

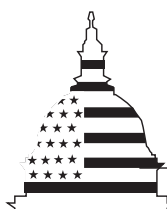
GAO

Report to the Ranking Minority Member,
Committee on Governmental Affairs,
U.S. Senate

June 2001

VETERANS AFFAIRS

Status of Achieving Key Outcomes and Addressing Major Management Challenges



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United States General Accounting Office
Washington, DC 20548

June 15, 2001

The Honorable Fred Thompson
Ranking Minority Member
Committee on Governmental Affairs
United States Senate

Dear Senator Thompson:

As you requested, we reviewed the Department of Veterans Affairs (VA) fiscal year 2000 performance report and fiscal year 2002 performance plan required by the Government Performance and Results Act of 1993 (GPRA) to assess VA's progress in achieving selected key outcomes that you identified as important mission areas.¹ These are generally the same outcomes we addressed in our June 2000 review of VA's fiscal year 1999 performance report and fiscal year 2001 performance plan to provide a baseline by which to measure VA's performance from year to year.² These selected key outcomes are:

- veterans are provided high-quality health care at a reasonable cost to the government,
- veterans' benefit claims are processed timely and accurately, and
- disabled veterans acquire and maintain suitable employment.

As agreed, using the selected key outcomes for VA as a framework, we (1) assessed the progress VA has made in achieving these outcomes and the strategies the agency has in place to achieve them; and (2) compared VA's fiscal year 2000 performance report and fiscal year 2002 performance plan with its prior year performance report and plan for these outcomes. Additionally, we agreed to analyze how VA addressed its major management challenges, including the governmentwide high-risk areas of strategic human capital management and information security, that we and VA's Inspector General (IG) identified. Appendix I provides information on how VA addressed these challenges.

¹This report is one of a series of reports on the 24 Chief Financial Officers (CFO) Act agencies' fiscal year 2000 performance reports and fiscal year 2002 performance plans.

²*Observations on the Department of Veterans Affairs' Fiscal Year 1999 Performance Report and Fiscal Year 2001 Performance Report* (GAO/HEHS-00-124R, June 30, 2000).

Results in Brief

Overall, VA reported making mixed progress towards achieving its key outcomes. VA's strategies for achieving these outcomes appear to be clear and reasonable. Specifically,

- *Planned outcome: Veterans are provided high-quality health care at a reasonable cost to the government.* VA reported making good progress towards achieving this key outcome. For example, VA reported that its average cost per patient was 2 percent less than last year. Also, VA reported that performance improved for most of its key measures, including quality indicators, compared to last year. VA provided clear and reasonable descriptions of its strategies for meeting its fiscal year 2002 goals. For example, VA reported it plans to expand veterans' access to health care through the increased use of community-based outpatient clinics and the use of short-term contracts with non-VA specialists.
- *Planned outcome: Veterans' benefit claims are processed timely and accurately.* VA reported making little progress towards achieving this key outcome. VA reported that it has decreased the number of days required to resolve appeals of claims. However, VA reported that performance declined with respect to its rating-related claims-processing timeliness and national accuracy rate. Among the reasons VA cited for the decline in performance was its underestimating how long it would take to realize the positive impact of initiatives such as increased staffing, improved quality reviews, and training directed at specific deficiencies. VA provided clear and reasonable discussions of strategies for meeting its future goals. For example, VA strategies for improving the timeliness and accuracy of VA's initial decisions on disability compensation and pension claims include (1) processing claims from active-duty service members awaiting discharge from military service, (2) allowing veterans to submit claims on-line, and (3) continuing to develop computer-assisted training modules and other training materials for claims-processing staff.
- *Planned outcome: Disabled veterans acquire and maintain suitable employment.* VA reported making good progress towards achieving this key outcome. VA reported that 65 percent of the veterans who exited the Vocational Rehabilitation and Employment (VR&E) program returned to work in fiscal year 2000—an increase of 12 percentage points over its fiscal year 1999 performance. VA provided clear and reasonable strategies for continuing to meet its future goal. For example, as part of its strategy, VA is changing the skill mix of its staff from vocational rehabilitation specialists to employment specialists, and from counseling psychologists to vocational rehabilitation counselors.

VA made several changes to improve its performance report and performance plan. For example, it added a section to its performance report to specifically address management challenges identified by GAO and VA's IG. In addition, VA made significant changes to the way it will assess its progress toward achieving its key outcome of providing quality health care to veterans in its fiscal year 2002 performance plan. For fiscal year 2001, VA replaced some of its key measures with new key performance measures intended to better assess its progress. For example, VA added a new measure on patient safety focused on identifying the root causes of medical errors, which, in turn, could lead to appropriate corrective actions.

VA addressed all of the major management challenges identified by GAO and, generally described goals or actions that VA is taking or plans to take in response to them. In addition, VA has established strategies for achieving strategic goals and objectives for human capital management and information security. VA has established a performance goal and identified milestones for implementing certain strategies to address information security. However, VA's performance plan has not identified performance goals and measures for human capital management that are linked to program results.

VA generally agrees with the information presented in our report. However, VA was concerned that our report suggested that the Department's performance plan was inadequate because, in some cases, it does not have performance goals and measures linked to each of the major management challenges. In certain cases, VA believes that it is appropriate and sufficient to have a mitigation plan including milestones for completing remedial actions.

As we reported, VA's performance plan identified actions for resolving each of its major management challenges, even when quantifiable goals and measures were not included. However, OMB guidance states that performance goals for management problems should be included in the annual plan.

Background

GPRA is intended to shift the focus of government decisionmaking, management, and accountability from activities and processes to the results and outcomes achieved by federal programs. New and valuable information on the plans, goals, and strategies of federal agencies has been provided since federal agencies began implementing GPRA. Under GPRA, annual performance plans are to clearly inform the Congress and the

public of (1) the annual performance goals for agencies' major programs and activities, (2) the measures that will be used to gauge performance, (3) the strategies and resources required to achieve the performance goals, and (4) the procedures that will be used to verify and validate performance information. These annual plans, issued soon after transmittal of the president's budget, provide a direct linkage between an agency's longer-term goals and mission and day-to-day activities.³ Annual performance reports are to subsequently report on the degree to which performance goals were met. The issuance of the agencies' performance reports, due by March 31, represents a new and potentially more substantive phase in the implementation of GPRA—the opportunity to assess federal agencies' actual performance for the prior fiscal year and to consider what steps are needed to improve performance, and reduce costs in the future.⁴

VA's mission reflects the nation's historic commitment to care for veterans, their families, and their survivors. VA administers a variety of programs, including one of the world's largest health care systems. VA estimates that, in fiscal year 2000, it spent about \$42 billion—more than 80 percent of its total budget—to provide health care services to 3.6 million veterans and to pay disability compensation and pensions to over 3.2 million veterans and their families and survivors.

Assessment of VA's Progress and Strategies in Accomplishing Selected Key Outcomes

This section discusses our analysis of VA's performance in achieving its selected key outcomes and the strategies VA has in place, including strategic human capital management⁵ and information technology, for accomplishing these outcomes. In discussing these outcomes, we have also provided information drawn from our prior work on the extent to which VA provided assurance that the performance information it is reporting is credible.

³The fiscal year 2002 performance plan is the fourth of these annual plans under GPRA.

⁴The fiscal year 2000 performance report is the second of these annual reports under GPRA.

⁵Key elements of modern human capital management include strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing staffs whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures.

Quality and Cost of Veterans' Health Care

Overall, VA reported making good progress towards achieving its key outcome of providing quality health care to veterans at a reasonable cost to the government in fiscal year 2000. For example, VA reported that its average cost per patient was 2 percent less than last year. VA also reported that performance improved for most of its key measures compared to last year's performance. However, VA reported a decline in performance for two key measures (see table 1).

Table 1: Comparison of VA's Performance to Its Key Goals Pertaining to Quality and Cost of Veterans' Health Care (Fiscal Years 1999 and 2000)

Performance measure	1999 Performance	2000 Performance	2000 Goal
Performance improved			
Chronic Disease Care Index	89%	90%	89%
Percent reduction in average cost per patient, from fiscal year 1997 baseline	-16%	-18%	-16%
Percent increase in unique patients treated, from fiscal year 1997 baseline	15%	21.5%	21%
Percent of residents trained in primary care	46%	48%	47%
Percent of patients who rate VA inpatient care as very good or excellent	65%	66%	67%
Percent of patients seen within 20 minutes of scheduled appointment at VA health care facilities	68%	70%	75%
Performance unchanged or declined			
Prevention Index	81%	81%	89%
Percent of patients who rate VA outpatient care very good or excellent	65%	64%	67%
Percent of medical care operating budget derived from alternative revenue streams	3.8%	3.4%	3.7%
Performance goals not established			
Percent of patients who are able to obtain a non-urgent appointment with a specialist within 30 days of referral	N/A	N/A	N/A
Percent of patients who were able to obtain a primary care appointment within 30 days	N/A	N/A	N/A

Source: Department of Veterans Affairs, Fiscal Year 2000 Performance Report.

VA's performance report, in general, demonstrated progress toward achieving its key performance goals. The key goals—the goals VA's senior management consider most important—show how well VA is doing in providing quality health care to veterans at a reasonable cost. For each key measure, VA provided a discussion of the extent to which it met its fiscal year 2000 goal. In addition, VA provided baseline and performance data, where available, to show the extent to which performance has changed over several fiscal years.

For most of the key goals that VA did not achieve, it explained why the goals were not achieved. Also, VA provided supplementary information to

show that the performance deficiency was either not significant or that VA's performance improved in fiscal year 2000. For example, VA reported that while it did not meet its patient satisfaction goals, its performance on other patient satisfaction surveys showed that VA patients were more satisfied than patients of private-sector health care providers. Also, VA noted that the differences between its planned and actual performance on the patient satisfaction measures were not significant, because they were within the margin of error for its annual patient satisfaction survey.

VA could have done a better job, however, of explaining in its performance report why some key performance goals were not met. For example, VA did not explain why it did not meet its goal to have at least 75 percent of patients with scheduled appointments see a provider within 20 minutes of their scheduled appointment time. It provided a partial explanation of why it did not obtain at least 3.7 percent of its medical care funding from alternative revenue streams.⁶ However, VA's performance plan cited factors contributing to the decline in collections. For example, the plan noted that more veterans are enrolling in managed care organizations from which VA cannot typically collect because it is not a participating provider.

In addition, VA's performance report included two key health care performance measures that VA has not yet quantified. These measures, based in part on previous GAO reports and recommendations,⁷ are for the percentages of patients who are able to obtain initial appointments within 30 days for primary or specialty care. Also, VA is in the process of improving its ability to collect the necessary data to measure its performance. It plans to use fiscal year 2001 data as its baseline for setting future annual performance goals.

VA's performance report shows VA's continuing efforts to address deficiencies in the quality of its performance data. For most—though not all—of its key health care performance measures, VA identified the sources of performance data, and how data quality is assured. VA's data quality initiatives include, for example, hiring a full-time Data Quality

⁶Alternative revenue sources include veterans' copayments, collections from third-party insurers, and receipts from services shared with the Department of Defense (DOD).

⁷*Veterans' Health Care: VA Needs Better Data on Extent and Causes of Waiting Times* (GAO/HEHS-00-90, May 31, 2000) and *VA Health Care: Restructuring Ambulatory Care System Would Improve Services to Veterans* (GAO/HRD-94-4, Oct. 15, 1993).

Coordinator, and revising coding procedures and training to help improve the collection of clinical data. Also, due in part to the IG's recommendations, VA implemented edit checks of its system data to improve the quality of the data used to report the number of unique VA patients.

In addition to health care performance data, VA also needs quality financial data. VA received an unqualified opinion on its fiscal year 2000 financial audit report. However, VA continues to experience problems with its financial management systems, including information security and integrated financial management systems weaknesses. Further, VA is unable to accumulate cost data at the activity level. Reliable cost information is needed for VA to assess its operating performance.

VA's performance report generally provides clear and reasonable descriptions of its strategies for correcting performance deficiencies and improving future performance on its key performance measures, even in those areas where VA met its fiscal year 2000 performance goal. For example, while VA met its goal for the Chronic Disease Care Index, which is a significant quality indicator, it provided strategies to continue to improve its performance in the future, including initiatives to improve patient safety and provide clinical training to medical staff. VA also identified numerous strategies and initiatives for improving performance in areas where performance goals were not met, such as

- enhancing provider/patient communications,
- expanding access to VA health care through increased use of community-based outpatient clinics and use of short-term contracts with non-VA specialists,
- expanding the use of clinical guidelines, and
- educating patients and staff on prevention programs.

VA identified human capital strategies to improve patient access and appointment timeliness. For example, VA plans to

- hire additional clinical staff to improve access and appointment timeliness, and
- add specialists to its primary care teams to provide veterans with a greater variety of services, even at some community-based clinics.

VA's discussions included some information technology strategies regarding health care. For example, VA is integrating telemedicine technologies into ambulatory care delivery systems to increase patient

access and efficiency of health care delivery. VA noted that its facilities are equipped with compatible video-conferencing technology for facilitating geographically remote clinical consultations and patient examinations.

Processing Veterans' Benefit Claims

VA reported making little progress toward achieving its key outcome of processing compensation and pension benefit claims timely and accurately in fiscal year 2000. Although VA did not meet any of its fiscal year 2000 key performance goals for this outcome, VA reported some improvement in the time required to resolve appeals of claims. However, VA reported that performance declined from fiscal year 1999 to 2000 with respect to the other key measures (see table 2).

Table 2: Comparison of VA's Performance to Its Key Goals Pertaining to Processing of Veterans' Benefits Claims (Fiscal Years 1999 and 2000)

Performance measure	1999 Performance	2000 Performance	2000 Goal
Performance improved			
Decrease the average time required to resolve appeals of VA compensation and pension claims decisions to the Board of Veterans Appeals	745 days	682 days	670 days
Performance declined			
Decrease the average time from receipt of claim to VA's decision for disability rating-related claims	166 days	173 days	160 days
Increase the national accuracy rate for core rating work	68%	59%	81%

Source: Department of Veterans Affairs, Fiscal Year 2000 Performance Report.

In its performance report, VA provided a clear discussion of the extent to which it met each of its key performance goals for fiscal year 2000.⁸ In addition, VA provided baseline and performance data where available, to show the performance over several fiscal years. In the discussion of its performance, VA noted that it expected timeliness to worsen in fiscal year 2001 because of the effect additional legislative and regulatory requirements will likely have on claims-processing time.

For two of the key goals, VA explained why the goals were not achieved. Some of the reasons VA cited for the shortfall in the claims-processing timeliness and/or the national accuracy rate included VA (1)

⁸The key goals are not outcome oriented and therefore do not measure the results VA wants the compensation and pension programs to have for disabled veterans and their families. VA is developing such goals and measures.

underestimating how long it would take to realize the positive impact of initiatives such as increased staffing, improved quality reviews, and training directed at specific deficiencies; (2) using a more rigorous quality review system than in the past; and (3) having to address complex regulatory changes affecting the manner in which claims are processed. Based, in part, on previous GAO reports and recommendations on claims processing,⁹ VA is strengthening its system for reviewing claims accuracy—the Statistical Technical Accuracy Review—by collecting more specific data on deficiencies concerning incorrect decisions in those regional offices that have accuracy problems. In addition, VA is evaluating and disseminating information on regional office practices that hold promise for improving performance nationwide, according to VA officials. While VA explained why it did not achieve its accuracy and timeliness goals for disability rating-related claims, it did not explain why it did not meet the timeliness goal for appeals resolution. VA noted improvement in its appeals resolution timeliness although it did not meet its established goal.

VA's performance report provides an increasing assurance that its performance information is credible. For example, VA is conducting independent reviews of a sample of claims to assess accuracy rates and weekly assessments of transactions to identify questionable timeliness data from regional offices.

VA provided clear and reasonable discussions of strategies, including information technology initiatives, for improving future performance on key claims-processing goals.¹⁰ For example, VA is rewriting claims-processing manuals in an easy-to-understand format to enable employees to find information quickly. In addition, VA has implemented the Veterans On-Line APplications (VONAPP) that allows veterans to electronically complete and submit applications for compensation, pension, and other benefits. However, we recently testified that VONAPP faces potential security vulnerabilities as a result of weaknesses in general support systems and operating subsystems access controls that affect the

⁹*Veterans' Benefits Claims: Further Improvements Needed in Claims Processing Accuracy* (GAO/HEHS-99-35, Mar. 1, 1999) and *Veterans' Benefits: Promising Claims-Processing Practices Need to Be Evaluated* (GAO/HEHS-00-65, Apr. 7, 2000).

¹⁰In April 2001, the Secretary of VA established the Claims Processing Task Force to make recommendations to improve timeliness and accuracy of compensation and pension decisions.

department's overall computer operation.¹¹ Also, VA is developing the Veterans Service Network's Compensation and Pension Benefits Replacement System, which is expected to provide greater access to claimant information through a state-of-the-art automated environment. We testified¹² that this project has suffered from numerous problems and schedule delays, which threaten the overall success of the initiative. In addition, VA is piloting, testing, or enhancing the operational capability for (1) the Compensation and Pension Record Interchange to provide enhanced accessibility to VHA records, (2) the Personnel Information Exchange System to allow for electronic exchange of military personnel records with DOD, and (3) the Virtual VA, to create a work environment for electronic claims processing.

VA's performance report discusses human capital strategies for dealing with the fact that one-fourth of its claims-processing staff will become eligible to retire over the next 5 years. VA's succession planning strategy includes recruiting new staff, redirecting staff from other offices, and providing training. VA hired over 450 new claims-processing staff during fiscal year 2000. In addition, VA plans to redirect 200 existing staff to claims-processing positions and hire nearly 250 new staff during fiscal year 2001. Although VA identified human capital strategies for hiring, redirecting, and training staff, its performance plan does not identify performance goals and measures that are linked to the program improvement planned. VA is continuing to develop computer-assisted training modules and other materials on claims processing under the Training and Performance Support System to train the large wave of new hires and current employees who will replace prospective retirees.

Disabled Veterans Employment

VA reported making good progress toward achieving its key outcome of assisting disabled veterans in acquiring and maintaining suitable employment. For the second year in a row, VA reported exceeding its key performance goal for this outcome. VA reported that 65 percent of the veterans who exited the VR&E program returned to work in fiscal year 2000—more than its goal of 60 percent. Also, VA reported its performance improved by 12 percentage points over its fiscal year 1999 performance.

¹¹VA *Information Technology: Important Initiatives Begun, Yet Serious Vulnerabilities Persist* (GAO-01-550T, Apr. 4, 2001).

¹²VA *Information Technology: Progress Continues Although Vulnerabilities Remain* (GAO/T-AIMD-00-321, Sept. 21, 2000).

VA's performance report clearly explains the initiatives it believes were responsible for exceeding the goal. For example, VA refocused the program to make the primary goal obtaining suitable employment, improved the assessment of veterans' work skills transferable to the civilian labor market, and increased the number of placements in suitable jobs.

To improve the credibility of VR&E's performance information, VA continues to have regional office staff regularly review a sample of cases for quality and VA headquarters staff evaluate data for validity and reliability.

VA provides reasonable and clear discussions of strategies to continue to place veterans in suitable employment. As part of these strategies, VA is changing the skill mix of its staff from vocational rehabilitation specialists to employment specialists, and from counseling psychologists to vocational rehabilitation counselors. In addition, VA has established a Blue Ribbon Panel to review the program's policies and practices and evaluate them against best practices of other organizations.

Although VA is responsible for VR&E, it partners with the Department of Labor's (DOL) Veterans' Employment and Training Service (VETS), that also helps veterans obtain training and employment. VA conducts joint training with DOL for VETS-funded state and local training and job placement staff. We have reported that VETS does not have clear goals and strategies for targeting veterans for employment assistance¹³. We have made several recommendations to improve VETS, including that DOL clearly define the program's target populations so that staff know where to place their priorities.

¹³*Veterans' Employment and Training Service: Better Planning Needed to Address Future Needs* (GAO/T-00-206, Sept. 27, 2000) and *Veterans' Employment and Training Service: Proposed Performance Measurement System Improved, But Further Changes Needed* (GAO-01-580, May 15, 2001).

Comparison of VA's Fiscal Year 2000 Performance Report and Fiscal Year 2002 Performance Plan With the Prior Year Report and Plan for Selected Key Outcomes

For the selected key outcomes, this section describes improvements or remaining weaknesses in VA's (1) fiscal year 2000 performance report in comparison with its fiscal year 1999 report, and (2) fiscal year 2002 performance plan in comparison with its fiscal year 2001 plan. It also discusses the degree to which VA's fiscal year 2000 report and fiscal year 2002 plan address concerns and recommendations by the Congress, GAO, the Inspectors General, and others.

Comparison of Performance Reports for Fiscal Years 1999 and 2000

VA made improvements to its performance report. For example, VA improved its discussion of major management challenges identified by GAO and VA's IG. VA added a section describing its efforts to address major management challenges identified by GAO and VA's IG. The Office of Inspector General, for each management challenge it identified, described the challenge and identified recommendations that VA has, and has not, implemented. For example, regarding inappropriate benefit payments, the IG noted that VA has implemented its recommendation to enter into a matching agreement with the Social Security Administration for prison records. However, the IG noted that VA has not yet implemented recommendations to identify and adjust the benefits of incarcerated veterans and dependents, recover overpayments to veterans who have been released from prison, and establish a method to ensure that regional offices properly adjust benefits for incarcerated veterans and dependents in a timely manner. Another improvement made by VA included reporting, for the first time, obligations by strategic goal.

In addition, VA's fiscal year 2000 performance report continues to provide reasonable discussions of its (1) progress in meeting key performance goals, (2) strategies for improving performance in the future, and (3) efforts to improve quality of performance data. We discussed these items previously under the key outcomes.

Finally, VA provided a clearer understanding of the compensation and pension claims-processing timeliness in its fiscal year 2000 performance report compared to last year's report. Although VA continued to report the combined performance of compensation and pension, in this year's report VA also presented the performance data separately for each.

Comparison of Performance Plans for Fiscal Years 2001 and 2002

VA made several improvements to its fiscal year 2002 performance plan. For example, VA has identified additional key measures it believes are important to assessing how well it is meeting the needs of veterans and their families. These include additional measures of patient safety, health care cost-effectiveness, and customer satisfaction with VA services. In general, VA continues to provide adequate discussions of strategies for improving future performance and update performance goals based on past performance. Also, VA provides additional information on (1) costs associated with meeting strategic goals and objectives, (2) efforts to improve data quality, and (3) ways to address major management challenges.

VA's fiscal year 2002 performance plan represents a significant change in the way VA measures its performance toward achieving its key outcome of providing quality health care to veterans at a reasonable cost. Starting with fiscal year 2001, VA will no longer have key measures for the percentage increase in the number of unique patients; the percentage decrease in per-patient costs; the decrease in the percentage of health care funding from alternative revenue streams; and the percentage of medical residents trained in primary care. VA is adding several new key performance measures to better assess progress toward achieving this outcome. For example, VA has designated the following as key measures:

- A measure related to patient safety—the percentage of root-cause analyses not correctly completed within 45 days of an adverse patient event. This is a quality measure, based on VA's system for continuously improving patient safety at its medical facilities. When medical errors occur, VA medical staffs are required to prepare root-cause analyses to identify the reasons for these errors. This information, in turn, can be used to identify corrective actions.
- Two indexes of overall VA medical care that include elements of quality, patient access, customer satisfaction, and cost. According to VA, these measures represent more sophisticated ways to measure the efficiency of its medical care than the former key measure of cost per patient, because they measure not just efficiency in providing care, but efficiency in providing high-quality and accessible care that meets patients' needs. These indexes include six other key goals in the fiscal year 2002 performance plan—the revised Chronic Disease Care and Prevention Indexes; the three appointment timeliness measures; and the inpatient and outpatient customer satisfaction measures—plus per-patient costs.

VA reported that it, in general, makes changes to key measures (1) when actual performance has met or exceeded original strategic goals, (2) when

further performance improvements are unlikely or unreasonable, (3) to ensure that measures are consistent with its strategic plan, and (4) when it develops better ways to measure its performance.

VA continues to provide clear and reasonable discussions of strategies for improving performance and continues to revise its performance goals based on past performance. As previously discussed for each key outcome, VA provided strategies for how it expects to achieve its goals. VA described additional strategies in its plan that do not appear in the performance report. For example, VA will expand its initiative to process claims from active-duty service members awaiting discharge from military service. In addition, VA adjusted performance goals based on its fiscal year 2000 performance as well as external factors, such as new duty-to-assist legislation. For example, VA increased its fiscal year 2001 timeliness goal for processing of disability rating-related claims from 142 days to 202 days and established a goal of 273 days for fiscal year 2002. VA also revised its fiscal year 2001 claims-processing accuracy goal from 85 percent to 72 percent, and established a goal of 75 percent for fiscal year 2002.

In its fiscal year 2002 performance plan, VA provides additional information on the estimated costs of meeting its fiscal year 2002 performance goals. The fiscal year 2001 performance plan included VA's estimates of obligations needed to meet each of its strategic goals. VA's fiscal year 2002 performance plan also provided estimated obligations by strategic objective. Because each of VA's four main strategic goals covers multiple objectives related to different VA programs, presenting cost data by objective provides a clearer linkage of funding to achievement of performance goals. Meanwhile, VA continues to work with the Office of Management and Budget (OMB) on a plan to restructure its budget accounts, so VA's budget presentations to the Congress can better link proposed funding with specific levels of performance.

VA's fiscal year 2002 performance plan includes a more detailed discussion of its efforts to improve the quality of its performance data. For example, the Veterans Health Administration identifies in more detail its initiatives to improve the quality of its data on patient care developed by its health care facilities. It has initiatives to improve the quality of coding at facilities to ensure that the care provided to veterans is being correctly recorded. The Veteran Benefits Administration also provided more detailed information on its data quality efforts. It created a Data Management Office to work with its program offices to identify strategies and initiatives to address the collection, processing, and storage of quality data.

In the fiscal year 2002 performance plan, VA restructured its discussion of major management challenges to mirror the challenges identified by GAO in our January 2001 Performance and Accountability Series report on VA, and the challenges identified by VA's IG in November 2000. For each of these challenges, VA provided information on the nature of the challenge, and the status of its efforts to resolve it. However, VA could have provided more specific discussions of its plans to address its major management challenges. For example, in its discussion of the challenges we identified for VA's health care program, VA generally restated findings from our January 2001 report to describe its current status and future plans.

VA's Efforts to Address Major Management Challenges Identified by GAO

VA addressed all six of the major management challenges identified by GAO, and generally described goals or actions that VA is taking or plans to take in response to them. GAO has identified two governmentwide high-risk areas: strategic human capital management and information security. VA has established strategies for achieving strategic goals and objectives for human capital management and information security. VA has established a performance goal and identified milestones for implementing certain strategies to address information security. However, VA has not identified performance goals and measures for human capital management linked to achieving programmatic results.

In addition, GAO has identified four major management challenges facing VA. We found that VA's performance report discussed the agency's progress in resolving all of its challenges. Of the six major management challenges identified by GAO, its performance plan had (1) goals and measures that were directly related to four of the challenges, (2) goals and measures that were indirectly related to one of the challenges and (3) had no goals and measures related to one of the challenges, but discussed strategies to address it. Appendix I provides information on how VA addressed these challenges.

Scope and Methodology

As agreed, our evaluation was generally based on the requirements of GPRA, the Reports Consolidation Act of 2000, guidance to agencies from OMB for developing performance plans and reports (OMB Circular A-11, Part 2), previous reports and evaluations by us and others, our knowledge of VA's operations and programs, GAO identification of best practices concerning performance planning and reporting, and our observations on VA's other GPRA-related efforts. We also discussed our review with agency officials in the Office of Assistant Secretary for Management and with the VA Office of Inspector General. The agency outcomes that were

used as the basis for our review were identified by the Ranking Minority Member of the Senate Governmental Affairs Committee as important mission areas for the agency and generally reflect the outcomes for all of VA's programs or activities. The major management challenges confronting VA, including the governmentwide high-risk areas of strategic human capital management and information security, were identified by GAO in our January 2001 performance and accountability series and high-risk update, and were identified by VA's IG in December 2000. We did not independently verify the information contained in the performance report and plan, although we did draw from other GAO work in assessing the validity, reliability, and timeliness of VA's performance data. We conducted our review from April 2001 through June 2001 in accordance with generally accepted government auditing standards.

Agency Comments

VA generally agrees with the information presented in our report. However, VA was concerned that our report suggested that the Department's performance plan was inadequate because, in some cases, it does not have performance goals and measures linked to each of the major management challenges contained in appendix I. For example, VA cited our statement that it has not identified performance goals and measures for human capital management linked to achieving programmatic results. VA believes that it is not necessary to develop and track quantifiable performance goals and measures for management challenges that are not strategic in nature. In these cases, VA believes that it is appropriate and sufficient to have a mitigation plan including milestones for completing remedial actions. (App. II contains VA's written comments.)

As we reported, VA's performance plan identified actions for resolving each of its major management challenges, even when quantifiable goals and measures were not included. However, OMB Circular No. A-11 states, "Performance goals for management problems should be included in the annual plan, particularly for problems whose resolution is mission-critical...." In particular, the annual plan should include a performance goal(s) covering the major human resources strategies, such as recruitment, retention, and skill development and training, according to OMB guidance.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after the date of this letter. At that time, we will send copies to appropriate congressional committees; the Secretary of Veterans Affairs; and the

Director, Office of Management and Budget. We will also make copies available to others upon request.

If you or your staff have any questions, please call me at (202) 512-7101. Key contributors to this report were Shelia Drake, Paul Wright, Walter Gembacz, Greg Whitney, John Borrelli, Valerie Melvin, J. Michael Resser, Mary J. Dorsey, Alana Stanfield, Steve Morris, and Bonnie McEwan.

Sincerely yours,



Cynthia A. Bascetta
Director, Health Care—Veterans'
Health and Benefits Issues

Enclosures-2

Appendix I: Observations on the Department of Veterans Affairs' Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the Department of Veterans Affairs (VA), which includes the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office and/or VA's Inspector General (IG). The second column discusses what progress, as discussed in its fiscal year 2000 performance report, VA made in resolving its challenges. The third column discusses the extent to which VA's fiscal year 2002 performance plan includes performance goals and measures to address the challenges that we and the VA's IG identified. We found that VA's performance report discussed the agency's progress in resolving all its challenges. Of the 16 major management challenges, its performance plan had (1) goals and measures that were directly related to 7 of the challenges, (2) goals and measures that were indirectly related to 2 of the challenges and (3) had no goals and measures related to 7 of the challenges, but discussed strategies to address them.

Table I-1: Major Management Challenges

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance
GAO-designated governmentwide high risk		
<p><u>Strategic human capital management:</u> GAO has identified shortcomings at multiple agencies involving key elements of modern human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing staffs whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures.</p>	<p>In its report, VA recognizes that a comprehensive workforce planning initiative is essential for VA to remain as a provider of quality services to America's veterans. An anticipated upswing in retirements, rapid changes in technology, an increasingly diverse labor and beneficiary pool, and different expectations of younger workers are forces that strongly suggest the need for new recruitment and retention practices to meet program goals. VA states it has established a workforce planning process, and is in the beginning stages of developing and implementing a workforce forecasting system.</p>	<p>VA has a strategic goal, strategic objectives, and strategies to address human capital. However, they are not directly linked to program performance. The plan identifies improved workforce planning and enhancing accountability for performance as initiatives that will permit the agency to deliver "world-class" service to veterans and their families. VA has developed a workforce planning model, secured VA senior leadership approval of the model, and worked with its administrations to pilot the model.</p> <p>VA's performance report noted that its succession planning strategy includes recruiting new staff, redirecting staff from other offices, and providing training. For example, VA hired over 450 new claims-processing staff during fiscal year 2000. In addition, VA plans to redirect 200 existing staff to claims-processing positions and hire nearly 250 new staff during fiscal year 2001.</p>

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Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance
<p><u>Information security</u>: Our January 2001 high-risk update noted that agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption.</p>	<p>VA has acknowledged the security weakness in its systems and data and reported information security controls as a material weakness in its Federal Managers Financial Integrity Act report for 2000. To address the department's information security control issues, VA noted in its performance report that it had established a centrally managed agency-wide security program. In addition, the department issued a revised information security plan in October 2000 that identified a number of security enhancements that were being accelerated to improve agency-wide information security. These included enhancements to: (1) security awareness, (2) risk assessments, (3) security policies, (4) security officer training, and (5) system certification.</p> <p>As we have previously reported,¹ the VA information security management plan generally includes the key elements of an effective security management program. However, the success of VA's efforts to improve the department's computer security will depend largely on adequate program resources and commitment throughout the department.</p>	<p>Yes. VA has developed corrective action plans to address the information security weaknesses. These plans were in various stages of implementation.</p> <p>VA's performance plan noted that VA established a performance indicator to measure progress in implementing its information security program. The department targeted this program to be 20 percent complete by fiscal year 2001 and 80 percent complete by fiscal year 2002. However, this measurement does not assess the effectiveness of VA's security, a more effective measure of program success.</p> <p>The Chief Information Officers Council, in coordination with the National Institute of Standards and Technology and the Office of Management and Budget, has developed a framework for agencies to use in determining the current status of information systems controls and, where necessary, to establish a target for improvement. VA could use this framework as a means for measuring progress in improving its information security program.</p>
GAO-designated major management challenge		
<p>Ensure timely and equitable access to quality VA health care</p>	<p>Discussed under outcomes in the report.</p>	<p>Yes. Discussed under outcomes in the report.</p>
<p>Maximize VA's ability to provide health care within available resources</p>	<p>Discussed under outcomes in the report.</p>	<p>Yes. Discussed under outcomes and comparison of performance plans in the report. VA's plan has measures for alternative revenues and for conducting studies to assess and realign its health care system.</p>
<p>Process veterans' disability claims promptly and accurately</p>	<p>Discussed under outcomes in the report.</p>	<p>Yes. Discussed under outcomes in the report.</p>

¹Information Systems: The Status of Computer Security at the Department of Veterans Affairs (GAO/AIMD-00-5, Oct. 4, 1999).

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Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance
<p><u>Develop sound agencywide management strategies to build a high-performance organization:</u></p> <ul style="list-style-type: none"> • VA's budget systems need to be aligned to link funding to performance. • VA's efforts to use information technology to help serve veterans need improvement. • Many financial management weaknesses remain despite unqualified audit opinion. 	<p>Budget: Not addressed in report.</p> <p>Information technology (IT): VA implemented a capital investment process that the department uses to select, control, and evaluate IT investments. The department reviews IT projects that exceed planned expenditures by 10 percent to determine whether to change the scope of funding or terminate the project. The report did not address progress VA made in developing a departmentwide IT architecture, business process reengineering, or the need to obtain a full-time chief information officer.</p> <p>Financial management: VA described a number of information security enhancements as described under Information Security challenge.</p>	<p>None.</p> <p>Performance-based budgeting: VA and OMB staff jointly developed a proposal to restructure VA's budget accounts to facilitate charging each program's budget account for all of the significant resources used to operate and produce its outcomes and outputs. VA is continuing to work with major stakeholders on implementation issues.</p> <p>Information technology: VA has many initiatives planned or in progress. For example, VA is taking steps to develop an architecture that will promote departmentwide interoperability and data sharing. VA stated that it has completed the technical component of this architecture and is in the process of developing the logical component. In addition, VA stated that efforts are underway to improve its capital investment process in response to GAO recommendations. Also, VA stated that it is reevaluating its previous decision to leave business process reengineering at the administration level. However, VA provided little information on its effort to obtain a full-time chief information officer or when one would be appointed.</p> <p>Financial management: VA has developed corrective action plans to address information security weaknesses, which are in various stages of implementation.</p>
IG-designated major management challenges		
Health care quality management and patient safety	Discussed under outcomes in the report.	Yes. Discussed under outcomes in the report.
Resource allocation	VA has initiated changes to its resource allocation method to correct resource and infrastructure imbalances, has given VA managers authority to reduce physician levels in overstuffed specialties, and is implementing a cost-based data system to provide more useful performance measurement information on resources and clinical and administrative workloads.	None. Resource allocation continues to be a major public policy issue. VA management is addressing staffing and other resource allocation disparities as part of various initiatives to restructure its health care system. VA is implementing IG recommendations regarding Decision Support System standardization.

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Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance
Claims processing, appeals processing, and timeliness and quality of compensation and pension medical examinations	<p>Claims processing and appeals processing discussed under outcomes in the report.</p> <p>VA has implemented VA's IG recommendations aimed at ensuring VHA performs complete medical examinations. VA is also evaluating the use of contract examinations.</p>	<p>Yes for claims processing and appeals processing: Discussed under outcomes in the report.</p> <p>None for timeliness and quality of medical examinations. However, VA has established standards of performance for reducing the number of incomplete examination for its field offices.</p>
Inappropriate benefits payments	<p>VA has several initiatives in various stages of implementation that address inappropriate benefit payments. For example, VA asked the IG to identify internal control weaknesses that might facilitate or contribute to fraud in the compensation and pension program. The IG found vulnerabilities involving numerous technical, procedural, and policy issues; VA has agreed to initiate corrective actions.</p>	<p>None. The plan discusses initiatives to identify and adjust payments to, among others, veterans who receive dual compensation, underreport income, or are incarcerated or deceased. For example, VA is starting or continuing a variety of computer matches with other agencies' records to identify inappropriate payments. However, VA still has been unable to offset disability compensation against military reserve pay for all persons who receive both payments. Procedures established between DOD and VA have not been effective or fully implemented. DOD is having difficulties obtaining the accurate data from military services that VA needs to carry out the offsets.</p>
Government performance and results act— data validity	<p>VA reports that it has completed audits of the quality of data used to compute three of the current key performance measures including, among others, rating-related claims-processing timeliness. Audits are underway regarding the measures for the Prevention Index and the Chronic Disease Care Index. VA reports taking corrective actions on deficiencies identified. However, VA notes that it continues to find significant problems with data input and weaknesses in information security, which limit VA's confidence in the quality of the data.</p>	<p>None. VA began taking action to correct deficiencies in its data. Management officials continue to refine procedures for compiling performance data. Performance data are receiving greater scrutiny within the department, and procedures are being developed to enhance data validation.</p>

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Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance
Security of systems and data	<p>VA reported that it has developed corrective action plans for the information security control weaknesses, with corrective actions to be completed by 2002. While VA established a system to track the resolution of security weaknesses identified, as we have previously reported,² the department does not have a process to ensure that corrective actions were effective.</p> <p>Also discussed under Information Security challenge.</p>	Yes. Discussed under Information Security challenge.
<p><u>VA consolidated financial statements:</u> Material internal control weaknesses exist related to information security, housing credit assistance, and fund balances with Treasury reconciliations.</p>	<p>VA resolved two of the three weaknesses. However, the information security weakness remains unresolved. For additional actions, see Information Security above.</p>	<p>VA does not have goals or measures directly applicable to resolving material weaknesses reported in its financial statement audit report. However, the plan has a performance measure that indirectly addresses the information security material weakness. VA has developed corrective action plans for the information security and control issues and expects to complete corrective actions in 2002.</p>
Debt management	None. The report acknowledges the debt management weakness.	None. VA identified actions that it expects will result in a significant improvement in collections, such as installing computer software to facilitate referral of debt to the Department of Treasury Offset Program.
Workers compensation	<p>VA has initiated actions, such as a one-time review of all open/active cases, to correct fraud and abuse but the report did not identify the extent to which improvements have been made.</p>	<p>None. VA recently completed a one-time review of all open/active cases. VA identified 255 cases as potentially fraudulent. VA is implementing other programs to prevent or identify fraud in the future, such as identifying workers compensation claimants who are also receiving VA compensation and pension benefits to prevent dual payments.</p>

²VA Information Technology: Important Initiatives Begun, Yet Serious Vulnerabilities Persist (GAO-01-550T, Apr. 4, 2001).

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of Veterans Affairs' Efforts to Address Its
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Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance
Procurement practices	The report identified savings of \$13 million in fiscal year 2000 attributed to aggressive use of the governmentwide purchase card. However, the IG identified significant vulnerabilities regarding its use, including circumventing competition requirements and payment of excessive prices.	None. VA is conducting business reviews of all acquisition and materiel management functions at VA facilities to resolve problems in this area.

Appendix II: Comments From the Department of Veterans Affairs



THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

JUN - 7 2001

Ms. Cynthia Bascetta
Director, Health Care—Veterans'
Health care Issues
U. S. General Accounting Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Bascetta:

This responds to your draft report, **VETERANS AFFAIRS: Status in Achieving Key Outcomes and in Addressing Major Management Challenges** (GAO-01-752). I appreciate that the General Accounting Office (GAO) recognizes the improvements the Department of Veterans Affairs (VA) has made in presenting the results of our strategic and performance planning and the goals for achieving future desired outcomes. GAO's report underscores the recent Mercatus Center's assessment that VA's performance report received the highest point total of 23 CFO agencies rated for fiscal year 2000. VA is communicating what it is doing to assure that (1) veterans are provided high quality health care at a reasonable cost to the government, (2) veterans' benefit claims are processed timely and accurately, and (3) disabled veterans acquire and maintain suitable employment.

While GAO reports that VA improved its discussion of major management challenges in both the FY 2000 Performance Report and the FY 2002 Performance Plan, the Department is cited for not having established performance goals and measures for each challenge. These excerpts from the draft report illustrate this:

- "However, VA has not identified performance goals and measures for human capital management linked to achieving programmatic results." (page 17)
- "Of the 6 major management challenges identified by GAO, its performance plan had (1) goals and measures that were directly related to 4 of the challenges, (2) goals and measures that were indirectly related to 1 of the challenges and (3) had no goals and measures related to 1 of the challenges, but discussed strategies to address it." (page 18)
- "The third column discusses the extent to which VA's fiscal year 2002 performance plan includes performance goals and measures to address the challenges that we and the VA's IG identified." (page 20 and the appendix table on pages 21-24)

Page 2.

Ms. Cynthia Bascetta

These references strongly suggest GAO expects that VA will have specific performance goals and measures for every major management challenge. It appears that GAO believes anything short of this standard is considered inadequate.

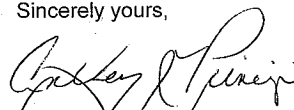
The Department believes that the Annual Performance Plan and Annual Performance Report should provide clear descriptions of each major management challenge identified by GAO and VA's Office of Inspector General. Further, the reports should identify the actions VA has taken thus far to resolve each challenge (in the Performance Report), and future steps VA will take to remedy each problem (in the Performance Plan). In some cases, this may involve VA developing and tracking quantifiable performance goals and measures. But in other cases, we believe it is appropriate and sufficient to describe a plan of action that includes milestones to achieve and the dates by which to accomplish each action item. We do not see the need for performance goals and measures for each major management challenge.

The primary objective is to resolve each challenge. However, each is not strategic in nature. For those deemed to be strategic, VA will address them in its planning documents. For example, VA considers the need for workforce planning to be a very important strategic issue related to managing human capital. Objective E-2 of VA's Strategic Plan specifically addressed it. However, there are other management challenges that do not merit specific objectives in the agency's Government Performance and Results Act planning documents. Recognizing this important principle, VA believes it is not necessary to link every specific management challenge with a specific goal, objective, or performance measure in our planning documents.

Finally, I want to address a specific unmet goal in the report. The Veterans Health Administration's (VHA) performance for the Prevention Index (PI), a composite index, is reported as below target. Readers might infer that VHA is under-performing in prevention when, in fact, VHA's performance in almost all of the measures that comprise the PI meets or exceeds all known performance of non-VA health care systems. VA is proud to be a leader in health care PI.

I appreciate the opportunity to comment on GAO's draft report.

Sincerely yours,



Anthony J. Principi

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