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STATEMENT OF
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BEFORE THE
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
HOUSE COMMITTEE ON VETERANS' AFFAIRS

ON
THE VETERANS ADMINISTRATION'S EFFORTS TO CONSOLIDATE
COMPUTER PROGRAMMING RESOURCES AT A SINGLE LOCATION

Mr. Chairman and members of the Committee, we are pleased to be here today to discuss our report 1/ on the Veterans Administration's (VA's) efforts to establish an Automatic Data Processing (ADP) Centralized Development Center (CDC) in Austin, Texas.

The CDC was to centralize most computer program development and maintenance resources previously assigned to VA's five data processing centers (DPCs). This would involve transferring development and maintenance work and associated staff from the DPCs and VA's central office to the CDC. VA estimated, in August 1980 that VA benefits would exceed costs by \$2.5 million over 5 years of operation. These savings were based on eliminating DPC personnel positions expected to accrue from implementing the CDC.

Our review of the CDC was performed in response to a congressional request, and as requested our work was limited to examining the (1) adequacy of VA's estimate of costs and benefits associated

1/"The Veterans Administration's Efforts to Consolidate Computer Programming Resources at a Single Location" (HRD-81-148, Sept. 18, 1981).



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with consolidating most computer program development and maintenance resources at a single location and (2) basis for projected personnel savings.

On the basis of our work, we concluded that VA's examination of the estimated costs and benefits of the CDC was neither complete nor comprehensive enough to support a statement of whether establishing the CDC would be cost beneficial.

While personnel ceiling reductions had been scheduled in anticipation of the savings expected to accrue from CDC operations, these savings are uncertain because they were based on

- a statistically invalid measure of improved programmer productivity and
- a methodology that was not sufficiently documented to permit independent verification.

PRIOR GAO REVIEW

In July 1980 we reported 1/ that VA needed to improve the management of its ADP resources and recommended that a separate staff of ADP analysts and programmers be established to do discretionary work such as development, redesign, and conversion of system and assign skeleton crews for system maintenance.

Our recommendation was directed at improving the management of VA computer programming resources thereby permitting greater control and flexibility in making staff available for system development, redesign, conversion, and enhancement projects. To allow agency management discretion and flexibility in choosing the best method of achieving the desired objective, we did not propose a

1/"VA Must Strengthen Management of ADP Resources to Serve Veterans' Needs" (FGMSD-80-60, July 16, 1980).

specific organization structure, such as (1) centralizing development staff at a single location or (2) decentralizing and establishing pools at the DPCs.

THE CDC PROPOSAL, APPROVAL
AND INITIAL IMPLEMENTATION

In an August 1, 1980, report, VA's Office of Data Management and Telecommunications (ODM&T), presented the results of its investigation into the feasibility of the CDC concept and recommended establishing the Center in Austin. This recommendation proposed transferring system development and some maintenance work along with associated personnel from each of VA's five DPCs to the proposed CDC colocated with the Austin DPC. The only anticipated equipment transfers were from the Hines DPC to accommodate computer program development and maintenance work on systems proposed for transfer.

The August report contained a 5-year estimate of the probable costs and benefits associated with establishing the CDC. These estimates showed net benefits--consisting of the elimination of 57 personnel positions at the DPCs by the end of fiscal year 1982--beginning to exceed costs in the second year of CDC operations.

In January 1981, ODM&T initiated the transfer of system development and maintenance work and about 180 employees from the Austin DPC to the CDC--both located in the same building in Austin--as the first step in implementation.

In March 1981, more detailed and updated information was prepared in an ODM&T study on the cost of relocating development

and maintenance work on the Target system from the Hines DPC to the CDC. Also, during March and April, studies were completed of DPC system maintenance transfers to the CDC.

On April 8, 1981, ODM&T provided an updated estimate of CDC-related personnel savings consisting of eliminating 48 positions by the end of fiscal year 1981. At the end of April, 11 more staff had been transferred to Austin from other DPCs and the central office.

By the end of June, about 233 of the 392 authorized CDC positions had been filled, and most DPC development and maintenance systems had been transferred to the CDC except (primarily) the Target system at the Hines DPC. The other staff vacancies consisted of 159 positions expected to be filled from the central office, the Hines DPC, or new hires in Austin. The scheduled completion of the CDC implementation was to be by the end of fiscal year 1981.

TRANSFERRING THE TARGET SYSTEM
AND STAFF WAS DELAYED

As a result of internal VA disagreements and the absence of a confirmed Administrator, VA delayed transferring Target system development, maintenance, and associated staff to the CDC.

From the time the Administrator resigned in February 1981 until a new Administrator was confirmed in July, VA had two Acting Administrators who, on three occasions, addressed the actions needed to complete the CDC implementation--transferring

the Hines DPC Target system development, maintenance, and associated staff. On each occasion, the transfer decision was deferred. Although several issues involved the risks associated with the transfer--such as the potential disruption of Target system development work scheduled for transfer to the CDC and the possible failure to retain knowledgeable staff at the Hines DPC needed to maintain operational systems--the primary concern has been whether the transfer was cost beneficial.

THE ORIGINAL DECISIONMAKING
ESTIMATES WERE INCOMPLETE

As previously mentioned, the ODM&T August 1980 report presented probable costs and benefits associated with establishing the CDC in Austin. The net benefits were based on personnel savings achieved by eliminating 57 end-of-fiscal year 1982 positions--the difference between the number of positions (410) required to support computer program development and maintenance at the five DPCs and the number of estimated positions (353) to perform the same work at the CDC. In addition, 50 positions from VA's central office were required at the CDC to perform specification writing, but no savings were associated with these positions.

Although the report identified the methodology used to develop the personnel savings, many of the estimated costs were presented without providing the basis or methodology used. For example, \$300,000 in severance pay was included without an estimate of the number of personnel whose employment with the Government would be terminated. In addition, estimates were not provided for costs associated with training new hires to replace VA employees choosing not to transfer to the CDC.

ADDITIONAL AND MORE DETAILED
ESTIMATES WERE ALSO INCOMPLETE

Using an ODM&T March 1981 study of updated and more detailed estimates of the cost to relocate the Target system development and maintenance work from the Hines DPC to the CDC, VA's Office of Planning and Program Evaluation (OP&PE) in its April 10 memorandum provided three cost/benefit ratios computed over 5 years of CDC operations--all of which indicated that moving the Target system and staff from Hines to the CDC was not cost beneficial.

Using the same March study, ODM&T in an April 20 memorandum presented an analysis of the Target system transfer that showed a savings over 5 years of CDC operations.

Both the OP&PE and ODM&T analyses used an estimated savings of 14 personnel positions associated with the Target system transfer based on ODM&T's March study. However, based on ODM&T's revised April 8 estimates, the Target system move involved 30 of the 48 position savings to accrue from the CDC by the end of fiscal year 1981. The OP&PE and ODM&T April analyses should have used the estimated savings of 30 personnel positions associated with the Target system transfer.

A COMPREHENSIVE PICTURE OF THE
CDC COSTS AND BENEFITS COULD NOT
BE MADE FROM CURRENT ESTIMATES

Our examination consisted of comparing VA's estimated costs for computer program development and maintenance work under (1) the present, decentralized or five-DPC approach with (2) the proposed, centralized or CDC approach. Using ODM&T's and OP&PE's methodology as applied in their analyses

of the Target system transfer, we identified 63 separate dollar estimates, of which 22 (or about one-third) were either missing or incomplete.

An example of an incomplete estimate was the 4-year cost--for fiscal years 1982-85--for additional space required at the CDC. The estimates provided varied from ODM&T's \$299,800 to OP&PE's \$679,000. The low estimate was based on an allotment of 135 square feet per employee, while the high estimate allotted 180 square feet per employee. Both of these estimates are incomplete or inaccurate--after adjusting for needed storage, conference, training, and parking space and unnecessary additional space for a computer--estimated CDC-related space costs over 4 years would be about \$429,100. However, this estimate was based on the previously mentioned March 1981 study, which was limited to on-duty staff at the Hines DPC. Using the current April 8 staffing estimates, the cost for additional CDC space for new hires and staff transferring from all DPCs and the central office is about \$913,500.

Other examples of incomplete and missing estimates are discussed in our report. The number of missing and incomplete estimates precluded an accurate statement of the costs and benefits associated with the total establishment of the CDC in Austin. While more detailed costs were prepared by ODM&T, a comprehensive examination of the costs and benefits was not made.

INVALID METHODOLOGY USED
TO DEVELOP SAVINGS

The personnel savings associated with the CDC were based on eliminating 57 positions by the end of fiscal year 1982 at

the DPCs; this was revised in April 1981 to the elimination of 48 positions by the end of fiscal year 1981. These personnel savings were based on an ODM&T estimate that computer programmer productive time would increase from a general agency estimate of 64 percent to a goal of 74.5 percent as a result of implementing the CDC.

As used by ODM&T, "programmer productive time" constituted the hours spent by an individual in computer program development or maintenance work, excluding time spent for leave, training, and administrative or clerical tasks. Therefore, a computer programmer's productivity rate is the ratio of the number of hours of programming work, including overtime if incurred, to the total number of work hours available in a reporting period. VA's measure of computer programmer productivity is simply her/his availability for programming work.

Current programmer productivity of 64 percent was represented as a general estimate for the agency. However, the programmer productive time used to develop this general estimate was based on VA's Project Administration and Control System (PACS), an ADP project control system, using actual programmer time reported at the Austin DPC only. Actual programmer time from the Hines, Philadelphia, St. Paul, and Los Angeles DPCs was not included in this estimate because comparable PACS data were not available from these sites.

The use of the Austin-based 64-percent programmer productivity rate as an agency estimate is inappropriate because it is not statistically representative of programming productivity at the

other DPCs--actual and comparable productivity data were not used to develop the estimate. Employing this estimate to develop programmer-related savings at the Hines, Philadelphia, and St. Paul DPCs is statistically invalid.

LACK OF DOCUMENTARY
SUPPORT FOR SAVINGS

The methodology presented in the ODM&T August 1980 report was misleading because it did not describe the actual procedures used to estimate the savings in personnel positions. Further, the application of the actual methodology--as used to develop the August 1980 estimates and more than half of the savings in the April 8, 1981 revised estimates--could not be independently verified because ODM&T was not able to provide (1) the number of programmer positions used in its computations or (2) a position-by-position analysis documenting nonprogrammer position savings.

CONGRESSIONAL DIRECTION

In its June 25, 1981, report on the HUD-Independent Agencies fiscal year 1982 appropriation bill, the House Committee on Appropriations--in commenting on VA's plans to close the St. Paul DPC and to establish the CDC--said:

"The Committee urges VA to reassess the need, the projected economies, and especially the potential effects on customer services and priorities which may attend this plan to centralize systems analysis operations. The Veterans Administration should move cautiously in this area, and then only after fully exploring the potential consequences and with broad-based management participation."

Further, the Committee directed that VA furnish a plan covering all computer facility requirements over the next 3 years.

AGENCY ACTIONS

On July 9, 1981, during confirmation hearings before the Senate Committee on Veterans' Affairs, the Administrator said that apparently no study of the cost effectiveness of the CDC issue clearly supported moving the [Target] activity from Hines to Austin.

In a July 23, 1981, memorandum, the Administrator stated that he had decided not to transfer the Hines DPC Target system development, maintenance, and associated staff of the CDC and that the CDC implementation program was cancelled.

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Mr. Chairman, this concludes our statement. We will be happy to respond to any questions you or other members of the Committee may have.