

**STATEMENT OF TERRY RIFFEL
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DEPARTMENT OF VETERANS AFFAIRS (VA)
BEFORE THE HOUSE COMMITTEE ON VETERANS' AFFAIRS, SUBCOMMITTEE
ON TECHNOLOGY MODERNIZATION**

JUNE 20, 2023

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, 1980s-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% uptime. On June 12, 2023, VA went live with its largest deployment to date, increasing the current user base by 60%. 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 reduce 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% under projections while costs from inception through FY 2022 are 8.75% over projections. The general industry standard for project management considers variances over 10% 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 eight 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.