THE STATUS OF VA FINANCIAL MANAGEMENT BUSINESS TRANSFORMATION

HEARING

BEFORE THE

SUBCOMMITTEE ON TECHNOLOGY MODERNIZATION

OF THE

COMMITTEE ON VETERANS' AFFAIRS

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TUESDAY, JUNE 20, 2023

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TECHNOLOGY MODERNIZATION,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 3:06 p.m., in room 390, Cannon House Office Building, Hon. Matt Rosendale (chairman of the subcommittee) presiding.

Present: Representatives Rosendale, Self, Landsman, and Cherfilus-McCormick.

OPENING STATEMENT OF MATTHEW M. ROSENDALE, CHAIRMAN

Mr. ROSENDALE. Good afternoon. The subcommittee will come to order. We are here today to review VA's progress in the Financial Management Business Transformation program, or FMBT. FMBT is the VA's third attempt to modernize its hodgepodge of aging inadequate financial and accounting systems. These systems are a serious problem. Every year, the VA barely manages to pass its financial statement audit with a clean opinion, despite carrying the same material weaknesses and deficiencies for a decade. At the same time, the Department's purchase card spending continues to be much similar to the Wild West.

It has been nearly 10 years since the former VA senior procurement executive blew the whistle on billions of dollars of unauthorized commitments, and nothing has fundamentally changed. With so many purchase cards in so many different facilities and no central tracking, the Department is practically helpless to enforce its policies, much less root out waste and fraud. Basic financial management functions stretch the capabilities of the systems, like maintaining records when the VA transferred the Coronavirus Aid, Relief and Economic Security (CARES) and America Rescue Plan (ARP) funds.

When the committee asked basic questions about how the funding was handled during last month's hearing, the VA witnesses struggled to answer. Additionally, one witness showed contempt to members for even trying to perform our basic oversight duties. This situation is untenable, and I appreciate that our witnesses today are attempting to solve it. Simply put, the FMBT program has to succeed. After a false start in 2016 and 2017, VA relaunched the effort in 2018. Since then, the Integrated Financial and Acquisition Management System, or iFAMS, has been implemented in the Na-

tional Cemetery Administration, a few offices within the Veterans
Benefits Administration, the Office of Information and Technology,
the Office of the Inspector General, and part of the Office of Acqui-
sition, Logistics, and Construction.

From the information we have, the system seems to be relatively
successful in those offices, but there is still reason to be concerned.
These organizations only add up to a few thousand users and a
small fraction of the VA's budget. Implementing the iFAMS in the
major organizations like the Veterans Health Administration and
the big spenders within the Veterans Benefits Administration
keeps getting pushed out, and now it is not scheduled for a rollout
until 2024 and beyond.

Meanwhile, the program's implementation costs continue to rise.
I am not suggesting that we have another Electronic Health Record
(EHRM) here on our hands. Let me be clear. I believe most of the
premises of the FMBT are sound. This effort does seem to be suf-
fering from some of the familiar problems, like poor coordination
between the various organizations within the VA, struggles to fit
VA's operational practices with commercial software, and extremely
long schedules. It has been 3–1/2 years since the subcommittee last
examined the FMBT program. I think veterans and taxpayers are
overdue for an update.

I appreciate our witnesses joining us today to help us better un-
derstand the challenges that you face. I look forward to working to
overcome the difficulties and deliver this system successfully. With
that, I would yield opening statement time to Ranking Member
Cherfilus-McCormick. Thank you.

**OPENING STATEMENT OF SHEILA CHERFILUS-MCCORMICK,
RANKING MEMBER**

Ms. CHERFILUS-MCCORMICK. Thank you, Mr. Chairman. First, I
would like to say that I am happy that we are having this hearing
on an IT modernization program that is so important to the future
of VA. As the Inspector General has reported, the use of the aging
financial management system has led to manual workarounds
which impedes VA's and Congress's ability to conduct oversight and
spending. VA is the second largest Federal agency, and it relies on
IT infrastructure that is decades old.

While we are all aware of the failures in healthcare record and
supply chain modernization, this program has largely gone unno-
ticed. This is a good thing. When an IT program goes well, we usu-
ally do not hear about them. Unfortunately, this program is now
experiencing delays. Given the importance of this program, this
committee needs to understand the underlying issues. This pro-
gram is foundational to creating not only financial efficiency for the
Department, but for accountability and oversight of Congress. I
hope to hear from our witnesses from VA and the CGI Federal
today an honest account of how we can ensure the successful and
timely development of iFAMS.

I will not belabor a point I have made at every hearing we have
had in this subcommittee this Congress. VA obviously does not
have the management infrastructure in place to coordinate and en-
sure the success of these large IT modernization efforts. There are
bills that have cosponsors that would, at the very least, start mov-

ing them in the right direction. I hope that we can start acting on these soon here in the House.

IT modernization is mandatory, not optional. It is in everyone's interest to finally do this in a way that does not upset veterans and employees and waste billions of dollars. Commitment to management and standardization of processes across the Department is essential to our future success. Thank you again, Chairman. I look forward to hearing from our witnesses this morning.

Mr. ROSENDALE. Thank you Ranking Member Cherfilus-McCormick. I will now introduce the witnesses on our first panel. First, from the Department of Veterans Affairs, we have Ms. Teresa Riffel, the Deputy Assistant Secretary for Financial Management Business Transformation. We also have Mr. Charles Tapp, the Chief Financial Officer for the Veterans Benefits Administration, and Mr. Daniel McCune, Deputy Chief Information Officer for Software Product Management at the Office of Information and Technology. Next, we have Mr. Sidney Getz, Senior Vice President for CGI Federal. Finally, we have Mr. Nick Dahl, Deputy Assistant Inspector General for Audits and Evaluations at the Office of Inspector General for the Department of Veterans Affairs. If you all would please rise and raise your right hand.

[Witnesses sworn]

Mr. ROSENDALE. Thank you. Let the record reflect that all witnesses have answered in the affirmative. Ms. Riffel, you are now recognized for 5 minutes to deliver your opening statement.

STATEMENT OF TERESA RIFFEL

Ms. RIFFEL. Good afternoon Chairman Rosendale, Ranking Member Cherfilus-McCormick, and all members of the subcommittee. Thank you for the opportunity to testify today in support of the Department of Veterans Affairs Financial Management Business Transformation program and its implementation of the Integrated Financial and Acquisition Management System. I am accompanied by Daniel McCune, Deputy Chief Information Officer for Software Product Management, and Charles Tapp, Chief Financial Officer of the Veterans Benefits Administration.

VA cannot continue to rely on its legacy financial management system due to the enormous risk it presents to VA operations. It is becoming increasingly difficult to support from a technical and functional ability standpoint, cannot correct new audit findings, and is not compliant with today's internal control standards.

I am proud to report that iFAMS is no longer proof of concept. It is successfully replacing VA's antiquated 1980's-era financial management system. It has been successfully up and running at VA for almost 3 years. VA completed six successful deployments of iFAMS, encompassing 20 offices and 4,700 users across the enterprise. That includes the entirety of the National Cemetery Administration, a portion of Veterans Benefits Administration, and several major staff offices, including the Office of Information and Technology, Office of Inspector General.

iFAMS users have collectively processed over 3.5 million transactions, representing almost $10 billion in treasury disbursements. iFAMS is stable, achieving over 99.9 percent uptime. On June 12, 2023, VA went live with its largest deployment to date, increasing

the current user base by 60 percent. It was also the first time VA went live simultaneously with both the finance and acquisition components of iFAMS, which demonstrates iFAMS is a viable solution capable of becoming the next generation financial and acquisition solution for VA.

It is important to understand that iFAMS is not just a new core accounting and acquisition system. It is crucial to transforming VA's business processes and capabilities both so we can meet our goals and objectives in compliance with financial management legislation and continue to successfully execute our mission to provide veterans with the healthcare and benefits they have earned and deserve. With so much at stake, both in terms of taxpayer dollars and the Department's ability to serve veterans, it is vital that VA accurately track and report how funds are used. Fortunately, iFAMS significantly improves funds tracking capabilities, which, among many other benefits, will help ensure proper tracking of The Sergeant First Class Heath Robinson Honoring our Promise to Address Comprehensive Toxics (PACT) Act expenditures.

Through the use of iFAMS, VA is increasing the transparency, accuracy, and timeliness, and reliability of financial information. VA is gaining enhanced planning, analysis, and decision-making capabilities because of improved data integrity, reporting functionality, and business intelligence. VA is demonstrating these achievements through a range of metrics and associated targets based on industry best practices.

iFAMS and process changes are part of VA's strategy to resolve long standing financial material weaknesses and strengthen internal controls. For example, and in contrast to our current system, which cannot capture transaction approvals, iFAMS routes documents to approving officials and allows supporting documentation to be attached directly to the transaction. Additionally, iFAMS requires additional levels of approval for high-dollar transactions.

iFAMS also eliminates the need for an external tool to adjust entries for financial reporting. Perhaps most importantly, iFAMS complies with reporting requirements from the Office of Management and Budget and the Department of the Treasury, to capture various account attributes and conform to the U.S. Standard General Ledger. VA's current system is unable to meet those requirements, which has led to extensive and inefficient manual workarounds, and iFAMS will remediate all of these.

Our success has been, and continues to be, built on partnerships, mutual respect, and two-way collaboration with our users. Accordingly, iFAMS established a dedicated chief experience officer to coordinate user interactions and change management activities. FMBT's change management practices place a heavy emphasis on continuous improvement. Using customer feedback in our own observations, audit findings, and industry best practices, we establish lessons learned during each wave and incorporate those lessons into subsequent wave deployments.

FMBT continues to stay on budget despite changes. Our successes would not be possible without the ongoing support of Congress, and we appreciate the opportunity today to discuss this important initiative. We will continue to work judiciously with veterans foremost in mind to modernize VA's financial and acquisition

management system and provide you with updates as we make further progress.

Although we are encouraged by our success to date, we are keenly focused on the difficult work that lies ahead and are steadfast in our commitment to see this initiative through its successful conclusion. Chairman Rosendale, Ranking Member Cherfilus-McCormick, and subcommittee members, this concludes my opening statement. I would be happy to answer any questions.

[THE PREPARED STATEMENT OF TERESA RIFFEL APPEARS IN THE APPENDIX]

Mr. ROSENDALE. Thank you, Ms. Riffel. The written statement of Ms. Riffel will be entered into the hearing record. Mr. Getz, you are now recognized for 5 minutes to deliver your opening statement.

STATEMENT OF SIDNEY GETZ

Mr. GETZ. Chairman Rosendale, Ranking Member Cherfilus-McCormick, and other distinguished members of the subcommittee, thank you for the opportunity to appear today. My name is Sid Getz, and I am a senior vice president at CGI Federal. For the last five years, I have served as the project manager on CGI Federal's contract with the VA for the Financial Management Business Transformation program, known as FMBT. At the subcommittee's invitation, I am here today to provide the requested status update and underscore CGI Federal's ongoing commitment to the success of VA's FMBT program.

As you know, in 2016, the VA established the FMBT program to modernize its 30-year-old legacy core Financial Management System, FMS, in compliance with applicable regulatory requirements. To accomplish this complex modernization effort, the VA selected CGI Federal to deploy its Momentum Enterprise Resource Planning Solution.

Momentum, known at the VA as the Integrated Financial and Acquisition Management System, or iFAMS, is an Office of Management and Budget (OMB)-approved financial management system that is operational at many Federal Government agencies. To mitigate program risk, the FMBT program is migrating users from the VA's Legacy financial and acquisition systems to iFAMS using an incremental deployment approach. Each deployment, or wave, delivers specifically configured iFAMS capabilities to a defined set of the VA's organization using an agile-based implementation methodology. To date, the FMBT program has completed six waves deploying iFAMS to 4,700 users at 20 different VA offices.

While there are still milestones and challenges ahead to be sure, iFAMS is already delivering benefits to the VA's finance and acquisitions user communities. These benefits include improved strategic and daily decision-making, process automation, compliance with Federal accounting regulations, maintaining clean audits, and accommodating new regulatory requirements. A prime example of how iFAMS is helping the VA user community is the power of its real-time transaction processing and on-demand reporting. Today, iFAMS users can easily generate standard financial acquisitions reports and drill down into current accurate data on demand. This is because when transactions are entered in iFAMS, they are first verified to meet VA standards and then automatically update budg-

ets in the general ledger in real time. iFAMS users also have the capability to refresh reports hourly rather than daily, and can run most reports at the enterprise level, administration level, or lower levels of the VA organization.

Before iFAMS, some similar reports took days to produce through a manual, resource intensive, spreadsheet-based process. As with other complex programs, success often depends on the stakeholders' focus on key performance factors. The same holds true here, where the team's focus on collaboration and transparency, enterprise-wide standardization, continuous improvement, diligent change management, and execution of its risk-based incremental delivery approach has kept the program moving forward.

To illustrate this point, let me share how the team has maximized the value of formal user acceptance testing, also known as UAT. In the first few waves, users performed hands-on UAT toward the end of each wave. This is a common and standard approach. Lessons learned taught us that we would improve user adoption by having users perform iterative hands-on testing of iFAMS functionality and business processes much earlier in each wave. We refined the program implementation methodology and applied this approach to the three most recent waves.

By helping users gain an earlier appreciation of iFAMS, the team gained useful feedback for change management and training. It also has allowed us to identify and resolve issues earlier, saving both time and resources. I end this testimony where I began by reiterating CGI Federal's unwavering commitment to collaborating with the FMBT program to deliver iFAMS to the entire VA user base for the benefit of our veterans. I look forward to answering your questions.

[THE PREPARED STATEMENT OF SIDNEY GETZ APPEARS IN THE APPENDIX]

Mr. ROSENDALE. Thank you, Mr. Getz. The written statement of Mr. Getz will be entered into the hearing record. Mr. Dahl, you are now recognized for 5 minutes to deliver your opening statement.

STATEMENT OF NICK DAHL

Mr. DAHL. Chairman Rosendale, Ranking Member Cherfilus-McCormick, and subcommittee members, thank you for the opportunity to discuss our oversight of VA's financial management challenges. Since 2015, the audit of VA's financial statements has reported a material weakness due to problematic financial management systems. Full implementation of iFAMS could help resolve this persistent material weakness and increase the transparency, accuracy, timeliness, and reliability of financial information across VA. Accordingly, we began oversight of the implementation shortly after it went live at National Cemetery Administration (NCA) in November 2020.

Prior modernization efforts failed in part because of poor planning and flawed execution combined with challenges transitioning from legacy systems. Decentralized oversight, unrealistic timelines, inadequate engagement of stakeholders and end users, and minimal testing have plagued IT projects. The resulting delays, changes in direction in vendors, and user resistance all carry steep costs. In the most recent audit of VA's financial statements, the auditor

found three material weaknesses and two significant deficiencies. The material weakness most pertinent to this testimony focuses on the limited functionality of the current system to meet VA's financial management and reporting needs. Over time, VA's complex and antiquated financial system has deteriorated and no longer meets increasingly stringent requirements mandated by the Treasury Department and OMB.

Deficiencies in VA's financial management system are illustrated in findings we made related to VA's use of COVID–19 funding, which showed VA lacked assurance that those funds were spent as intended. Generally, our three reports found VA is complying with Transparency and Trust Act reporting requirements. However, we identified concerns with the completeness and accuracy of VA's reporting. A major cause for this is Veterans Health Administrations (VHA's) reliance on several systems for payroll and purchase card transactions requiring manual entries by staff, which increases the risk of reporting errors.

The practice of manual expenditure transfers led to a lack of transparency and accountability over VHA purchases seen in our audit on VA's use of CARES Act funds. We found VHA staff not properly documenting the transfers and inadequate guidance from VHA's Office of Finance. This happened because of financial reporting systems limitations and a lack of oversight that resulted in VHA medical facility staff determining on their own what constituted appropriate documentation. Additionally, staff did not follow basic controls like documenting purchasing authority, splitting duties between requesting and purchasing items, and verifying ordered goods were received. As a result, we reported an estimated $187 million in questioned costs.

We felt early oversight of the iFAMS project was critical to help VA achieve program goals, and we initially issued two memoranda. One detailed that FMBTS had not ensured NCA had the comprehensive reports needed to monitor budget and operations for months after the initial iFAMS go-live date, requiring staff to engage in workarounds. The second identified other potential risks related to financial reporting for FMBTS to consider addressing.

In March 2023, our audit found FMBTS needed to do more work to fully address some barriers related to the program's goal of streamlining processes and improving information reliability, with a focus on contracts converted into iFAMS from the legacy contract system. Our findings related to system functionality and procedures, and we made five recommendations to implement controls and processes to reduce risk and enhance communication on requirements, develop methodologies to prioritize user feedback, and include legacy systems, converted contracts, and system testing. We will soon begin the follow-up process on these recommendations.

In summary, the transition to iFAMS could mitigate major issues in producing VA's financial statements and improving VA operations. These initial findings are early opportunities for improvement that may yield results for VA as they continue implementing this complicated system. We urge VA to dedicate the resources to resolve issues and remain ready to identify the challenges that may

arise in the months and years ahead. That concludes my statement, and I will be happy to answer any questions you may have.

[THE PREPARED STATEMENT OF NICK DAHL APPEARS IN THE APPENDIX]

Mr. ROSENDALE. Thank you, Mr. Dahl. The written statement of Mr. Dahl will be entered into the hearing record. We now move and proceed to the questioning, and I will recognize myself for 5 minutes.

Ms. Riffel, during last month's hearing on VA CARES Act spending, I asked the Chief Financial Officer, Mr. Rychalski, about a $714,235 expenditure transfer where the medical center could not produce any documents establishing an audit trail because the person who processed it had retired. VA has still not explained how much money was actually paid out, for what purpose, and who approved it. How would the iFAMS system prevent or resolve this type of a situation?

Ms. RIFFEL. Thank you for that question. iFAMS will resolve that. We have the ability now for those customers that are in iFAMS to actually trace expenditures down to that level, so we are able to load the budget and actually reflect expenditures against it. I want to give one caveat around payroll, and I think in the response that VA recently provided, we stated this as well, is that we do have to work with our interface partners predominantly on the payroll side to make sure that they are sending us the information to be able to trace it and record it appropriately against the right account. The answer is yes, sir, iFAMS will address this 100 percent.

Mr. ROSENDALE. As long as the proper information is entered in.

Ms. RIFFEL. That is correct, sir.

Mr. ROSENDALE. Junk in, junk out. Good information in, good information out.

Ms. RIFFEL. Correct.

Mr. ROSENDALE. Ms. Riffel, VA struggles to manage its purchase card spending because employees at thousands of individual facilities make purchases, and the data on those purchases is fragmented. Can you explain why this is the case and how the iFAMS system would track that data?

Ms. RIFFEL. Yes, so in iFAMS, the purchase card ability to purchase with a purchase card is substantially different than what it is in legacy system today. We will see advancements in terms of traceability on what individuals are purchasing. I would also defer to Office of Acquisition Logistics and Construction (OALC), as I know I am on a couple of subcommittees with them, and they are making concerted efforts on reducing the use of the purchase card and driving users to contracts where contracts are appropriate. Again, I would defer to them on more elaboration on that effort that is underway.

Mr. ROSENDALE. Thank you very much. In last month's hearing, Mr. Rychalski touted the reduction in VA's improper payment rate. You still had $3.5 billion in improper payments last year. Your annual purchase card spending is about $5 billion. How much of that $3.5 billion represents purchase card spending? Would the iFAMS system ever allow you to get that number down to or at least near zero?

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Ms. RIFFEL. Yes, so I will have to take that particular question for the record in terms of the amounts there.

Mr. ROSENDALE. Okay. Mr. Dahl, your report on VA CARES Act spending found that every single one of the 10,064 supply purchases and service contracts had some sort of procedural noncompliance. This led to your office questioning over $187 million of transactions, most of which were made using purchase cards. Which of the VA's current systems process the purchase card transactions? What is wrong with them? Why is this such a big liability for financial management?

Mr. DAHL. I think the issue with the purchase card comes down to oversight. Purchase card, as you have mentioned, many purchase card holders in VA that use their cards without appropriate oversight from the purchase card accountable officials, you know, there is nothing that is going to stop people from using the purchase cards. Every cardholder has an accountable official who should be reconciling the spending on a monthly basis to make sure that the purchases are appropriate and supported, and we are just not seeing that.

Mr. ROSENDALE. Is it that the, in your opinion, are the supervisors not given good guidance on what is acceptable and what is not, and the processes, or are they not conveying that information down to their subordinates?

Mr. DAHL. I would say it is likely a mix of both of those situations.

Mr. ROSENDALE. Okay. Mr. McCune and Ms. Riffel, I understand the iFAMS system went live in the Office of Information Technology last week, and all the purchase card transactions are now being run through the system. How is it that Office of Information and Technology's (OIT's) process is different now, and what improvements has it made?

Ms. RIFFEL. Thank you for that question. Actually, I just talked with OIT a few minutes ago before this hearing, just to check in, make sure how things were going, going very well. Again, the purchase card module within iFAMS is substantially different than what they currently do with Integrated Funds Distribution Control Point Activity Accounting and Procurement (IFCAP) today. We are consistently working with users to make sure that they understand those differences.

I would tell you also that the reconciliation process substantially different in iFAMS than what it is in legacy. So far, and again, we are only one week in with that user community, but we have no issues that have been expressed or concerns from that group at this time.

Mr. ROSENDALE. Very good. Thank you very much. I will now yield 5 minutes to Representative Cherfilus-McCormick for your questions.

Ms. CHERFILUS-MCCORMICK. Thank you, Mr. Chairman. As the Office of Inspector General highlighted in their report last month, the need for modernization for VA's financial system is imperative. VA is the second largest agency in the Federal Government and has to rely on a 30-year-old system to manage billions of dollars it receives from the Congress every year. Mr. Dahl, the limited functionality of the financial management system continues to be

a material weakness in VA's financial system audits. Can you explain the ramifications of not having a modern financial management system, not only to your work, but to the success of managing the funds of VA?

Mr. DAHL. Well, without a modern system, VA is very likely to continue to have a material weakness on their annual financial statement audit. They are going to continue to have to rely on manual processes and interventions to accomplish certain transactions. They are going to be lacking the transparency and accountability over the use of funds. I would say those would be the key concerns.

Ms. CHERFILUS-MCCORMICK. Now, with the manual overrides, how do you catch any mistakes?

Mr. DAHL. Well, that would come down to if there is a supervisor checking on that, and, frankly, I am not sure that that is always happening. Of course, if you are doing that, there is always a risk of error. You know, as Mr. Rosendale said, "garbage in, garbage out." It is probably more likely to happen when someone is having to manually process a transaction.

Ms. CHERFILUS-MCCORMICK. When we look at waste, do you feel like we have an adequate understanding of how much waste is going on without an automated system that is fully functioning?

Mr. DAHL. It would be hard for me to characterize that. FMS was conceived in the 1980's. I mean, it is so far back in the past. Certainly, people were not envisioning the current needs, the current environment. I think it would be a huge step forward to bring a modern system online.

Ms. CHERFILUS-MCCORMICK. Thank you Mr. Tapp, I am sure you have heard about the manual workarounds that we have required as a result of not being able to use FMS for the transfer of supplemental funds. Can you provide to the committee some insight into the restrictions that antiquated technology puts on you as the Chief Financial Officer (CFO) of the Veterans Benefits Administration?

Mr. TAPP. Yes, ma'am. Thank you for the question. Antiquated systems basically limit our ability to have strategic decision-making capability for us to be able to look across the enterprise and be able to look at the resources that we have been provided to be able to make decisions on changes in priorities and also make changes day to day. Those certainly limit our ability. It also limits our ability to implement new legislation and to provide the proper insights in terms of what has been spent and how quickly it has been spent without using Excel spreadsheets or other things that are offline. You certainly want to use your system of record to be able to capture that information.

Since we have implemented iFAMS, we can certainly say for the general operating expense, we have been able to provide a more granular response when it comes down to reporting on expenses that we have in Veterans Benefits Administration (VBA). The system is working as intended for the general operating expense, but certainly using the legacy system, it had some limitations that we are glad that iFAMS will help resolve.

Ms. CHERFILUS-MCCORMICK. Now, in my past experience, I was a Chief Executive Officer (CEO) of a healthcare company, and it

was extremely difficult to—I could not imagine doing a manual override to forecast expenses and also forecast what we are saving. How are you able to realistically forecast the next year of savings and actually what you are actually losing, such as waste?

Mr. TAPP. That has certainly been a challenge with FMS because of how expenses are grouped together by a budget object class, or by BOC, because they are lumped together. Certainly, iFAMS again, allows us to be more dynamic in terms of seeing at a more granular level what we have spent and allow us to certainly do more analysis as we look forward using, again, the granular details that we are able to pick in iFAMS. Again, the transparency and the level of granularity is certainly enhanced with iFAMS.

Ms. CHERFILUS-MCCORMICK. Thank you. Mr. Chairman, I yield back.

Mr. ROSENDALE. Thank you very much, representative. I yield 5 minutes to Representative Self.

Mr. SELF. Thank you, Mr. Chairman. Mr. Dahl has basically said people are involved in everything. I think that is a fair summary. Ms. Riffel, are you getting pushback from the field on fielding this new system?

Ms. RIFFEL. Thanks for that question. Certainly, we are carrying a risk around change management from a program perspective overall. What I would tell you, though, is that as we get more and more into VA, what we are starting to see is people really coming around and being encouraged by what they see. I think that we are I would not say we are over the hurdle by any means, because change is hard, but I will tell you that we are not seeing as much pushback as we were if you were to ask me this question 2 years ago.

Mr. SELF. Okay. Now I understand you have got about 4,700 users out of a workforce, total workforce of 400,000 thereabouts. You have spent a billion dollars on 1/2 of 1 percent of the users out of a budget of, what, $7 billion odd. Are you going to make the $7 billion? You now have 1/2 of 1 percent that you have rolled the system out to.

Ms. RIFFEL. Yes, so actually, we are expected to have 124,910 users on the system at full deployment. We have currently got, as we said, about 4,700 on the system. What I will acknowledge is that obviously, VHA is the largest organization that we have yet to implement. I would also tell you that that is by design. We want to make sure that we are addressing any improvements that we need to make with our deployment strategy before we tackle VHA. Also, the complex programs that VBA has remaining. Those obviously would impact veterans in some way if we do not do them correctly. We have purposely established the schedule in the manner that we have so that we can ensure that we are learning from what we have already done. By the time we get to VHA, we will leverage all of those improvement activities when we implement.

Mr. SELF. Is there any chance that your delayed systems, VBA loan guaranty, VBA insurance, VBA acquisition can be moved faster as you learn lessons, or are you committed to your as late as 29?

Ms. RIFFEL. Yes, so thanks for that question. What I would tell you is right now we just completed a 3-day lock-in with VBA on

loan guaranty. We have addressed the six items that were remaining to ensure that we are in agreement with VBA on exactly how we are going to implement Loan Guaranty Service (LGY). We are in the process of rebaselining that schedule right now. As soon as we finalize that, we will actually address whether there is opportunity to accelerate and move other VBA programs to the left after we finalize that rebase line.

Mr. SELF. Okay, very good. In your written testimony, you talked about the two Government Accountability Office (GAO) reports and the eight recommendations. I pulled the most recent GAO recaps of this program. You said that there was one remaining open. The GAO currently references seven are open and one is closed. As recently as February 2023, they have at least three open with that date. Can you reconcile for me your testimony with the GAO updates?

Ms. RIFFEL. Yes, I believe that those I will get back to you. I will take that for the record. We will reconcile that. It may be a timing issue on some of those, but we will make sure we have got that reconciled for you, sir.

Mr. SELF. Okay. Again, at least three of them, I can find a date of February 2023, they were still open according to the GAO. I know that GAO makes recommendations, but I still would like to see a response on your implementation of the GAO recommendations. With that, Mr. Chairman, I yield back.

Mr. ROSENDALE. Thank you very much, Representative Self. Ms. Riffel, you are getting near the midpoint of the FMBT program and many of the important milestones are being delayed while the cost estimate continues to rise. These are the concerns that I have when I start looking back at some of the other software programs that we have invested in. I understand you did not initially include the operations and maintenance costs for the life of the systems through 2047, but the implementation costs have also been increasing from $2.3 billion up to $4.2 billion, and completion has slipped from 2028 to 2030 or later. Similar to Representative Self's question, why is the implementation cost increasing? Can you guarantee me it will not go above that $4.2 billion mark?

Ms. RIFFEL. Thanks for that question. Currently the projected lifecycle cost estimate is at 7.46 going out to 2047, which is accounting for the useful life, as you indicated. What we will tell you is that based on the methodology that we are using to deploy, there will be instances from time to time where we find, for example, a new interface that was not originally identified. As you can imagine in VA, we are doing constant modernization across the enterprise. We are going to have discovery from time to time. What I would tell you is that the way that we are structured in an agile fashion, it has allowed us to continue to proceed, to actually move other waves forward or begin activity on another wave while we are pending, getting more intel on a modernization interface or something like that.

Although you are seeing some increases, what you are also seeing is our ability to flex with that and to ebb and flow as those modernization efforts continue. I can tell you in VA the size that it is, we will continue to have modernization that is happening simultaneously. Our program, the way we are structured, you have

to be structured to be able to absorb that and to be able to flex with it.

Mr. ROSENDALE. Look, I understand, I really do. I understand as you are going through this process and you find, like you say, some enterprises and some functions that nobody had anticipated. It is sort of like doing the renovation on an old home, okay, and you pull the wall out and you start finding additional things. That is why all these jobs are based on typically time and materials, okay, when you come to old construction. However, we are using tax-payers' funds. All I am trying to do is establish some kind of a cap. Can you assure me that we are not going to go over that $4.2 billion range?

Ms. RIFFEL. That is our lifecycle cost estimate at this point in time, sir.

Mr. ROSENDALE. Okay. That would be an estimate. You cannot guarantee that that is where we are going to finish up for that?

Ms. RIFFEL. Not guarantee that, no.

Mr. ROSENDALE. Mr. Getz, the VA has spent over $1 billion on this project so far. How much of that has your company received?

Mr.GETZ. Approximately $440 million since——

Mr. ROSENDALE. Excuse me?

Mr. GETZ.—$440 million since the inception of the contract in August 2018.

Mr. ROSENDALE. Mr. Getz, how much of the $7.5 billion life cycle cost, including implementing the system as well as maintaining it, does your company expect to get paid?

Mr. GETZ. Sir, I have not even thought about that. At the moment we are focused on just the implementation piece.

Mr. ROSENDALE. You have not run a lifecycle cost estimate and to determine how much you should estimate?

Mr. GETZ. We have not, no.

Mr. ROSENDALE. How is it that the VA then has their estimate if you were not included in that?

Mr. GETZ. I think the I would certainly defer to Ms. Riffel on this, but what we look at is what is the cost implementation plus the operations and maintenance costs for, you know, whatever contract we have. At some point, the lifecycle turns over to operations and maintenance, and then, you know, that is a different way of looking at what those future costs are.

Mr. ROSENDALE. Again, so, I have got the——

Mr. GETZ. Yes.

Mr. ROSENDALE.—lifecycle estimate, but they had to get those numbers from somewhere. That is why I am trying to figure out how much of it would be from you. They had to get some kind of estimate from you.

Mr. GETZ. I would defer to Ms. Riffel if I could on that.

Ms. RIFFEL. Yes, thanks for that. We have data that we have used, obviously, from the implementations to date. When you do a lifecycle cost estimate, you are forecasting for the rest of that, obviously understanding what your implementation has been to date based on size, complexity of the wave. That was a lot of the basis that was used in going into it. Then certainly we have got program costs related to the organization supporting the wave.

Mr. ROSENDALE. Sure, you were forecasting. I understand.

Ms. RIFFEL. Yes.

Mr. ROSENDALE. I understand the estimate and best forecast of information. How much have you plugged in for Mr. Getz' company then?

Ms. RIFFEL. What is in front of you I believe there, sir, is the overall categories of cost that we have. From a technology and program management perspective, it is inclusive of a couple of the other contractors that are supporting some activity in that area. I would have to take for the record specifically what is out of that category is CGI.

Mr. ROSENDALE. Okay, thank you very much. I will yield another 5 minutes to Representative Cherfilus-McCormick.

Ms. CHERFILUS-MCCORMICK. Thank you, Mr. Chairman. Ms. Riffel, with the task of executing a program of this size is an incredible challenge in itself, the dependency of this program to integrate with IT modernization efforts that are currently not in existence seems to me to be a recipe for failure. We know that this program has gone from needing to integrate with EHRM to now being required to integrate with a modern supply chain system that has suffered from years of delays. What are you, as the leader of FMBT, able to do to mitigate the risk of your program?

Ms. RIFFEL. Yes, thank you for that. A couple of things that we have done recently is that we have worked significantly with VHA and with supply chain. In order for FMBT to proceed with VHA, understanding where the other initiatives are right now, we are proceeding with integrating with legacy supply chain. As we move into VHA, which obviously we have been working with VHA for the past 2 years, but we are at the point now where we need to start really, in earnest, working on the implementation we will implement with legacy.

With EHRM, we have been coordinating with that office since inception. They have all of our requirements, detailed requirements. We will continue to do that collaboration across the board. Then, you know, as they continue to move out, when they do, we will be prepared for that integration.

Ms. CHERFILUS-MCCORMICK. How confident that these mitigations that you just mentioned are going to be successful?

Ms. RIFFEL. For VHA they will because it allows me to integrate with what is available right now as I am going to implement at a site. Also understanding that when the enterprise supply chain solution becomes available, we will pivot and we will actually integrate with that future solution. We know we need to do it, but in the interim we are going to integrate with what is available right now so we can proceed.

Ms. CHERFILUS-MCCORMICK. Do you feel that FMBT should be allowed to deploy across VA without having to depend on successful implementation of programs like EHRM and the supply chain?

Ms. RIFFEL. Yes, so I think what I just laid out in terms of how we are going to actually do the future state for VHA and then the end state for VHA once supply chain is known, is a solid plan to allow us to proceed with FMBT.

Ms. CHERFILUS-MCCORMICK. Thank you. Mr. McCune, OIT has an impossible task of coordinating a number of large IT modernization programs at once included in EHRM, supply chain, and HR

modernization. How does OIT manage the development and delivery of these disperate power programs?

Mr. McCUNE. Thank you, ma'am, for that question. Thank you for appreciating the complexity of managing three modernization efforts at the same time. I think a solid project management process allows us to do this effectively. I look at, number one, having clear business objectives. Number two, looking at solid risk and issue management process. I look at tight coordination with the customer around change management. By following these established best practices in project management, we are allowed to keep these projects moving at the same time.

Ms. CHERFILUS-MCCORMICK. Who is ultimately responsible for the timing and coordination of these programs?

Mr. McCUNE. Yes, that is a joint responsibility. In the case of FMBT, the business office is office management, and accountability is the CFO. In OIT, we focus on the technology and the security of the system. We use Federal Risk and Authorization Management Program (FedRAMP), Authority of Operate (ATO), and Federal Information Technology Acquisition Reform Act (FITARA) process, and that falls under the Chief Information Officer (CIO).

Ms. CHERFILUS-MCCORMICK. Does OIT have enough authority within VA to make significant changes to schedules of these programs to mitigate issues as they arise?

Mr. McCUNE. Yes, ma'am, we do, given the tight coordination with our customer. I think we are seeing that now as we build the wave schedule for FMBT. Now even adjustments with LGY, OIT is at the table helping build that schedule.

Ms. CHERFILUS-MCCORMICK. Thank you. Mr. Chairman. I yield back.

Mr. ROSENDALE. Thank you very much, representative. Representative Self, I recognize you for an additional 5 minutes.

Mr. SELF. I think I will yield for the time being, Mr. Chairman. Thank you.

Mr. ROSENDALE. Okay. Mr. Getz, how are payments structured in your contract?

Mr. GETZ. A couple of different ways. There are parts of the contract that are for fixed price, and there are parts of the contract that are time and materials.

Mr. ROSENDALE. Are you being paid for each implementation wave or another method?

Mr. GETZ. Another method. We are being paid—the wave implementation component of the contract is time and materials because of the, you know, a lot of uncertainty around that. We are what we do is for each the beginning of each fiscal year, prior to the beginning of each fiscal year, we would work with the program to determine what the work is to be done in the next fiscal year, agree to that, provide an estimate, and then we are paid on a time and materials basis for that piece.

Mr. ROSENDALE. Okay. Some of the most important waves have been delayed by multiple years. How has that affected your payments, if at all?

Mr. GETZ. Since they are all time and materials, again, those payments are determined by the work done in whatever the next Fiscal Year is.

Mr. ROSENDALE. Okay. We have got the estimates of what the rollout of this project is supposed to be, and yet, as we have been discussing, the smallest portion of them has been implemented and we have the back end, okay. A lot more work is left to be done. How much is each implementation wave worth, and roughly what percentage is that of the contract's annual value?

Mr. GETZ. Sorry, sir, could you repeat the question?

Mr. ROSENDALE. If it is not being based on the wave, okay, it is being based on estimates of time and material, and we have the total estimate of the cost of this project. We know that this is getting to the crux of what is the eventual cost going to be. We see that not that many people are being served right now, okay. Not that many services are being accounted for right now. The back end is where the work is going to be piled up, and yet a lot of this contract value has been burned up already. What I am trying to get at is, how are we going to reconcile that?

Mr. GETZ. Well, again, I think Ms. Riffel has referred to the fact that there is some planning going on with VHA and VBA to determine what the rest of the waves would look like, in what order, and the degree to which they would be parallel or combined. Once we have that, we will be able to provide a solid estimate on what the rest of the work looks like.

Mr. ROSENDALE. I am just having a really difficult time reconciling this because you are telling me you have estimates. Again, when a layman looks at this and sees that there is a very small percentage of this work that has been done and the contract value, a lot of that has been utilized already. This is not reconciling. Mr. Dahl, does the structure of this contract sound typical based on what you have seen elsewhere in the VA?

Mr. DAHL. I personally do not have any teams that have been involved in looking at the contract. There is a team within the Office of Audits that is looking at the contract. I could take that for the record.

Mr. ROSENDALE. I would really appreciate that. Do you believe it is sufficient to drive accountability when they look at this contract? Someone is going to need to report back to us and let us understand if it was structured in such a way as to provide accountability for the work that is being done based upon the projected total cost of that project.

Mr. DAHL. I would not be in a position to answer that, sir.

Mr. ROSENDALE. Okay. Ms. Riffel, you have already spent 5 years and more than $1 billion to implement the iFAMS system in seven offices. I understand this project has a lot of startup costs and fixed costs. Got that. This is an enormous amount of money to cover with just a few of the offices. Where is the money going besides the implementation of the waves?

Ms. RIFFEL. Yes, so, I think it is important to understand what all it takes to actually implement a wave. We have a large portion is going to a project management contract to help us make sure planning the execution of the documentation surrounding project management and how you are going to actually implement. We also have data conversion, which is a huge effort for us. We do a number of mock conversions up front for every wave to make sure of the accuracy, et cetera. Development effort in terms of interface de-

velopment that is needed. Substantial cost. You know, this is an enterprise solution, both acquisition and finance. The cost is going to be significant to get it done.

The other huge piece of the Project Management Office (PMO) contract is the organizational change management activities. Substantial work there. We have been actually increasing some of the work there based on lessons learned, making sure that we get that user adoption as we need to. You know, to me, there is a lot going on to make sure we get it right.

Mr. ROSENDALE. I agree with that and this is exactly the concern that I have, okay. As you go through and do all these conversions and all these startup costs, okay, with the smaller institutions, we are going to have to do those exact same things for the larger ones, are we not?

Ms. RIFFEL. Mm-hmm, absolutely.

Mr. ROSENDALE. How is it then that you can tell me that you can sit here in front of this committee and not tell me that this estimate is going to be too low?

Ms. RIFFEL. Well, part of it is how we are estimating that future for VHA. We are talking about predominantly VHA here. For VBA, we have probably about 300 additional users and we have a lot of activity due around interfaces for the remainder of VBA's, complex programs.

For VHA, that is where a lot of the hard work is going to come in. We have been working with VHA for 2–1/2 years now. We have a lot of information and understanding about VHA. VHA, and credit to them, has actually been working on data cleanse activities, which is substantial for data conversion for the past couple of years. They continue to do that. VHA has worked on standardizing their accounting classification structure and where possible, looking at standardizing business processes. A lot of work has gone into VBA. A lot of discovery is already known about VHA, which has helped contribute to our estimates on what VHA is going to look like.

Mr. ROSENDALE. I, again, still do not understand when you say that they are larger institutions, we have to go through the conversions, we have to go through the startup, how that is going to cost less than the much, much smaller organizations that we have already brought on. I am not reconciling that, so. Representative Cherfilus-McCormick.

Ms. CHERFILUS-McCORMICK. Thank you, Mr. Chairman. As is often the case when discussed issues with IT modernization programs, technology is usually not the root cause of VA's issues. Many joke that when you have been to one VA, you have been to one VA. I personally do not find that funny. This organization has languished progress in IT modernization specifically because there is little to no standardization across the system. Ms. Riffel, has your staff begun efforts with VHA to standardize workflows for using the new financial systems across the country?

Ms. RIFFEL. Thanks for that question. Yes, so as I just mentioned, we have actually been working with VHA for the past couple of years. We have standardized their accounting classification structure at a certain level so that they will have visibility and to spend at an enterprise level. There is a few uniquenesses to VHA,

though, I would say. Some medical centers have spinal cord and injury activity, others have, you know, open heart surgery. Where necessary, we will look to be able to record and track cost for those specific organizations that are a little bit different.

Otherwise, from an accounting perspective, a lot of it is very similar and they are looking at it from a standardization perspective there. That does not mean that the business processes are universal at each medical center. Change management at VHA is going to be critical to make sure that we meet those users where they are. You know, how they operate at their medical center, what they do. We will work with them to make sure that we standardize as best we can their business processes. We absolutely are standardizing their accounting to be able to track.

Ms. CHERFILUS-McCORMICK. Given the uniqueness of the VA's facilities, each individual one, has it been difficult to identify best practices?

Ms. RIFFEL. Well, we have not gone out into VHA in earnest yet, but I can tell you that the senior executive that is leading that effort for VHA, and she actually has field experience, which I think is very good, she is looking to actually do that standardization where it makes sense within VHA.

Ms. CHERFILUS-McCORMICK. How long do you perceive that this process of standardization, identifying best practices will take?

Ms. RIFFEL. Well, our intent is that we will address that in the first couple of pilots so that we can make sure that we take the lessons learned from those pilots and that we are prepared at that point to evaluate can we accelerate VHA at all. You know, we want to get a couple of pilots under our belt to make sure that we get it correct for VHA.

Ms. CHERFILUS-McCORMICK. If we are looking at full implementation, what is the rough timeline?

Ms. RIFFEL. Right now on the schedule it is 2029. We actually have a sit-down schedule session with them coming up in the month of July based on the known direction now with supply chain. We will start to lay in that work a little bit more definitively with VHA now.

Ms. CHERFILUS-McCORMICK. What are the risks to success of FMBT if user adoption is not prioritized in the medical and contracting centers?

Ms. RIFEL. Obviously, you know, user adoption is front and center for all of us. I would tell you that our upfront, collaboration, and transparency with the users all the way from the senior executive down to the person doing the receding, is critical to being successful and, you know, meeting people where they are.

I feel like our program is structured in a manner that we are geared for success the way that we have approached the change management within VA. I have been with VA 37 years. I understand the cultural, you know, really difficult change that VA is going to undergo here. I think that you have to make sure that people are heard, they feel like they are heard, and you actually not just feel like, but that you are and that you are listening to them making adjustments where you need to.

Ms. CHERFILUS-McCORMICK. Now, Mr. Tapp, I saw you nodding your head, so I would like you to answer the same question. What

are the risks to success of FMBT if user adoption is not prioritized by VBA?

Mr. TAPP. You hit the nail on the head. The biggest risk is user adoption. In VBA, and I would definitely say across VA, we are in the people business. We are people serving people. As we start looking at iFAMS, it is so important that we keep our employees and the users of the system at the center. Again, as we implemented and started at the beginning, we use them as a part of our user stories and then use them as a part of the testing.

The most important thing as we look point forward, particularly for the General Operating Expenses (GOE) wave, is that training is not a one-time event. It is iterative and we have to be engaged. For me, particularly around iFAMS and its adoption, implementation, and to continue to be a part of the culture that we have as far as this is not a tool, it is a part of our culture. It requires that I am personally engaged in terms of reaching out to our user community to understand, number one, they have an advocate, number one. Number two is that you have someone who is going to listen. Number three, we have a great partnership and we will use that with Ms. Riffel and her team to continue to make the improvements that we need to so as different generations of users come on board, that they are able to use the system, get the training they need to be successful.

Right now, we have at least three generations of users, folks who are 5 years or less, people who are mid-tier, and some folks who have been working with VA for two decades or longer. Each of them see the system differently. We have to make sure we meet them all where they are from a training perspective.

Ms. CHERFILUS-MCCORMICK. Thank you so much. Mr. Chairman, I yield back.

Mr. ROSENDALE. Thank you, representative. Representative Self, you are recognized your 5 minutes.

Mr. SELF. Thank you, Mr. Chairman. I have been doing some scratching here, and I am with the Chairman. I just cannot make the figures work. What are you using as an estimate of inflation? Let us just start there.

Ms. RIFFEL. Yes, so, sir, I will have to take that for the record, but we certainly can give you the detail and the methodology behind our lifecycle cost estimate.

Mr. SELF. That is going to degrade your figures here.

Ms. RIFFEL. Yes.

Mr. SELF. Is this scalable, because it looks to me like, of the users that you gave us, you have got about less than 4 percent of your users are currently on the system. If I am reading your charts right, you have already used right at 25 percent taking out operations and maintenance. I just do not know how you are going to get there.

Let me ask you a specific question, though. There is a huge percentage of your implementation—your development and implementation costs—in project management. Break down for me of your development cost and implementation cost—and let us get a little more granular than your chart—how much is let us just use procurement, training, infrastructure, organizational, organizational

change. I am just trying to get a handle on why there is such a huge percentage in program management.

Ms. RIFFEL. Yes, thanks for that question. I can partially answer, sir, is the program management includes implementation cost are within that particular category, as well as organizational change management. In the piece for technology, that is really the hardware and some of the licensing and, where appropriate, the interface development work there. That is where I can tell you the preponderance of the category of things that make up those cost components.

Mr. SELF. I question your lifecycle the way you have got it laid out. I just do not think you have got enough to get it done. We will see if it is—because you are going to have to get a whole lot more efficient as you move forward.

Ms. RIFFEL. Yes.

Mr. SELF. A whole lot more efficient.

Ms. RIFFEL. Yes, we would expect to get efficient. The other thing I would just offer, which is part of the GAO audit, sir, is we have an independent group doing a lifecycle cost, independent lifecycle cost right now for the program. That will certainly inform us if we are off base with what we have done ourselves on this cost estimate. That is expected in the December timeframe, sir.

Mr. SELF. Well, I will tell you in the GAO summaries of these eight that we mentioned, eight recommendations that we mentioned, the word metrics is scattered throughout many of them. I think that goes back to what I am asking here. What are the metrics of moving forward that you are going to have to meet in order to meet your goals? I look forward to that explanation. Thank you. Mr. Chairman, I yield back.

Mr. ROSENDALE. Thank you very much, representative. Ms. Riffel, separate from your FMBT project, VA has attempted two different supply chain modernization efforts over the past 4 years. I understand that you need to integrate the iFAMS system with an inventory management system, and you still do not know what the inventory management system is going to be. First of all, how long have you been waiting for this decision and what problems has the uncertainty caused?

Ms. RIFFEL. Thanks for that question. As I indicated, we have been continuously working with VHA. Even absent understanding what the future supply chain solution was, there was still valid work that we could do with VHA to move that particular implementation forward, which we continue to do. In terms of the inventory package, because we are going to be implementing with legacy, at least right now in the beginning, until enterprise supply chain is known, we will integrate with the generic inventory package, which is part of the Veterans Health Information Systems and Technology Architecture (VistA) application in order for the facilities to maintain their inventory levels. We do not want to do any disruption to what happens today.

Mr. ROSENDALE. Do you anticipate, because of working with these other programs and the investment of time and energy and resources that you are using, that you are going to—once another decision is made—that you are going to have to go through all of

the conversion work and everything again, to have this duplication of efforts when a final decision is made?

Ms. RIFFEL. In terms of conversion, for us, it would be no. Certainly, supply chain will have to evaluate how they are going to do conversion activities. We would want to be in alignment where there is interdependencies on that data, and we would certainly work toward that with them once they understand exactly where they are going. We have accounted for understanding that once they get an enterprise solution and the integration is known that we will move to that at that point. We understand that, and we are, you know, going to continue and work that direction.

Mr. ROSENDALE. Okay. Right on that same line, what capabilities does the interim state lack that are supposed to be in the final State, and what do you need in order to proceed to that final state?

Ms. RIFFEL. Yes, so I can respond as it relates to the iFAMS solution. What we are doing is implementing the inherent Momentum Commercial Off-The-Shelf (COTS) functionality across the enterprise. There is two major components that are specifically supply chain driven that obviously iFAMS does not do. One is the catalogue ordering capability where they need to go in and determine what they are ordering out of the catalogue. The other is the inventory piece.

The other components that IFCAP performs today, iFAMS will do. Again, we will work directly with, and we have commitment from supply chain on our legacy, you know, integrating with legacy. It is a slightly different group, but we will want to work in close coordination because obviously we are touching VHA. It could impact patient care, all of that. Very mindful of that.

Mr. ROSENDALE. How long have you been waiting for the decision to find out exactly what you are going to be dealing with for this other system?

Ms. RIFFEL. For us, particularly, and I do not want to speak for supply chain because I am not sure how long they have been working the effort, but for us directly, it is probably been, you know, almost close to 2 years. As I indicated, we continued to work with VHA in the absence of understanding what that would look like. I do not think that we have had like significant wasted time. We have continued to move that effort forward.

Mr. ROSENDALE. Okay. Mr. McCune, is this a technical problem or a lack of management?

Mr. MCCUNE: Sir, I appreciate the question. I think I would defer to the supply chain program office. I am not sure we have got the right people here to answer that question today. I would be happy to take that for the record.

Mr. ROSENDALE. Please do. Please do. You cannot address a problem if you do not know what it is and who is responsible for, you know, bringing the answer forward. Please have them check in.

Mr. Dahl, your office has written many reports about problems with VA's inventory management and the current inventory system called Generic Inventory Package (GIP). How much improvement will adding iFAMS make? What else does VA need to truly improve the inventory management?

Mr. DAHL. I think an updated system is obviously overdue. GIP is an old system as well. You know, again, though, people are in-

volved. Part of the issues we see when we go out is that, you know, people are not accurately tracking what they take or what they put into inventory. We go to facilities where they are not using, you know, barcodes. They are ordering based on walking rather than, you know, relying on automated software that should trigger ordering.

Mr. ROSENDALE. Some of this stuff is just personal responsibility. People not taking the initiative to do what they are supposed to do, to follow process.

Mr. DAHL. I would say that that is certainly part of it. Part of it could be the frustration with the system.

Mr. ROSENDALE. Okay. Well, that is the purpose.

Mr. DAHL. Right.

Mr. ROSENDALE. Right. Right, right, okay. Thank you very much. Representative Cherfilus-McCormick.

Ms. CHERFILUS-MCCORMICK. Thank you, Mr. Chairman. Mr. Dahl, what are the risks at VA for not standardizing their financial management practices and implementing this system?

Mr. DAHL. Well, I talked a little bit about, you know, continuing material weaknesses would be likely. They would still be doing the manual workarounds for certain things. I would say bigger picture, you have to look at it that VA recognized the need to replace FMS more than 2 decades ago. They were not successful with Core Financial and Logistics System (CoreFLS) or Financial and Logistics Integrated Technology Enterprise (FLITE). They are now working with iFAMS. I would say that, you know, if this system is not successful, how much longer will it take to get a modern system? How much effort? How much financial resource? I am very hopeful that iFAMS is going to be successful, because obviously we are dealing with a system that is 40 years old, and it is not meeting the needs. It really is, I think, vital that VA does all they can to get this system online.

Ms. CHERFILUS-MCCORMICK. Now, I have a broader question which is in the same vein. What would it take for VA to change their culture around IT modernization? We have seen the issue from your report with compliance, with cybersecurity, best practices. I am assuming there is an even larger issue that have contributed to the lack of success for all IT modernization programs.

Mr. DAHL. I think that VA is in a challenging situation right now, needing to replace these number of major systems all at once. I think it is an opportunity right now for improved communication and coordination with the various aspects of the Department that need to be involved in these.

I think that there is opportunities or a need for people to engage the stakeholders, adequately define requirements, come up with reliable and reasonable project schedules, cost estimates. I think it is important that they do systems testing, that user feedback stays at the forefront, that they consider the concerns of the users. That they take the lessons learned from whatever system they are currently working or any other system that they have implemented in the recent past, take those lessons learned and go forward with that.

Ms. CHERFILUS-MCCORMICK. Mr. McCune, could you please answer the same question? What would it take to change the culture?

Mr. MCCUNE. Thank you for the question. I think what we are finding is that all these programs are not the same, right. Some of them, FMBT in particular, has the advantage of an early start, and we are definitely looking at best practices from FMBT and applying those to the other products. I am excited about what we are seeing on FMBT, the success to date. Certainly, that early coordination, particularly that business process reengineering that happens early to make sure we have got consistency and standardization on the business processes, the incremental releases, the wave strategy, which allows you to do multiple things in parallel. Those are all best practices that we are seeing on FMBT, and we are looking at applying those elsewhere as well.

Ms. CHERFILUS-MCCORMICK. How could Congress assist and support you in changing that culture?

Mr. MCCUNE. I think Congress is supporting us in that, and we certainly welcome your ongoing support.

Ms. CHERFILUS-MCCORMICK. Thank you so much. Mr. Chairman, I yield back.

Mr. ROSENDALE. Representative Self.

Mr. SELF. Thank you, Mr. Chairman. I am not going to be-labor this, but my questions, I will turn to the Fiscal Year 2022 audit findings. There are 10 findings here of the previous year's findings. Of the 10, three are modified repeat material weaknesses. These are financial audits. Two are significant deficiencies. Five are non-compliance. Those are the internal audits, I do believe. Mr. Dahl, would you like to comment on these 10?

Mr. DAHL. VA has a number of challenges. We have talked quite a bit today about the financial management and reporting systems. That is a material weakness. It is not likely to go away without up-grading and getting a modern system online. We are likely years away from that. Other material weaknesses revolve around information technology security, and over at VBA, the need to work on the estimates for future liabilities. Those are the ones that the auditors are most concerned with, the material weaknesses. You are right, we find the same or almost the same thing year after year.

Mr. SELF. I think that is my point. How can you assure us that this time it is going to be different? The Chicago Cubs did that for 50 years.

Mr. DAHL. Yes, my Red Sox did it for longer, unfortunately. You know, I wish I had a crystal ball and could say that this is going to solve all of VA's problems, but it is not. This is just one piece. It is a significant piece. It is one piece of VA's solution toward having an easier time of getting a clean audit opinion.

Mr. SELF. Thank you. Mr. Chairman, I yield back.

Mr. ROSENDALE. Thank you, representative. I have just one more question, Ms. Riffel. According to your schedule, the iFAMS system will not be implemented in the majority of the Veterans Health Administration for another 4 years. It will not be implemented in the Veterans Benefits Administration Disability Compensation Service, which spends more than half of the Department's entire budget, until 2029. When do you consider the project to have reached critical mass and demonstrated success?

Ms. RIFFEL. Yes, thanks for that question. One of the things I would like to point out about Veterans Benefits Administration is that although we still have loan guaranty, Compensation and Pension (C&P), and education, and insurance left to do, we do have approximately 70 percent of their expected users in the system right now. Most of the work with these mission critical programs is surrounding interface work. They have about 100 users for each one of those programs that will come on to support those programs. I just want to point out for VBA, we do have a large percentage of those users in the system.

For VHA, as I mentioned earlier, we are in the process now of laying out what their schedule will actually look like given the direction with supply chain. I do believe that, you know, once we get a couple of pilots, get lessons learned, make any modifications we need to, we will look for opportunities in the future to accelerate that. I would say, and I do not want to speak for Charles, but I think for VBA, as we rebaseline the VBA schedule, we will certainly look to work with VBA to try to accelerate the remainder of that work.

Mr. ROSENDALE. Okay. Any more questions?

Ms. CHERFILUS-McCORMICK. No.

Mr. SELF. No.

Mr. ROSENDALE. Representative Self. Okay. I would like to thank all the witnesses for their testimony today, and the panel is excused from the witness table. With that, I will yield to Ranking Member Cherfilus-McCormick for your closing statement.

Ms. CHERFILUS-McCORMICK. Thank you, Chairman Rosendale. I appreciate the testimony and answers from our witnesses this afternoon. I feel there is consensus on what we need to do to move forward and be successful. I truly do not want to see this program suffer the same fate as other modernization programs. I feel that the management in charge is very capable of succeeding, but I want to ensure she is not burdened by the lack of success of other failed programs. Employees, veterans, and Members of Congress have had enough with the current lack of success, and I look forward to working together to ensure we have more positive outcomes in the future. Thank you, Mr. Chairman. I yield back.

Mr. ROSENDALE. Thank you, Ranking Member Cherfilus-McCormick. I want to thank the witnesses for joining us this afternoon. Congress has always prioritized veterans' healthcare and benefits, and the size of the VA budget, $325 billion, reflects that. It is inexcusable and downright irresponsible for the Department to be managing that much money with an accounting system that is barely functioning.

The FMBT program has to succeed, and despite some significant bumps in the road, I do believe that it can. We need to see the iFAMS system rolled out to the key offices that handle the majority of the VA budget. This committee will be watching if the improvements that have been promised are actually delivered. We will be monitoring whether this project is able to hit its timelines and recover its delays. I am committed to keeping it moving forward, not stumbling repeatedly like the EHRM system. No more projects can be permitted to fail again and again yet continue to receive funding from the taxpayers. That is unacceptable.

With that, I ask unanimous consent that all members have five legislative days to revise and extend their remarks and include extraneous material. With no objection, so ordered. This hearing is adjourned.

[Whereupon, at 4:18 p.m., the subcommittee was adjourned.]

A P P E N D I X

PREPARED STATEMENT OF WITNESSES

Prepared Statement of Teresa Riffel

Good afternoon, Chairman Rosendale, Ranking Member Cherfilus-McCormick, and Members of the Subcommittee. Thank you for the opportunity to testify today in support of the Department of Veterans Affairs' Financial Management Business Transformation (FMBT) program and its implementation of the Integrated Financial and Acquisition Management System (iFAMS). I am accompanied by Daniel McCune, Deputy Chief Information Officer for Software Product Management and Charles Tapp, Chief Financial Officer of the Veterans Benefits Administration.

VA cannot continue to rely on its legacy financial management system due to the enormous risk it presents to VA operations. It is becoming increasingly difficult to support the antiquated application from a technical and functional ability standpoint, and VA cannot correct new audit findings. In addition, our legacy financial system is not compliant with today's internal control standards. As a real-world example of the frailty of our current financial system, while it was down for year-end annual processing last October, unforeseen problems arose that very nearly kept us from bringing the system back up, which would have been catastrophic. VA has overcome cultural, technical, and operational challenges that have been building for over 30 years, and our embedded Change Management efforts have helped ease the transition to the iFAMS solution.

I am proud to report that iFAMS is no longer a proof of concept, and it is successfully replacing VA's antiquated, 1980's-era financial management system. It has been successfully up and running at VA for almost three years. VA completed six successful deployments of iFAMS, encompassing 20 offices and 4,700 users across the enterprise. That includes the entirety of the National Cemetery Administration (NCA), a portion of the Veterans Benefits Administration (VBA), and several major staff offices, including Office of Information and Technology and Office of Inspector General. iFAMS users have collectively processed over 3.5 million transactions, representing almost $10 billion in Treasury disbursements. iFAMS is stable and achieving over 99.9 percent uptime. On June 12, 2023, VA went live with its largest deployment to date, increasing the current user base by 60 percent. It was also the first time VA went live simultaneously with both the finance and acquisition components of iFAMS—which demonstrates iFAMS is a viable solution capable of becoming the next generation financial and acquisition solution for VA.

It's important to understand that iFAMS is not just a new core accounting and acquisitions system. It is crucial to transforming VA's business processes and capabilities both so we can meet our goals and objectives in compliance with financial management legislation and continue to successfully execute our mission to provide Veterans with the health care and benefits they have earned and deserve. With so much at stake, both in terms of taxpayer dollars and the Department's ability to serve Veterans, it is vital that VA accurately track and report how funds are used. Fortunately, iFAMS significantly improves funds tracking capabilities, which—among many other benefits—will help ensure proper tracking of PACT Act expenditures.

Through the use of iFAMS, VA is increasing the transparency, accuracy, timeliness, and reliability of financial information. VA is gaining enhanced planning, analysis, and decision-making capabilities because of improved data integrity, reporting functionality, and business intelligence. VA is demonstrating these achievements through a range of metrics and associated targets based on industry best practices.

iFAMS and process changes are part of VA's strategy to resolve long-standing financial material weaknesses and strengthen internal controls. For example, and in contrast to our current system which cannot capture transaction approvals, iFAMS routes documents to approving officials and allows supporting documentation to be attached directly to the transaction. Additionally, and unlike our current system, iFAMS requires additional levels of approvals for high-dollar transactions. iFAMS also eliminates the need for an external tool to adjust entries for financial reporting. Perhaps most importantly, iFAMS complies with reporting requirements from the

Office of Management and Budget and the Department of the Treasury to capture various account attributes and conform to the U.S. Standard General Ledger. VA's current system is unable to meet those requirements, which has led to extensive and inefficient manual workarounds, and iFAMS will remediate all of these. Achieving these improvements is well within our grasp, and we've proven iFAMS is a viable solution.

iFAMS does not operate in a vacuum. In fact, its connectivity to other key systems across the enterprise is what will make it powerful in remediating our long-standing financial weaknesses. We have numerous interdependencies with key feeder systems, many of which are also outdated. Establishing connectivity to these systems and verifying the accuracy of the data is both necessary and time-consuming. Accordingly, FMBT has a support contract specifically dedicated to developing iFAMS interfaces and converting data from legacy systems.

Our success has been and continues to be built on partnerships, mutual respect, and two-way collaboration with our users. Accordingly, iFAMS established a dedicated Chief Experience Officer to coordinate user interactions and change management activities. Through End User Validation and User Acceptance Testing sessions, we work with users to identify requirement gaps, test common scenarios, and execute end-to-end process flows. This due diligence establishes a layer of confidence that the system is configured to meet our end users' business needs.

To keep the users informed, we have a dedicated, experienced communications team who produces a wide range of frequent newsletters, email blasts, informational summaries, training reminders, and websites targeted and tailored to each organization and type of end user. This communications engagement starts as soon as an implementation wave begins and lasts through go-live and beyond. We also produce live and pre-recorded webinars, process reviews, and system reviews to give future end users a foundation for subsequent training activities.

In addition to the system training before go-live and the sustainment training after go-live, users must complete a financial core competency curriculum which assigns specific courses based on their role in iFAMS. Prior to go-live, authorized users have access to sandbox environments for risk-free practice and experimentation in the system. Once user preparation leading up to go-live is complete, the iFAMS Service Desk provides support immediately following each go-live. This support continues uninterrupted until the customer agrees that the system is functioning properly, and users are proficient in the system.

FMBT's change management practices place a heavy emphasis on continuous improvement. Using customer feedback, our own observations, audit findings, and industry best practices, we establish lessons learned during each wave and incorporate those lessons into subsequent wave deployments. We incorporate user feedback into the periodic system enhancements we deliver to improve the end user experience. For example, following our first go-live, we heard from the customer that certain forms and screens in iFAMS had unnecessary fields for some of their users, which caused a frustrating amount of effort to accomplish their tasks. We took that feedback to heart and developed a simplified interface for those users, which we call iFAMS EZ. This simplified interface was so well received that we developed two additional iFAMS EZ interfaces for other user groups. This exercise gave our team valuable experience with a human-centered design approach, which we are applying to future deployments.

Since the program's inception in 2016, iFAMS has implemented an Independent Verification and Validation capability into our operating framework to provide an objective assessment that the system is delivering on defined requirements and performance standards. We are looking forward to a major upgrade of the iFAMS software in December 2023, which will bring a range of technical improvements and usability enhancements to the system.

We are also well into the VBA Loan Guaranty implementation, which handles a particularly high volume of financial transactions. In 2021, VBA guaranteed over 1.4 million loans, and the estimated loan amounts for 2023 total to over $314 million.

Last month, VA held a three-day in-person working session with VBA leadership and subject matter experts to revalidate system requirements and review the schedule. We are currently evaluating the outcomes of that session and will deliver an updated schedule next month for the VBA Loan Guaranty implementation.

Our implementation strategy for VA's largest administration, the Veterans Health Administration (VHA), is evolving. As the Department works to modernize its Supply Chain Program, FMBT will initially integrate with legacy supply chain systems, then once it is available, the future enterprise supply chain solution.

While FMBT works hard to meet defined milestones in our project schedule, we recognize the need to be flexible. Adapting to new information and circumstances

is critical to our success, and we have demonstrated this flexibility by continuing to move forward while making improvements. This is made possible through our Scaled Agile approach that supports multiple concurrent implementations and an iterative delivery of system functionality. Because Agile requires constant customer engagement and frequent testing, we can identify issues much earlier than in traditional program management approaches. This process of continuous improvement helps reduces the amount of future rework and allows the program to pivot as needed.

FMBT continues to stay on budget despite changes. Our successes would not be possible without the ongoing support of Congress, and we appreciate the opportunity today to discuss this important initiative. We will continue to work judiciously, with Veterans foremost in mind, to modernize VA's financial and acquisition management system, and provide you with updates as we make further progress. FMBT FY 2022 program costs were 7.8 percent under projections while costs from inception through FY 2022 are 8.75 percent over projections. The general industry standard for project management considers variances over 10 percent to be significant—and we are well within that range.

Separate from our operating budget is FMBT's program life cycle cost estimate. Per the FY 2022 life cycle cost estimate, the total program cost estimate is now $7.46 billion compared to the previous year's estimate of $3.24 billion. This difference is due to expanding the cost estimate to encompass all 37 years of the projected useful life of iFAMS, which was done in accordance with the latest GAO Cost Estimating and Assessment Guide. The life cycle cost estimate now extends through the end of FY 2047.

In addition to providing their helpful cost estimating and scheduling guides, GAO has conducted two audits of the FMBT program, each lasting about 8 months in duration and involving dozens of document requests, briefings, and personnel interviews. Of the eight recommendations in those two reports, only one remains open, and it will be closed this December following completion of the Independent Cost Estimate.

FMBT also completed a 21-month Inspector General (IG) audit of our NCA deployment. Of the five recommendations in that report, we have submitted three for closure and are addressing the remainder. Two additional IG audits of iFAMS acquisition functionality and iFAMS training are in progress. We are in compliance with the initial reporting requirements established by the Department of Veterans Affairs Information Technology Reform Act of 2022, which was part of the Cleland-Dole Act in the recent appropriations act. As variances arise, we will provide notification as the Act requires. Although we are encouraged by our success to date, we are keenly focused on the difficult work that lies ahead and are steadfast in our commitment to see this initiative through its successful conclusion.

Chairman Rosendale, Ranking Member Cherfilus-McCormick, and subcommittee members, this concludes my opening statement. I would be happy to answer any questions.

Prepared Statement of Sidney Getz

INTRODUCTION

Chairman Rosendale, Ranking Member Cherfilus-McCormick, and other distinguished members of the Subcommittee on Technology Modernization, my name is Sidney L. Getz. I am a Senior Vice President at CGI Federal Inc. ("CGI Federal"). CGI Federal, a wholly owned U.S. operating subsidiary of CGI Inc. ("CGI"),[1] is dedicated to partnering with federal agencies to provide solutions for defense, civilian, healthcare, justice, intelligence, and international affairs missions. For the last 5 years, I have served as the Project Manager on CGI Federal's contract with the Department of Veterans' Affairs (the "VA") for the Financial Management Business Transformation ("FMBT") Program. On behalf of CGI Federal's 7,100 dedicated employees providing services to over 100 departments and agencies across the federal

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[1] Founded in 1976, CGI is among the largest independent information technology ("IT") and business consulting services firms in the world. With 90,250 consultants and professionals across the globe, CGI delivers an end-to-end portfolio of capabilities from strategic IT and business consulting to systems integration, managed IT and business process services, and intellectual property solutions. CGI works with clients through a local relationship model complemented by a global delivery network that helps clients digitally transform their organizations and accelerate results.

government, I am pleased to submit this written testimony to the Subcommittee on the status of the VA's FMBT Program.

FMBT PROGRAM OVERVIEW

In 2016, the VA established the FMBT Program to modernize its legacy core Financial Management System ("FMS") in accordance with the Office of Management and Budget ("OMB") Memorandum M–13–08, *"Improving Financial Systems through Shared Services,"* dated March 25, 2013. This modernization initiative seeks to enable the VA to, among other things: (1) produce enhanced performance information to improve strategic and daily decision-making; (2) provide improved data analysis, data management, automated data reconciliation, and automated consolidated financial statements; (3) meet applicable federal accounting regulations; (4) maintain clean audit opinions; and (5) accommodate new regulatory requirements to avoid material audit weaknesses and/or significant deficiencies.

Since 2016, CGI Federal has been under contract to support the VA's FMS modernization effort. The primary objective of CGI Federal's 10-year FMBT contract with the VA is to deploy a new, OMB-approved financial management system at the VA using CGI Federal's Enterprise Resource Planning ("ERP") system. CGI Federal's ERP system, known as Momentum Financials and Acquisitions ("Momentum"), already is operational at many federal government agencies, including four cabinet agencies.

To accomplish this complex modernization effort, the VA is executing the FMBT Program through an incremental deployment approach by migrating its current financial management and acquisition environment to the new Integrated Financial and Acquisition Management System ("iFAMS") using CGI Federal's Momentum cloud-based solution and an Agile implementation methodology. Each deployment, referred to as a "wave," delivers capabilities to a subset of the VA organization. The work in each wave includes: defining the VA organization(s) covered; clarifying the Treasury symbols involved; reviewing the business processes and appropriately configuring iFAMS; testing; business intelligence; conversion of data from legacy systems; interfaces; organizational change management, communications, and training; and cutover planning.

To date, the FMBT team has completed six waves, going-live with: (1) finance users at the National Cemetery Administration ("NCA") in November 2020; (2) finance users at the Veterans Benefits Administration ("VBA") for General Operating Expense in February 2021 (Phase 1); (3) finance users at the VBA for General Operating Expense in May 2021 (Phase 2); (4) acquisition users at the NCA in April 2022; (5) finance users at the Office of Revolving Funds, the Office of Enterprise Asset Management, the Board of Veterans Appeals, and the General Administration in October 2022; and (6) finance users at the Office of Information and Technology ("OIT") and finance and acquisition users at the Office of Construction and Facilities Management ("CFM") and the Office of Inspector General ("OIG"), all in June 2023. In addition, the FMBT team currently has two additional waves in progress at the VBA Loan Guaranty Service and the Veterans' Health Administration ("VHA").

KEY BENEFITS REALIZED

While there are still milestones and challenges ahead, the FMBT Program is delivering on its promise to modernize the VA's FMS. For example, there are currently 4,700 live users in 20 different VA offices in iFAMS. These users have processed over 3.5 million iFAMS transactions, use iFAMS to view approximately 8,500 business intelligence reports every week, and have disbursed over 8.5 billion dollars through the U.S. Treasury.

To date, the iFAMS implementation has delivered the following benefits to the VA:

- **Improved strategic and daily decision-making**:

  o **iFAMS data is more timely and accurate**. By eliminating legacy systems, more transactions are processed in iFAMS to update budgets in real time. Unlike FMS, the iFAMS general ledger is updated in real time as opposed to on a nightly batch basis. Finally, iFAMS also interacts directly with federal-wide solutions such as Treasury's G-invoicing and Collections Information Repository ("CIR"), HHS' Payments Management System for Grants, and the U.S. Bank's purchase and fleet cards.

  o **New Account Code Structure (ACS)**. The new ACS provides standardization across the VA and complies with federal policies and guidance, including the Treasury's U.S. Standard Standard General Ledger ("USSGL") and OMB Circular A–11, *Preparation, Submission, and Execution of the Budget, at Section*

83, Object Classification (Max Schedule O), which classifies IT obligations among various object classes. As a result, iFAMS has a federally compliant, enterprise-wide accounting classification structure that includes a uniform chart of accounts, object classes, fund codes, programs, and projects that will drive standardization across the VA, improve data integrity and the accuracy of financial reporting, and greatly improve auditability, while simultaneously being flexible enough to accommodate the unique business needs of the VA's various lines of business.

o **Accessing the data is easier**. iFAMS reports provide quick access to data refreshed on an hourly basis, replacing legacy reports refreshed on a daily basis. For example the iFAMS NCA "blotter" report, which helps NCA cemeteries review their budgets and spending, is refreshed every hour. The legacy process for developing the same report was a time-consuming, resource intensive MS Excel spreadsheet-based process.

o **iFAMS data analysis tools are flexible**. iFAMS allows users to quickly filter, slice, and dice report data, reducing the need for *ad hoc* report requests and data calls. In the legacy reporting solution, users must either re-run the report with different parameters or download large amounts of data into MS Excel spreadsheets and create their own reports.

o **iFAMS data can be consolidated to all hierarchical levels of the enterprise**. Users with appropriate permissions can run the same reports to view data at the enterprise level, the administration level, or at lower levels of an administration. Because data is standardized across the enterprise, iFAMS provides VA management with enterprise-wide visibility into financial and acquisitions data and the ability to "roll up" or "drill down" into specific data as needed.

- **Process Automation**:

  o iFAMS produces the Government-wide Treasury Account Symbol Adjusted Trial Balance System ("GTAS") reports directly out of the core financial system rather than an external system, speeding up the process and making it less prone to manual error.

  o Contract writing is more integrated with financials. With commitment accounting now available in iFAMS, funds are set-aside (committed against the budget) for future awards and those committed funds are then promptly and accurately obligated in iFAMS in real time upon contract award. With iFAMS, Contract Officers now have visibility into the contract award itself, as well as all financial transactions against the awarded contract. This capability also supports acquisition planning for contract extensions and renewals as well as contract closeout by reducing outstanding undelivered orders ("UDOs").

  o Payments from the Invoice Payment Processing System ("IPPS") are processed in near real time in iFAMS, identifying errors more quickly than batch processes and resulting in faster payments to vendors.

  o New, non-contract vendors are updated automatically in iFAMS from the vendor portal.

  o iFAMS has a more robust and auditable workflow process. For example, iFAMS: permits users to attach supporting documentation; allows for multiple levels of approval depending on dollar amount; and notifies users via email and dashboards if they need to take action such as transaction approvals.

- **Meeting applicable federal accounting regulations**:

  o Critically, iFAMS brings the VA into compliance with the following federal accounting standards and best practices:

    - OMB Circular A–11, Section 83 to Level 3 for Object Classes;
    - USSGL-compliant General Ledger ("GL") Accounts and posting models aligned to Treasury Account Transactions and capture of required reporting attributes for federal reporting;
    - Internal Controls and VA policies are integrated into iFAMS businesses processes;
    - iFAMS captures data at the transaction level to support internal and federal reporting standards;

- Reduced use of Journal Vouchers due to compliance with the USSGL GL Accounts and associated attributes (e.g., federal and non-federal, trading partner, etc.); and
- Compliance with Reimbursable Authority regulations.

- **Maintaining clean audits**:

  o The VA has maintained a clean audit opinion since the first iFAMS go-live in November 2020.

- **Accommodating new regulatory requirements**:

  o CGI Federal releases periodic Momentum software updates to allow federal agencies to keep current with new regulatory requirements. The VA deploys regular iFAMS upgrades and plans to implement the next upgrade in December 2023. A recent example is the March 26, 2022 iFAMS upgrade to version 7.9 of Momentum, which included new functionality to comply with the Treasury Department's October 2022 G-Invoicing implementation deadline for new orders.

KEY PERFORMANCE FACTORS

On complex programs like FMBT, success often depends on diligent stakeholder focus on key performance factors to keep things on track. Several key factors have contributed to the progress achieved by the FMBT Program to date, including:

- **Collaboration and Transparency**:

The FMBT team, led by Deputy Assistant Secretary ("DAS") Terry Riffel, and CGI Federal have, from the very beginning, operated with a high degree of collaboration, transparency, and sound governance. This same collaborative approach extends to other key FMBT "partners" such as: the Office of Acquisitions and Logistics ("OAL"); the Financial Services Center ("FSC"); the Office of Management ("OM"); the Office of Information and Technology ("OIT"); program advisors and subject matter experts from across VA Administrations and Staff Offices; and other FMBT contractors responsible for program support, conversion and interface development, and independent verification and validation ("IV&V"). This culture of collaboration and transparency lowers program risk by encouraging an environment where all partners speak freely with each other, collectively identify and share risks and issues early, and then work as an integrated team to resolve issues and mitigate risks. As DAS Terry Riffel often says, "We are one team."

- **Enterprise-Wide Standardization**:

One of the first activities conducted by the FMBT Program, in collaboration with the VA Administrations and Staff Offices, was to identify the financial and acquisition business processes and financial and acquisition data that could be standardized throughout the VA enterprise. These processes and data were then configured in iFAMS (the "Enterprise Configuration") and now act as a starting point for the configuration of the system for each wave of users and functionality. Standardized processes encourage the creation of a reliable and accurate set of process descriptions, streamline training, reduce errors, and simplify customer support. Data standardization facilitates the ability to view consistently defined and edited data at various levels of the VA organization, including Staff Office and Division-level, Administration-level, and Enterprise-wide reporting. Data standardization also supports compliance with federal financial and acquisition reporting. While business process and data standardization are important program goals, the FMBT team recognizes that the many different lines of business at the VA require unique iFAMS configurations to meet their specific business needs. The iFAMS configuration model anticipates this requirement. In fact, an early step in each wave is to identify and incorporate these unique business processes, while still maintaining the iFAMS data standards.

- **Incremental Approach**:

Implementing iFAMS across the VA enterprise is a complex endeavor. To reduce program risk, the VA has wisely chosen a SAFe Agile-based implementation philosophy to execute the FMBT Program. At a macro level, the enterprise user base is divided into logical groups and then each user group is added to iFAMS incrementally in a "wave." As mentioned earlier, the FMBT team has completed six waves successfully. At a micro-level within each wave, the FMBT team also proceeds iteratively in 3-week "sprints," consulting with user representatives throughout each sprint. This incremental approach reduces program risk by allowing future users to review work in progress and provide early

feedback that allows the FMBT team to adapt quickly. The net effect of this incremental approach is to mitigate and reduce costs by identifying and resolving issues early while associated impacts are manageable.

- **Continuous Improvement**:

  Another benefit of the Program's incremental delivery approach is that it allows the FMBT team to capture lessons-learned and implement those lessons in the next sprint. The FMBT team uses this approach in the areas of change management, training, iFAMS user configuration, Operations & Maintenance, and even wave management. While there are always improvements and enhancements borne from user experience in the production environment on complex programs like FMBT, CGI Federal believes that the FMBT team is well equipped to address those challenges as they arise. An example of such an improvement is the creation of the so-called "EZ" web pages for occasional users, which used a human-centered design approach to reduce the number of required data elements to improve the user experience.

  The FMBT team also recently launched a continuous improvement initiative. The focus of this initiative is to work with already-live iFAMS users to identify, prioritize, and resolve any areas of concern using a variety of approaches including business process reengineering, additional training, iFAMS configuration changes, automation, Artificial Intelligence and Machine Learning, as well as potential changes to CGI Federal's baseline Momentum software.

  Finally, CGI Federal routinely seeks input from the Momentum user community for planning improvements and future software releases. A VA working group already is working with CGI Federal's Momentum product development team to define new contract-writing features that will be included in future Momentum software releases.

- **Change Management**:

  iFAMS represents a significant change for users who are accustomed to using legacy systems and processes that have been in place at the VA for over 30 years. The FMBT team employs industry best practices for change management to engage and train users and promote user adoption. The FMBT team understands the need to capture lessons-learned from each wave deployment and incorporate those lessons into the change management and training approaches for the next wave deployment. By following this process, the FMBT team expects to continuously improve user adoption and minimize the stress of change on the VA user community. For example, a lesson learned from prior waves is not to wait until the latter part of the wave to match users with their iFAMS roles. In the VHA wave now under way, the FMBT team plans to identify user roles early in the process, which is expected to facilitate improved user communications throughout the wave.

CONCLUSION

CGI Federal appreciates the urgency of fully implementing iFAMS as quickly as is feasible and stands ready to work with its FMBT partners to do just that. CGI Federal is extremely proud to support the FMBT Program in helping the VA improve its financial and acquisition processes. While the work is challenging, every CGI Federal member on the FMBT team is dedicated to the mission and takes great pride in serving our Nation's Veterans.

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Prepared Statement of Nick Dahl

Chairman Rosendale, Ranking Member Cherfilus-McCormick, and Subcommittee Members, thank you for the opportunity to discuss the Office of Inspector General's (OIG) oversight of VA's work to modernize its finance and accounting systems, and to address longstanding financial management challenges.

VA has faced significant challenges with improving its financial processes and systems—some of which result from deficiencies in information technology and lack of controls, while others are due to weaknesses in governance or the clarity of roles and responsibilities. More effective financial management is key to VA's ability to better plan, direct, monitor, and control its resources. Advances could also enhance efforts to safeguard its assets and the timely payment of its obligations. Reliable and accurate financial information would help VA and Congress identify links between resources and results, and to understand and improve the value gained from appropriated funds.

As detailed below, since 2015, the audit of VA's financial statements has reported a material weakness due to problematic financial management systems.[1] VA's legacy core financial management and general ledger system, the Financial Management System (FMS), has limited functionality to meet VA's current needs. After failed attempts to replace FMS in 2004 and 2010, VA established the Financial Management Business Transformation (FMBT) program. FMBT's mission has been to increase the transparency, accuracy, timeliness, and reliability of financial information across VA, ultimately resulting in improved care and services for veterans and greater accountability to taxpayers.[2] Central to the FMBT program is the multiyear deployment of the Integrated Financial and Acquisition Management System (iFAMS) that began with the National Cemetery Administration (NCA) and continued with the Veterans Benefits Administration's (VBA) General Operating Expense Fund.

Prior modernization efforts failed, in part, because of poor planning and deficient execution of new information technology (IT) systems and challenges with transitioning from legacy systems. Decentralized oversight, unrealistic timelines, inadequate engagement of all stakeholders and end users, and minimal testing for some systems have plagued IT projects. The resulting delays, changes in direction and vendors, and user resistance all carry steep costs.

This testimony highlights (1) relevant financial management findings from the OIG's audit of VA's financial statements for fiscal years 2021 and 2022, (2) recent examples of how the lack of controls affected VA's ability to track COVID–19 supplemental appropriated funds, and (3) initial findings and recommendations from OIG's oversight of the iFAMS deployment. Taken together, these issues underscore the need for VA to address previously identified problems to successfully modernize its financial management system during this most recent effort.

FINANCIAL SYSTEMS AND REPORTING REMAIN A MATERIAL WEAKNESS IN THE AUDIT OF VA'S FINANCIAL STATEMENTS

The Chief Financial Officers Act of 1990, as amended, requires the OIG to conduct an audit of VA's consolidated financial statements. This work helps ensure accountability for taxpayer-funded resources. Since 2000, the OIG has contracted with an independent public accounting firm to conduct the detailed and time-intensive audit.

VA's consolidated financial statements are published in its mandated annual agency financial report.[3] These statements summarize VA's financial results, financial condition, and the status of budgetary resources. While VA has received an unmodified or "clean" opinion on its consolidated financial statements from the contract auditor, VA has continuously faced challenges in achieving those results. The contract auditor has regularly identified and reported on these "material weaknesses" and "significant deficiencies." [4]

In the audit for fiscal years 2021 and 2022, the auditor found three material weaknesses, all repeated in some manner since 2016, and two significant deficiencies.[5] The first material weakness highlighted the need for further improvement in VBA's processes for producing critical accounting estimates for veteran benefit liabilities that are reported in the financial statements. The second material weakness, most pertinent to this testimony, focuses on the limited functionality of FMS to meet VA's financial management and reporting needs. The third material weakness identifies IT security control weaknesses in configuration management, access controls, security management, and contingency planning.

The second material weakness addressing the limited functionality of FMS is manifested in several ways that affect VA's ability to be strong stewards of taxpayer dollars. VA has several legacy subsidiary IT systems that no longer meet financial management system requirements and do not have a two-way interface with FMS.

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[1] The audit reports of VA's annual financial statements can be found on the OIG's reports webpage at www.va.gov/oig/apps/info/OversightReports.aspx.

[2] This modernization effort also affects in various ways VA's work to modernize its supply chain infrastructure and information technology systems, including the electronic health record modernization program. The OIG has issued numerous reports and testified at congressional hearings on these endeavors (see the OIG website at www.va.gov/oig/).

[3] VA's consolidated financial statements can be found on their website at Agency Financial Report – U.S. Department of Veterans Affairs.

[4] A "material weakness" is a deficiency, or a combination of deficiencies, in internal controls related to a reasonable possibility that a material misstatement of VA's financial statements will not be prevented, or detected and corrected, on a timely basis. A "significant deficiency" is a deficiency, or combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by individuals charged with governance.

[5] VA OIG, Audit of VA's Financial Statements for Fiscal Years 2022 and 2021, December 7, 2022.

VA does not perform comprehensive reconciliations between these legacy systems and FMS. In addition, VA continues to record a large number of journal entries, which are manual adjustments to the accounting records, to produce a set of auditable financial statements. Manual adjustments carry an inherent risk of introducing errors into financial reports. VA also does not have a complete, centralized repository for all active agreements that it has with other federal agencies to support and facilitate reconciliation of account balances with those agencies.

Overall, VA's financial management systems do not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996. Additionally, over time, VA's complex, disjointed, and antiquated financial management system architecture has continued to deteriorate and no longer meets increasingly stringent and demanding financial management and reporting requirements mandated by the U.S. Department of the Treasury and the Office of Management and Budget (OMB). VA continues to struggle with consistently and proactively enforcing its policies and procedures for all legacy applications and systems. The most recent financial statement audit report made 25 recommendations pertaining to the three material weaknesses ranging from targeted actions to broad improvements in policies, processes, and systems—many repeated from prior years.

FINANCIAL MANAGEMENT SYSTEM INADEQUACIES HINDERED CONTROLS OVER COVID–19 SUPPLEMENTAL FUNDS

The deficiencies in VA's financial management system are illustrated in a series of OIG reports finding that VA has lacked assurance that funds allocated specifically for COVID–19-related purposes had been spent as intended.[6]

Following the issuance of OMB guidance for tracking and reporting supplemental funding, the OIG initiated a June 2021 review of VHA's efforts to establish financial oversight mechanisms.[7] The OIG found that VA did meet the Families First Coronavirus Response Act and the Coronavirus Aid, Relief, and Economic Security (CARES) Act requirements to submit reports to OMB and Congress. VA supplemented policies providing accounting structures to use during declared emergencies. However, the OIG identified concerns with the completeness and accuracy of VA's reports. VHA's reliance on several accounting subsystems for payroll and purchase card transactions required staff to manually identify and adjust COVID–19 obligations and expenditures to the proper accounts. VHA and VA's Office of Management implemented the OIG's recommendations to develop procedures to validate data to ensure that information in reports accurately represents the underlying source transactions.

To provide for greater oversight of VA's spending of these supplemental funds, the VA Transparency & Trust Act of 2021 (Transparency Act) requires the OIG to report semiannually on VA's actual obligations and expenditures of the supplemental funds compared to its plans.[8] To date, the OIG has published three reports. The inaugural report concluded that VA only partially complied with the Transparency Act. The OIG found it was unclear whether all of the planned uses of America Rescue Plan (ARP) Act of 2021 funds were captured in the plan VA submitted to Congress, as the plan did not include a projected cost to support maintaining IT projects originally started with CARES Act funds.[9] The OIG made two recommendations to the assistant secretary for management/chief financial officer, and both were closed after VA provided sufficient evidence of implementation progress.

In the second Transparency Act report, the OIG found VA generally complied with the act because justification was provided for spend plan programs, which were generally aligned with expenditures.[10] However, VA relied on expenditure transfers (a

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[6] Congress provided VA with $60 million in pandemic-related supplemental funding in the Families First Coronavirus Response Act and then another $19.6 billion through the Coronavirus Aid, Relief, and Economic Security Act. About $17.2 billion of these funds was appropriated to the Veterans Health Administration (VHA), including $14.4 billion allocated to the VHA medical services fund, which is the fund for direct patient care. Families First Coronavirus Response Act, Pub. L. No. 116–127, 134. Stat. 178 (March 2020); Coronavirus Aid, Relief, and Economic Security Act, Pub. L. 116–136, 134 Stat. 281 (March 2020). Later, in March 2021, VA received another $17.1 billion in supplemental funding from the America Rescue Plan Act of 2021 (ARP). ARP, Pub. L. No. 117–2, tit. VIII, 135 Stat. 4, 112–17 (March 2021).

[7] VA OIG, Review of VHA's Financial Oversight of COVID–19 Supplemental Funds, June 10, 2021.

[8] VA Transparency & Trust Act of 2021, Pub. L. No. 117–63, § 2(c), 135 Stat. 1484, 1485 (November 2021).

[9] VA OIG, VA's Compliance with the VA Transparency & Trust Act of 2021, March 22, 2022.

[10] VA OIG, VA's Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: September 2022, September 22, 2022.

manual adjustment process to transfer funds from one account to another) for nearly half of its ARP Act obligations and expenditures. The OIG found that VA's manual process resulted in at least 53 potential reporting errors, which the department corrected.

While VA was again found to have generally complied in the OIG's third Transparency Act review, it did not provide sufficient supporting documentation requested by the review team to assess line-level details needed to make a full assessment.[11] Additionally, VA's Office of Management acknowledged that "manual processes for expenditure transfers can lead to potential reporting errors and data reliability issues" and that replacing its "antiquated legacy financial management system by implementing a modern solution" will reduce these potential errors.

The use of manual expenditure transfers contributed to a lack of transparency and accountability for VHA's purchases using CARES Act funds as well. In May 2023, the OIG published a proactive audit on the controls over VHA's use of supplemental funds. The audit identified weaknesses involving the two methods used by VHA medical facility staff to process COVID–19-related transactions: (1) manual expenditure transfers and (2) the direct obligation of funds from the CARES Act medical services funds.[12] First, manual expenditure transfers require staff to use journal vouchers to document the transfers in VA's FMS. Staff were not always properly preparing the journal vouchers, providing supporting documentation, or having an authorizing official sign them. This happened, in part, because VHA's Office of Finance did not ensure VA medical facilities were following VA financial policies. Essentially, VHA medical facility staff were left to determine what documentation would be sufficient to ensure the vouchers were supported without the benefit of proper guidance or internal controls.

Second, medical facility staff did not comply with key controls when they made pandemic-related purchases directly from CARES Act supplemental funds. In an estimated more than 10,000 transactions, medical facility staff did not always

- have documented purchase authority;
- segregate duties so the same employee making the request was not also approving the purchase;
- certify and pay invoices properly; and/or
- track the receipt of goods to ensure the quantities ordered were received.

These issues occurred because VHA did not develop accounting processes that outlined clear roles and expectations related to the oversight of purchases made with supplemental funds. As a result, the OIG reported an estimated $187 million in questioned costs related to VA's use of CARES Act funds, and the OIG made nine recommendations to the Office of Management and VHA to resolve these problems.[13] Notably, the OIG recommended that VA assess iFAMS to determine whether integration with payroll subsystems can be accomplished to resolve some of the payroll-related expenditure transfers. VA concurred, stating it would develop interfaces for an end-to-end automated solution by September 2030.

THE OIG FINDINGS ON IFAMS DEPLOYMENT HAS IDENTIFIED SEVERAL WAYS FOR FMBTS TO IMPROVE ITS WORK

The fully successful deployment of iFAMS could help resolve a persistent material weakness and increase the system's potential to increase the transparency, accuracy, timeliness, and reliability of financial information across VA. The OIG, therefore, began overseeing iFAMS implementation shortly after it went live at NCA in November 2020. VA's Office of Management is administering the iFAMs deployment through its Financial Management Business Transformation Service (FMBTS). Resolving or mitigating deployment issues at NCA, which is VA's smallest administration with less than 1 percent of VBA's and VHA's budget, could help prevent those issues from compounding at the larger administrations and staff offices. To that end, the OIG alerted VA leaders to early implementation concerns by publishing two memoranda.

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[11] VA OIG, VA's Compliance with the VA Transparency & Trust Act of 2021 Semiannual Report: March 2023, March 21, 2023.

[12] VA OIG, VHA Can Improve Controls Over Its Use of Supplemental Funds, May 9, 2023.

[13] The OIG considers all recommendations currently open pending the submission of sufficient documentation that would support that adequate progress has been made on implementation to close them. The OIG requests updates on the status of all open recommendations every 90 days. This is reflected on the recommendations dashboard found on the OIG website. For this report, the OIG will request the first update on or about August 9, 2023.

OIG Memoranda Detailed iFAMS Reporting Issues Needing Early Resolution

In September 2021, the OIG issued a management advisory memorandum on inadequate business intelligence (BI) reporting capabilities in iFAMS that hindered NCA's ability to easily monitor its budget and operations.[14] The findings were part of a broader audit to determine if the program office identified and addressed deficiencies from iFAMS's first deployment. The reporting capabilities are critical to strengthening planning, analysis, and decision-making capabilities; however, the program office had not ensured NCA had the comprehensive BI reports needed to monitor budget and operations. Although FMBTS was aware of these issues and attempted some corrective actions, as of July 2021, NCA was still experiencing significant challenges, such as not having a comprehensive report showing the total amount of funds available to the administration. Other high-priority reports used to track and forecast payroll and full-time equivalent employees were also not available for widespread NCA use. NCA staff spent considerable time trying to understand and validate reports by extracting data from other reports and queries and manipulating that data in spreadsheets. FMBTS confirmed it knew of these issues, and the OIG recognized that FMBTS was attempting to take positive steps toward resolution, and they deployed the needed capabilities to NCA during the broader audit.

In June 2022, the OIG published the results of a consult by its contracted independent public accounting firm related to iFAMS financial reporting controls at NCA.[15] This consulting engagement provided the OIG with information about iFAMS to assist in planning for future financial statement audits. The consulting letter identified potential risks to accurate financial reporting and provided management's comments on actions taken or planned to address those risks.

While the OIG used both memoranda to raise concerns and identify risks for FMBTS, the OIG did not make specific recommendations for follow-up in either document. The memoranda provide information to help VA decision-makers identify what additional corrective actions, if any, are needed.

Improved Risk Management, System Testing, and Communication with Users Could Advance Implementation

In March 2023, the OIG published its first audit on NCA's deployment issues.[16] Building on the September 2021 memorandum, the audit identified issues that should be addressed as VA moves forward with further deployments. While iFAMS provided much of the core financial functionality NCA needed, FMBTS did not fully address some barriers related to the program's objectives of streamlining processes and improving information reliability. The OIG made the following findings:

- The iFAMS user interface initially increased the complexity of purchase card orders and contracting requests, which are high-volume transactions. To address the complexity of purchase card orders and contracting requests, FMBTS began rolling out a simplified user interface in late 2021, with generally positive user feedback. Even so, staff experienced inefficient processing for a significant portion of NCA's transactions for over one year after going live. The key principle that should be considered going forward is that FMBTS will need to prioritize user feedback in its risk management process to identify and develop other potential system enhancements. Specifically, ensuring iFAMS improves efficiency will become even more critical as implementation continues to VHA, which is expected to have about 115,000 users compared to fewer than 1,200 users at NCA.

- FMBTS did not establish comprehensive controls to reduce data reliability risks posed by a manual contracting process. NCA staff must still manually adjust the obligation amounts when reducing amounts available in iFAMS and eCMS, VA's contract management system, on contracts that existed before iFAMS went live. These contracts are known as "converted contracts." Obligation amounts need to be reduced, for example, when the needed quantity of goods or services has been received with funds remaining on the obligation or a contract is canceled. Manual processes in legacy systems have been a long-standing risk to the

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[14] VA OIG, Inadequate Business Intelligence Reporting Capabilities in the Integrated Financial and Acquisition Management System, September 8, 2021.

[15] VA OIG, Results of Consulting Engagement Related to Selected Financial Reporting Controls for the Integrated Financial and Acquisition Management System at the National Cemetery Administration, June 15, 2022.

[16] VA OIG, Improvements Needed in Integrated Financial and Acquisition Management System Deployment to Help Ensure Program Objectives Can Be Met, March 28, 2023.

accuracy and completeness of financial reporting, and these risks continue in iFAMS because FMBTS felt automating an interface between iFAMS and eCMS to automatically update these types of changes to converted contracts was not worth the costs. There are some process controls on these manual contracting processes, and the program office was working toward developing a reconciliation report, but as of February 2023, this risk remained active.

- Compliance with the FMBTS risk management process could enable the program office to better respond to all identified risks. A central repository called a risk register is part of the FMBTS risk management process enabling the documentation, categorization, and tracking of risks. FMBTS did not prioritize user feedback and did not use the risk register to document and assess manual obligation risks. Before NCA's deployment, FMBTS acknowledged the risk of staff finding the iFAMS user interface to be difficult but categorized the probability and impact as low. Low user adoption was a recognized risk, and user feedback before going live should have led FMBTS to assess a higher probability and impact rating. While FMBTS has been taking steps to deal with issues such as the complex user interface, FMBTS must continually assess and prioritize user feedback in the future. The OIG also found that FMBTS did not formally identify and document the risk associated with a manual deobligation process, despite prior OIG audit findings that identified significant control deficiencies with manual processes in the legacy system. FMBTS felt the risk would decrease over time as the converted contracts ended. While FMBTS limited the number of users with manual adjustment permissions, this particular risk-mitigation strategy will be difficult to scale across the rest of VA. If FMBTS does not formally identify obvious risks in the register, the program cannot properly assess, prioritize, redress, and monitor them.
- iFAMS implementation initially complicated the process of paying some invoices, with a mitigation taking several months. Modifications to the converted contracts required NCA staff to review unnecessary information when paying invoices, which could lead to human error and unreliable data that inaccurately displays available funding amounts, the nature of the expense, or the correct fiscal year. In FY 2021, the NCA chief financial officer (CFO) expressed a lack of confidence in the accuracy of recorded amounts.
- FMBTS did not comprehensively test converted contracts and so was unaware of the above payment issue. Robust testing, including converted contracts and payments, could have prompted FMBTS to mitigate the impact before going live and is critical moving forward because converted contracts will be an issue for years while iFAMS is implemented.
- All of NCA's priority BI reporting functionality was not available at go-live. This issue was addressed in the OIG's September 2021 management advisory memorandum.
- NCA did not receive the BI reporting functions as expected because FMBTS did not communicate well regarding NCA's high-priority requirements. During the development period, NCA worked with FMBTS to develop requirements and explanations of the reports' functions. As the process went on, NCA staff, leaders, and product owners communicated requirements and prioritization goals. The OIG's review made clear that NCA and FMBTS did not share the same understanding of the requirements. FMBTS could mitigate this by formally acknowledging whether requests have been accepted as requirements. This step can help other VA administrations and offices determine whether requirements need to be revised so that critical BI reporting functionality is available at go-live.

The OIG made five recommendations to the deputy assistant secretary for FMBTS: (1) implement controls to mitigate the risk that data are unreliable and inconsistently recorded between the legacy system and iFAMS when staff deobligate funds for converted contracts; (2) implement a methodology to prioritize user feedback in the risk management process; (3) use the risk register to document and assess the risks associated with the manual deobligation process; (4) ensure that converted contracts are included in integrated system and user acceptance testing; and (5) implement a process to formally acknowledge whether high-priority business intelligence reports requests have been accepted as requirements. At the end of June 2023, the OIG will begin to follow up on VA's implementation efforts.

STRONG GOVERNANCE AND CLARITY OF ROLES AND RESPONSIBILITIES

Finally, the decentralized nature of governance for VA's financial management structure can contribute to problem identification and correction. Under the Chief Financial Officers Act, the VA CFO has the responsibility for establishing financial policy, systems, and operating procedures for all VA financial entities. VA administrations and other offices are responsible for implementing those policies and producing financial information, but they are not under the supervision of the VA CFO. This fragmented structure has been a consistent concern and finding in the audit of VA's consolidated financial statements.[17] Without active involvement from VA's senior leaders to overcome organizational silos and ensure collaboration, problems at the administration level may not be elevated for resolution.

CONCLUSION

The OIG has repeatedly found that VA's failure to effectively modernize its financial management systems leads to significant challenges in assuring accountability and transparency in how it obligates and expends funds; makes it difficult for VA staff to plan, order, and track expenditures for supplies and services; and hampers transparency and oversight of VA's use of these funds. The transition to iFAMS has the potential to mitigate major issues in producing VA financial statements and improving VA operations. However, the transition is exceptionally complicated—requiring intensive and continuous attention from VA—and demands strong organizational leadership and coordination. The OIG urges VA to dedicate the time and resources to resolving the early opportunities for improvement in the iFAMS transition, being vigilant in identifying challenges that will arise in the forthcoming deployments, and developing processes for timely and effective responses. Chairman Rosendale, Ranking Member Cherfilus-McCormick, and members of the Subcommittee, this concludes my statement. I would be happy to answer any questions you may have.

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[17] VA OIG, Audit of VA's Financial Statements for Fiscal Years 2022 and 2021, December 7, 2022.