



Testimony

Before the Committee on Veterans'  
Affairs, House of Representatives

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# VETERANS AFFAIRS

## Sustained Leadership Attention Needed to Address Long-Standing Workforce Problems

Statement of Robert Goldenkoff,  
Director, Strategic Issues

# GAO Highlights

Highlights of [GAO-19-720T](#), a testimony before the Committee on Veterans' Affairs, House of Representatives

## Why GAO Did This Study

VA operates one of the largest health care delivery systems in the nation and provides billions of dollars in benefits and services to veterans and their families. However, VA faces serious and long-standing problems with management challenges and veterans' access to health care and disability benefits. These issues contributed to GAO's decision to list several areas involving VA on GAO's High-Risk List, including managing acquisitions, managing risk and improving veterans' health care, and improving and modernizing VA's disability programs.

This testimony discusses (1) human capital challenges facing VA and its components, (2) GAO recommendations addressing some of those challenges, and (3) how those challenges are related to a broader set of government-wide human capital problems.

This testimony is based on GAO's work on VA issued since 2017, as well as GAO's work on government-wide strategic human capital management issued since July 2014. To conduct these studies, GAO reviewed key agency documents and government-wide employment data and interviewed knowledgeable agency officials and managers, as well as subject matter specialists.

## What GAO Recommends

GAO has designated 40 of its prior recommendations to VA as priorities for implementation. Twelve of these priority recommendations are aimed at strengthening VA's human capital management efforts. To date, VA has implemented six of these priority recommendations, but needs to take additional action on the other six. GAO will continue to monitor VA's progress in implementing these recommendations.

View [GAO-19-720T](#). For more information, contact Robert Goldenkoff, (202) 512-2757, [GoldenkoffR@gao.gov](mailto:GoldenkoffR@gao.gov).

September 18, 2019

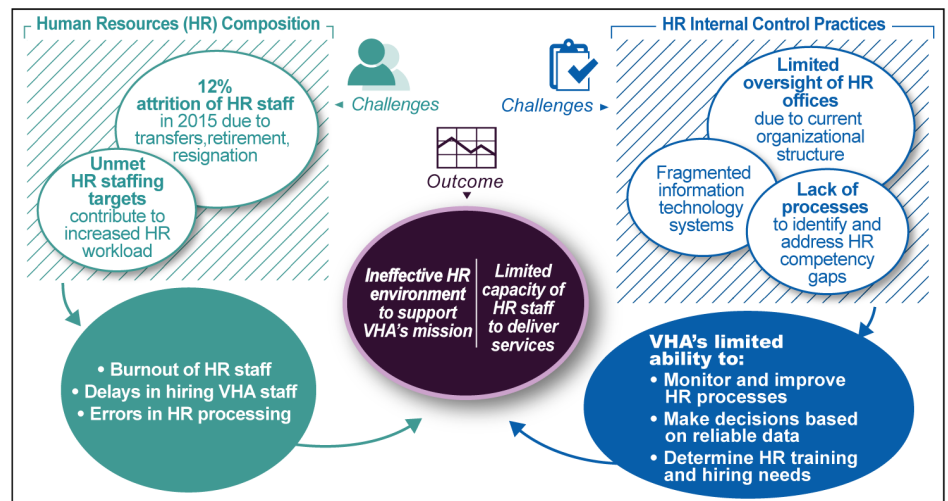
## VETERANS AFFAIRS

# Sustained Leadership Attention Needed to Address Long-Standing Workforce Problems

## What GAO Found

Serious human capital shortfalls are undermining the Department of Veterans Affairs' (VA) ability to provide veterans with quality and timely services. Over the past two decades, GAO has identified major challenges with VA human capital practices. For example, in March 2019, GAO found large staffing shortages, including physicians and registered nurses, at the Veterans Health Administration's (VHA) 172 medical centers. In December 2016, GAO found that high attrition, increased workload, and burnout among VHA's human resources (HR) staff, along with ineffective internal controls to support its HR operations, have impeded VHA's ability to serve the nation's veterans (see figure).

### A Lack of Human Capital Capacity Is Affecting VHA's Ability to Deliver Services to Veterans



Source: GAO analysis of Veterans Health Administration (VHA) data. | GAO-19-720T

Continued leadership attention to addressing GAO's recommendations could help VA better execute its mission. GAO has made numerous recommendations to VA, 40 of which were designated as priorities because they could significantly improve VA's operations. Twelve of the 40 were aimed at strengthening VA's human capital management efforts. Of these, six have been addressed. However, VA still needs to take additional actions on the other six, such as developing a modern and effective performance management system. Beyond these priority recommendations, VA can use key talent management strategies that GAO has identified for acquiring, incentivizing, and engaging employees and thus be more competitive for a high-performing workforce in a tight labor market.

Some of the challenges facing VA are part of a larger set of human capital issues affecting government as a whole. Although Congress, the Office of Personnel Management, and individual agencies have made improvements in recent years, human capital management in general remains a high-risk area because of mission-critical skills gaps within the federal workforce. Structural issues impede the ability of agencies to recruit, retain, and develop workers, including outmoded position classification and pay systems, ineffective recruiting and hiring processes, and challenges in dealing with poor performers.

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Chairman Takano, Ranking Member Roe, and Members of the Committee:

Thank you for the opportunity to participate in today's hearing on the Department of Veterans Affairs' (VA) ability to recruit and retain talented employees and thus ensure quality medical care and other services for our nation's veterans. VA operates one of the largest health care delivery systems in the nation and provides billions of dollars per year in benefits and services to veterans and their families. However, the department and two of its components, the Veterans Health Administration (VHA) and the Veterans Benefits Administration (VBA), face serious and long-standing problems with management challenges and problems with veterans' access to care and disability compensation benefits.<sup>1</sup> In multiple reports, we have found that mission-critical skills gaps and a lack of effective strategic human capital management have limited VA's ability to carry out its vital mission to serve and honor America's veterans.<sup>2</sup>

VA needs a strong workforce to provide quality and timely care to veterans, but over the past two decades, we and others have expressed concern about certain VA human capital practices. In February 2015, we added managing risks and improving veterans' health care to our list of federal high-risk areas.<sup>3</sup> Since then, VA has made some progress in ensuring its resources are being used cost-effectively and efficiently to improve veterans' timely access to health care and to ensure the quality and safety of that care.

My remarks today focus on (1) some of the key human capital management challenges facing VA and its components—especially at its

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<sup>1</sup>We highlight these issues in more detail in our High-Risk List. This list focuses attention on government operations that are most vulnerable to fraud, waste, abuse, or mismanagement, or in need of transformation. The high-risk areas involving VA include managing acquisitions, managing risk and improving veterans' health care, managing disability claim workloads, and updating eligibility criteria for disability benefits. See GAO, *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*, [GAO-19-157SP](#) (Washington, D.C.: Mar. 6, 2019).

<sup>2</sup>See, for example, [GAO-19-157SP](#); GAO, *Veterans Affairs: Sustained Leadership Needed to Address High-Risk Issues*, [GAO-19-571T](#) (Washington, D.C.: May 22, 2019); *Veterans Health Administration: Actions Needed to Better Recruit and Retain Clinical and Administrative Staff*, [GAO-17-475T](#) (Washington, D.C.: Mar. 22, 2017); and *Veterans Health Administration: Management Attention Is Needed to Address Systemic, Long-standing Human Capital Challenges*, [GAO-17-30](#) (Washington, D.C.: Dec. 23, 2016).

<sup>3</sup>[GAO-19-157SP](#).

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largest component, VHA—and the impact those challenges are having on VA’s essential mission; (2) specific recommendations and talent management strategies we have identified in our prior work that VA can leverage to recruit and retain a high-performing workforce in a highly competitive labor market; and (3) how a number of the human capital challenges that VA is facing are part of a broader set of government-wide human capital problems that are also jeopardizing the missions of other federal agencies.

The bottom line is that both VA-specific human capital and government-wide structural issues are hampering VA from acquiring and retaining the talent it needs to fill vacancies and serve veterans. VA-specific human capital issues include such difficulties as recruiting and retaining clinical and human resources (HR) staff at VHA. Government-wide structural issues include a federal personnel system that is, in many ways, unable to meet the requirements of today’s federal work and workforce.

Nevertheless, VA can take, and in some cases is already taking, a number of steps to strengthen its human capital management efforts but more work is needed. VA will need continued leadership attention and strong congressional oversight. Other steps will be required within VA to fully implement our open recommendations and mitigate any newly emerging problems.

This testimony is based on our recent work on VA issued since 2017, as well as our work on government-wide strategic human capital management issued between July 2014 and July 2019. For the VA studies, among other things, we reviewed key agency documents and interviewed knowledgeable agency officials and managers in headquarters as well as in several medical facilities across the country.<sup>4</sup> For the government-wide human capital work, among other things, we reviewed government-wide employment data and interviewed officials from the Office of Personnel Management (OPM) and subject matter specialists from think tanks, academia, government employee unions,

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<sup>4</sup>See for example, GAO, *Priority Open Recommendations: Department of Veterans Affairs*, [GAO-19-358SP](#) (Washington, D.C.: Mar. 28, 2019) and [GAO-17-475T](#).

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and other areas.<sup>5</sup> Our reports provide further details on our scope and methodology.

We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

At VA, and indeed at all federal agencies, strategic human capital management plays a critical role in maximizing the government's performance and assuring its accountability to Congress and the nation as a whole. As we have long reported, there is a direct link between the effectiveness of an agency's personnel management efforts and its ability to carry out its mission. Addressing challenges in areas such as disaster response, homeland security, economic stability, and numerous other complex and evolving issues requires a skilled federal workforce able to work seamlessly with other agencies, levels of government, and nongovernmental entities.

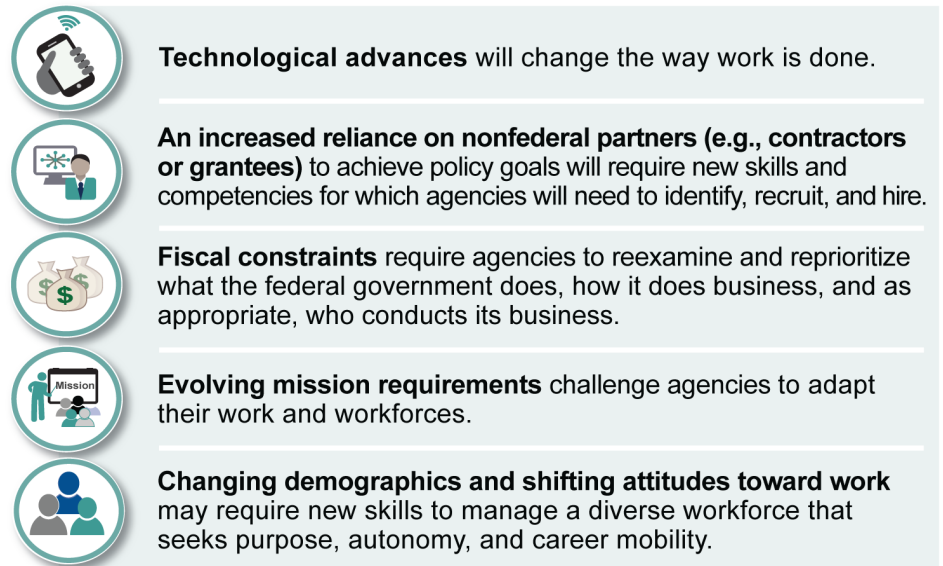
In our March 2019 report, we identified key trends in agency operations and attitudes toward work that are affecting how federal work is done and, consequently the skills and competencies that workers will need to accomplish agency missions.<sup>6</sup> Agencies will need to apply appropriate talent management strategies that are adapted to these trends to recruit, develop, and retain a high-performing workforce and better meet their missions (see fig. 1).

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<sup>5</sup>See for example, GAO, *Human Capital: Improving Federal Recruiting and Hiring Efforts*, [GAO-19-696T](#) (Washington, D.C.: July 30, 2019); *Priority Open Recommendations: Office of Personnel Management*, [GAO-19-322SP](#) (Washington, D.C.: Apr. 3, 2019); [GAO-19-157SP](#); *Federal Workforce: Key Talent Management Strategies for Agencies to Better Meet Their Missions*, [GAO-19-181](#) (Washington, D.C.: Mar. 28, 2019); *Federal Workforce: Lessons Learned for Engaging Millennials and Other Age Groups*, [GAO-16-880T](#) (Washington, D.C.: Sept. 29, 2016); and *Federal Workforce: Human Capital Management Challenges and the Path to Reform*, [GAO-14-723T](#) (Washington, D.C.: July 15, 2014).

<sup>6</sup>[GAO-19-181](#).

**Figure 1: Key Trends Affecting Federal Work**



Source: GAO analysis. | GAO-19-720T

Note: We identified trends based on our review of literature, expert interviews, and analysis of data from the Office of Personnel Management, Bureau of Labor Statistics, and the Federal Procurement Data System – Next Generation.

## Staffing Challenges at VA Are Systemic, Long-Standing, and Undermining Its Mission

Over the past two decades, we and others have expressed concern about certain human capital practices at VA and its components. For example, in November 2018, VA’s Office of Inspector General identified leadership and workforce investment as a major management challenge.<sup>7</sup> The Inspector General noted that the root cause for many of the issues it identified at VA was poor and unstable leadership as well as staffing shortages. Similarly, in May 2019, we reported that leadership turnover impeded VA’s ability to address a number of management challenges we identified such as managing acquisitions, managing risk, and improving veterans’ health care.<sup>8</sup>

<sup>7</sup>Department of Veterans Affairs Office of the Inspector General, *Inspector General’s Management and Performance Challenges* (Washington, D.C.: Nov. 28, 2018).

<sup>8</sup>[GAO-19-571T](#).

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At VHA, we found that serious human capital shortfalls are undermining its ability to meet the health care needs of veterans. Key examples from our prior work include the following:

- In March 2019, we reported that VHA's 172 medical centers have large staffing shortages, including physicians, registered nurses, physician assistants, psychologists, and physical therapists, as well as HR specialists and assistants.<sup>9</sup>
- As of December 2018, VA reported an overall vacancy rate of 11 percent at VHA medical facilities, including vacancies of over 24,000 medical and dental positions and around 900 HR positions.<sup>10</sup>
- In July 2016, we found that losses in VHA's five clinical occupations with the largest staffing shortages, including physicians, registered nurses, and psychologists, increased from about 5,900 employees in fiscal year 2011 to about 7,700 in fiscal year 2015. Voluntary resignations and retirements were the primary drivers. VHA's exit survey indicated that advancement issues or dissatisfaction with certain aspects of the work, such as concerns about management and obstacles to getting the work done, were commonly cited as the primary reasons people left.<sup>11</sup>
- In December 2016, we found that several problems combined to impede VHA's ability to improve delivery of health care services to veterans. These problems include high attrition (often involving transfers to other federal agencies), increased workload, and burnout among VHA's HR staff. Another issue is a lack of effective internal control practices to support HR operations such as information systems that meet operational needs (see fig. 2).<sup>12</sup>

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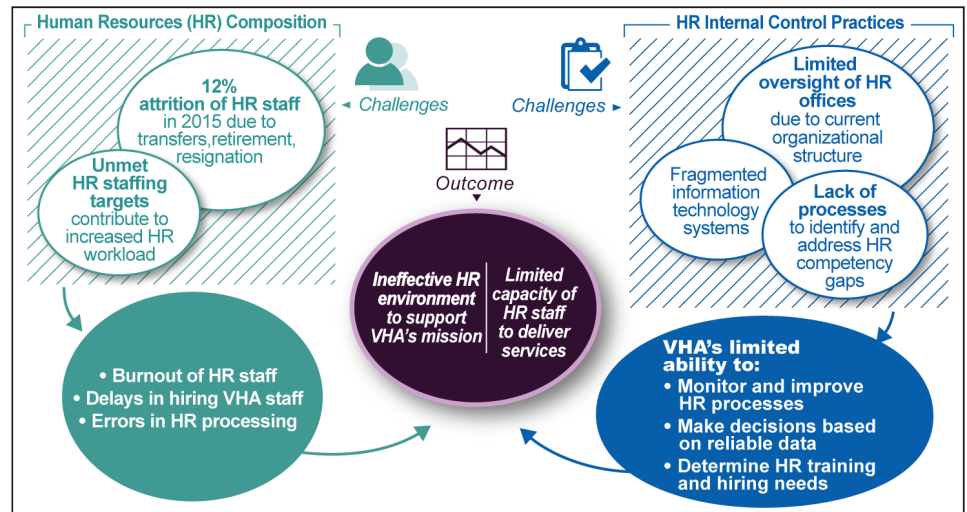
<sup>9</sup>[GAO-19-157SP](#).

<sup>10</sup>[GAO-19-571T](#).

<sup>11</sup>GAO, *Veterans Health Administration: Personnel Data Show Losses Increased for Clinical Occupations from Fiscal Year 2011 through 2015, Driven by Voluntary Resignations and Retirements*, [GAO-16-666R](#) (Washington, D.C.: July 29, 2016).

<sup>12</sup>[GAO-17-30](#).

**Figure 2: A Lack of Human Capital Capacity Is Affecting VHA’s Ability to Deliver Services to Veterans**



Source: GAO analysis of Veterans Health Administration (VHA) data. | GAO-19-720T

In our preliminary findings in a forthcoming report on the extent to which succession planning policies and procedures at VA and its components are consistent with key leading practices, we have identified several concerns.<sup>13</sup> For example, according to VA officials, the agency has not produced a department-wide succession plan since 2009 due to leadership turnover. Department-wide, around 30 percent of VA employees on board as of September 30, 2017, will become eligible to retire in the next 5 years.

Effective succession planning can help VA ensure it has a pipeline of talent to meet current and future mission requirements. In our prior work, we noted that effective succession planning is more than filling existing vacancies with people that have the same occupational skills and competencies. Rather, succession planning focuses on current and future needs and develops pools of high-potential staff to meet the organization’s mission over the long term.<sup>14</sup>

<sup>13</sup>We expect to release this report in October 2019.

<sup>14</sup>GAO, *Human Capital: Selected Agencies Have Opportunities to Enhance Existing Succession Planning and Management Efforts*, [GAO-05-585](#) (Washington, D.C.: June 30, 2005).



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## Continued Leadership Attention to Implementing Our Prior Recommendations and Other Talent Management Strategies Could Help VA Better Serve Veterans

We have designated 40 of our prior recommendations to VA as priority recommendations because, upon implementation, they may have an especially significant impact on VA's operations. Twelve of these priority recommendations are aimed at strengthening VA's human capital management efforts and will help address VA's challenges in such areas as recruiting and retaining doctors and nurses, performance management, and employee misconduct. To date, VA has implemented six of these priority recommendations, but needs to take additional action on the other six. While VA agreed or partially agreed with and is taking steps to implement five of these remaining priority recommendations, it disagreed with one related to developing a process to accurately count all physicians at each VA medical center because it does not believe this affects its ability to assess workload. Nevertheless, we continue to believe that VHA needs a systematic process to identify all physicians working at VA medical centers as part of the agency's efforts to monitor and assess workload.<sup>15</sup> The six unimplemented priority recommendations are for VA to

1. develop a process to accurately count all physicians providing care at each VA medical center (recommended in 2017),
2. develop a modern and effective performance management system in which VA managers make meaningful distinctions in employees' performance ratings (recommended in 2016),
3. ensure that ratings-based performance awards are administered in a manner that is consistent with leading practices (recommended in 2016),
4. develop a plan to implement a modern information technology system to support employee performance management processes (recommended in 2016),
5. collect complete and reliable misconduct and associated disciplinary action data (recommended in 2018), and
6. ensure that employees who report wrongdoing are treated fairly and protected against retaliation (recommended in 2018).

We will continue to monitor VA's progress in implementing these and our other open recommendations.

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<sup>15</sup>GAO, *Veterans Health Administration: Better Data and Evaluation Could Help Improve Physician Staffing, Recruitment, and Retention Strategies*, [GAO-18-124](#) (Washington, D.C.: Oct. 19, 2017).

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Beyond these specific recommendations, VA and other agencies can use talent management strategies to better compete for critical positions in a tight labor market and to help meet agency missions. In our prior work we noted that while these strategies are not an exhaustive list, collectively they suggest basic steps that agencies can take within existing authorities to address the demographic and technological trends affecting work that are discussed earlier in this statement.<sup>16</sup> These strategies include:

- **Align human capital strategy with current and future mission requirements.** With shifting attitudes toward work, technological advances, and increased reliance on nonfederal partners, agencies need to identify the knowledge and skills necessary to respond to current and future demands. Key practices include identifying and assessing existing skills, competencies, and skills gaps.
- **Acquire and assign talent.** To ensure agencies have the talent capacity to address evolving mission requirements and negative perceptions of federal work (e.g., that it is too bureaucratic), agencies can cultivate a diverse talent pipeline, highlight their respective missions, recruit early in the school year, support rotations, and assign talent where needed.
- **Incentivize and compensate employees.** While federal agencies may struggle to offer competitive pay in certain labor markets, they can leverage existing incentives that appeal to workers' desire for schedules and locations that provide work-life balance.
- **Engage employees.** Engaged employees are more productive and less likely to leave. Agencies can better ensure their workforces are engaged by managing employee performance, involving employees in decisions, and developing employees.

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<sup>16</sup>[GAO-19-181](#).

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## Strategic Human Capital Management Is at Risk Government-wide and Is Impacting Agencies' Missions

A number of the staffing challenges facing VA are actually part of a broader set of human capital issues affecting government as a whole. As we noted in our March 2019 update of government high-risk areas, the federal government faces long-standing challenges in strategically managing its workforce.<sup>17</sup> We first added strategic human capital management to our list of high-risk government programs and operations in 2001. Although Congress, OPM, and individual agencies have made improvements since then, strategic human capital management remains a high-risk area because mission-critical skills gaps within the federal workforce pose a high risk to the nation. Of the 34 other high-risk areas on our 2019 High-Risk List, skills gaps played a significant role in 16 of the areas, including information technology management and acquisitions, strengthening management functions at the Department of Homeland Security, and, as noted above, veterans' health care at VA.

While causes for these skills gaps related to high-risk areas vary, they often occur because of a shortfall in talent management activities such as robust workforce planning or training.<sup>18</sup> Additionally, the changing nature of federal work and the high percentage of employees eligible for retirement have the potential to produce gaps in leadership and institutional knowledge and could threaten to aggravate the problems created from existing skills gaps. For example, 31.6 percent of permanent federal employees who were on board as of September 30, 2017 will be eligible to retire in the next 5 years, with some agencies having particularly high levels of employees eligible to retire.

High-performing organizations have found that the full life cycle of human capital management activities needs to be fully aligned and focused on the cost-effective achievement of an organization's mission. These activities include workforce planning, recruitment, on-boarding, compensation, engagement, succession planning, and retirement programs.

Further, adding to agencies' staffing challenges is the fact that much has changed since the Civil Service Reform Act of 1978 and the Classification Act of 1949 laid the foundation of much of today's federal personnel

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<sup>17</sup>[GAO-19-157SP](#).

<sup>18</sup>[GAO-19-157SP](#).

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system.<sup>19</sup> Agencies' missions have evolved and employees' expectations of work and the workplace are changing. As a result, the extent to which the current and future workforce finds the government's employment policies and practices relevant is an open question.

We and others have identified several structural challenges within the federal human capital system that impede the ability of agencies to recruit, retain, and develop workers, both today and in the future.<sup>20</sup> For example:

- **Classification system.** The General Schedule classification system—which defines and organizes federal positions primarily to assign rates of pay—has not kept pace with the government's evolving requirements.
- **Recruiting and hiring.** Federal agencies need a hiring process that is applicant friendly and flexible while also meeting policy requirements.
- **Pay system.** Employees are compensated through an outmoded system that (1) rewards length of service rather than individual performance and contributions, and (2) automatically provides across-the-board annual pay increases, even for poor performance.
- **Performance management.** Federal agencies have faced long-standing challenges developing modern, credible, and effective employee performance management systems and dealing with poor performers.

Going forward, to help agencies effectively carry out their missions, OPM and federal agencies must take some important steps to address ongoing human capital problems. These actions include continuing to develop the capacity to measure and address existing mission-critical skills gaps and using workforce analytics to predict and mitigate future gaps.

Chairman Takano, Ranking Member Roe, and Members of the Committee, this completes my prepared statement. I would be pleased to respond to any questions you may have at this time.

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<sup>19</sup>Civil Service Reform Act of 1978, Pub. L. No. 95-454, 92 Stat. 1111 (Oct. 13, 1978) and Classification Act of 1949, Pub. L. No. 81-429, 63 Stat. 954 (Oct. 28, 1949).

<sup>20</sup>[GAO-19-181](#).

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If you or your staff have any questions about this testimony, please contact Robert Goldenkoff, Director, Strategic Issues, at (202) 512-2757 or [GoldenkoffR@gao.gov](mailto:GoldenkoffR@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this testimony are Shirley Hwang (Assistant Director), Alexander Ray (Analyst-In-Charge), Sarah Green, Allison Gunn, and Shelby Kain.

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