Department of Veterans Affairs
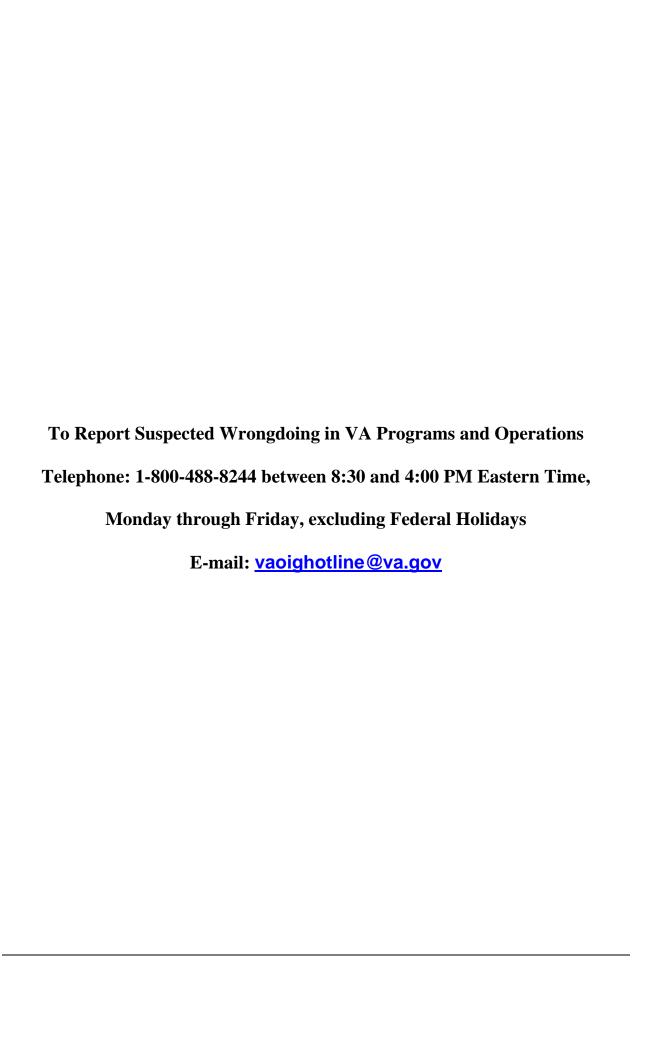
Office of Inspector General

Audit of
VA's Management of
Information Technology
Capital Investments

To Report Suspected Wrongdoing in VA Programs and Operations

Telephone: 1-800-488-8244 between 8:30 and 4:00 PM Eastern Time,

Monday through Friday, excluding Federal Holidays

E-mail: vaoighotline@va.gov

Contents

Executive Summary

Results in Brief

The Office of Inspector General (OIG) conducted an audit to evaluate whether VA was managing its information technology (IT) capital investments effectively and efficiently. The audit objectives were to determine why VA was late in submitting Exhibit 300s (an agency's funding justifications for IT capital investments) to the Office of Management and Budget (OMB) for budget year (BY) 2010 and if VA had implemented the corrective actions needed to prevent delinquent Exhibit 300 submissions in the future.

The Office of Information and Technology (OI&T) did not submit VA's Exhibit 300s to OMB by the September 08, 2008, deadline. Although OI&T submitted all of the Exhibit 300s to OMB 3 months later, it had not taken the corrective actions needed to ensure VA will not miss OMB's annual reporting deadline again in the future. More importantly, OI&T's delayed submission of VA's Exhibit 300s signifies a much broader and more serious issue—VA's inability to adequately manage and ensure effective oversight of its IT capital investments.

In fiscal year (FY) 2006, VA initiated a realignment of its IT program to provide greater accountability and control over its resources. However, OI&T (in conjunction with VA) did not adequately plan the transition from a decentralized to a centralized management structure. Instead, OI&T managed the transition as ad hoc or on a trial and error basis, inadvertently creating an environment with relaxed management controls and inadequate oversight. Even though this transition was a significant undertaking, OI&T lacked a written transition plan to guide the move to full implementation of centralized management under the Chief Information Officer (CIO) and did not dedicate a transition team to manage the large number of tasks associated with the realignment of IT resources and the development of new centrally managed processes.

Although VA is now more than two years into the transition, VA's CIO and senior OI&T officials indicated that OI&T has not yet fully defined and documented the new policies and procedures needed for IT capital investment management. For example, OI&T has not clearly defined the roles of IT governance boards responsible for facilitating budget oversight and management of IT capital investments and has not established the governance board criteria used to select, review, and assess IT capital investments. Key elements of these new critical processes will not be completed until FY 2011.

Until OI&T develops and implements policies, procedures, and management controls that ensure it can manage VA's IT capital investments effectively and efficiently, VA will have little assurance that appropriate investment decisions are being made and that annual funding decisions are making the best use of VA resources.

Background

Congress enacted the Clinger-Cohen Act to improve the management of Federal agencies' IT resources in 1996. The Act requires agencies to use a disciplined capital planning and investment control (CPIC) process to acquire, use, and maintain IT. OMB was charged with promoting and responsible for improving the acquisition, use, and disposal of IT. As part of the budget process, OMB was also required to develop measures for analyzing, tracking, and evaluating the risks and results of all major IT capital investments. Accordingly, OMB developed policy for planning, budgeting, acquiring, and managing major IT capital investments. As part of this policy, OMB Circular A-11, Part 7 (Section 300-*Planning, Budgeting, Acquisition, and Management of Capital Assets*) and OMB's *Capital Programming Guide* (Supplement to Part 7 of Circular A-11) directs agencies to develop, implement, and use a capital programming process to build their capital asset portfolios.

Section 300 requires agencies to develop capital asset plans and business cases on Exhibit 300s for all of their major IT capital investments. Each major IT capital investment is reported annually to OMB on an individual Exhibit 300, and it is also reported collectively on an Exhibit 53. The Exhibit 300 is the agency's funding justification for an IT capital investment, while the Exhibit 53 is used to provide a full and accurate accounting of the agency's total IT capital investment portfolio as required by the Clinger-Cohen Act. The Exhibit 300 is designed to coordinate OMB's collection of agency information for its annual report to Congress on the performance of an agency's IT capital investments. It is a reporting mechanism intended to enable an agency to demonstrate to its own management and OMB that a major IT capital investment is based upon a strong business case; is well planned; has sound project management; and has well-defined cost, schedule, and performance goals.

IT capital investment portfolios are comprised of major and non-major investments. Major IT capital investments generally are acquisitions requiring special management attention because of their importance to the mission or function of the agency. IT acquisitions for financial management that obligate more than $500,000 annually are also considered major IT capital investments. Similarly, acquisitions with high development, operating, or maintenance costs or high visibility are considered major IT capital investments. Finally, investments that do not fall within these parameters are considered non-major investments.

VA's IT investment portfolio for BY 2009 included about $2.2 billion for major IT capital investments and $351 million for non-major IT capital investments. VA's IT investment portfolio for BY 2010 included about $3.5 billion for major capital investments and $375 million for non-major IT capital investments.

Improved Management and Oversight of IT Capital Investments Is Needed To Minimize Potential Cost Overruns, Schedule Slippages, and Performance Problems

OI&T lacked effective policies, procedures, and management controls to ensure that VA managed its IT capital investments effectively, efficiently, and in accordance with applicable criteria. Specifically, OI&T failed to submit capital asset plans and business cases (Exhibit 300s) for BY 2010 to OMB by September 8, 2008, as required. Further, OI&T has not successfully implemented the management controls needed to ensure that it does not miss future Exhibit 300 submission deadlines. These conditions occurred because OI&T did not adequately plan the transition of VA's IT resources and budget from a decentralized to a centralized management structure. They also occurred because OI&T had not fully established how to identify and manage VA's IT capital investments, which led to a loss of control over them. As a result, VA had no assurance that appropriate investment decisions were being made and that annual funding decisions for IT capital investments made the best use of VA's available IT resources.

Conclusion

OI&T failed to submit Exhibit 300s for BY 2010 to OMB by September 8, 2008, as required. In addition, OI&T has not successfully implemented the management controls needed to ensure that it does not miss future Exhibit 300 submission deadlines. These conditions occurred because OI&T did not adequately plan the transition of VA's IT resources and budget from a decentralized to a centralized management structure. They also occurred because OI&T had not fully established how to identify and manage VA's IT capital investments, which led to a loss of control over them. Management controls to ensure that basic statutory requirements such as Exhibit 300 submissions are met must be established and monitored. OI&T needs to develop a comprehensive written plan to achieve more robust and disciplined centralized management processes across VA so that it can ultimately realize improved management, oversight, and accountability over VA's IT capital investments. The plan needs to establish measurable goals, objectives, milestones, and responsibilities. Finally, a dedicated team needs to be established in order to manage and execute the comprehensive written plan.

IT capital investments can provide solutions that significantly enhance the delivery of veteran healthcare services and benefits. On the other hand, if not properly planned and managed, they can become costly, risky, and unproductive mistakes. The estimated dollar magnitude of VA's IT portfolio (almost $4 billion for BY 2010), the risks inherent in VA's current capital investment control environment, and VA's inability to identify IT capital investment needs by the established deadlines make it vital for OI&T to take immediate actions to strengthen its oversight to ensure the overall success of VA's IT capital investment program. If these measures are not taken, VA runs the risk that its IT

capital investments will not meet cost, schedule, and performance goals impacting VA's ability to timely and adequately provide veteran healthcare services and benefits.

Recommendations

1. We recommend that the Acting Assistant Secretary for Information and Technology establish management controls that ensure future Exhibit 300s are submitted in accordance with OMB requirements.

2. We recommend that the Acting Assistant Secretary for Information and Technology develop a comprehensive written plan with measurable goals, objectives, milestones, and responsibilities (to include status reports to the Deputy Secretary) to guide OI&T with its centralized management of VA's IT capital investments.

3. We recommend that the Acting Assistant Secretary for Information and Technology establish a dedicated team to implement OI&T's comprehensive written plan.

4. We recommend that the Acting Assistant Secretary for Information and Technology clearly define the roles of the IT governance boards responsible for providing oversight and management of VA's IT capital investments.

5. We recommend that the Acting Assistant Secretary for Information and Technology establish the criteria IT governance boards will use to select, review, and assess IT capital investments.

Management Comments and OIG Response

The Acting Assistant Secretary for Information and Technology concurred with our findings and recommendations and provided plans to implement corrective actions. OI&T will review established management controls to ensure processes and procedures are in place to make certain future Exhibit 300s are submitted in accordance with OMB requirements. The Office of IT Enterprise Strategy, Policy, Plans, and Programs will develop an IT Multi-Year Programming Plan and conduct program management and milestone reviews. The office will monitor compliance with cost, schedule, and performance goals for all major IT investments and brief the Deputy Secretary during monthly Information Technology Leadership Board meetings. A dedicated team within the Office of IT Programming, Management, Assessment, and Compliance will manage and execute the Multi-Year Programming Plan. Finally, OI&T is defining the roles of the governance boards and establishing criteria for the governance boards to use when selecting, reviewing, and assessing IT capital investments.

We consider these planned actions acceptable, and we will follow up on their implementation. We will close the recommendations when all proposed actions have been completed by OI&T. Appendix A contains the full text of the Acting Assistant Secretary's comments.

(original signed by:)

BELINDA J. FINN
Assistant Inspector General
for Auditing

Introduction

Purpose

The purpose of the audit was to evaluate whether VA was managing its IT capital investments effectively and efficiently. The audit objectives were to determine why VA was not timely in submitting Exhibit 300s (an agency's funding justifications for IT capital investments) to OMB for BY 2010 and if VA has implemented appropriate corrective actions to prevent delinquent Exhibit 300 submissions in the future.

Background

The Federal government must effectively manage its portfolio of IT capital assets to ensure that scarce resources are wisely invested. According to a Government Accountability Office (GAO) executive guide, investments in IT can significantly enrich and improve organizational performance. However, IT projects can also become risky, costly, unproductive mistakes. Unfortunately, Federal IT projects have all too frequently incurred cost overruns and schedule slippages while contributing little to mission-related outcomes. Consequently, it is crucial that Federal agencies make use of disciplined, repeatable, and successful techniques to control and manage their IT investments.[1]

In 1996, Congress enacted the Clinger-Cohen Act to improve the management of Federal agencies' IT resources. The Act requires agencies to use a disciplined CPIC process to acquire, use, and maintain IT. In response to the Clinger-Cohen Act and other statutes, OMB developed policy for planning, budgeting, acquiring, and managing major IT capital investments. As part of this policy, OMB Circular A-11, Part 7 (Section 300-*Planning, Budgeting, Acquisition, and Management of Capital Assets*) and OMB's *Capital Programming Guide* (Supplement to Part 7 of Circular A-11) directs agencies to develop, implement, and use a capital programming process to build their capital asset portfolios.

Agencies develop capital asset plans and business cases based on Section 300 using Exhibit 300s for all of their major IT capital investments. Each major IT capital investment is reported annually to OMB on an Exhibit 300. The Exhibit 300 is designed to coordinate OMB's collection of agency information for its annual report to Congress on the performance of an agency's IT capital investments. It is a reporting mechanism intended to enable an agency to demonstrate to OMB and its own management that a major IT capital investment is based on a strong business case; is well planned; has sound project management; and has well-defined cost, schedule, and performance goals.

---

[1] Government Accountability Office, *Executive Guide: Information Technology Investment Management; A Framework for Assessing and Improving Process Maturity* (Report No. GAO-04-379G), June 2008.

In addition to the Exhibit 300, OMB has developed tools to improve Federal IT capital investment management. For example, OMB maintains a Management Watch List as a means of identifying poorly planned projects based on its evaluation of agencies' funding justifications (Exhibit 300s). OMB uses this list to help ensure that investments of public resources are justified and wisely spent.

Similarly, OMB works with agencies to develop a High Risk IT Project List. High risk projects are those projects requiring special attention from oversight authorities and the highest level of agency management because of one or more of the following reasons:

- The agency has not consistently demonstrated the ability to manage complex projects.

- The projects have exceptionally high development, operating, or maintenance costs.

- The projects are addressing deficiencies in the agencies' ability to perform an essential mission program or function of the agency.

- Delay or failure of the project would introduce for the first time unacceptable or inadequate performance or failure of an essential mission function.

IT capital investment portfolios, a composite of all of an agency's Exhibit 300s, are comprised of major and non-major investments. Major IT capital investments are generally acquisitions requiring special management attention because of their importance to the mission or function of the agency. IT acquisitions for financial management that obligate more than $500,000 annually are also considered major IT capital investments. Similarly, acquisitions with high development, operating, or maintenance costs or high visibility are also considered major IT capital investments. Investments not falling within these parameters are considered non-major investments.

VA's IT investment portfolio for BY 2009 included about $2.2 billion for major IT capital investments and another $351 million for non-major IT capital investments. VA's IT investment portfolio for BY 2010 included about $3.5 billion for major capital investments and $375 million for non-major IT capital investments.

VA's CIO is responsible for monitoring and evaluating the performance of VA's IT capital investment portfolio. The CIO is also responsible for ensuring that there are adequate controls over VA's IT budget and for overseeing capital planning and execution of IT capital investments.

Scope and Methodology

To evaluate whether VA is managing its IT capital investments effectively, efficiently, and in accordance with applicable criteria, we reviewed Federal laws and regulations along with VA policies, procedures, and internal controls applicable to the CPIC process. We also interviewed senior personnel from the OI&T and the Office of Management. We conducted our audit work from July 2008 through February 2009.

To address our audit objective, we did not rely on computer-processed data. Consequently, we did not assess the reliability of computer-processed data. Our assessment of internal controls focused only on those controls related to our audit objective. Our assessment was not intended to form an opinion on the adequacy of internal controls overall, and we do not render such an opinion. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Results and Conclusions

Improved Management and Oversight of IT Capital Investments Is Needed To Minimize Potential Cost Overruns, Schedule Slippages, and Performance Problems

OI&T did not have effective policies, procedures, and management controls in place to ensure that VA managed its IT capital investments effectively, efficiently, and in accordance with applicable criteria. Specifically, OI&T failed to submit capital asset plans and business cases (Exhibit 300s) for BY 2010 to OMB by September 8, 2008, as required. Also, OI&T has not successfully implemented appropriate management controls to ensure that it does not miss future Exhibit 300 submission deadlines. These conditions occurred because OI&T did not adequately plan the transition of VA's IT resources and budget from a decentralized to a centralized management structure. OI&T had also not fully established how to identify and manage VA's IT capital investments, which led to a loss of control over them. As a result, VA had no assurance that appropriate investment decisions were being made and that annual funding decisions for IT capital investments made the best use of VA's available IT resources. Ultimately, VA runs the risk that its IT capital investments will not meet cost, schedule, and performance goals impacting VA's ability to timely and adequately provide veteran health services and benefits.

OI&T Did Not Meet the Deadline for Submitting Exhibit 300s to OMB for BY 2010. OI&T did not have adequate management controls in place to ensure that VA's Exhibit 300s for BY 2010 were submitted to OMB by the September 8, 2008, deadline. According to VA's CIO, VA's IT capital investment submissions (Exhibit 300s) did not always adequately reflect VA's IT capital investment needs nor did they always line up with VA's IT capital budget submissions. To correct these inconsistencies, OI&T, at the direction of the CIO, implemented a multi-year capital investment programming process in FY 2008 with the intent of developing IT capital investments that were clearly aligned with VA's IT needs and budget.

As part of the multi-year capital investment programming transition, the CIO directed VA's IT system sponsors (in collaboration with OI&T program managers) to develop and submit concept papers to better identify all of VA's IT capital investment needs. The goals of this new process were to add rigor and uniformity to VA's IT capital planning and investment control (CPIC) process and to allow investments to be consistently evaluated, which would facilitate OI&T's ability to decide which programs and projects should be included in VA's IT capital investment portfolio. The CIO took this action because he believed VA was not completely aware of its total IT needs. The concept papers were expected to identify VA's complete IT capital investment needs and support the creation of BY 2010 Exhibit 300s.

The CIO established a December 21, 2007, deadline for concept paper submission in the multi-year programming guidance dated November 26, 2007, but OI&T did not receive the concept papers in time to develop and submit the Exhibit 300s for BY 2010 by the OMB established deadline. Contributing to the delay was an inability of OI&T to obtain complete buy-in and cooperation from the administrations. Senior OI&T officials indicated that administration personnel were reluctant to develop the concept papers, which led to OI&T personnel developing many of the concept papers for the administrations' IT capital investment needs.

OI&T Has Not Developed and Implemented Effective Corrective Actions. During routine monthly discussions between OMB and OI&T, it was agreed that VA's Exhibit 300s would be submitted to OMB by mid-December 2008. Although OI&T was able to meet the new deadline, OI&T had not implemented effective management controls to ensure that it would not miss future Exhibit 300 submission deadlines. When we were trying to determine if appropriate actions had been taken to ensure that future Exhibit 300s would be submitted to OMB on time, the CIO indicated that since the Exhibit 300s are now better aligned with the budget, it will be easier for project managers to prepare them. Further, during a subsequent meeting with other senior OI&T officials, they indicated that OI&T had only about a 50 percent chance of meeting the BY 2011 Exhibit 300 submission deadline. In short, OI&T provided no clear indication that management controls had been implemented to ensure that future Exhibit 300s submissions to OMB would not be delayed or meet VA's IT capital investment needs.

OI&T Has Not Fully Established How It Will Manage and Control VA's IT Capital Investments. OI&T's delayed submission of VA's Exhibit 300s for BY 2010 signifies a much broader and more serious issue—a lack of effective OI&T oversight and control over VA's IT capital investments. In FY 2006, VA initiated a realignment of its IT program to provide greater accountability and control over its resources. The goals of the realignment were to centralize IT management under the CIO and to standardize operations through the use of new management processes based on industry best practices.

However, OI&T (in conjunction with VA) did not adequately plan the transition of VA's IT resources and budget from a decentralized to a centralized management structure. Instead, OI&T managed the transition as ad hoc or on a crisis management basis, inadvertently creating an environment with relaxed management controls and inadequate oversight. Although this transition was a significant undertaking, OI&T did not have a written transition plan to guide the move to full implementation of centralized management under the CIO. OI&T also did not dedicate a transition team to manage the large number of tasks associated with the realignment of IT resources and the development of new centrally managed processes. By not having a transition plan and a dedicated transition team, OI&T increased the risk that critical tasks would be delayed or possibly omitted altogether.

VA originally planned on having its new centrally managed processes implemented by July 2008. Although VA is now more than two years into the transition, VA's CIO and senior OI&T officials indicated that OI&T has not yet fully defined and documented the new policies and procedures needed for IT capital investment management. For example, OI&T has not clearly defined the roles of IT governance boards responsible for facilitating budget oversight and management of IT capital investments. Similarly, OI&T has not established the governance board criteria used to select, review, and assess IT capital investments. According to VA's December 2007 IT Strategic Plan, key elements of these new critical processes will not be completed until FY 2011. Given that VA has had a longstanding issue with managing its IT capital investments, VA may continue to experience an increase in IT risk without having the criteria needed to manage its investments effectively.

VA has had a longstanding problem concerning its management of IT capital investments. All 40 of VA's BY 2009 IT capital investments submitted to OMB were on OMB's Management Watch List while 37 were on OMB's High Risk IT Project List, indicating that VA's IT capital investments were both poorly planned and poorly performing. Until OI&T develops and implements policies, procedures, and management controls that ensure it can manage VA's IT capital investments effectively, efficiently, and in accordance with applicable criteria, VA will have little assurance that appropriate investment decisions are being made and that annual funding decisions are making the best use of VA resources. In addition, VA has substantially increased the risk that its IT capital investments will not meet cost, schedule, and performance goals, which has been evidenced in recent projects. The following three examples illustrate the types of problems likely to continue until OI&T strengthens its oversight of VA's IT capital investment program:

- **Replacement Scheduling Application.** A March 20, 2009, memorandum from the Under Secretary for Health to the Acting Assistant Secretary for Information and Technology stated that the Replacement Scheduling Application (RSA) program has not developed a single scheduling capability it can provide to the field nor is there any expectation of delivery in the near future. The Veterans Health Administration (VHA) initiated the program in 2001, and the initial effort led by VHA lasted more than 5 years and cost more than $75 million, yet it failed to deliver a useable product. OI&T continued the RSA development effort after project responsibility transferred to OI&T as part of the VA IT realignment in 2006. Although future expenditures are now estimated to be over $215 million, OI&T is unable to demonstrate that the project can be a success. Accordingly, OI&T and VHA agreed to suspend the program until an independent analysis of alternatives can be completed.

- **HealtheVet.** According to a GAO report, VA's Health Information System Modernization project (HealtheVet) should be fully implemented by 2018 at a total estimated cost of about $11 billion. HealtheVet is a complex project that calls for replacing 104 applications currently in use with 67 applications to be developed.

Eight major software development projects supporting the overall project are currently under way. VHA began this initiative in 2001, but VA did not have a comprehensive project management plan to guide the development and integration of the sub-projects. GAO reported that the project lacked a fully implemented governance structure. For example, although governance boards had been established, milestone reviews had not been scheduled. Consequently since 2003, the timeframe for completing HealtheVet has slipped from 2012 to 2018.[2]

- **CoreFLS.** In 2004, VA discontinued the Core Financial and Logistics System (CoreFLS) project after spending more than $249 million on developing it after an OIG report identified significant project management weaknesses and pilot tests indicated that the system failed to fully support VA's operations.[3] VA is currently developing a new system known as the Financial and Logistics Integrated Technology Enterprise (FLITE), which is the successor to the CoreFLS project. VA expects the FLITE system to be fully deployed by FY 2014.

Conclusion

OI&T failed to submit Exhibit 300s for BY 2010 to OMB by September 8, 2008, as required. In addition, OI&T has not successfully implemented the management controls needed to ensure that it does not miss future Exhibit 300 submission deadlines. These conditions occurred because OI&T did not adequately plan the transition of VA's IT resources and budget from a decentralized to a centralized management structure. They also occurred because OI&T had not fully established how to identify and manage VA's IT capital investments, which led to a loss of control over them. Management controls to ensure that basic statutory requirements such as Exhibit 300 submissions are met must be established and monitored. OI&T needs to develop a comprehensive written plan to achieve more robust and disciplined centralized management processes across VA so that it can ultimately realize improved management, oversight, and accountability over VA's IT capital investments. The plan needs to establish measurable goals, objectives, milestones, and responsibilities. Finally, a dedicated team needs to be established in order to manage and execute the comprehensive written plan.

IT capital investments can provide solutions that significantly enhance the delivery of veteran healthcare services and benefits. On the other hand, if not properly planned and managed, they can become costly, risky, and unproductive mistakes. The estimated dollar magnitude of VA's IT portfolio (almost $4 billion for BY 2010), the risks inherent in VA's current capital investment control environment, and VA's inability to identify IT capital investment needs by the established deadlines make it vital for OI&T to take

---

[2]Government Accountability Office, *Health Information System Modernization Far from Complete; Improved Project Planning and Oversight Needed* (Report No. GAO-08-805), June 2008.
[3]VA Office of Inspector General, *Issues at VA Medical Center Bay Pines, Florida and Procurement and Deployment of the Core Financial and Logistics System* (Report No. 04-01371-177), August 11, 2004.

immediate actions to strengthen its oversight to ensure the overall success of VA's IT capital investment program. If these measures are not taken, VA runs the risk that its IT capital investments will not meet cost, schedule, and performance goals impacting VA's ability to timely and adequately provide veteran healthcare services and benefits.

Recommendations

1. We recommend that the Acting Assistant Secretary for Information and Technology establish the management controls needed to ensure that future Exhibit 300s are submitted in accordance with OMB requirements.

2. We recommend that the Acting Assistant Secretary for Information and Technology develop a comprehensive written plan with measurable goals, objectives, milestones, and responsibilities (to include status reports to the Deputy Secretary) to guide OI&T with its centralized management of VA's IT capital investments.

3. We recommend that the Acting Assistant Secretary for Information and Technology establish a dedicated team to implement OI&T's comprehensive written plan.

4. We recommend that the Acting Assistant Secretary for Information and Technology clearly define the roles of the IT governance boards responsible for providing oversight and management of VA's IT capital investments.

5. We recommend that the Acting Assistant Secretary for Information and Technology establish the criteria IT governance boards will use to select, review, and assess IT capital investments.

Management Comments and OIG Response

The Acting Assistant Secretary for Information and Technology concurred with our findings and recommendations and provided plans to implement corrective actions. OI&T will review established management controls to ensure processes and procedures are in place to make certain future Exhibit 300s are submitted in accordance with OMB requirements. The Office of IT Enterprise Strategy, Policy, Plans, and Programs will develop an IT Multi-Year Programming Plan and conduct program management and milestone reviews. The office will monitor compliance with cost, schedule, and performance goals for all major IT investments and brief the Deputy Secretary during monthly Information Technology Leadership Board meetings. A dedicated team within the Office of IT Programming, Management, Assessment, and Compliance will manage and execute the Multi-Year Programming Plan. Finally, OI&T is defining the roles of the governance boards and establishing criteria for the governance boards to use for selecting, reviewing, and assessing IT capital investments. Appendix A contains the full text of the Acting Assistant Secretary's comments.

We consider these planned actions acceptable, and we will follow up on their implementation. We will close the recommendations when all proposed actions have been completed by OI&T. Appendix A contains the full text of the Acting Assistant Secretary's comments.

Acting Assistant Secretary for Information and Technology Comments

Department of Veterans Affairs

Date: MAY 1 5 2009

Memorandum

From: Acting Assistant Secretary for Information and Technology (005)

Subj: Audit of VA's Management of Information Technology Capital Investments

To: Assistant Inspector General for Auditing (52)

1. The VA Office of Information and Technology (OI&T) acknowledges receipt of the Office of Inspector General's draft report and concurs with recommendations. OI&T's response and target completion dates are enclosed.

2. Thank you for the opportunity to comment on your recommendations. If you have any questions, please contact Ross Smith, Office of IT Enterprise Strategy, Policy, Plans and Programs, at (202) 461-4328.

Stephen W. Warren

Attachment

**Acting Assistant Secretary's Comments to
Office of Inspector General's Report**

The following Acting Assistant Secretary's comments are submitted in response to the recommendations in the Office of Inspector General's Report:

<u>OIG Recommendations</u>

1.   We recommend that the Acting Assistant Secretary for Information and Technology establish management controls that ensure future Exhibit 300s are submitted in accordance with OMB requirements.

Concur   **Target Completion Date:** July 2009

The Office of Information and Technology (OI&T) will review established management controls to ensure processes and appropriate procedures are in place to make certain the Exhibit 300s is submitted in accordance with OMB requirements.

2.   We recommend that the Acting Assistant Secretary for Information and Technology develop a comprehensive written plan with measureable goals, objectives, milestones, and responsibilities (to include status reports to the Deputy Secretary) to guide OI&T with its centralized management of VA's IT capital investments.

Concur   **Target Completion Date:** July 2009

The Office of IT Enterprise Strategy, Policy, Plans & Programs develops the IT Multi-Year Program which identifies major business initiatives that require IT support, as well as IT infrastructure needs two to four years beyond the budget planning time-frame. The office develops IT Program Management policies and standards; and through the conduct of Program Management Reviews, Milestone Reviews, and Operational Analysis, the office monitors compliance with cost, schedule and performance goals for major IT initiatives. The Deputy Secretary will be briefed on the Multi-Year Plan during the monthly Information Technology Leadership Board meeting.

3.   We recommend that the Acting Assistant Secretary for Information and Technology establish a dedicated team to manage and execute OI&T's comprehensive written plan.

Concur   **Target Completion Date:** July 2009

The dedicated team resides in the Programming Office within the Office of IT Programming, Management, and Assessment and Compliance.   This office manages the development and implementation, as necessary, of policies and procedures related to VA's IT Capital Asset Plans and business cases. This team is responsible for managing and executing OI&T's Multi-Year Programming plan and will execute in accordance with any revisions to management controls in place to ensure Exhibit 300 are submitted in a timely fashion.

4.   We recommend that the Acting Assistant Secretary for Information and Technology clearly define the roles of the IT governance boards responsible for providing oversight and management of VA's IT capital investments.

Concur   **Target Completion Date:** July 2009

The Information Technology Leadership Board (ITLB) represents the information and technology services, strategies, principles, governance, and resources for all IT that supports business organizations across VA. It will adjudicate all unresolved IT resource issues forwarded by the Budgeting and Near Term Issues Board (BNTIB) and Programming and Long Term Issues Board (PLTIB) then forward recommendations on to the VA Executive Board. The objective of the ITLB is to set Department-wide information, security, and technology direction, based upon business requirements and technology evolution. It will ensure VA's IT Strategic Plan supports the goals and objectives of the VA Strategic Plan and approve and enforce IT policies; protect information and data, recommend and manage IT infrastructure investments; and monitor the performance of the IT services. The ITLB is supported by the BNTIB which facilitates the realization of business goals, and promotes increased cost savings, and the PLTIB which oversees IT Portfolio development and evaluates program execution.

5.   We recommend that the Acting Assistant Secretary for Information and Technology establish the criteria IT governance boards will use to select, review, and assess IT capital investments.

Concur   **Target Completion Date:** July 2009

Through the Multi-Year planning process, the criterion has been proposed to guide the selection, review and assessment of IT Capital Investments. These criteria will be part of the Departments Multi-Year Planning effort currently underway.

OIG Contact and Staff Acknowledgments

OIG Contact	Mario Carbone (214) 253-3301
Acknowledgments	William Bailey Theresa Cinciripini Jehri Lawson Jamie McFarland Kristin Nichols Chau Pham

Report Distribution

VA Distribution

Office of the Secretary
Veterans Health Administration
Veterans Benefits Administration
National Cemetery Administration
Assistant Secretaries
Office of General Counsel

Non-VA Distribution

House Committee on Veterans' Affairs
House Appropriations Subcommittee on Military Construction, Veterans Affairs, and
  Related Agencies
House Committee on Oversight and Government Reform
Senate Committee on Veterans' Affairs
Senate Appropriations Subcommittee on Military Construction, Veterans Affairs, and
  Related Agencies
Senate Committee on Homeland Security and Governmental Affairs
National Veterans Service Organizations
Government Accountability Office
Office of Management and Budget

This report will be available in the near future on the OIG's Web site at
http://www.va.gov/oig/publications/reports-list.asp. This report will remain on the OIG
Web site for at least 2 fiscal years after it is issued.