Honorable Gordon H. Mansfield, Deputy Secretary, Department of Veterans Affairs will be accompanied by: ? Honorable Robert N. McFarland, Assistant Secretary for Information Technology and Chief Information Officer, Department of Veterans Affairs. ? Dr. Robert Lynch, VISN 16 Director, VHA, ? Mr. Jack McCoy, Associate Deputy Under Secretary for Policy and Program Management, VBA

Statement of
Gordon H. Mansfield
Deputy Secretary
Department of Veterans Affairs
Before the
U.S. Senate
Committee on Veterans' Affairs

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Thank you, Mr. Chairman. I am pleased to appear before this Committee on behalf of the Secretary and the Department to discuss with you the Department of Veterans Affairs (VA) information technology infrastructure reorganization assessment.

The Department's business is the health and well-being of our nation's veterans. To ensure mission success, it is imperative that we employ all means at our disposal, including information technology, in the most effective way possible.

Some history of how VA's IT infrastructure and organization have evolved may prove useful to the Committee. For at least 25 years prior to 1990, VA's IT program was centralized. In July 1990, under a belief that decentralized operations provide for better management of VA facilities, the Department decentralized resources to the Administrations and staff offices for VA's IT systems design and applications development, systems operations, and systems oversight, along with four data processing centers. The remaining IT oversight program was placed under the Chief Financial Officer (CFO). Then, in accordance with the Clinger-Cohen Act of 1996, VA formally established the position of Assistant Secretary for Information and Technology (CIO), but the IT oversight program remained aligned under the CFO and decentralization of VA's IT program continued.

At his confirmation hearing in January 2001, Secretary-designee Principi stated that he was committed to ending stove piped systems in VA.
Secretary Principi directed the centralization of the Department's IT program, including authority over personnel and funding, in the Office of the Assistant Secretary for Information Technology effective October 1, 2002. A team of executives from across VA was convened to design a centralized IT organization for VA. The Secretary approved a centralized reorganization plan on May 14, 2003.
The result of this reorganization was a matrix organization which, over time, VA came to realize was not best suited for a large, geographically dispersed organization that is highly dependent on information technology to deliver services.
Robert N. McFarland was confirmed by the Senate on January 22, 2004 as the second Assistant

Secretary for Information and Technology and Chief Information Officer (CIO). Under his leadership, a rigorous IT review process, disciplined project management methodology and an IT portfolio management system have continued to evolve. We are in the final phase of rebuilding our nationwide telecommunications infrastructure, beginning the consolidation of some infrastructure assets, and implementing aggressive cyber security and privacy programs to ensure the protection of our information assets, infrastructure, and veterans' personal information. We submitted the VA Enterprise Architecture design to OMB in June 2005 and received a score of 3.0, significantly higher than the previous score of 1.25. We continue to refine it.

A strong Enterprise Architecture is critical to any effort to bring down our stove piped systems and replace them with integrated systems. The score of 3.0 demonstrates progress in this information technology area and signals that we are steadfastly working to build a foundation for systems integration and standardization.

In the wake of the difficulties with CoreFLS, as a new Deputy Secretary, I asked Assistant Secretary McFarland to undertake a study of our IT system and resources and to pursue outside assistance, if necessary. In December 2004, he contracted with The Gartner Group to conduct an Organizational Assessment of VA IT.
This assessment was to enhance the effectiveness of VA's IT by first baselining how it operates today, then developing organizational models to increase VA's IT value (in terms of greater efficiencies, economies of scale, and added business value), and finally, charting the path VA IT can follow to deploy its new organizational model to truly deliver value. The completed assessment was delivered to the Assistant Secretary for Information and Technology and CIO in May 2005.
The study proposed five different alternatives, as follows.

Option 1 ? Status quo. Currently, VA IT resources are operated and managed within a highly decentralized management structure. The Department's CIO manages a central office staff of approximately 350 government employees and a direct budget of approximately $40 million per year. While the CIO is charged with overall responsibility for the successful management of all VA IT resources (in FY05, $1.8 billion and approximately 5400 IT FTE) the CIO has no direct management control or organizational authority over any of these resources. The CIO provides policy guidance, budgetary review and general oversight via indirect supervision (dotted line) of the Administration and staff office CIO's. Within some of the Administrations, the CIO does not directly supervise or have authority over the majority of IT resources in the field and must also provide policy guidance, budgetary review and general oversight via indirect supervision.

Option 2 -- Regional Option. Under this option, VA would be divided into three to five geographically based subdivisions. Within each of these, a Deputy CIO would control all IT assets (Operations, Staff Functions, and Systems Development) and be responsible for all service delivery within that region. These Deputy CIO's would report directly to the VA CIO.

Option 3 ? Administration-Centric Option. Under this option, VA would be divided by Administration and Staff Offices and a Deputy CIO for each would control all IT assets (Operations, Staff Functions, and Systems Development) and be responsible for all service

delivery within that Administration or Staff Office. These Deputy CIO's would report directly to the VA CIO.

Option 4 ? Federated Option. Under this option, VA would separate operational responsibilities and IT systems development responsibilities into separate domains. All IT operational service delivery personnel and the budget associated with their support (to include all non-medical IT equipment, maintenance, and contractor support) would come under the direct supervision of the CIO. This organization would be charged with delivering all IT-related corporate services (such as electronic mail, financial systems, telecommunications) to all elements of VA based upon a negotiated and formally agreed upon set of specific standard IT services delivered according to a clearly understood and documented set of service-level-agreement standards. Under a federated approach, IT mission/ program systems development responsibility remains with the Administrations or staff office business units. The Administrations and staff offices directly manage all mission/ program systems-development FTE and budget authority. The CIO clearly maintains overall responsibility for the successful management of these resources and continues to provide IT budget oversight, policy, and program management direction for the Department.

Option 5 ? Centralized Option. Under this option, all VA IT personnel resources, assets, and budget would be under the direct supervision of the VA's CIO. This centralized IT organization would be charged with delivering all IT-related corporate operation and mission systems development services to all elements of the VA based upon a negotiated and formally agreed upon set of specific standard IT services and systems development standards delivered according to a clearly understood and documented set of service level agreement standards. Under this option the Administrations remain responsible for system and user requirements definition, service delivery standards development, and end user participation in systems development acceptance criteria development and testing.

The consultant's report delivered an ?as is? assessment that VA's IT resources are currently operated and managed within a highly decentralized structure. While the Assistant Secretary for Information and Technology, our CIO, oversees a staff of approximately 350 VA employees and a budget of over $40 million, total VA IT resources are approximately 5,400 full-time-equivalent employees with a budget of some $1.8 billion. Despite having overall responsibility for ensuring the success of VA's IT operations, the Assistant Secretary has no direct management control or organizational authority over the great majority of VA's IT resources. He can only provide policy guidance, budgetary review and general oversight via indirect supervision.
We are determined to move sequentially towards a ?to be? model under the Federated Concept. In the model we have chosen, the budget will be centralized to the CIO. Security will be centralized under the control of the CIO. Development will require the CIO's review and budget approval. This model will also include a migration of most workers to the control of the CIO, while leaving some employees under the control of the administrations.
This will move us closer to greater efficiencies, centralized planning and standardization. VA will bring in the necessary expertise to plan and manage this transition. We will communicate our plans up and down the line so every employee understands what is to be done. We will train and test to ensure employees can perform the tasks at hand, and keep them motivated during the transition. And we will have timelines and goals that are agreed upon throughout the organization.

This is a plan that VA can execute.
It is important to note that the IT operation today has evolved over time and has included the services of many talented and dedicated professionals. Their efforts are paying off. For example, in terms of cyber security, VA IT systems are certified and accredited for the first time. Additionally, external independent gateways have been reduced.

We will build upon our successes. It is vital that any reorganization not adversely impact services to veterans or unnecessarily affect our employees. Keeping in mind that our department exists to serve veterans and their families, our first principle will be to ?do no harm? to the patients in our world class health care system, or to the millions of beneficiaries that depend on checks being dispatched in a timely and accurate manner. We know there are no simple ?light-switch? solutions to be found in any model, but we are committed to managing these changes for the good of the Department.

Mr. Chairman, top-level executives of this Department have been involved in the evaluation of alternative organizational models, and understand the importance of this endeavor. There is an understanding that cultural change has to take place and buy-in must occur at the lower-worker level. We also know that it isn't just the IT reorganization that is involved. The Department is considering changes at the CFO level, in logistics, in finances, in our collections, and our efforts to comply with OMB's Circular A-123, ?Management's Responsibility for Internal Control.? We are mindful of lessons learned and know for this change to be successful, we must collaborate.

As we implement this reorganization, we remain mindful of the successes recently acknowledged ? accomplishments with which our IT team had considerable involvement. For example, in just the past six months, no fewer than five major publications have attested to VA's leadership of private and Government health care providers across almost every measure.

o A Rand report published in the Annals of Internal Medicine ranked the overall quality of VA medical care as significantly higher than any other health care system in the country.

o An article in the Washington Monthly, entitled, ?The Best Care Anywhere,' rated VA as the recognized leader in the health care industry. It pointed out that, ten years ago, veterans' hospitals were in deep crisis ? but that today, and I quote, ?VA is producing the highest quality care in the country. VA's turnaround points the way towards solving America's health care crisis.'

o An editorial in the prestigious Journal of the American Medical Association, referred to VA as ? a bright star' within the health care profession for its cutting-edge dedication to patient safety.

o Last month, in their review of ?America's Best Hospitals,' U.S. News and World Report titled their article on VA as, ?Military Might: VA Hospitals are Models of Top-Notch Care.'

o And just on August 22, on the front page, the Washington Post ran a headline that read Revamped Veterans' Health Care Now a Model.

Further, on April 27, 2004 President Bush chose the VA Medical Center in Baltimore to announce his commitment to ensuring that all U.S. citizens have an electronic health record in the next 10 years. In doing so, he held out VA's fine example. The reorganization of our resources

will enable VA to be the benchmark in the development and implementation of Health information technology solutions and standards as envisioned by the President's Initiative for Health IT as both an example and national leader in this arena.

I would say all those assessments are right on target. We view the Veterans Health Administration as the vanguard for national standards for electronic medical records, now the rest of the nation does as well. Our health IT systems ? and the quality of our employees ? helped us reap these headlines. Clearly, we are delivering more services to more veterans each and every year. And, this was accomplished under our current structure.

Our IT successes are also facilitating the business of claims processing and benefit delivery in the face of daunting demands:

o VA provides monthly compensation and pension benefits totaling $32 billion to over 3.5 million veterans and beneficiaries. Disability claims increased by 33% from 2000 to 2004. Last year alone, VA added nearly 240,000 new beneficiaries to the compensation and pension rolls.

o By the end of fiscal year 2005, over 750,000 veterans received decisions on their disability claims, with VA processing an additional 1.5 million pension, dependency, and other adjustments to beneficiaries' accounts. Even with the increased claims volumes, we have reduced by 30 percent the length of time veterans must wait for decisions on their claims over the last three years.

o We are also providing in excess of $2.5 billion in Education benefits to over 500,000 beneficiaries, and are working to rehabilitate nearly 95,000 service-disabled veterans through our Vocational Rehabilitation and Employment Program.

I would also note that in December 2004, the American Customer Satisfaction Index announced the National Cemetery Administration earned a customer satisfaction rating of 95 out of a possible 100 points ? the highest score ever received by a federal agency or private organization. In the survey, both the ratings for respect shown to loved ones and maintenance of VA cemeteries as National Shrines received a score of 97.

The report called this finding ?an outstanding score by any standard of ACSI measurement and for any context, public or private.? NCA was able to achieve this milestone through the support of IT in all aspects of cemetery and memorial services, from the timely acquisition of veteran headstones with accurate inscriptions to the nationwide gravesite locator available to the public on the World Wide Web.

This concludes my statement. Thank you, Mr. Chairman, for the opportunity to discuss these important matters. I am prepared to answer any questions you might have.