

**STATEMENT OF
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BEFORE THE
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
HEARING ON
"VA LOGISTICS MODERNIZATION:
EXAMINING THE REAL-TIME LOCATION SYSTEM AND CATAMARAN PROJECTS"
MAY 8, 2018**

Mr. Chairman, Congresswoman Kuster, and Members of the Subcommittee, thank you for the opportunity to discuss the Office of Inspector General's (OIG) report, *Review of Alleged Real Time Location System Project Mismanagement*.¹ Our statement today focuses on our review of whether VA effectively managed the Real Time Location System (RTLS) project to meet cost and schedule targets, and performance and security needs. I am accompanied by Mr. Michael Bowman, Director, OIG's Information Technology and Security Audits Division.

BACKGROUND

Since 2000, the VA OIG has identified Information Technology (IT) Management as a major management challenge because VA has a history of not properly planning and managing its critical IT investments. OIG audits in recent years established 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. VA continues to face challenges in developing the IT systems it needs to support VA's mission goals.

In 2011, the Veterans Health Administration (VHA) selected RTLS as the technology to provide tools to assist in the automation and improvement of operations and health care services that VHA provides to its veterans. RTLS was created to support VA's Health Care Efficiency major transformation initiative and to enable VHA to achieve clinical objectives, administrative process efficiency, and total asset visibility. In particular, RTLS uses multiple technologies for locating and tracking medical equipment. VHA intended to deploy it at all medical facilities nationwide.

In June 2012, VHA awarded a firm-fixed-price, indefinite-delivery, indefinite quantity negotiated contract with a \$543 million ceiling to Hewlett Packard Enterprise Services to deploy a nationally integrated RTLS solution over the course of five years. This solution was to include commercial off-the-shelf technologies and software applications. The RTLS procurement and implementation process was a cooperative effort between VHA,

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the Office of Acquisitions and Logistics, and the Office of Information and Technology (OIT).

The RTLS project was managed under VA's Project Management Accountability System (PMAS). PMAS was a project management system intended to establish a discipline to ensure that an IT project's customer, project team, vendors, and all stakeholders would focus on a single compelling mission—achieving on-time project delivery. PMAS used incremental product build techniques for IT projects with delivery of new functionality, tested and accepted by the customer, in cycles of six months or less.

REAL TIME LOCATION SYSTEM PROJECT

We received a complaint alleging VA management failed to comply with VA policy and guidance when it deployed RTLS assets without appropriate project oversight. The complainant also stated that VA deployed RTLS assets without meeting VA information security requirements. Consequently, we focused our review on whether VA effectively managed the RTLS project to meet cost and schedule targets, and performance and security needs.

In December 2017, we reported that management failed to comply with VA policy and guidance when it deployed RTLS assets without appropriate project oversight. Specifically, we concluded the RTLS Project Management Office (PMO) did not follow guidance from VA's Technology Acquisition Center (TAC) to use an incremental project management approach during the acquisition and deployment of RTLS assets to compensate for numerous known project management risks. We also reported that the RTLS PMO did not comply with VA policy requiring the use of the PMAS incremental oversight processes for all acquisitions and delivery of RTLS assets. Despite TAC guidance and VA policy, the RTLS PMO did not ensure the vendor could meet contracted functionality requirements on the initial \$7.5 million task order, such as accurate asset tracking, before ultimately committing a total of \$431 million to the same vendor for further RTLS deployments.

VHA had awarded an initial \$7.5 million task order to deploy RTLS to one of its Veterans Integrated Service Networks (VISN) with an expected delivery date in December 2013.² However, during initial VISN operational testing in March 2015, VHA identified 245 functionality defects that resulted in the issuance of a contract cure notice³ to the vendor. By June 2016, the cure notice was still unresolved, as 46 significant defects were still outstanding including RTLS' inability to meet contract requirements for asset tracking and software functionality. Overall, the VISN task order included more than 20 contract modifications that resulted in changes to the project's scope and schedule, and significantly increased the final task order costs. The VISN allowed this task order to expire on the contract end date in July 2016 and ended its participation with the RTLS project.

² VISN 23 – VA Midwest Health Care Network (Eagan, Minnesota and Lincoln, Nebraska)

³ Per FAR 49.607, a cure notice informs the contractor of a specific failure and gives them an opportunity to cure the defect within 10 days.

In September 2016, VA renegotiated the RTLS contract due to the vendor's inability to implement a functional RTLS solution. The renegotiation was intended to realign RTLS and expedite the implementation of the RTLS solution in each VISN. Specifically, VHA executed a Global Settlement Agreement that resulted in extensive changes to the vendor's contract requirements, to include expiration of task orders for two VISNs, reduction in the scope of RTLS applications deployed, extension of the contract period of performance through June 2018, and commitment of \$431 million in total costs to the vendor as of December 2016. According to the agreement, VA also released the contractor from any liability claims related to prior performance on the contract.

We also found that VA deployed RTLS assets without appropriate project oversight because management failed to provide effective oversight of the RTLS project from acquisition through development and implementation. Specifically, VA's Office of Planning and Policy's Enterprise Program Management Office provided minimal oversight of RTLS project management activities. Further, the RTLS PMO did not follow project implementation policy, including adherence to VA's PMAS process and lacked the oversight authority to ensure success of an enterprise level deployment involving information technology.

We also substantiated the allegation that VA deployed RTLS assets without meeting VA's information security requirements. VA's fundamental mission of providing benefits and services to veterans is dependent on the Department deploying secure IT systems and networks. VA's information security program and its practices are designed to protect the confidentiality, integrity, and availability of VA systems and data. Specifically, we reported the RTLS PMO and OIT personnel deployed RTLS assets without the appropriate system authorizations needed to connect such devices to VA's network. This inadequate oversight of RTLS risk management activities left VA mission critical systems and data susceptible to unauthorized access, loss, or disclosure. Consequently, VA's internal network faced unnecessary risks resulting from untested RTLS system security controls.

Given the uncertainty of the project, future RTLS cost estimates are unknown. Further, we reported, that VA must exercise cost control, sound financial stewardship, and discipline in RTLS development. VA also must demonstrate that RTLS is a worthwhile investment, providing taxpayers with a good return on investment. Consequently, we stated that it is imperative that VA use incremental and validation-based project oversight processes to ensure that VA does not incur additional project costs without achieving RTLS required functionality. VA's failure to deliver a successful RTLS solution will prevent the Department from achieving its Health Care Efficiency goals of facility automation, administrative process efficiency, and total asset visibility. As a result of inadequate project management, VA lacked assurance of an effective return on the \$431 million invested in RTLS and that deployed assets were operating in accordance with contract requirements.

We provided several value added recommendations for improving controls over VA's oversight of system development projects. This included recommendations addressing the need for VA to apply additional resources and implement improved integrated project management controls for the remainder of the project to restrict further RTLS cost increases and the need to enforce the use of incremental project management and validation controls on all remaining RTLS task orders to ensure such efforts will provide an adequate return on investment.

The Executive in Charge, Office of the Under Secretary for Health and OIT's Acting Assistant Secretary concurred with our recommendations. The Executive in Charge reported VHA and OIT are addressing program resourcing and project management controls and will implement improved controls. Management also stated that OIT committed a senior project manager resource and VHA will pursue approval of increased staffing. Additionally, an RTLS Governance Council, which will have responsibility for defining cost, scope, and schedule performance metrics, is in development. Furthermore, the Executive in Charge reported the RTLS Governance Council will assure implementation of project management oversight that includes organizational risk management for technology deployment. Regarding the information security finding, the Acting Assistant Secretary reported that OIT will conduct risk assessments prior to future deployments to minimize risks associated with the deployments. The OIG will monitor implementation of planned corrective actions to ensure that our recommendations are addressed.

CONCLUSION

Our recent work demonstrated that VA continues to face challenges in managing its IT development projects. Our review of RTLS indicated VA needs enhanced discipline, oversight, and resource management to support successful IT development. VA has taken some actions to address issues we identified in our RTLS report and in other recent reports; however, it remains to be seen whether the actions will effectively improve VA's ability to meet cost, schedule, performance, and security goals when managing mission-critical system initiatives.

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