

**STATEMENT OF THE HONORABLE JON J. RYCHALSKI
ASSISTANT SECRETARY FOR MANAGEMENT AND CHIEF FINANCIAL OFFICER
DEPARTMENT OF VETERANS AFFAIRS
BEFORE THE HOUSE COMMITTEE ON VETERANS' AFFAIRS,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS AND
SUBCOMMITTEE ON TECHNOLOGY MODERNIZATION
DECEMBER 5, 2019**

Good morning Chairs Pappas and Lee, Ranking Members Bergman and Banks, and distinguished Members of the Subcommittees. Thank you for the opportunity to testify today in support of the Department of Veterans Affairs' (VA) efforts to modernize its legacy financial management systems. I am accompanied by Terry Riffel, Deputy Assistant Secretary for Financial Management Business Transformation (FMBT) and Daniel McCune, Executive Director, Enterprise Portfolio Management Office (EPMO), Office of Information Technology (OIT).

Background

I am excited about the prospect of providing VA with a modern financial and acquisition management solution, coupled with transformative business processes, to increase the transparency, accuracy, timeliness, and reliability of financial information. I can attest, first hand, that the existing, antiquated financial management system is sorely lacking in the capabilities we desperately need. When the FMBT is fully implemented, VA will be positioned to eliminate numerous long-standing audit and Inspector General findings related to financial management. FMBT will improve our ability to distribute funds, pay vendors, fully account for resources, perform detailed economic analyses, and ultimately serve our Veterans. I am even more excited to report that our progress in implementing FMBT is excellent. We are on schedule and within budget with no significant problems noted to date. Perhaps most noteworthy is the integrated, grass-roots effort that has come to define our approach. As I will explain in my testimony, our journey started out as a shared-service concept with the United States Department of Agriculture (USDA). We have since taken FMBT back in-house and have a much stronger team and approach with the results to prove it.

On March 25, 2013, the Office of Management and Budget (OMB) issued Memorandum 13-08, Improving Financial Systems through Shared Services, directing all executive agencies to use a shared services solution for future modernizations of core accounting or mixed systems. VA's Financial Management Transformation Service (FMTS) then established the Financial Management Business Transformation (FMBT) program in accordance with OMB's directive. In collaboration with the Unified Shared Services Management (USSM) Office and OMB, VA subsequently completed an evaluation of United States Department of Treasury and United States Department of Agriculture (USDA) to determine the best Federal Shared Service Provider (FSSP) to deliver financial and acquisition services. On September 19, 2016, VA selected USDA as its FSSP to guide VA's migration to an integrated financial and acquisition management solution.

In December 2017, USDA officially notified VA that they would no longer serve as FSSP to VA in support of FMBT. As a result, USDA was phased out as VA's FSSP in March 2018 with the successful transfer of contracts, licenses, and intellectual and real property from USDA to VA. VA has been solely managing the FMBT program since January 2018. While daunting at first, this ultimately proved to be fortuitous. By being responsible for our own destiny, it forced us to collaborate closely with our internal and external customers at a much more intimate level than ever before. We have forged a deep understanding of each stakeholder's requirements and priorities, and collectively, we have forged a closer bond that is paying huge dividends while we perform this implementation as true partners.

VA is migrating to the Momentum commercial cloud solution, allowing VA to leverage CGI's proven Software as a Service (SaaS) model. VA will gain increased operational efficiency, productivity, agility, and flexibility from a modern Enterprise Resource Planning (ERP) cloud solution. The new cloud solution will also provide additional security, storage, and scalability. In contrast to the extremely limited reporting of the legacy Financial Management System (FMS), FMBT will deliver robust business intelligence and reporting capabilities allowing the Department to leverage data as a corporate asset; enhance managerial decision-making through data analytics; and reduce fraud, waste, and abuse.

To effectively utilize all available resources, VA's Office of Management (OM) is leveraging the Financial Services Center's (FSC) deep expertise in deploying Department-wide transformation efforts. FMBT is strongly supported across all VA Administrations and Staff Offices and is closely partnered with the Office of Information and Technology (OIT) and Office of Acquisition, Logistics, and Construction (OALC). Subject Matter Experts from across all VA Administrations and Staff Offices, along with VA's Debt Management Center (DMC), Office of Business Oversight (OBO), and Office of Finance (OF) are also fully engaged with the FMBT initiative.

Technical Approach

The FMBT program utilizes a tailored Scaled Agile approach that supports multiple wave implementations and focuses on iterative delivery of functionality. Using the Agile methodology lowers risk through iterative configuration, testing, and validation, which provides transparency for improved decision making. Higher quality is achieved with integrated, cross functional teams that can identify and address issues earlier, faster, and with more cost-effective solutions. This encourages rapid and flexible response to change and facilitates continual customer engagement to reduce the need for later rework and requirement changes. To focus and control this inherent adaptability, FMBT has instituted a robust change control process, and changes in program scope require approval from VA Program Advisors and, as needed, the FMBT Executive Steering Committee (ESC), which I chair with representation from Administration and Staff Office senior leadership.

Highlights of Three Major Accomplishments

One of our most significant accomplishments following our separation from USDA and successful transition to a VA-led effort was appointing a single leader of FMBT who has exceptional leadership skills; has a deep understanding of VA financial operations and transactions; and has a proven track record of successfully delivering system modernizations in VA (successful travel, payroll, claims processing system modernizations). Terry Riffel is this leader with over 30 years of experience at VA, most recently serving as the Director of FSC. I appointed her as Deputy Assistant Secretary for FMBT in July 2018 and as the single point person to lead FMBT implementation. There are no confusing matrixed organizational alignments; rather, a very clear reporting chain from the Secretary to me to Ms. Riffel. This construct effectively removes confusion about “who is responsible for what.” Her experience with VA transformation efforts has been invaluable as FMBT moves forward with FMBT implementations. In coordination with Ms. Riffel, I oversaw the reorganization of the FMBT Program Management Office (PMO) to strengthen our focus on service delivery and customer experience in alignment with VA Secretary Wilkie’s strategic plan for the Department.

A second major accomplishment was the establishment of VA’s Accounting Classification Structure (ACS). The ACS will provide much-needed standardization across the VA and complies with Federal policies and guidance, including the Treasury’s U.S. Government Standard General Ledger (USSGL) and OMB Circular A-11, Section 83, Budget Object Codes (BOC). This highly technical endeavor required working closely with each business partner to understand their unique reporting requirements. The result is, for the first time, VA has a federally compliant enterprise-wide accounting classification structure, including a uniform chart of accounts, BOCs, 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.

Finally, in September 2018, FMBT successfully completed the Business Process Reengineering (BPR) sessions. FMBT engaged with all internal stakeholders to standardize the Department’s core financial and acquisition business processes. Those sessions resulted in the VA-wide enterprise configuration of FMBT, which provides the foundation for further configuration to meet the specific needs of each Administration and Staff Office.

While these highlight just three of many accomplishments that we are extremely proud of, they are indicative of the progress we are making in the FMBT initiative. As such, we feel we are well positioned for our first major “go-live” in July 2020.

Timeline

In partnership with Administrations and Staff Offices, FMBT developed a notional timeline that extends through the final implementation wave in 2029. I want to emphasize “notional” because this is not the final timeline that I intend to stay with. Ten years is too long to deploy FMBT. At my request, the FMBT team looked at ways to

accelerate deployment early on. It ultimately made more sense to take a little more time on the front end of our initial deployment in July 2020 to make sure we were over-prepared and set up for success, especially given our past failures. Once we have “cut our teeth” at the first site and can confidently declare success, we are going to strategize acceleration of our timeline. Ideally, I would like to cut this timeline in half.

Our first major implementation effort is at the National Cemetery Administration (NCA), which will go live with FMBT in July 2020. The NCA acquisitions go-live will follow one year later in July 2021. Work is also underway at the Veterans Benefits Administration (VBA); the first phase of the VBA General Operating Expenses (GOE) implementation is scheduled to go live in November 2020, setting FMBT up for continued success with VBA as we also work toward the first phase of the VBA Insurance go-live in May 2021. All VBA funds are scheduled to go live with FMBT by January 2025. Implementation at Staff Offices across VA will be completed between 2022 and 2026. The first implementation phase at the Veterans Health Administration (VHA) will go live in December 2024, followed by additional go-lives in each subsequent year until the entire Administration is transitioned to FMBT in December 2029. The VHA implementations were originally planned for earlier in the schedule, but those waves were postponed allowing iFAMS to integrate directly with the LogiCole supply chain solution once it is available. This eliminates the need for costly interim interfaces and shortens the overall VHA implementation schedule.

By leveraging the adaptability of the Scaled Agile framework, this timeline can be easily modified to handle new funding levels and the changing needs of VA.

IT Funding

The life cycle cost estimate for FMBT over ten years is \$2.5 billion. This includes three years of sunk costs for fiscal years (FY) 2016 through 2018, costs for FY 2019, and estimated costs for FY 2020 through FY 2029. Although \$2.4 billion may seem high, the difficulty and complexity of replacing obsolete financial and acquisition management systems in the second-largest federal agency cannot be overstated. Nevertheless, we are very cognizant of the responsibility a program of this size entails, and we are working diligently to be conscientious stewards of taxpayer dollars.

My current state assessment of our FMBT deployment is very positive. But I would be remiss if I did not acknowledge that this is an extremely high risk, high reward endeavor. VA identified the need to replace its aging financial management system architecture in 1999. Two previous major modernization efforts were attempted, the Core Financial and Logistics System (CoreFLS) in 2004 and the Financial and Logistics Integrated Technology Enterprise (FLITE)/Integrated Financial Accounting System (IFAS) in 2010. I was a young consultant at a firm providing the majority of support for the CoreFLS initiative when it failed so I am acutely aware of the complexity and risk. This experience convinced me that there are (at least) three key components to successfully completing an ERP implementation of this scale: 1) It must be Government led; 2) It must have clear lines of authority and senior leader support; and, 3) There must be a team effort with all business partners equally supportive. I believe that we have that recipe for success today.

Conclusion

FMBT will be the most significant investment we can make in VA's financial health in my lifetime. I am proud of the progress we have made and look forward to a big year in 2020. Our deep collaboration with and unwavering support from VA Administrations and Staff Offices has given the program the flexibility and adaptability to work through any issue and handle the funding challenges to date, as evidenced by over 500 subject matter experts participating in program activities. With the NCA implementation on schedule for go-live in July 2020, FMBT is poised for success next year and beyond.

Chairs Pappas and Lee, Ranking Members Bergman and Banks, and Members of the Subcommittees, this concludes my statement. I would be happy to answer any questions.