

STATEMENT OF
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BEFORE THE
SUB-COMMITTEE ON TECHNOLOGY, INFORMATION POLICY,
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Chairman Lankford, Ranking Member Connolly, members of the Subcommittee: thank you for inviting me to testify alongside my colleagues regarding the Information Technology (IT) systems used to report spending at the Department of Veterans Affairs (VA). I appreciate the opportunity to discuss VA's efforts to provide transparency and accountability to program management and financial processes.

Prior to being confirmed as the Assistant Secretary for the Office of Information and Technology (OI&T), I was the Chief Executive Officer of a mid-sized (500-employee) technology company. I understand why strong financial management systems are necessary for effective management. Good financial management systems provide the ability to track and forecast revenue and costs in order to monitor performance. One of my frustrations in government is the differences in financial management priorities between the private and public sector.

As you know, Todd Grams, VA's Executive in Charge, Office of Management and Chief Financial Officer (CFO), provided this committee with a detailed breakdown of the electronic systems that support business and accounting functions, grants and loans management, contracts management, and reporting to government-wide systems in March of this year. The document detailed a number of processes and systems, some of which are automated and some of which are manual.

Over a number of years, VA attempted to build a new IT solution to modernize its financial and logistics management systems. The attempts carried names including Core Financial and Logistics System (CoreFLS), Financial and Logistics Integrated Technology Enterprise (FLITE), and Strategic Asset Management system (SAM). These efforts led to the highly publicized failure of CoreFLS, the cancellation of FLITE

and strategic pause of SAM. Soon after his arrival at VA, Mr. Grams and I decided that it would be a more prudent use of taxpayer dollars, and a lower risk investment, to cancel the \$423 million FLITE program before its award and focus on strengthening the systems and processes that feed into the current financial management system rather than to continue working to rebuild the entire financial management system. One factor in our decision was that it was not clear that FLITE would provide VA with any better tools for managing its operations than the current Financial Management System (FMS).

The primary area where private sector and public sector are different in terms of financial management is in the very basic way in which budgeting and financial tracking work. While private sector CEOs and CFOs are concerned with revenue and expenditures, public sector leaders focus on appropriations and obligations, making it difficult to match performance to expenditure. The lack of information technology cost data makes it difficult to develop a track record of what works well and what does not. Under my direction, VA IT is implementing the use of cost accounting data for IT products beginning in fiscal year 2012. This will allow VA to better manage and provide clear and transparent information to the Office of Management Budget, to Congress, and to the public.

Lacking strong financial tools, federal managers have to get creative in creating effective management approaches to tough problems. The introduction of our Program Management Accountability System (PMAS) at VA has dramatically changed the results of VA's IT investments by focusing our staff on metrics that can be accurately and objectively measured (time and functionality) versus those that cannot (cost and progress). Today, VA has 107 active development projects, tracked in real-time through a project database and dashboard that are meeting their milestone dates 79 percent of the time. PMAS exists primarily because federal financial systems do not provide the granularity needed to track staff, overhead, contract, and materiel costs accurately at a project level. PMAS principles enforce fiscal discipline by limiting software deliveries to six months or less, detecting and stopping wasteful programs early in their lifecycle. While project failures can still occur, we manage the timeline and work closely with our stakeholders to ensure projects do not fail for years on end before being stopped.

This hearing is about VA electronic systems that support business and accounting functions, grants and loans management, contracts management, and reporting to government-wide systems. Although Federal IT spending systems focus on tracking appropriations and obligations, VA is transparent in its financial stewardship and reporting. VA can accurately account for its obligations and outlays as evidenced by VA's 12 consecutive unqualified "clean" audit opinions on its consolidated financial statements. In addition, VA successfully closed three of its four audit material weaknesses in FY 2010. This demonstrates our commitment to improving our financial capabilities and is a testament to our ability to effectively account for the resources entrusted to us by the American taxpayer.

One area of improvement VA is working on is a replacement of our legacy Time and Attendance system. The current system is distributed to over 150 sites and gives VA no visibility over time and leave data agency wide. This project is on schedule and will be completed in 2013. Once deployed, VA will have unprecedented visibility into labor data, and for the first time be able to effectively use labor costs to improve budgeting and cost management across the board.

One of the Secretary's 16 key initiatives is to develop systems to drive performance. Over the past year, VA has implemented a managerial cost accounting dashboard to identify, present, and analyze the VA's most relevant cost and productivity information with management implications. The availability of this dashboard tool provides information to VA management so that more informed decisions can be made. This dashboard provides data on the top cost drivers for VA's administrations.

Although there is room for improvement, VA does have a process to monitor and track performance of its program performance, including their budgets and results, on a monthly basis. These monthly performance reviews are conducted by the Deputy Secretary and focus on every aspect of management and performance by line and staff offices using over 400 measures which report on our achievements in health care, benefits, memorial affairs, and IT programs, including customer satisfaction indices. When cost information at the enterprise level is available, it is an integral part of VA's performance reporting. The decisions emerging from these performance reviews lead directly to enhanced operations at lower cost. VA's approach is considered a model practice for other Federal agencies, and we actively share our approach with others.

The President's call for more transparency in government, and this Committee's work to ensure federal agencies are working to do so, are important to building public trust in government. Especially in these tough economic times, it is critical that our financial management systems provide clear and accurate data that is as transparent as possible. VA will continue to strive to excel at both management efficiency and transparency, building on the success of our existing strong transparency efforts. I thank the Chairman, Ranking Member, and Committee members once again for the opportunity to speak here today.