up a site that has a benefits calculator on it. I just saw an email on that in the last 2 or 3 days.

Mr. WALZ. They did all this, plus their social networking for $200,000. They are having hundreds of thousands of hits from veterans going there, but we are going to be asked to budget $3.3 billion in care of our veterans improving their lives. It is medical records and all that, but what does a returning Iraq veteran who wants to go to college get from your site in IT up until a week ago?

Mr. BAKER. So from a detail standpoint, I will start with, I am not satisfied. I resonate with what you are saying. We do have an online application for the Chapter 33 benefits. We did have when we did the emergency payments, an online site to request the emergency payment check. And I will tell you that our Chief Technology Officer, Peter Levin, is really trying to drive exactly that point, which is why it can't be quicker and bring up things that people expect, with that said.

Mr. WALZ. Are we doing something to inhibit that? Is there some reason we are not doing that because I am going to be the advocate here for the multiplier effect of the private sector and the non-profits to maybe be able to pick up some of this because I have to tell you right now, I have a hard time going home justifying it when IAVA is actually a better site right now for these guys on the GI Bill. I would recommend it to them and that is at no cost to the government.

Mr. BAKER. Well, let me tell you that we certainly appreciate what IAVA is doing and they are of great assistance. We have some things that hold us back.

You know, clearly we have a lot of legacy systems. You enumerated a few of them—you know, Vets.net, Virtual VA and others and, you know, those are not systems that are easy to integrate into that environment.

The second thing and realistically, there is a balance and I am going to get as far away from causing this to sound like an excuse as I can, but there is almost no way. We have certain privacy and security requirements that, as the senior privacy official, I will not compromise, and I know, you know, we just have to go this route.

What I thought you were asking me about, the iPhone, is a very, very straightforward thing. We are trying to do a lot more with mobile devices on the health side. The doctors really want to have those capabilities. Unfortunately, as you go through what we have to have for encryption and information protection, a device like the iPhone simply will not support what we have to have on the inside of the enterprise. And so——

Mr. WALZ. But it can, as a connection device, as a portal to benefits and things like that, that we had VA in here a couple of years ago and had to make the point that you do have the ability to reach out and advocate to get people in.

Mr. BAKER. Yes, absolutely. Browser interfaces from that standpoint. My point is that the moment I handed an iPhone to a doctor and he loaded a health record on it, I have an information breach. So I just have to be careful about what we put into our infrastructure.

But back to your main point. We have a lot of legacy systems that do not respond well to the Internet. We do not have an Internet driven organization. It certainly—while we have parts of the organization that do those things well, I am sure you look at our VA *Facebook* pages, you know, that get out and communicate with veterans and *Facebook* and there is *Twitter* and there are other things that we are doing, that is at the forefront and we have a big tail that we are dragging to try and bring along those lines.

Mr. WALZ. I will come back on this as we come back around again. And the one thing and I would just say, and just something to think about, these groups are telling me that we are trying to reach out and a year ago we showed them this wonderful calculator application and they were basically treated as, "Go away. We know how to do this better." And the fact is, on this case, I am not sure you do and that and that attitude is something I am concerned with because it is all about—and trust me, this is not a criticism. I know the two of you are sitting here because you care deeply about the best possible care to our veterans. That is not the question.

I am trying to get at how do we cut through some of this for you and the privacy concerns are genuine, real and have to be there, but how do we cut through to make us more flexible, make this truly a 21st century VA. I am afraid you are operating still on a 20th century technology. That is really a concern to me with the bulk of our veterans being so far ahead of us on—and that is a trust issue.

Mr. BAKER. Yes.

Mr. WALZ. They start to lose trust in the VA, then, if they can't respond. So I will yield back my time, and thank you. I am sorry to go so long, Mr. Chairman.

Mr. MITCHELL. Thank you.

Mr. Buyer.

Mr. BUYER. Thank you. Mr. Baker, I want you to know that I put you in a class of individuals that when I see them, I smile.

Mr. BAKER. Thank you.

Mr. BUYER. And I smile because I reflected on your opening statement. So let us go back to 2006. You know, you had had that experience of being the CIO at the Department of the Interior. Then you go out into the private sector. You are now at Visa. Your country is struggling, trying to figure out how we can do things a better way with greater efficiencies within our IT sector. We had so many projects that really had become legacy systems, it seems, before they were ever launched.

And little did you ever know at that moment in 2006, as you were sitting here in the room helping design the system, that you would be implementing that very same system.

Mr. BAKER. I am.

Mr. BUYER. There is not—neat——

Mr. BAKER. I am honored.

Mr. BUYER [continuing]. Is a good word for that, isn't it? It is pretty neat.

Mr. BAKER. Yes.

Mr. BUYER. And I want to thank you, because we reflected on before the hearing. But I will never forget. You know, I thought what

I would do is pull in 50 of the greatest companies, some of the best companies in America, with great minds like yours and others.

And I remember having that chalkboard right behind you where you are sitting right now. And I took that chalkboard. And I started, you know, writing these diagrams and had this idea of how best we could consolidate. And once I put the idea up on the chalkboard, I want all of you to shoot holes in it.

And it was a great day, because it was the genesis of—actually it was the crucible and the genesis of this consolidation. And it happened on that day. And you were part of it, so I want to thank you for your contribution.

The other—I want you to look back at one of your predecessors too and that is Bob McFarland. To change anything, you have to have an agent of change. And Bob McFarland was that agent of change. And it was very challenging.

You know, we reached out and the Secretary at the time took a great mind from Dell Computer. And he sought to bring that consolidation and, boy, he got beaten up. His heart was right, his sincerity, his intellect was correct. But it was very, very challenging on him. I know you know Bob. But I just want to take a moment and reflect upon that.

Also this is a great example though of how we could perfect change. Every Member of this Committee supported that consolidation effort.

Mr. BAKER. Right.

Mr. BUYER. Every Member of this Committee in a bipartisan fashion. And that is the power of the House when we move in consensus.

And, you know, the Administration, the culture wasn't just as bad, so was the U.S. Senate. You know, but we were able to get it done. So I want to thank you for that.

The one thing that I sense a continuation of a challenge is within the Health Services Administration. The feedback that I am getting on the quality assurance and security issues is that doctors still are using their personal laptops and taking information with them. And it has been challenging for you to get your arms around that; is that true?

Mr. BAKER. I have been doing some recent research on that. We clearly have the policies in place on this at this point. And we have the training.

I think the way that I look at it is that doctors have one thing they want to do and one thing only and that is provide great care to the veterans that come in. I know for a fact that some things we have had to do to increase security have had an impact on that. And it is a balance.

Every time I visit a VAMC I hear about how slow encrypted laptops are. And the answer to that is we would like to find better technology that would be faster. But we are going to encrypt our laptops. There is no choice there.

I think my personal perspective is that I believe the environment of VA has changed a lot. And I think it takes a while to get out into—you know, across the country from the cooperation standpoint.

I am not today able to state that it is impossible for someone to bring in their personal home computer and put information on it. I think it is highly unlikely, and it is difficult to do.

One of the things that we do on a local basis is block those sort of devices from connecting. We have to be at the point where across the enterprise I can make an affirmative statement to you that we are able to do that. And I know that it is done 100 percent of the time.

There may well in the past have been a lot of resistance to the CIO doing that. I believe Secretary Shinseki has made it plain that that time is in the past. He clearly makes it plain to any facility director who wants to come in and complain about the IT consolidation. That they should find a different Secretary of Veterans Affairs to complain.

So maybe I am being a little naive in my customer service approach to this. But I don't believe that today the issue is pushed back from the organizations. I believe today it is getting out and getting it done.

I fully admit that a year ago the main issue may have been pushed back from the organizations. But today we have to go out and execute and make it so that it is impossible for someone to connect. And I believe by the end of 2010 we will have done that.

Mr. BUYER. Thank you.

Mr. SPACE. Mr. Chairman, Mr. Baker, I would like to focus for a moment on some of the telehealth initiatives that you deal with and the VA is undertaking. My district is in southeastern Ohio. It is Appalachian Ohio. It is very rural. And the population is very widely dispersed, no urban centers. And as a result, oftentimes our veterans lack access to health care.

And we see the promise afforded by telemedicine is great as a way to bridge that divide that exists right now between the access of urban and suburban areas have to health care versus that which those in rural America have. Certainly veterans are no exception to that.

We see the access to broadband as also being important for economic development, education. There is a whole litany of things. Certainly in the realm of veterans, we see it as an important tool to provide awareness for benefits and access to the system overall.

The problem is that in areas that need it the most, those areas that would benefit the most from access to broadband, are the areas that don't have it. It is a marvelous tool to help overcome some of the problems we have. But just obtaining that access in the first place is a real challenge, because the Internet providers don't find it profitable to reach out in underserved or unserved areas because of the terrain, or the dispersion of the population, or the economic demographics.

And my question for you is I understand the benefits of telehealth and certainly as it relates to veterans and areas where we have shortages of psychologists and psychiatrists. Certainly in dealing with some of the signature wounds of these recent conflicts and wars, it has enormous potential.

But my question is have you or has the Veterans Administration been working with National Telecommunications and Information Administration (NTIA), or the U.S. Department of Agriculture, or

any other Federal agencies that are charged with attempting to broaden access to the Internet, high-speed Internet in particular, in an effort to further or advance service to veterans?

And do you have a particular strategy or any ideas as to how we can open up access to broadband among the veteran community in rural America that don't have access right now, which, of course, could again lead to better health care and more economic development opportunities, et cetera?

So what are your thoughts regarding the access to broadband issue vis-à-vis the challenges facing rural veterans?

Mr. BAKER. Thank you, Congressman. I would like to do two things. One is I believe we are working with NTIA and the Federal Communications Commission (FCC) and others. But I think what we should come back to you with is specifically what are we doing in those areas.

And I say that because I would like to know, you know, specifically in those. You know, I know work is ongoing. But I think the point is well taken.

I have had several interactions with our rural health and telehealth folks. One of the things that I bring to this is that what I did at Visa. Creating telebanking and Internet banking at a time when that really didn't exist. And the thought was how do we get lots of folks to get access to their bank instead of having to go there, an easier problem than on the health side.

We are moving telehealth ahead. In the past, the telehealth work we were doing was all focused around local telephone lines. We are moving that ahead now into wireless. I think there are things we can do with satellite connections for some of the folks that are substantially out of range. And move ahead a lot of work with, in effect, the slow speed devices. There are a lot of things that can be transmitted back to the VA that don't require a high bandwidth.

At the same time, we also have quite a number of pilots ongoing to look at what will work well. One of my favorites uses the concept of very high bandwidth from a VA medical center into a relatively remote town, 4 or 5 hours drive away from the medical center, with very good video, high definition 1080p sort of things from a video. And the ability to have people from the local area come in and in effect have their appointment with their doctor in a local facility instead of having to make the travel.

Now some things they are obviously going to have to travel for. But if we could cut out 50 percent of their travel, it would have a substantial, positive impact as well. There are a lot of pilots going on, you know, for how to use the bandwidth that we have available.

And then to your point, what can we do to expand the bandwidth available? There are things that the VA can do on the VA's nickel, existing technologies, using satellite, cellular, et cetera. But we need to make certain that we are being the veteran's advocates inside of FCC and other people that have substantial dollars to drive broadband into much further reaches.

Mr. SPACE. Thank you, Mr. Baker.

And in closing, I want to reiterate the enormous potential that broadband brings in bridging some of the divides that exist between rural veterans. And access to health care can only be

achieved ultimately through the expansion of broadband throughout this country, yet another compelling reason to move forward in that direction under the jurisdiction of Committees elsewhere.

Thank you, Mr. Baker.

Mr. BAKER. Thank you.

Mr. MITCHELL. Thank you. Mr. Bilbray.

Mr. BILBRAY. Thank you, Mr. Chairman.

You know, I appreciate my colleagues pointing out about how access is a big problem in rural areas. You know, a lot of us that have worked on the health issue realizes that it may not be just a rural issue.

We may all be calling away to India on a 1–800 number to get our medical advice in the future if we don't address the comprehensive crisis of health providers, not just insurance.

But that aside, I think that one of the issues that you brought up was a bureaucracy that was or a system that was not Internet based. You know, the mindset that somehow cyber realities are something they don't want to grapple with, how do you move that on? How does a consumer gain access if we do not move toward that cyber-based system? I mean, how does it—how does the gentleman in rural Midwest gain access and get knowledge of exactly what to do, how to do it, and where his situation is in the system if you don't use the Internet?

Mr. BAKER. One of the initiatives that we have starting in 2010 and going into 2011 is something called the Veterans Relationship Management System. And the focus on that is to be able to give veterans consistent information from across the enterprise no matter how they reach out to the VA.

So some folks may want to use the phone to ask questions. Some folks may want to use the Internet. Some folks may have iPhones and other devices that they want to use from a mobile standpoint.

Mr. BILBRAY. Well let me stop you right there. Let us just say I do make a call to my local guys. If it is not available on the Internet, even my local guys aren't going to be able to pull this up, right?

Mr. BAKER. No. Actually part of the issue right now is that the local folks may have a screen in front of them that will let them have access to the system that we have not yet been able to make that information available on the Internet.

So today I believe you can get much more information by calling to the VA——

Mr. BILBRAY. Right.

Mr. BAKER [continuing]. Than you can get over the Internet. And of course two problems with that. One is it is more expensive for us. And the other is if you call at the wrong time, you may have a wait time to get in touch with somebody. Whereas the Internet tends to be able to handle a much more substantial volume.

Mr. BILBRAY. And 24 hours a day.

Mr. BAKER. And 24 hours a day no matter where you are.

Mr. BILBRAY. Yes. It just worries me that when you—when you talk about any operation, let alone one as large as the VA, that is not Internet based or is not electronically data based, it almost is, you know, earmarks a mentality that is not sustainable in today's reality.

Both financially and culturally, the fact is is that going to electronic then once you go to electronic record files, recordkeeping and everything else, the Internet ends up being the vehicle for making the connection between the consumer and those capabilities.

Trying to get the bureaucracy to understand that, you know, the institutional mindset has to be that this is the way we are going. This is the way we need to work out. There is a great benefit if the consumer doesn't have to call me personally. It gives me time now to talk about working on those cases that are really technical. And I really have to sort of use my grey matter rather than just regurgitating information that the consumer can pull up themselves.

Mr. BAKER. Correct.

Mr. BILBRAY. Now the key is the security in the system. How many units do we have out there that are not encrypted that have access to the system? Do we have any idea of how many official and "unofficial" computers or capabilities are plugged in the system now that does not have the security systems integrated into them?

Mr. BAKER. Sir, if I could take that top down and talk about the access devices.

Policy at VA is that if there is a laptop it will be encrypted unless it is a bar code medication laptop, which is bolted to a cart. A bar code medication application won't work on an encrypted laptop.

Desktop computers by policy today are not encrypted. The ones that—you know, the big box systems that sit inside the facility. Anything portable, a BlackBerry, must be encrypted. So if it is a device that is meant to be outside the facility, it has to be encrypted.

Policy is clear; training is clear. Some level of electronic enforcement is clear at this point. We are able to in many of our VISNs and many of our regional offices assert that no one can bring a device that is not authorized and connected to the network.

The thing that I am not able to do sitting in Washington today is call up my central network operations center and say, you know, assure me that nobody with an unauthorized system has connected to the network in the last 24 hours.

We will be there by the end of 2010 where we are able to look 100 percent across the enterprise. And I am able to make a very positive assertion to you that we know that no one has connected with that.

So I think the way I characterize it is the aperture on that has been closing since 2006. We are not yet at the point where I can tell you that it is completely closed. But I believe it is very difficult today to bring in a personal non-encrypted device, an unauthorized device, and connect it to our network and expect to actually get connectivity.

Mr. BILBRAY. Okay. Thank you, Mr. Baker. Mr. Chairman, I appreciate that.

Mr. Baker, I will say what I say to everybody in the Veterans Department that it is working on this issue. You are not just creating the future for the veteran's community. You are creating the reality for all of the Nation's information systems when it comes to this issue. You are the prototype. You are the petri dish. And

we have to make it work right for you before we can talk about the general public or the rest of the country having this kind of system.

Thank you very much.

Mr. BAKER. Thank you.

Mr. MITCHELL. Mr. Stearns.

Mr. STEARNS. Thank you, Mr. Chairman.

Mr. Baker, I thought I would go into interoperability a little bit. But before we go, do you have the appropriate funds to encrypt all the security initiatives that you want? Do you feel that you have the funding to complete the job?

Mr. BAKER. I believe we do, yes. I am not aware of any shortfalls in that area.

Mr. STEARNS. Okay. And right now I understand Mr. Buyer talked to you about all the laptop devices are encrypted now?

Mr. BAKER. All the non-medical——

Mr. STEARNS. Non-medical.

Mr. BAKER [continuing]. Laptops.

Mr. STEARNS. Okay.

Mr. BAKER. And back to my previous comments to Mr. Bilbray, by policy they are encrypted. Anything that the IT organization issues is encrypted. We believe it is very difficult to bring in a personal, non-authorized laptop and connect it.

But I am not yet at the point where I can give you a 100 percent assertion across the enterprise that it is impossible to do that.

Mr. STEARNS. I understand. I guess in October there is going to be a ribbon cutting dealing with interoperability, the Kaiser Permanente system; is that true?

Mr. BAKER. The October one I am aware of is the North Chicago.

Mr. STEARNS. The North Chicago, right.

Mr. BAKER. Which is the DoD and the VA.

Mr. STEARNS. Right.

Mr. BAKER. I would love to talk about Kaiser Permanente and the National Health Information Network. But I think you would probably——

Mr. STEARNS. Yes.

Mr. BAKER [continuing]. Rather talk about the DoD.

Mr. STEARNS. Now, how long has that project been going on?

Mr. BAKER. Beyond my history. I don't know how long the North Chicago project has been going on.

Mr. STEARNS. And I understand it is at least 9 years I think. Does that sound right?

Mr. BAKER. That is a long time.

Mr. STEARNS. I know as long as I have been on the Veterans' Affairs Committee, at least in recent history, we have been talking about this. What, in your opinion, is the way to solve this? Because I don't think it is actually to the point where it is working yet, is it?

Mr. BAKER. No. IT development is ongoing at this point. Now to be clear, I believe that DoD and VA, the ribbon cutting in October will be the physical facility that has been completed. And the project plan for moving into the facility is roughly the middle of November at this point. But, you know, there is equipment to go on once the facility is turned over to us.

Right now the IT project plan says that the IT necessary to join together the two systems in one facility, DoD's AHLTA and VA's VistA will be available for users at the end of November. That is what the current project plan says.

We have been quite clear with Committee staff that that is an aggressive project plan. I have my concerns about whether or not it will be possible to meet that. It will be managed.

Under our new management system for those projects, we will be able to detect issues pretty early on. And my view is that we will be transparent about those issues when we see them. Make certain that we are communicating what they are and what the impact might be.

Mr. STEARNS. But right now it is not actually working?

Mr. BAKER. No.

Mr. STEARNS. And why isn't it working after all this money and all this time; do you know?

Mr. BAKER. You know, what I can speak to is that the project plan for the software would not have had it working at this point in time. Until the facilities open, the need isn't there for the software.

And so it makes sense to aim the project plan at completing in roughly the same time frame as the facility. It would be nice to be done a little bit early. But the expenditures have been planned out for having the software done roughly concurrent with the physical facility.

Mr. STEARNS. Well, considering how much money we spent on this, shouldn't they have been concurrent by now?

Mr. BAKER. Unfortunately, I don't have the history on what has actually been spent on the North Chicago interoperability.

I know that the project plan—in none of the project plans I have seen has there been a plan to have it completed by this time. Various project plans have had it done in late summer. That has now been compressed into the November time frame.

And as I said, I am—I will remain concerned about whether or not it will be possible to make that November time frame given that it is a compressed schedule. And the history of making those schedules has not been good.

Mr. STEARNS. Mm-hmm. Is that under your bailiwick? I mean, are you——

Mr. BAKER. Absolutely. The VA portion of that is part of my organization. Clearly there is a DoD portion. But the right way to view this is, you know, building a bridge to meet in the middle.

Mr. STEARNS. Do you think it is possible there is another way to do this through the Internet that would make it simpler?

Mr. BAKER. The main issue with that approach through a single viewer is that—is the concept of orders portability. And that is that if as a doctor, as a DoD doctor, I am working at AHLTA, which is the system that I normally would work in. And I want to have a lab order fulfilled. The order needs to flow from AHLTA into VistA, because the lab is going to use VistA, the work get performed, all the data entered in VistA, and then the information flow back into AHLTA. And that is what we call orders portability.

That is something that no other medical systems in the country or potentially even the world do right now. It is a level of interoperability that does not exist anywhere else.

Our technical folks tell us they know how to do it. We have had good meetings with external folks, folks that have a lot of experience in joining their systems together with viewers but have never merged them that tightly together.

We think we understand all the issues that are going to be encountered in that and that the project plan is a—is one that can be made. But, again, we are doing something that other folks haven't done anywhere.

We frankly explored whether or not we could operate on one medical system, instead of operating both of them. And the issue is that with the requirements in North Chicago, because it is the—it is where much of the Navy staff starts and where they begin their medical record, DoD absolutely believes that they have to have that record fully populated in AHLTA. Because it is a large VA hospital with a lot of VA doctors, we fully believe that medical and patient safety requires the use of VistA in the hospital.

With those two things together, the decision so far has been we have to figure out how to knit them together instead of trying to choose one over the other for that facility.

So that is kind of a long-winded explanation. But that is kind of where we are on this one.

Mr. STEARNS. Thank you.

Mr. MITCHELL. Thank you. Dr. Roe.

Mr. ROE. Just a couple of brief questions. First I would like to welcome two of my constituents, Gerald Thomas and Joe Grandy for being here today from Tennessee.

Also just to—Mr. Baker, to let you know that there is nothing new about telemedicine.

Mr. BAKER. Right.

Mr. ROE. We had a crude method. A patient would call my office and say I have symptoms of a urinary tract infection. I would take her history. If I knew her well, I would call her in a prescription. I know that 95 percent of these acquired outside of a hospital are E. coli. Ninety-five percent of those are responsive to say Macrobid or some over—I mean, basically very simple. So that is a $4 treatment. I didn't get paid anything. But it was a service to my patients.

You can save an enormous amount of money, I am convinced, if you expand just that very crude phone message. We talk to people on the phone about a cold or whatever we talk to them about to be able to get the care they need.

So I would encourage you to make sure that as much as we can to make that accessible to our veterans. It is easy to do. And once you get comfortable with it.

And a lot of it has to do with knowing your patient. I knew my patients very well. So when they called up, I knew them personally. Maybe they were neighbors or whatever. It made it easier.

But you get to know your patients as a VA physician, too, and especially with the CBOC format that is being out there. Those doctors in the communities, we have four of them in my District,

and they know their patients just like I did mine in private practice. So I would encourage you to do that.

Mr. BAKER. Okay.

Mr. ROE. Second, just to comment, we had that breach that cost us $26 million. And I certainly appreciate all the effort you have made. Do you feel comfortable that something like that wouldn't happen again, because that was embarrassing——

Mr. BAKER. Right.

Mr. ROE [continuing]. As a veteran myself and then as a Congressman to have that happen.

Mr. BAKER. So do I feel comfortable that——

Mr. ROE. It won't happen again.

Mr. BAKER. I think the most accurate way to convey that to you is that I believe we have made major strides. And as I said, we have closed the aperture on the possibility of that substantially.

I want to be very careful about accurately representing where we are to Congress, which is I will not represent to you that it is completely closed. I think it is difficult for someone to do it now. They would have to violate all sorts of policies, all sorts of training. And at this point, it would pretty much have to be a malicious thing. As you know, the previous one was not malicious.

Mr. ROE. Right.

Mr. BAKER. There have been a lot of lessons learned from those pieces. My goal by the end of 2010 is to be able to sit here and tell you that it is impossible for that to occur without us knowing it. Today I cannot tell you that. I don't have the electronic checks that tell me that it is not occurring.

But there is a lot of work that has gone into making that very difficult to occur inside a VA facility. It is nowhere like what it was like in 2006.

Mr. ROE. The reason I ask is I was informed in my own office it was almost impossible, and we were breached in our own office here in the Congress. So that has happened.

One quick question, Mr. Chairman, and I will be through. The VA OIG has in several of their recent CAP reports have mentioned problems with the copy and paste functions.

Mr. BAKER. Yes.

Mr. ROE. Which allow information to be, of course, moved around, copied and pasted. Some monitor but don't check their monitoring. Is there a reason why these organizations, these hospitals, are given that latitude, or is there just not enough resources to monitor that they are doing that, or what is it? Why do some do it and some don't?

Mr. BAKER. That is a great question. I am still trying to research that one. You know, the ability in some organizations to monitor and others not to, I can't really state to that one.

What I have done very recently is look at the requirements that were put forward for tracking cut and paste inside a Computerized Patient Record System (CPRS). You know, Congressman Walz made some comments about difficulties inside the bureaucracy. I can understand why implementing the requirements as they were laid out would be very, very difficult inside a CPRS.

I am somebody who believes in the 80 percent rule. I think we ought to at least be able to track just that information inside if it

has been cut and paste, so that it is obvious that it is there. All the other requirements to me are secondary and kind of nice to have.

And so what I am trying to drive inside the organization is give me a quick 80 percent solution that we can implement across the organization. And then let us go looking for the 100 percent solution that may take years to implement.

Mr. ROE. Our EMR at our own practice, you couldn't—you couldn't—that data stayed in there. And you added this has been changed.

Mr. BAKER. Right.

Mr. ROE. But that data that was added in there, you knew. And you knew which device it came from, so there wasn't any doubt about who. I entered my code to get in my computer. I knew that I changed it. We knew that. So I think that system needs to be.

Mr. Chairman, I won't take any more time. I yield back. And thank you for holding this hearing.

Mr. MITCHELL. Thank you very much.

And, Mr. Baker, I think you realize that in order to bring the VA into the 21st century, you are the one that it falls on.

Mr. BAKER. The Secretary has explained that to me several times. Thank you.

Mr. MITCHELL. Thank you very much.

Mr. BAKER. Thank you.

[Whereupon, at 11:37 a.m. the hearing was adjourned.]

A P P E N D I X

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

Thank you to everyone for attending today's Oversight and Investigations Subcommittee hearing entitled, *U.S. Department of Veterans Affairs Office of Inspector General and Office of Information and Technology Budget Requests for FY 2011.*

Today, we will examine the recently released budget requests for these two vital offices within the U.S. Department of Veterans Affairs. The President and Secretary Shinseki have made clear goals of transforming the VA into a 21st century organization.

In the President's Budget for Fiscal Year 2011, the request for the U.S. Department of Veterans Affairs has increased by 10 percent over the 2010 enacted budget to $125 billion. The surge of new veterans from our Nation's current wars requires a proportional surge in the capacity and capabilities of the VA to properly care for all of our veterans and their families.

The Office of Information and Technology and the Office of the Inspector General are critical in accomplishing this. They facilitate the VA's mission through the use of modern computing infrastructure as well as by identifying waste, fraud and abuse within the VA through internal investigations. These two offices work closely with this Subcommittee by providing important information regarding urgent challenges facing the VA including full interoperable health records and oversight and investigations into serious allegations within the Department.

The IG has been important to this Subcommittee's work, providing crucial information concerning VA activities such as the Philadelphia VAMC brachytherapy cases, and improper hiring practices within the VA, to name a few. Over time, we have seen an increased demand being placed on the IG for inspections and audits, and in order to facilitate Secretary Shinseki's goals of improved transparency and accountability, we must ensure that the IG is properly resourced and staffed to fulfill its critical role as watchdog of the VA.

Our first panel will address the Office of the Inspector General's proposed budget. The IG's request shows an increase of $367,000 over FY 2010 levels. And even though funding for the IG may be increasing, it is important for the VA to remain fiscally responsible. At the same time, this modest increase is still approximately $11 million less than what the office initially requested for their FY 2011 budget. The Office of Inspector General has a proven track record and for every dollar invested in the IG, we get a return of 38 dollars.

Our second panel will discuss the proposed budget for the Office of Information and Technology. The budget request remains at the FY 2010 levels. As more demands are placed on the VA's IT infrastructure and wide ranging programs call for more technological advances, such as paperless initiatives, the office will, of course need appropriate resources, especially as it works to transform the VA into a 21st century agency.

We are very interested to hear the Department's plan for executing this budget, and ensuring that it will meet the needs of our Nation's heroes. Our veterans have born a tremendous burden on our behalf and we are therefore obliged to ensure they receive the care and opportunities that are commensurate with their selfless service. Thank you all again for attending today's hearing, and I look forward to all the testimony being presented today.

Prepared Statement of Hon. David P. Roe, Ranking Republican Member, Subcommittee on Oversight and Investigations

Good Morning, Mr. Chairman,

Thank you for holding this hearing to discuss the FY 2011 budgets for the Office of Information and Technology and the VA Inspector General.

As we all know, both these components of the VA are critical to operations at the VA–OI&T for their IT infrastructure responsibility and OIG for their oversight responsibilities. I will tell you, I am very interested in where the resources are going that have been delegated to OI&T, and am quite concerned that the budget for the VAOIG has been flat-lined for FY 2011, particularly given the amount of oversight this office has had to perform.

The VA OI&T, under Assistant Secretary Baker, has undergone a top-down review of all the ongoing IT projects, and at this point has put on hold the development on approximately 45 IT projects. I am interested in learning the downstream prospects for these projects, including the stalled FLITE project, in which we have invested a large amount of resources since 2000. I am also interested in future planning for OI&T. How are we going to advance the joint ventures, such as those being used up at the North Chicago/Great Lakes Naval venture that Chairman Mitchell and I visited earlier this year?

I am concerned about funding for VA to stop the practice of cutting and pasting and altering the VA's electronic medical record. I find it disturbing that VA has not learned its $26 million lesson from its data security breach in May 2006. I understand VA still allows personal unencrypted laptops and other devices on VA's secure network.

I am also concerned that the VA OIG budget has remained at the FY 2010 level. With the increased responsibility of conducting VBA Regional Office reviews similar to the CAP reports issued for VA Medical facilities, I am uncertain that the resources allocated to VA OIG will be enough for them to adequately complete their mission in FY 2011. These reports are an invaluable resource to review and correct inadequacies within the VA system. Without the oversight of the VA OIG, we would not be able to conduct proper oversight here at this Committee.

Mr. Chairman, I look forward to hearing the testimony today, and work with you on making certain that both the VA OI&T and the VA OIG both have adequate resources with which to perform their duties.

Thank you.

Prepared Statement of Hon. Richard J. Griffin, Deputy Inspector General, Office of Inspector General, U.S. Department of Veterans Affairs

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to discuss the budget request for fiscal year (FY) 2011 for the Office of Inspector General (OIG). I am accompanied today by Mr. James J. O'Neill, Assistant Inspector General for Investigations; Ms. Belinda Finn, Assistant Inspector General for Audits and Evaluations; Dr. John D. Daigh, Jr., Assistant Inspector General for Healthcare Inspections; and Ms. Maureen T. Regan, Counselor to the Inspector General.

ACCOMPLISHMENTS

As an overview, in FY 2009, the OIG identified $2.931 billion in actual and potential monetary benefits; issued 235 reports on VA programs and operations; and achieved 539 arrests, 303 indictments, 186 criminal complaints, 367 convictions, 809 administrative sanctions, and 46 pretrial diversions. The OIG return on investment is $38 in monetary benefits for every $1 invested in OIG investigations, audits, and contract reviews.

Some of our noteworthy accomplishments in the past year include:

- A national review on improper disinfection of endoscopes that resulted in VA making major changes in training, purchasing, and organizational structure and will make endoscopic procedures safer at VA facilities.
- An audit that found 37 percent of fee basis payments were improper and recommended changes to improve the accuracy of payments that could reduce over $1 billion in improper payments.
- An audit that identified how the Veterans Benefits Administration (VBA) could substantially reduce the time veterans wait for a decision on their claims; when implemented, VBA could reduce 187 days from their processing time for claims pending over 365 days.
- An investigation that resulted in the first successful felony conviction of a company's chief executive officer for off-label marketing of pharmaceuticals, and another off label marketing investigation that resulted in a major pharmaceutical manufacturer agreeing to pay $2.3 billion, the largest health care fraud settlement in Department of Justice history.

In FY 2009, we also testified before Congress on the following topics:

- Shredding and mishandling of documents at VA Regional Offices (VAROs).

- Challenges facing VA in FY 2010.
- VA's Mental Health Strategic Plan.
- VA's endoscopy procedures.
- VHA's quality management program.
- VA's interagency agreement with the Space and Naval Warfare Systems Center.
- VA's pharmacy benefits program.
- Senior Executive Service bonuses and other administrative issues.

Also in FY 2009, our Office of Audits and Evaluations and our Office of Investigations received the highest rating possible in their respective external peer reviews. The Comptroller General's *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency require that audit and investigative offices be reviewed every 3 years by other OIGs.

For FY 2011, the President's budget has requested $109,367,000 for the OIG which amounts to less than current services. We intend to reprioritize projects planned in 2010 and 2011 and to achieve contracting efficiencies to enable us to complete our mandatory work and to the extent possible, perform reactive work requested by Congress and the VA Secretary.

OFFICE OF INVESTIGATIONS

The Office of Investigations (OI) conducts criminal and administrative investigations of wrongdoing in VA programs and operations, and seeks prosecution, administrative action, and monetary recoveries as it strives to establish an environment in VA that is safe and free from criminal activity and management abuse. Subjects of our investigations include VA employees and contractors, and anyone else committing crimes against VA.

In 2011, OI expects to conduct about 1,200 criminal investigations with a result of approximately 2,000 arrests, indictments, convictions, administrative sanctions, and pre-trial diversions. OI also expects to achieve over $300 million in fines, penalties, restitutions, civil judgments, and cost savings. Priority will be on investigating allegations of criminal activity associated with health care, benefits, information management, financial management, and procurement.

Health Care—Most investigations of fraud, waste, and abuse in VA health care programs come to the attention of OI from various sources, including veterans and employees. In 2011, OI expects to conduct 350 criminal investigations in the following health care related areas:

- Patient abuse, which includes homicides, assaults, and sexual assaults.
- Thefts, robberies, and threats at VA medical facilities.
- Drug diversion, which includes employees stealing from patients, employees stealing from the pharmacy, illegal use of prescription pads, family members not reporting the death of a veteran in order to continue to receive controlled prescription drugs, and theft of drugs mailed to veterans from the Consolidated Mail-Out Pharmacies.
- Identity theft, which includes individuals stealing veterans' identities to get VA health care.
- Drug distribution, which includes veteran patients illegally selling their prescription drugs, and drug dealers on VA property selling "street drugs."

Benefits Fraud—OI will continue to aggressively pursue leads that provide indications of fraudulent and criminal activity across VA benefit programs. In addition to responding to allegations, OI will also utilize several proactive data matching initiatives to reduce erroneous payments and deter benefits fraud. OI expects to complete approximately 600 benefits fraud cases in 2011. Examples of benefits fraud investigations include:

- Theft of monetary benefits by fiduciaries or survivors of deceased veterans.
- Those who fabricate or grossly exaggerate either military service or disabilities to obtain disability compensation benefits they would otherwise not be entitled to receive.
- Individuals who steal the identity of a veteran to illegally obtain compensation and pension, education, and housing benefits.

OI will also conduct several proactive computer matching initiatives to detect and deter criminal activity. For example, the Fugitive Felon Program involves computerized matches between fugitive felon files of Federal and State law enforcement organizations and VA benefit files. When a veteran fugitive felon is identified, VA can suspend benefits and initiate recovery of any benefit payments made while the veteran was in fugitive status. Since its inception in 2002, this program has resulted in 2,006 arrests, of which 138 were VA employees. Reported monetary benefits exceed $1.4 billion.

The Death Match Program compares the Social Security Administration's "Death File" with a database of VA beneficiaries, which enables us to identify instances of benefits continuing to be paid out to deceased veterans. OI work in this area focuses on investigating and prosecuting those individuals taking advantage of a beneficiary's death for personal gain. This program has resulted in more than 382 arrests, recovery of more than $40 million, and a 5-year cost avoidance of more than $113 million.

Other Criminal Activity—An additional 250 criminal investigative cases related to financial, information technology (IT), and procurement fraud, as well as employee theft and threats against VA employees and facilities, are also expected to be conducted in 2011. In the area of procurement, OI expects to devote additional resources to uncovering fraud in the Service-Disabled Veteran-Owned Small Business program and contracts funded by the American Recovery and Reinvestment Act of 2009 (ARRA). OI will also investigate allegations of criminal activities associated with acquisition and maintenance of IT supplies and services, and unlawful access and use of information systems and IT resources.

In addition to criminal investigations, OI also conducts administrative investigations of allegations of serious misconduct by senior VA managers. These allegations include such issues as use of public office for private gain, inappropriate use of resources, nepotism, and hiring irregularities. During 2011, OI expects to conduct 25 administrative investigations and issue reports with recommendations for appropriate administrative action when allegations are substantiated.

OFFICE OF AUDITS AND EVALUATIONS

The Office of Audits and Evaluations conducts independent financial and performance audits and inspections that address the economy, efficiency, and effectiveness of VA operations. Our efforts focus on providing independent assessments that focus on accountability for achieving results and provide oversight over all VA programs, operations, and business processes.

In 2009, we established a Benefits Inspection Program to help ensure veterans receive timely and accurate benefits and services. Our independent inspections provide recurring oversight of VA Regional Offices (VAROs) by focusing on disability compensation claims processing and performance of Veterans Service Centers operations. We performed six inspections focusing on VSC operations in the areas of claims processing, data integrity, management controls—including date stamping and review of the implementation of a new policy regarding shredding and information security. In addition we focused on the timeliness and accuracy of VBA's Public Contact teams, who provide information in response to veterans, beneficiaries, and congressional requests. In 2010, we could perform 18 benefits inspections by establishing a second Benefits Inspections Division. Once this second division is staffed, we could expand the number of inspections so that we can establish a 3-year inspection cycle. Further, we plan to perform followup inspections at VAROs experiencing persistent performance issues and management challenges.

We also expect to continue our oversight of VA's ARRA funds through 2010 and 2011, which is consistent with VA's spending plans for the $1.4 billion that they received under ARRA.

Mandatory Work—Annually, we perform mandatory audits and reviews in financial management areas such as VA's consolidated financial statements, VA's statement on the use of drug control monies, and the Federal Information Security Management Act (FISMA). These reviews of information security management policies and practices have identified systemic issues and resulted in numerous recommendations and opportunities to strengthen enterprise security deficiencies. While VA has made progress in its efforts to safeguard sensitive information, significant oversight is still needed in this area because VA has yet to improve and remediate about 8,000 enterprise-wide security deficiencies. Further, independent assessments are needed to ensure VA actions to eliminate these weaknesses are effective.

In addition to our mandatory work in 2011, we plan to issue 20 national audits related to the following strategic areas. These audits are expected to identify opportunities for better use of funds and to identify monetary benefits exceeding $340 million.

Health Care Delivery—Budgeting, planning, and resource allocation in VA are extremely complex, and remain critical components to serving veterans' health care needs. The effectiveness of these activities is compounded by continuing uncertainty, from year to year, of the number of patients who will seek care from VA.

Benefits Processing—In FY 2011, VBA is expected to provide compensation and pension services to over 3.8 million veterans and beneficiaries including returning Operation Iraqi Freedom/Operation Enduring Freedom (OIF/OEF) veterans, vet-

erans with chronic progressive conditions, and the aging veteran population. Our inspection work will identify trends and risk areas that need further review on a systemwide level. We also expect to follow up on the deployment of an automated system for processing applications under the Post-9/11 GI Bill; we anticipate focusing on the accuracy and timeliness of payments in that program.

Financial Management—VA faces major challenges in financial management as it lacks an integrated financial management system and has material weaknesses that impact VA's ability to safeguard and account for financial operations. Given the significant financial investment VA is making in the development and implementation of a new financial logistics integrated technology enterprise system (FLITE) we will continue our oversight of system development and related financial activities.

Procurement Activities—VA cannot effectively manage its contracting activities because it has not leveraged or fully embraced the VA Electronic Contract Management System that can provide national visibility over procurement actions and identify contract awards, individual purchase orders, credit card purchases, and the amount of money spent on goods and services. We are also concerned about VA's vendor identification and contract award processes for Service-Disabled Veteran-Owned Small Businesses.

Information Management—IT management is a high risk area that VA has clearly struggled to manage effectively. In addition to our FISMA work, we are concerned about VA's IT governance and capital planning along with the overall management of its IT investment portfolio. VA will be challenged to effectively manage high cost IT projects such as the paperless claims processing initiative, Post-9/11 GI Bill, and Health*e*Vet, which are slated to receive $145.3 million, $100 million, and $346.2 million, respectively, in VA's FY 2011 proposed budget.

Unfortunately, there are several high priority areas that would benefit from OIG oversight but that we will not be able to address. These include evaluating the effectiveness of VBA's Appeals Management Center and VBA's workload management systems, the process for enrolling veterans for health benefits, timeliness and quality of prosthetics provided to veterans, and the activations and management of major construction projects.

OFFICE OF HEALTHCARE INSPECTIONS

The Office of Healthcare Inspections (OHI) reviews the quality of health care provided to veterans in VA hospitals, clinics, and nursing homes, in addition to the care provided to veterans through various health care contracts. OHI workload is divided into two main categories—proactive and reactive work. Proactive work includes our Combined Assessment Program (CAP) reviews of medical centers that are conducted on a 3-year cycle. For those facilities that we believe are at risk, we may review them in consecutive years. These reviews focus on ensuring that medical centers have procedures in place and comply with VA policy to ensure that veterans receive quality health care. We plan to publish 55 CAP reports in 2011.

VA has over 800 community based outpatient clinics (CBOCs) that provide medical care to veterans who reside some distance from a VAMC, especially those in rural areas. In addition to reviewing medical centers, OHI reviews CBOCs to ensure that processes are in place to ensure veterans receive high quality health care. The CBOC inspection process consists of four components: (1) CBOC site-specific information gathering and review, (2) medical record reviews for determining compliance with Veterans Health Administration (VHA) performance measures, (3) onsite inspections, and (4) CBOC contract review. We plan to complete 40 reviews in 2010 and to increase that to 80 in 2011; these plans may be scaled back, however, if other higher priority work arises.

OHI also conducts health care inspections on a national scope addressing significant issues. Two examples of national reports are *Healthcare Inspection—Readjustment Counseling Service Vet Center Report*, and *Review of Informed Consent in the Department of Veterans Affairs' Human Subjects Research*. In 2011, we plan to publish 10 national reports.

Reactive work comes from allegations that we receive through a variety of sources, including Congress, the VA Secretary, and the OIG Hotline. Because of the volume of work, we are unable to accept all cases of credible allegations for independent review, and refer many to VA for review, fact-finding, and corrective action. OHI expects to publish 45 reports in 2011.

During 2011, we will focus on the following issues:

Quality of Care Controls—Several reports published in early FY 2010 indicate that issues remain in VHA's quality management program. We will continue to monitor and review VHA's controls in 2010 and 2011.

The OIG has been concerned about the quality of medical care from non-VA sources, when medical care is purchased via contract or fee basis programs. Current

work on brachytherapy treatments for prostate cancer indicates that contracts to procure veteran health care may not contain requirements to share outcome data. Several CBOC reports from 2010 demonstrate that where CBOC contracts are in place, effective oversight of the contracts may be lacking. OHI will undertake a body of work to address these deficiencies in 2011.

OIF/OEF Veteran Health Care Issues—Veterans who have returned from recent conflicts experience two medical traumas with great frequency: Traumatic Brain Injury and Post Traumatic Stress Disorder. OHI has reported on the mental health issues of this population through individual care reports and through programmatic reviews. In March 2009, OHI reported on *Access to Mental Healthcare in Montana* by veterans, and found access, using a drive time standard, was good as VA had partnered with community mental health clinics to supplement VA facilities; however there was an unmet need for substance abuse treatment. In 2010 and 2011, the OIG will report on issues related to the diagnosis, treatment, and disability compensation for female veterans of OIF/OEF and related projects.

Medical Care for Elderly Veterans—OHI will publish a report on elderly veterans who are at special risk of harm because of their age, medical conditions, and living arrangements in February 2010. In 2011, OIG plans to review aspects of VA's nursing home program.

Homeless and Other Non-Health Care Programs—Additional high priority areas that would benefit from OIG oversight include programs designed to assist veterans who are at great risk because of their homelessness or other lifestyle characteristics. With $4.2 billion in VA's FY 2011 budget for homeless veteran programs, we would like to build on past reports, such as our June 2009 review of VA residential mental health care facilities, including domiciliary facilities. However, we have not been able to review programs such as health care and supportive care for homeless veterans and VHA elder care as consistently or as thoroughly as they warrant.

OFFICE OF CONTRACT REVIEW

The Office of Contract Review (OCR) conducts pre-award, post-award, drug pricing, and special reviews of vendor proposals and contracts through a reimbursable agreement with VA's Office of Acquisition, Logistics, and Construction. The majority of reviews are related to Federal Supply Schedule (FSS) contracts awarded by the VA National Acquisition Center for pharmaceutical, medical and surgical supplies, and equipment; and contracts for health care resources awarded by VA medical facilities. Since 2005, OCR has issued 463 reports with a total monetary impact of $1.9 billion. In 2011, OCR plans on issuing 75 reports with monetary benefits of approximately $300 million.

Pre-award reviews are required for both FSS and health care resources proposals where the estimated contract costs exceed predetermined dollar thresholds. The pre-award reviews provide valuable information to assist VA contracting officers in negotiating fair and reasonable contract prices.

OCR continues to identify information submitted by vendors that is not accurate, complete, and current that would result in VA paying inflated contract prices. Also, OCR continues to identify the lack of communication between procurement and program officials and inadequate planning as a management challenge for health care resources contracts. The lack of communication and poor planning results in higher and unnecessary contract costs because requirements have not been properly identified, the statement of work is inadequate, and the estimated quantities are overstated. We also routinely find that VA's health care resources contracts lack adequate oversight provisions to ensure VA has received the services that it has paid for. During 2011, OCR plans on conducting 50 pre-award reviews.

Post-award reviews are conducted to determine if a contractor submitted accurate, complete, and current pricing data to the contracting officer during negotiations as required by the terms of the contract and also to ensure the vendor adhered to other terms and conditions of the contract such as the Price Reductions Clause. The post-award reviews also include OCR's efforts to ensure pharmaceutical vendors are in compliance with statutory drug pricing provisions contained in Section 603 of P.L. 102–585, *The Veterans Health Care Act of 1992*, which sets statutory price limits of covered drugs for VA, the Department of Defense, the United States Public Health Service, and the Coast Guard. Since October 2005, post-award reviews have resulted in $116 million in actual recoveries to VA. These moneys are returned to the VA Supply Fund. OCR's post-award program is a significant factor in the success of VA's voluntary disclosure program where a vendor can disclose noncompliance with contract terms and conditions that resulted in the government overpaying for goods or services. These voluntary disclosures are typically resolved administratively but are referred to the Department of Justice if warranted. In 2011, we plan to conduct 25 post-award reviews.

OCR is routinely asked to conduct special reviews of contracts awarded by VA in areas other than FSS or health care resources. These reviews are requested by Congress, the VA Secretary, or as a result of OIG Hotline contacts. Many of these projects involve large dollar procurements. OCR finds many of the same issues that have been already identified such as the lack of effective communication, inadequate acquisition planning, poorly written statements of work, inadequate competition, lack of documentation of fair and reasonable pricing, poor contract administration, and inadequate technical reviews. These deficiencies have led to services being ordered that the customer did not want, the goals of procurements not being satisfied, VA paying inflated prices, and even duplicate orders being placed for the same deliverables. While VA has taken steps in the right direction such as establishing the Contract Review Board and the VA Electronic Contract Management System, these tools have yet to prove their effectiveness.

Our pre-award workload is ultimately dependent on the proposals that exceed the dollar threshold for review and determines the resources available to conduct post-award reviews. The priority of reviews does change depending on special review requests from VA management which ultimately impacts the total number of reports to be issued. Most special reviews are extensive reviews of individual contracts with short deadlines requested by Congress or the VA Secretary. OCR constantly assesses and prioritizes the reviews to meet these demands.

OUTREACH ACTIVITIES

The OIG also proactively assists in the training of VA leaders and employees through the following efforts:

- To increase awareness of the OIG's mission and work, we make presentations to participants at VA's premier leadership development program, Leadership VA; to new managers at VBA's Management Academy; and on a biweekly basis to all newly hired employees at VA Central Office.
- To help deter crime, criminal investigators provide fraud awareness briefings to about 10,000 employees annually at VA facilities nationwide. These briefings have resulted in additional referrals of alleged criminal activity and have greatly improved our partnership with the VA Police in helping provide a safe and secure environment for veteran patients and employees.
- To strengthen VA procurement, OCR provides training to VA's contracting officers at the Acquisition Training Academy in Frederick, Maryland.
- To improve the management of VA medical centers, we present information on OIG review processes and past findings at VHA's program for new medical center leaders.

CONCLUSION

The OIG provides Congress, the VA Secretary, and taxpayers with independent oversight of VA's programs and operations. We believe the OIG is a sound fiscal investment. We will continue to be flexible so as to focus our resources on the most urgent issues facing VA. However, OIG oversight of issues such as the review of endoscopy equipment is reactive work that is labor intensive and requires us to postpone or cancel other ongoing or planned work.

Thank you for the support you have shown the OIG and the opportunity to testify today. We would be pleased to answer your questions.

Prepared Statement of Hon. Roger W. Baker, Assistant Secretary for Information and Technology, Office of Information and Technology, U.S. Department of Veterans Affairs

Chairman, distinguished Members of the Subcommittee, thank you for this opportunity to present the Department of Veterans Affairs (VA) Fiscal Year 2011 budget for the Office of Information and Technology (OI&T). Our budget provides the resources necessary to continue our aggressive pursuit of the President's two overarching goals for the Department—to transform VA into a 21st century organization and to ensure that we provide timely access to benefits and high quality care to our veterans.

To achieve the transformation of VA into a 21st century organization capable of meeting veterans' needs today and in the years to come, we must leverage the power of information technology (IT). OI&T is absolutely integral to everything we do at the Department, and it is vital we continue the development of IT systems that will meet new service delivery demands and modernize or replace increasingly fragile

systems that are no longer adequate in today's health care and benefits delivery environment. Simply put, IT is indispensable to achieving VA's mission.

The Department's IT operations and maintenance program supports 334,000 users, including VA employees, contractors, volunteers, and researchers situated in 1,400 health care facilities, 57 regional offices, and 158 national cemeteries around the country. Our IT program protects and maintains vital health and benefits records for 8.5 million veterans with the level of privacy and security mandated by both statutes and directives.

VA's 2011 budget provides $3.3 billion for IT, the same level of funding provided in 2010. The resources we are requesting will fund the development and implementation of an automated solution for processing education claims ($44.1 million), the Financial and Logistics Integrated Technology Enterprise project to replace our outdated, noncompliant core accounting system ($120.2 million), development and deployment of the paperless claims processing system ($145.3 million), and continued development of Telehealth and Home Care Model ($48.6 million). In addition, the 2011 budget request includes $52 million for the advancement of the Virtual Lifetime Electronic Record, a Presidential priority that involves our close collaboration with DoD.

The IT budget request for FY 2011, while level from FY 2010, is fully supportive of our goals as well as a 32-percent increase over our FY 2009 IT appropriation. Over the past 8 months we have implemented new management approaches within IT that will help ensure we obtain maximum value for veterans from the taxpayer dollars invested. While we are realizing benefits from these changes during FY 2010, by FY 2011 we expect that full implementation will result in substantial performance improvements and cost avoidance.

Improved IT Management Systems: Over the last 8 months, we have focused on implementing five key management approaches to improve the results of VA's IT investments. They are:

- The Program Management Accountability System (PMAS).
- A prioritized IT operating plan.
- Transparent operational metrics.
- The next generation IT security plan.
- And, most importantly, a customer service focus in every area of IT.

I will discuss each of these management approaches below:

PMAS: A rigorous internal review of VA information technology development projects was conducted in the spring of 2009. The review documented a longstanding failure to deliver major software products on schedule and at cost. Of the more than 280 projects reviewed, many were more than 13 months behind schedule and over half were more than 50 percent over cost estimates. Some of the causes included insufficient program documentation, insufficient change control processes, and program manager burn out.

In response, VA instituted a rigorous management approach to address performance shortcomings, the Program Management Accountability System. Under PMAS, projects must deliver smaller, more frequent releases of new functionality to customers. PMAS mandates that specific program resources and documentation be in place before development begins and mandates that approved processes be used during the system development life cycle (SDLC). Most importantly, PMAS mandates strict adherence to achieving project milestones, and implements strong corrective measures if a project misses multiple milestones. This ensures that customers, project members, and vendors working on a project are aligned, accountable, and have access to the resources necessary to succeed before work begins.

In July 2009, VA temporarily stopped 45 of our most problematic IT projects. Since then, 17 of those projects were given the go-ahead to continue developing in order to meet near-term milestones, 15 projects were completely re-planned and restarted, 12 of the projects were stopped, and one project is pending. The cost avoidance from re-planning or stopping projects is $54 million for FY 2010. We are using those funds and personnel resources on other projects, to help increase their probability of success.

PMAS provides near-term visibility into troubled programs, allowing us to provide help earlier and avoid long-term project failures. Frequent software deliveries allow customers to provide earlier feedback on system functionality, eliminates "big bang" program/project failures, and increases the probability of successfully developing and deploying IT systems.

Prioritization: In implementing PMAS, we quickly identified that one issue causing projects to fail at VA was insufficient resources. Quite simply, VA was trying to do too much. Many projects failed to meet expectations because they were

under-resourced and destined to fail from the start. To address this issue, VA recently ranked all of our IT spend items—approximately 1,000 line items including projects and recurring costs such as leases and licenses—from most to least important from the customer's point of view. VA determined how many of those items can be successfully completed with our current resources and, most importantly, determined which items could not be completed. We obtained buy-in for these decisions from our internal customers throughout the process. VA *will* make hard decisions during FY 2010 based on this prioritization. For the customer, this means fully resourcing the most important projects even though it means not resourcing important, but lower priority items.

Operational Metrics: Well-managed IT organizations are heavily oriented toward tracking and reporting their operational metrics. These are the real "scorecard" items in IT: system availability, system response, customer service volumes and customer response. By focusing on operational metrics, an IT organization quickly determines how well it is serving its customers, where it is weak, and what it needs to do to provide better services. Over the last 8 months we have made progress on identifying and tracking the metrics that matter most in VA. Today, VA tracks the IT operational metrics that cover about 25 percent of our existing infrastructure, and we continue to add new metrics to our tracking list.

This includes keeping VistA, the information system that houses our Electronic Health Record system, available well over 99.9 percent of the time nationally. We also monitor performance of our help desk environments where, on average, over 60 percent of issues are resolved on the first phone call and the average speed of answer for our help desk attendants is less than 30 seconds.

Tracking operational metrics has also helped us identify long-term strategies to improve the system availability of VistA and other key VA systems, and to obtain concurrence in those strategies. We have identified that VistA systems perform more consistently and reliably in a data center environment, and I have directed that all VistA systems migrate to this model. From a customer service perspective, we are adopting an enterprise help desk strategy to standardize our business processes based on both industry and experiential best practices. As we gain more insight into how well our IT systems and processes are operating to serve our customers, we will be able to continually improve our results.

Data Security/Information Protection: In support of VA's vision and mission, it is important that veterans' most sensitive information about their personal identity and medical records is protected. In the FY11 budget, we requested $112.5 million for: cyber security; privacy; electronic freedom of information act (E–FOIA); identity and access management; and personal identity verification (PIV). Our goal is to ensure that VA safeguards veterans' information in a way that minimizes interference with the business processes that are used to deliver services to our Nation's veterans.

A prime example is our medical device information architecture (MDIA) initiative, which requires medical center facility Chief Information Officers (CIOs) to certify that all networked medical devices are isolated within a virtual local area network (VLAN), where firewalls allow medical devices to communicate while reducing the risk that medical device system will be compromised. An area that we continuously look to improve is remediating the significant number of outstanding plans of action and milestones (POA&Ms) that identify security deficiencies at each facility. In the recently released VA Inspector General's (IG) draft FY09 Federal Information Security Management Act (FISMA) report, the IG notes that we have significantly reduced (by more than half) the number of outstanding POA&Ms in FY09. However, we still need dedicated resources to aggressively remediate the more than 11,000 unresolved POA&Ms to improve our overall information security posture.

In addition, the quality of individual system security plans will be a focused effort continuing in 2011 with several initiatives aimed at increasing content awareness, validity of security control status, and specific definition of accreditation boundaries.

We are also moving to a continuous monitoring program of evaluating security controls where we will transform from a self-evaluation method to a more technical method where we will actively scan our systems for vulnerabilities. VA is a large, distributed organization and we are improving centralized access to management systems to continuously monitor our gateways and security compliance.

The VA PIV project is a Departmental initiative to provide compliance with Homeland Security Presidential Directive (HSPD)–12, Federal Information Processing Standard (FIPS) 201, the Federal Common Policy, and related standards that address the Federal Government's need for a standardized identity credential to be issued to all Federal employees and contractors. The VA PIV system is designed to deliver "security as a service" by integrating with the VA Enterprise Architecture

service-oriented systems model and providing a more integrated and standardized approach to security.

In addition to implementing new technologies and processes to improve information security, we are also mindful of the ongoing need to enhance security training and awareness efforts to reinforce the VA culture of vigilance in protecting sensitive information.

Customer Service Focus: These four management approaches have a common goal—to excel in improving IT service to our customers. Using a variety of techniques to monitor, measure, and improve our performance, a renewed focus will allow us to build on our successes and to identify and quickly address and resolve areas not working so well. We are establishing IT advocates for medical, benefits and corporate customers to streamline communications between customers and the IT organization. We have asked our customers to provide feedback through the performance appraisal process and have invited medical center and regional office Directors to submit input on the IT customer service they are receiving at their facility. A nationwide customer service survey is in the planning stages and will gauge areas that seem to be working and those requiring improvement. The results from these actions will assist in refining our staff's performance plans to ensure we are measuring what our customers feel is most important to support their mission.

Paperless/Veterans Benefit Management System (VBMS): Our major investments will continue to increase above the FY 2010 level to meet the ongoing demands for our veterans and transforming VA. We will request $145.3 million for the VBMS.

In FY 2009, OI&T and Veterans Benefits Administration (VBA) started the VBMS Initiative, which will serve as a cornerstone of VBA's long-term, comprehensive plan to achieve timely processing of benefits to veterans. The VBMS Initiative is a business transformation initiative supported by technology and designed to improve VBA's service delivery. It is a holistic solution that integrates a business transformation methodology (to address process, people, and organizational structure factors) and a 21st century paperless claims processing system. The VBMS Initiative will work in conjunction with other VBA initiatives and efforts, such as the Veterans Relationship Management Program (VRM), a veteran-facing program featuring multi-channel information exchange between veterans and VA, including, for example, online self-service capabilities. The VBMS Initiative will further integrate with the Veterans Services Network (VETSNET), which is VBA's present suite of applications supporting Compensation and Pensions claims processing.

The first major milestone of the VBMS Initiative, targeted for delivery in April 2010, is a Virtual Regional Office (VRO). The VRO will initiate the design process by creating a flexible, iterative, user-in-the-middle development process to solidify user needs and business requirements through a living specification. Following establishment of the VRO prototype, VBA will conduct additional pilots through December 2011 to further validate, refine, and harden process and systems requirements. Finally, production environments will be established for a nationwide rollout in FY 2012.

Post-9/11 GI Bill (Chapter 33): The Post-9/11 GI Bill creates a robust enhancement of VA's education benefits, evoking memories of the World War II Era GI Bill. Because of the significant opportunities the Act provides to veterans and their families in recognition of their service, and their particular value in the current economic environment, we must deliver the benefits in this Act effectively and efficiently, and with a client-centered approach. In August 2009, the new Post-9/11 GI Bill program was launched. We received more than 397,000 original and 219,000 supplemental applications since the inception of this program.

The 2011 budget provides $44.1 million to complete the automated solution for processing Post-9/11 GI Bill claims and to begin the development and implementation of electronic systems to process claims associated with other education programs. The automated solution for the Post-9/11 GI Bill education program is scheduled to be implemented by December 2010.

In 2011, we expect the total number of all types of education claims to grow by 32.3 percent over 2009, from 1.70 million to 2.25 million. To meet this increasing workload and to complete education claims in a timely manner, VA has established a comprehensive strategy to develop an end-to-end solution that uses rules-based, industry-standard technologies to modernize the delivery of education benefits.

Virtual Lifetime Electronic Record (VLER): Each year, more than 150,000 active and reserve component servicemembers leave the military. This transition is heavily reliant on the transfer of paper-based administrative and medical records from the Department of Defense (DoD) to the veteran, the VA, or other non-VA health care providers. A paper-based transfer carries risks of errors or oversights and delays the claim process.

In April 2009, the President charged VA Secretary Shinseki and Defense Secretary Gates with building a fully interoperable electronic records system that will provide each member of our Armed Forces a Virtual Lifetime Electronic Record (VLER). This virtual record will enhance the timely delivery of high-quality benefits and services by capturing key information from the day they put on the uniform, through their time as veterans, until the day they are laid to rest. The VLER is the centerpiece of our strategy to better coordinate the user-friendly transition of servicemembers from their service component into VA, and to produce better, more timely outcomes for veterans in providing their benefits and services.

In December 2009, VA successfully exchanged electronic health record (EHR) information in a pilot program between the VA medical center in San Diego and a local Kaiser Permanente hospital. We exchanged EHR information using the Nationwide Health Information Network (NHIN) created by the Department of Health and Human Services. Interoperability is key to sharing critical health information. Using the NHIN standards will allow organizations like VA and DoD to partner with private sector health care providers and other Federal agencies to promote better, faster, and safer care for veterans. Last month DoD joined this pilot and we will soon announce additional VLER health community sites. VA has $52 million in IT funds in 2011 to continue the development and implementation of this Presidential priority.

Financial and Logistics Integrated Technology Enterprise (FLITE): The 2011 budget provides $120.2 million to continue developing the FLITE program. FLITE is a multi-year initiative to standardize business processes and modernize the information technology environment supporting financial and asset management within VA. The program has three primary components: a financial management component referred to as the Integrated Financial Accounting System (IFAS); an asset management component referred to as the Strategic Asset Management System (SAM); and a FLITE data warehouse project.

The FLITE program is a collaborative effort between the VA's Office of Management (OM) and the OI&T. The SAM pilot contract was awarded to General Dynamics Information Technology in late April 2009 and is underway at the Milwaukee VA Medical Center. This program is being managed closely by OM and OI&T. The FLITE Program Office provides updates to the Deputy Secretary every 2 weeks. The SAM pilot project of FLITE has been managed under PMAS since last summer. While the project missed its first milestone under PMAS, it has subsequently been re-planned and has made its first milestones under the new project plan.

Home Telehealth: Our increasing reliance on non-institutional long-term care includes an investment in 2011 of $48.6 million for Telehealth and the Home Care Model. Taking greater advantage of the latest technological advancements in health care delivery will allow us to more closely monitor the health status of veterans and will greatly improve access to care for veterans in rural and highly rural areas. Telehealth will place specialized health care professionals in direct contact with patients using modern IT tools. VA's home telehealth program cares for 35,000 patients and is the largest of its kind in the world. A recent study found that patients enrolled in home telehealth programs experienced a 25-percent reduction in the average number of days hospitalized and a 19-percent reduction in hospitalizations. Telehealth and telemedicine improve health care by increasing access, eliminating travel, reducing costs, and producing better patient outcomes.

Closing Statement

In closing, I would like to thank you again for your continued support and for the opportunity to testify before this Committee on the important work we are undertaking to improve VA's IT project development. We will use these more rigorous management approaches as we create the new IT systems necessary to support the President's vision of a 21st century VA. The following pages provide the details on a number of our high-visibility and/or investments planned for FY 2011. And with the support of the FY 2011 budget, OI&T will continue to demonstrate its unwavering goal in achieving both President Obama's and Secretary Shinseki's vision of a 21st century Department committed to serving those who have selflessly served our Nation. I would now like to address any questions you might have.