

**STATEMENT OF  
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DEPARTMENT OF VETERANS AFFAIRS  
BEFORE THE  
COMMITTEE ON VETERANS' AFFAIRS  
UNITED STATES HOUSE OF REPRESENTATIVES  
HEARING ON  
"1988 to 2016: VETSNET TO VBMS: BILLIONS SPENT, BACKLOG GRINDS ON"  
JANUARY 12, 2016**

Mr. Chairman and Members of the Committee, thank you for the opportunity to discuss the Office of Inspector General's (OIG) recent reports on the implementation of the Veterans Benefits Management System (VBMS), *Follow-up Review of the Veterans Benefits Management System*, and *Review of Alleged Problems with Veterans Management System and Claims Processing*.<sup>1</sup> Our statement today focuses on our review of how effectively VA managed cost, performance, and schedule in VBMS development to meet its claims processing accuracy and backlog elimination goals. We will also discuss the results of work conducted at one regional office with regards to scanning the information supporting claims processing. We draw our conclusions from past and ongoing audits of the Department's information security program, oversight of information technology (IT) systems development activities, and benefits inspections of VA Regional Offices (VAROs). I am accompanied by Mr. Michael Bowman, Director, OIG's Information Technology and Security Audits Division.

**BACKGROUND**

IT systems and networks are critical to VA in carrying out its mission of providing medical care and a range of benefits and services to veterans. Our audits in recent years also show that IT systems development at VA is a long-standing high-risk challenge, susceptible to cost overruns, schedule slippages, performance problems, and in some cases, complete project failures. For fiscal year (FY) 2016, VA requested a total IT investment of about \$4.1 billion to fund information system security, system development initiatives, and system operations and maintenance. To the extent that VA does not properly plan and manage these IT investments, they can become costly, risky, and do not consistently align with user requirements. Although IT investments may be managed by the Office of Information and Technology (OI&T), it is imperative to include input from VA business owners and other stakeholders throughout the incremental system development process. Project Management Accountability System (PMAS) is VA's principal means of holding IT project managers accountable for meeting cost, schedule, and performance targets. PMAS is designed to reduce project implementation risks, institute monitoring and controls, establish accountability, and create a reporting discipline. Despite PMAS objectives, we continue to identify

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<sup>1</sup> Published on September 14, 2015, and January 6, 2016, respectively.

deficiencies with VA's IT investment oversight processes that are discussed in our statement below.

Effective January 1, 2016, OIT began transitioning from PMAS to a new capital planning investment model called the Veteran-focused Integration Process (VIP). VIP plans to further embrace the Department's Agile system development methodology into a single, unified, and streamlined release process that will focus on delivering high-quality and secure IT capabilities to the veteran. Until system development projects have successfully transitioned to VIP, project managers will continue to follow PMAS guidelines. VA plans to complete the transition to VIP by the end of FY 2016. In the coming years, we plan to evaluate VIP to determine whether the framework successfully addresses the shortcomings associated with VA's IT investment oversight process.

As early as 2000, the OIG has identified Information Management as a major management challenge because VA has a long-standing history of not properly planning and managing its critical IT investments. Also, IT security remains a repeat material weakness in VA's Consolidated Financial Statement audit for FY 2015. During our financial statement audit, we noted a number of high-risk security vulnerabilities affecting databases supporting VBMS to include:

- Users with the ability to access certain procedures allowing unauthorized escalation of database privileges
- Accounts that could escalate system privileges through well-known security vulnerabilities
- Missing security patches that could result in unresolved security vulnerabilities
- Inadequate passwords controls providing attackers with well-known security vulnerabilities that could result in unauthorized access.

### **Claims Backlog**

Although the Veterans Benefits Administration (VBA) reports it has made progress in reducing the backlog and reported significant improvement in claims processing accuracy, we cannot attribute that improvement specifically to VBMS, which is one of the more than 40 initiatives VA undertook as part of its transformation plan. Several factors have contributed to reducing the backlog:

- Using over \$130 million in mandatory overtime
- Reallocating staff to process only claims that affect the backlog while sacrificing other types of claims such as those on appeal
- Implementing the Fully Developed Claim
- Using disability benefit questionnaires.

Further, VBA's improved claims processing accuracy rate is related to a change in methodology regarding how they calculate error rates for claims processing accuracy and not specifically an aspect of VBMS. Also, in FY 2015, the OIG conducted 13 reviews at 11 VAROs related to data manipulation in response to allegations we

received and requests from VBA leadership to review areas of particular concern.<sup>2</sup> Based on the results of those reviews, we believe the data used to determine the claims backlog inventory and the number of claims completed is not consistently reliable.

## **INFORMATION TECHNOLOGY SYSTEMS DEVELOPMENT LIFECYCLE**

VA continues to face challenges in developing the IT systems it needs to support VA's mission goals. Recent OIG reports disclose that some progress has been made in timely deploying system functionality because of the Agile system development methodology. The Agile methodology allows subject matter experts to validate requirements and functionality in increments of 6 months or fewer, while technology is developed and updated to meet user needs. Despite these advances, VA continues to struggle with cost overruns and performance shortfalls in its efforts to develop several major mission-critical systems. VA's procedures for overseeing IT program management has improved but has not been fully effective in controlling these IT investments.

### **Veterans Benefits Management System**

In February 2013, we issued a report, *Review of Transition to a Paperless Claims Processing Environment*, that evaluated whether VA had performed sufficient testing of VBMS and assessed whether VA was positioned to meet its goal of eliminating the disability claims backlog and increasing the accuracy rate of processing claims to 98 percent by 2015.<sup>3</sup> At that time, VBMS was still in the early stages of development. We also noted that, due to the use of VA's Agile incremental development approach, the system had not been fully developed to the extent that its capability to process claims from the initial application through benefits delivery could be sufficiently tested. We concluded VA would continue to face challenges in meeting its goal of eliminating the backlog of disability claims processing by 2015. However, because the system was in an early stage of development and deployment, the number of claims processed using VBMS was considered too small to adequately examine whether VBMS was improving VBA's ability to process claims with 98 percent accuracy. We recommended that VA establish a plan with milestones for resolving system issues and develop a detailed approach to scanning and digitizing claims so that transformation efforts did not adversely affect claims processing and add to the existing backlog. VA concurred with our recommendations and provided plans that addressed the findings and recommendations for this report.

In our September 2015 report, *Follow-up Review of the Veterans Benefits Management System*, we focused on whether VA had improved its schedule, cost, and performance supporting VBMS development to meet its claims processing accuracy and backlog elimination goals.<sup>4</sup> We noted that VA remained partially effective in managing VBMS development to help meet claims processing accuracy and backlog elimination goals.

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<sup>2</sup> VA Regional Offices: Baltimore, MD; Boston, MA; Denver, CO; Honolulu, HI; Houston, TX\*; Little Rock, AR; Los Angeles, CA\*; New York, NY; Oakland, CA; San Diego, CA; St. Paul, MN (\*denotes two separate reviews).

<sup>3</sup> *Review of Transition to a Paperless Claims Processing Environment*, February 4, 2013.

<sup>4</sup> *Follow-up Review of the Veterans Benefits Management System*, September 14, 2015.

We also found that VA stayed on schedule in deploying planned VBMS functionality to all VAROs in 2013. However, since September 2009, total estimated VBMS costs increased significantly from about \$579.2 million to approximately \$1.3 billion in January 2015. The increases were due to inadequate cost control, unplanned changes in system and business requirements, and inefficient contracting practices. As a result, VA cannot ensure an effective return on its investment and total actual VBMS system development costs remained unknown. Further, VBA did not design performance metrics to assess the actual time saved by processing claims using the new system. We also noted that:

- VBMS did not fully provide the capability to process claims from initial application to benefits delivery.
- Users lacked training needed to leverage the enhanced functionality provided.
- System response-time issues resulted from rapid software enhancements while system disruptions were due to inadequate service continuity practices.

Until these issues are addressed, VA will continue to lack reasonable assurance of meeting its claims processing accuracy and backlog elimination goals.

We recommended the Executive in Charge for OI&T, in conjunction with the Under Secretary for Benefits, define and stabilize system and business requirements, address system performance problems, deploy required functionality to process claims end-to-end, and institute metrics needed to identify and ensure progress toward meeting stated goals. The Executive in Charge for OI&T, in conjunction with VBA, generally agreed with most of our findings and recommendations.<sup>5</sup> As such, we will monitor implementation of corrective action plans to ensure that our findings and recommendations are fully addressed.

We are currently reviewing allegations related to VBMS' security controls. We are examining whether VA failed to integrate VBMS security edits to prevent stations from inappropriately processing veteran employee claims at their assigned stations and if VA has not integrated exception logs into VBMS, which allows information security specialists to review, audit, and intervene in potential security violations. Our work in this area is ongoing and we plan to issue a final report in March 2016.

In our January 2016 report, *Review of Alleged Problems with Veterans Benefits Management System and Claims Processing*, we substantiated the allegation regarding a significant backlog of unprocessed mail in December 2014 waiting to be scanned into VBMS. This resulted from inefficient preparation and handling of veteran-provided documentation at a contractor-operated facility. Specifically, at the time of the review, according to VBA personnel and VBA portal metrics, the St. Petersburg VARO had more than 41,900 mail packages of veterans' claims material that were backlogged and over 1,600 boxes awaiting processing at the scanning facility. Furthermore, while on site at the contractor facility in early 2015, we observed numerous pallets of boxes containing significant amounts of hard copy veterans' claims material that required

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<sup>5</sup> See the OIG response to Management's comments in the report.

processing and were more than 30 days old, according to pallet tracking labels. From a sample of this documentation, we determined that it took an average of 30 days to scan the material from these claims into VBMS after arriving at the scanning facility. VA's contract requires the contractor to scan hard copy veterans' claims evidence into VBMS within 5 calendar days of receipt. VBA personnel stated they were aware of this scanning delay but we did not find evidence of VBA prioritizing this issue and taking effective corrective action.

### **Program Management Accountability System**

In June 2009, VA launched PMAS to improve its IT development success rate. At the request of VA's Chief Information Officer, we conducted an audit to evaluate the effectiveness of PMAS planning and implementation. In August 2011, we reported that OI&T did not establish key management controls to ensure PMAS data reliability, verify project compliance, and track project costs.<sup>6</sup> Additionally, we noted that OI&T did not put in place detailed guidance on how such controls will be used within the framework of PMAS to manage and oversee IT projects. Consequently, the PMAS framework was not providing a sound basis for future success.

We performed a follow-up audit to determine whether OI&T had addressed our previous PMAS recommendations. In January 2015, we reported that OI&T had taken some steps to improve PMAS performance.<sup>7</sup> Although improvements were made, OI&T had not fully infused PMAS with the discipline and accountability necessary for effective oversight of IT development projects. The PMAS Business Office still had Federal employee vacancies and the PMAS Dashboard lacked a complete audit trail of baseline data. Project managers continued to struggle with capturing increment costs and project teams were not reporting costs related to enhancements on the PMAS Dashboard. Until these deficiencies are addressed, VA's portfolio of IT development projects will remain susceptible to cost overruns, schedule slippages, and poor performance.

### **CONCLUSION**

Our recent work demonstrated that VA continues to face challenges in managing its IT development projects. However, these challenges are affecting IT system development across Federal agencies. VA has taken some actions to address our outstanding report recommendations for enhanced discipline, oversight, and resources management to support IT development. However, it remains to be seen as to whether such actions will improve VA's ability to meet established cost, schedule, and performance goals in its mission-critical system initiatives. Moreover, these IT shortfalls constitute poor financial stewardship and are counterproductive investments of taxpayer dollars. VA's use of Agile methodology is commended for adding value by allowing for iterative refinement of VBMS development amid frequent changing business requirements. However, the use of Agile does not preclude the need to work towards stabilizing functionality requirements that are aligned with meeting project cost and scheduling goals. Given

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<sup>6</sup> *Audit of the Project Management Accountability System Implementation*, August 29, 2011.

<sup>7</sup> *Follow-Up Audit of the Information Technology Project Management Accountability System*, January 22, 2015.

the changing business requirements and competing priorities, VBMS costs continue to spiral upward and final end-state costs remain unknown.

Although VBA has made strides in reducing the backlog of disability claims, we cannot state that VBMS significantly contributed to this reduction. As we have provided oversight of VBMS's development over the past several years, VBA did not put adequate performance metrics in place that could support the efficiencies gained from using the new system, such as the actual time it takes to process certain types of claims. Thus, when the costs of system development exceed a billion dollars or have high financial development costs, this type of information is important to ensure economies and efficiencies are being realized over time.

Further, because of the 13 reviews we completed in FY 2015 related to data manipulation at 11 VAROs, we have concerns that the total number of claims processed and/or those counted in the inventory are not accurately reported.

Mr. Chairman, this concludes my statement. We would be happy to answer any questions you or members of the Committee may have.