United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, House of Representatives

For Release on Delivery
Expected at 9:30 a.m. EST
Thursday, September 18, 1997

THE RESULTS ACT

Observations on VA's August 1997 Draft Strategic Plan

Statement of Cynthia M. Fagnoni, Associate Director
Veterans' Affairs and Military Health Care Issues
Health, Education, and Human Services Division

GAO/T-HEHS-97-215

The Results Act: Observations on VA's August 1997 Draft Strategic Plan

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to provide our views on the draft strategic plan developed by the Department of Veterans Affairs (VA), pursuant to the Government Performance and Results Act of 1993 (the Results Act). As you know, the Results Act was one of the major steps the Congress has taken in recent years to fundamentally change the way federal agencies go about their work. The Results Act requires agencies to clearly define their missions, set goals, measure performance, and report on their accomplishments. One of the act's major milestones—submission to the Congress by federal agencies of strategic plans that define their missions and set goals—is less than 2 weeks away.

With fiscal year 1996 spending of over $38 billion, VA is responsible for administering laws that provide numerous types of benefits to many of the nation's 26 million veterans and their dependents and survivors. These benefits include medical care, disability compensation, pensions, rehabilitation assistance, education benefits, home loan benefits, insurance coverage, and burial benefits. My statement today will address the progress VA has made in developing its strategic plan and the challenges VA continues to face in implementing the Results Act. My observations are based on our review of VA's June 1997 draft strategic plan and have been updated to reflect revisions VA made between June 1997 and its latest version, dated August 15, 1997.[1]

In summary, VA has made substantial progress in its strategic planning, based in part on consultations with the Congress. However, as with many other agencies, VA's process of developing a plan that meets the requirements of the Results Act is an evolving one that will continue well after the September 30, 1997, deadline for submitting its first strategic plan to the Congress and the Office of Management and Budget (OMB). The August 15, 1997, draft that VA submitted to OMB for review is an improvement over the June 1997 version, because it is easier to follow, places more emphasis on results and less on process, and fills in some major gaps in the June 1997 draft. However, the latest draft strategic plan continues to lack some of the key elements expected under the Results Act. As with the June 1997 draft, the August 15, 1997, draft lacks results-oriented goals for several major VA programs; lacks a program

[1]The Results Act: Observations on VA's June 1997 Draft Strategic Plan (GAO/HEHS-97-174R, July 11, 1997). On August 1, 1997, VA provided a new draft strategic plan, revised from the June 1997 version. On August 15, 1997, VA provided another version that contains some additional material supporting the goals stated in the August 1 version. Unless specifically noted, our comments on the August 15 version also apply to the August 1 version.

evaluation schedule; and contains inadequately developed discussions of external factors and the need to coordinate with other federal agencies.

VA is aware that it has much work to do to fully implement the Results Act and considers its strategic planning—including conducting program evaluations and developing results-oriented goals—to be a long-term effort. Some of this work is identified in the current draft strategic plan. VA's success in implementing the Results Act will depend on how successful it is in ensuring that its strategic plan focuses on results and how well it integrates its plan with the plans of other federal agencies. The Congress will continue to play an important role in consulting with VA in developing results-oriented goals and overseeing VA's efforts to successfully implement the Results Act.

Purpose and Requirements of the Results Act

The Results Act is the centerpiece of a statutory framework to improve federal agencies' management activities.[2] The Results Act was designed to focus federal agencies' attention from the amounts of money they spend or the size of their workloads to the results of their programs. Agencies are expected to base goals on their results-oriented missions, develop strategies for achieving their goals, and measure actual performance against the goals.

The Results Act requires agencies to consult with the Congress in developing their strategic plans. This gives the Congress the opportunity to help ensure that their missions and goals are focused on results, are consistent with programs' authorizing laws, and are reasonable in light of fiscal constraints. The products of this consultation should be clearer guidance to agencies on their missions and goals and better information to help the Congress choose among programs, consider alternative ways to achieve results, and assess how well agencies are achieving them.

The Results Act requires VA and other agencies to complete their first strategic plans and submit them to the Congress and OMB by September 30, 1997. OMB requested that agencies provide it with advance copies of their strategic plans by August 15, 1997, for review and interagency coordination. In addition, the Results Act requires agencies to submit their first annual performance plans to the Congress after the President submits his fiscal year 1999 budget to the Congress. OMB requested that agencies integrate, to the extent possible, their annual performance plans into their

[2]Other parts of the framework include the Chief Financial Officers Act of 1990, the Paperwork Reduction Act of 1995, and the Clinger-Cohen Act of 1996.

fiscal year 1999 budget submissions, which were due to OMB by September 8, 1997. OMB, in turn, is required to include a governmentwide performance plan in the President's fiscal year 1999 budget submission to the Congress. As required by the Results Act, GAO reviewed agencies' progress in implementing the act, including the prospects for agency compliance.[3]

Improvements and Remaining Challenges in VA's August 1997 Draft Strategic Plan

VA's August 15, 1997, draft strategic plan represents a significant improvement over the June 1997 draft. The latest version is clearer and easier to follow, more complete, and better organized to focus more on results and less on process. At the same time, VA has still not fully addressed some of the key elements required by the Results Act; the draft plan has

- a lack of goals focused on the results of VA programs for veterans and their families, such as assisting veterans in readjusting to civilian life;
- limited discussions of external factors beyond VA's control that could affect its achievement of goals;
- a lack of program evaluations to support the development of results-oriented goals; and
- insufficient plans to identify and meet needs to coordinate VA programs with those of other federal agencies.

The draft strategic plan, acknowledging that three of these four elements (results-oriented goals, program evaluations, and agency coordination) have not been fully addressed, does plan to address them. VA has indicated that it views strategic planning as a long-term process and intends to continue refining its strategic plan in consultation with the Congress, veterans service organizations, and other stakeholders.

Another challenge for VA is to improve its financial and information technology management, so that the agency's ongoing planning efforts under the Results Act will be based on the best possible information. VA's draft strategic plan addresses several financial and information technology issues, such as the need for cost accounting systems for VA programs and the need to improve VA's capital asset planning.

Improvements From the June 1997 Draft Strategic Plan

We found that VA's June 1997 draft strategic plan was confusing, because of numerous layers of goals, objectives, and strategies. Also, it contained significant gaps where goals were missing and lacked a clear focus on

[3]The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven (GAO/GGD-97-109, June 2, 1997).

results. VA officials indicated that, based on consultations with staff from the House and Senate Veterans' Affairs committees, which included input from GAO, the draft strategic plan would be revised to make it clearer, more complete, and more results-oriented. The August 15, 1997, version reflects significant progress in these areas.

Instead of presenting four overall goals, three of which were process-oriented, VA has reorganized its draft strategic plan into two sections. The first section, entitled "Honor, Care, and Compensate Veterans in Recognition of Their Sacrifices for America," is intended to incorporate VA's results-oriented strategic goals. The second section, entitled "Management Strategies," incorporates the three other general goals, related to customer service, workforce development, and taxpayer return on investment. In addition, VA has filled significant gaps in the discussions of program goals. The largest gap in the June 1997 draft was the lack of goals for four of the five major veterans benefit programs. The current plan includes goals for each of these programs, stating them in terms of ensuring that VA benefit programs meet veterans' needs. Finally, the reorganized draft plan increases the emphasis on results. The June 1997 draft appeared to make such process-oriented goals as improving customer service and speeding claims processing equivalent to more results-oriented goals such as improving veterans' health care. In the August 1997 version, the process-oriented goals remain but have been placed in their own process-oriented section supplementing the plan's results orientation.

At the same time, VA believes that the process-oriented portions of the plan are important as a guide to VA's management. It considers customer service very important because VA's focus is on providing services to veterans and their families. The Assistant Secretary for Policy and Planning, in written comments on a draft of our July 1997 letter, stated that VA continues to believe "that processes and operations are important to serving veterans and [VA] will continue to place appropriate emphasis on the areas of customer service, workforce development, and management issues." VA also contends that the Results Act does not preclude process-oriented goals from its strategic plan. We agree that many of the process issues VA raises are important to its efficient and effective operation and can be included in VA's strategic plan as long as they are integrated with the plan's primary focus on results.

Lack of Results-Oriented Goals for Major VA Programs

Perhaps the most significant deficiency in VA's draft strategic plan, in both the June 1997 and current versions, is the lack of results-oriented goals for major VA programs, particularly for benefit programs. While discussions of goals for benefit programs have been added to the current version, they are placeholders for results-oriented goals that have not yet been developed. The general goals for 4 of the 5 the major benefit program areas—compensation and pensions, education, vocational rehabilitation, and housing credit assistance—are stated in terms of ensuring that VA is meeting the needs of veterans and their families. The objectives supporting VA's general goal for its compensation and pension area are to (1) evaluate compensation and pension programs to determine their effectiveness in meeting the needs of veterans and their beneficiaries; and (2) modify these programs, as appropriate. For the three other major benefit program areas, the objectives suggest possible results-oriented goals and are supported by strategies aimed at evaluating and improving programs. For example, the objectives under vocational rehabilitation include increasing the number of disabled veterans who acquire and maintain suitable employment and are considered to be rehabilitated. The strategies under this objective include evaluating the vocational rehabilitation needs of eligible veterans and evaluating the effect of VA's vocational rehabilitation program on the quality of participants' lives.

VA has noted that developing results-oriented goals will be difficult until program evaluations have been completed. Given the program evaluation time periods stated in the draft strategic plan, which calls for evaluations to continue through fiscal year 2002, results-oriented goals may not be developed for some programs for several years. Another difficulty VA has cited is that, for many VA programs, congressional statements of the program purposes and expected results are vague or nonexistent. VA officials cited VA's medical research and insurance programs as examples of programs with unclear purposes. This is an area where VA and the Congress can make progress in further consultations.

Incomplete Discussion of External Factors

Another observation we made about VA's June 1997 draft strategic plan was that VA's discussion of external factors that could affect its strategic planning was incomplete. Discussions of external factors were often limited to whether the Congress would appropriate sufficient funds or make substantive legislative changes. Assessments of factors outside VA's control, such as economic, social, and demographic changes, are also important in setting VA's goals and in assessing VA's progress in meeting them. However, the discussions of external factors related to the plan's

individual goals generally did not link demographic changes in the veteran population to VA's goals.

VA's current draft has added discussions of the implications of demographic changes on VA programs. For example, VA notes that the death rate for veterans is increasing, which will lead VA to explore various options for meeting increased demands for burials in VA and state veterans' cemeteries. Meanwhile, the goal to ensure that VA's burial programs meet the needs of veterans and their families is accompanied by a detailed list of specific cemetery construction and land acquisition projects and by a specific target for expanding burials in state veterans' cemeteries. The discussion of external factors related to this goal focuses on the Congress' willingness to fund VA's proposed projects and the cooperation of the states in participating in the State Cemetery Grants Program. What is missing in the draft is a link between the projected increase in veteran deaths and the proposed schedule of specific cemetery projects. Similarly, we recently reported that National Cemetery System strategic planning does not tie goals for expanding cemetery capacity to veterans' mortality rates and their preferences for specific burial options.[4]

Lack of Program Evaluations

We noted that the goals in VA's June 1997 draft strategic plan were not supported by formal program evaluations. Evaluations can be an important source of information for helping the Congress and others ensure that agency goals are valid and reasonable, providing baselines for agencies to use in developing performance measures and performance goals, and identifying factors likely to affect agency performance. As noted above, VA cites the lack of completed evaluations as a reason for not providing results-oriented goals for many of its programs.

The first general goal of VA's plan is to conduct program evaluations over a period of several years. VA plans to identify distinct programs in each of its 10 major program areas and then prioritize evaluations of these programs in consultation with the Congress, veterans' service organizations, and other stakeholders. VA expects to complete this prioritization sometime in fiscal year 1998, complete the highest-priority evaluations by the end of fiscal year 2000, and complete at least one evaluation in each of the 10 major program areas by fiscal year 2003.

[4]National Cemetery System: Opportunities to Expand Cemeteries' Capacities (GAO/HEHS-97-192, Sept. 10, 1997).

Lack of Coordination With Other Federal Agencies

In our comments on the June 1997 draft strategic plan, we noted that VA has not clearly identified the areas where its programs overlap with those of other federal agencies, nor has it coordinated its strategic planning efforts with those of other agencies. Three areas where such coordination is needed (and the relevant key federal agencies) are

- employment training (Department of Labor),
- substance abuse (departments of Education, Health and Human Services, and Housing and Urban Development), and
- telemedicine (Department of Defense).

In addition, we noted that VA relies on other federal agencies for information; for example, VA needs service records from the Department of Defense to help determine whether veterans have service-connected disabilities and to help establish their eligibility for Montgomery G.I. Bill benefits.

VA's current draft strategic plan addresses the need to improve coordination with other federal agencies and state governments. This will involve (1) identifying overlaps and links with other federal agencies, (2) enhancing and improving communications links with other agencies, and (3) keeping state directors of veterans' affairs and other state officials apprised of VA benefits and programs and of opportunities for collaboration and coordination.

Financial and Information Technology Improvement Goals in VA's Draft Strategic Plan

As we noted in our comments on VA's June 1997 draft strategic plan, VA has made progress in financial management and information technology. Like other federal agencies, VA needs accurate and reliable information to support executive branch and congressional decision-making. The "Management Strategies" section of VA's current draft strategic plan addresses some financial management and information technology issues. Since VA has identified the need to devote a portion of its strategic plan to process-oriented goals, it is appropriate that some of these goals should focus on improving its management in these areas.

VA's current draft plan includes a goal to establish an effective departmentwide cost accounting system. For example, a cost accounting system could allow a Veterans Health Administration (VHA) medical facility to appropriately price excess services for sale to the private sector or other federal agencies. Also, a cost accounting system could allow a Veterans Benefits Administration (VBA) regional office to determine how

much of its costs were attributable to each of the benefit programs it administers. According to the plan, this system would include two cost accounting systems already in development: VHA's Decision Support System (DSS) and VBA's Activity Based Costing (ABC) system.

Another goal in the current draft plan is to establish a VA capital policy that ensures that capital investments, including capital information technology investments, reflect the most efficient and effective use of VA's resources. Achieving this goal involves developing a VA-wide Agency Capital Plan and establishing a VA Capital Investment Board to generate policies for capital investments and to review proposed capital investments based on VA's mission and priorities.

Still another goal is designed to address the need for VA-wide information technology management to facilitate VA's ability to function as a unified department. Achieving of this goal involves developing a VA-wide information technology strategic plan and a portfolio of prioritized information technology capital investments. In addition, the plan calls for the promotion of crosscutting VA information technology initiatives in order to improve services to veterans.

The draft plan's discussion of information technology addresses one of the information technology issues we have identified as high-risk throughout the federal government—the year-2000 computer problem.[5] Unless corrections are made by January 1, 2000, VA's computers may be unable to cope with dates in 2000, which could prevent VA from making accurate and timely benefit payments to veterans.[6] VA's draft plan includes as a performance goal that full implementation and testing of compliant software (that is, software capable of processing dates beyond 1999) will be completed by October 1999.

Mr. Chairman, this completes my testimony this morning. I would be pleased to respond to any questions you or Members of the Subcommittee may have.

[5]High-Risk Series: Information Management and Technology (GAO/HR-97-9, Feb. 1997).

[6]Veterans Benefits Computer Systems: Risks of VBA's Year-2000 Efforts (GAO/AIMD-97-79, May 30, 1997).

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 37050
Washington, DC 20013

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000
or by using fax number (202) 512-6061, or TDD (202) 512-2537.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web Home Page at:

http://www.gao.gov

PRINTED ON RECYCLED PAPER

United States
General Accounting Office
Washington, D.C. 20548-0001

Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100

Official Business
Penalty for Private Use $300

Address Correction Requested