

VA Office of Inspector General

OFFICE OF AUDITS & EVALUATIONS



Department of Veterans Affairs

*Audit of the FLITE
Strategic Asset Management
Pilot Project*

September 14, 2010
09-03861-238

ACRONYMS AND ABBREVIATIONS

CoreFLS	Core Financial and Logistics System
COTR	Contracting Officer's Technical Representative
FLITE	Financial and Logistics Integrated Technology Enterprise
IT	Information Technology
OALC	Office of Acquisition, Logistics, and Construction
OCM	Organizational Change Management
OMB	Office of Management and Budget
PMAS	Program Management Accountability System
SAM	Strategic Asset Management

To Report Suspected Wrongdoing in VA Programs and Operations:

Telephone: 1-800-488-8244

E-Mail: vaoighotline@va.gov

(Hotline Information: <http://www.va.gov/oig/contacts/hotline.asp>)



Report Highlights: Audit of the FLITE Strategic Asset Management Pilot Project

Why We Did This Audit

This audit examined if VA was effectively planning and managing the Strategic Asset Management (SAM) pilot project—one component of the Financial and Logistics Integrated Enterprise (FLITE) program. This audit assessed how well FLITE program managers were managing the SAM pilot project to ensure the achievement of cost, schedule, and performance goals; the accuracy, completion, and timeliness of deliverables; the proper management of risks; and the effectiveness of organizational change management (OCM) efforts. On July 12, 2010, VA made a decision to terminate the FLITE program with the exception of the SAM pilot, beta, and national deployment projects.

What We Found

Due to shortfalls in program staffing, guidance, training plans, and contractor oversight, FLITE program managers did not effectively control project cost, schedule, performance, and ensure timely deliverables. As a result, VA is considering extending the SAM pilot project by 17 months (from 12 to 29 months), potentially more than doubling the original contract cost of \$8 million. Some of the cost, schedule, and performance issues could have been avoided if program managers had ensured adequate contractor involvement and effective processes to identify and manage risks associated with the pilot project. Further, because of the failed CoreFLS program and the lack of

progress made on the SAM pilot project, OCM officials are struggling to gain stakeholder acceptance.

What We Recommended

We recommended the Assistant Secretary for Information and Technology and the Executive Director, Office of Acquisition, Logistics, and Construction establish stronger program management controls to facilitate achieving cost, schedule, and performance goals, as well as mitigate risks related to the successful accomplishment of the SAM project. Department leadership recently increased its scrutiny of FLITE management and placed additional project contracts on hold. Unless improvements are made, the outlook for the SAM pilot project remains tenuous.

Agency Comments

The Principal Deputy Assistant Secretary for Information and Technology and the Executive Director, Office of Acquisition, Logistics, and Construction agreed with our findings and recommendations and plan to complete corrective actions by November 2010. We will monitor implementation of the planned actions.

(original signed by:)

BELINDA J. FINN
Assistant Inspector General
for Audits and Evaluations

TABLE OF CONTENTS

Introduction.....	1
Results and Recommendations	2
Finding 1 Program Management Was Not Effective	2
Finding 2 SAM Pilot Risks Were Ineffectively Identified and Managed	12
Finding 3 Challenges Exist Regarding Stakeholder Acceptance of SAM	19
Appendix A Background	21
Appendix B Scope and Methodology.....	23
Appendix C Deliverables and Artifacts.....	24
Appendix D Lessons Learned.....	28
Appendix E Agency Comments - Office of Information and Technology	30
Appendix F Agency Comments - Office of Acquisition, Logistics, and Construction	34
Appendix G OIG Contact and Staff Acknowledgments.....	38
Appendix H Report Distribution	39

INTRODUCTION

Objective

The audit determined whether program managers effectively addressed key system implementation areas to increase the probability of a successful SAM pilot deployment. Specifically, we evaluated whether program managers effectively managed the SAM pilot project to ensure the: (1) achievement of cost, schedule, and performance goals; (2) accuracy, completion, and timeliness of deliverables; (3) proper management of risks; and (4) the effectiveness of OCM.

Overview of FLITE

The FLITE program was a collaborative effort between the Offices of Management and Information and Technology. It was scheduled to be deployed by FY 2014 at an estimated cost of approximately \$609 million. FLITE consisted of three components: (1) the Integrated Financial Accounting System project, (2) the SAM project, and (3) the FLITE Data Warehouse project. On April 21, 2009, VA competitively awarded a cost plus fixed fee task order against an indefinite delivery/indefinite quantity contract with the National Institutes of Health valued at approximately \$8 million to General Dynamics Information Technology (General Dynamics) for the implementation of the SAM pilot project. The task order required General Dynamics to develop and deploy SAM at the VA Medical Center, the VA Regional Office, and Wood National Cemetery, which are all co-located in Milwaukee, WI. On July 12, 2010, VA made a decision to terminate the FLITE program with the exception of the SAM project.

Related OIG Reports

In September 2009, we reported that FLITE program managers had not fully incorporated CoreFLS lessons learned into the development of the FLITE program (*Audit of FLITE Program Management's Implementation of Lessons Learned*, Report No. 09-01467-216, September 16, 2009). As a result, deficiencies similar to those found during CoreFLS have also occurred within the FLITE program. We recommended that FLITE program managers establish more robust management controls in the FLITE program. We cautioned that without management's attention to the lessons learned identified, an increased likelihood existed that mistakes made during CoreFLS would reoccur and prevent the successful implementation of FLITE.

Concurrent with this audit report, the OIG released a related report (*Review of Alleged Improper Program Management within the FLITE SAM Project*, Report No. 10-01374-237, September 2010). In the report, we determined the validity of a complainant's allegations that: (1) FLITE program managers did not adequately manage the SAM pilot project contractor; (2) the SAM Project Manager pressured VA personnel to complete contractor's deliverables; and (3) certain elements necessary for a successful software development effort were not included in the FLITE program.

RESULTS AND RECOMMENDATIONS

Finding 1 Program Management Was Not Effective

FLITE program managers did not effectively plan and manage the SAM pilot project. Specifically, they did not take well-timed actions to ensure VA achieved cost, schedule, and performance goals of the SAM pilot project and that the contractor provided acceptable deliverables in a timely manner. These problems occurred because FLITE program managers:

- Awarded the task order for the SAM pilot project at a time when the program suffered from significant staffing shortages.
- Inadequately defined FLITE program roles and responsibilities until more than 8 months after the award of the SAM pilot project contract.
- Did not clearly communicate VA's training needs to the contractor.
- Ineffectively monitored the contractor's performance.

As a result, the contractor has not yet delivered any software functionality. Further, VA will pay \$8 million for a software solution that according to the awarded task order, General Dynamics should have implemented at the pilot site by April 2010. In addition, VA is considering extending the SAM pilot project by 17 months (from 12 to 29 months) potentially more than doubling the original contract cost of \$8 million.

Staffing Shortage One of the more significant CoreFLS lessons learned dealt with VA staff not having sufficient resources and the expertise necessary to manage a complex information technology (IT) development project. However, VA awarded a task order to General Dynamics for the implementation of the SAM pilot project on April 21, 2009, even though the FLITE program had a known shortage of legacy system programmers who were critical to the integration efforts required to make FLITE a success. In addition, the FLITE program did not have key management positions filled in the IT Program Management Office. We previously reported on these staffing issues in our *Audit of FLITE Program Management's Implementation of Lessons Learned*, Report No. 09-01467-216, September 16, 2009.

FLITE program managers brought the staffing shortage to the attention of the FLITE Oversight Board in a meeting held on April 15, 2009. During that meeting, board members noted the lack of staffing resources would put FLITE at risk. The board members agreed the limited number of programmers and IT resources available posed a significant risk that must be

addressed. VA chose to award the task order despite these warnings. Further, although the success of the project depends heavily on collaboration between VA's legacy system programmers and the contractor to facilitate the development of interfaces with VA's legacy systems, VA's legacy system programmers did not become fully involved in the SAM pilot project until October 31, 2009.

The SAM pilot project also did not have consistent direction because of a lack of continuity in the project manager position. The SAM Project Manager is responsible for the day-to-day management of the SAM project and interacting with the FLITE Program Director's Office. The FLITE Program Director is responsible for providing executive leadership and direction to the FLITE program along with project management guidance to all FLITE projects. This management continuity issue coupled with the shortage of IT staff significantly affected program managers' ability to move forward. The SAM project has had five VA project managers, including two project managers since the award of the SAM pilot project contract in April 2009.

VA and General Dynamics managers told us that project manager turnover contributed to delays. Recognizing the absence of a full-time onsite project manager was a significant weakness, VA appointed an interim project manager in December 2009 who remained at the pilot site until a permanent project manager was hired. The FLITE Program Director hired a full-time project manager who began working on July 6, 2010.

***Roles and
Responsibilities
Not Defined***

Program managers did not clearly define FLITE program and SAM pilot project roles and responsibilities resulting in confusing and unclear communications between VA and General Dynamics. Contractor personnel told us that one of their biggest obstacles was overcoming the lack of one clear voice for VA's FLITE program—they received directions and guidance from multiple sources. This occurred in large part due to FLITE's governance structure. FLITE program management was a shared responsibility between the FLITE Program Director's Office, which was under the jurisdiction of the Office of Management, and the FLITE IT Program Management Office, which was under the jurisdiction of the Office of Information and Technology.

Booz Allen Hamilton, a contractor VA used to provide advice and program management assistance to the FLITE program, confirmed FLITE's governance structure was an issue when it did a study to determine what was negatively impacting progress on the SAM pilot project. In November 2009, Booz Allen Hamilton reported that the FLITE governance and operational model did not provide a clear definition of roles and responsibilities. The program management support contractor concluded that

ambiguous roles and responsibilities led to a lack of specific decision-making authority and hindered the managers' ability to provide clear direction to General Dynamics. Booz Allen Hamilton recommended the FLITE team develop a new operational model that clearly defined roles and responsibilities and removed the ambiguity concerning decision-making authority.

To address the roles and responsibilities issue, in January 2010 the FLITE Program Director implemented a new operational model that eliminated the FLITE IT Program Management Office and updated the Governance and Staffing Resources Plan. The new model aligned all FLITE activities under the FLITE Program Director and also provided the Program Director with decision-making authority. Although FLITE program managers briefed the new model to all FLITE personnel on January 13, 2010, the FLITE Program Director acknowledged that challenges remain in ensuring all personnel carry out their roles and responsibilities in line with the model.

***Training Needs
Not Captured***

FLITE program managers did not ensure that the solicitation for the SAM pilot project clearly described VA's requirements for SAM end-user training: VA's requirement was for the winning contractor to provide classroom training augmented by web-based or computer-based training courses. The solicitation stated that the winning contractor was responsible for training users to operate the SAM system. It stated that training modes might range from instructor-led training, computer-based training, onsite support, and distance learning solutions. Finally, the solicitation stated that the training solution would include a blended learning approach with a significant instructor-led component and a hands-on training environment. An attachment to the solicitation estimated that 284 users would need to be trained using web-based or computer-based training as well as instructor-led training.

However, General Dynamics' Statement of Work stated that the contractor would determine the best training delivery system—classroom, one-on-one, or computer-based instruction. It also indicated that the contractor only planned to provide instructor-led training sessions, using two instructors for each training session. The total number of classes would be dependent on the number of users requiring training within each business area and the number of students that could be accommodated per classroom. The task order awarded required General Dynamics to provide eight training sessions at a cost of \$244,451 to accomplish the work described in the contractor's Statement of Work. Thus, FLITE officials agreed to a training solution that did not meet VA's expectations.

Subsequent to the beginning of the contract, FLITE program managers and General Dynamics officials held several meetings to understand VA's training expectations and to agree on what tasks had to be accomplished by

the contractor to meet the expectations. Based on those discussions, General Dynamics revised its training approach to include a range of training modes and developed an estimate to complete the tasks associated with the revised end-user training requirements. The new estimate added 5,785 hours to accomplish the agreed upon training at a total cost of \$1,090,175 to VA (more than a 300 percent increase of \$845,725 from the original cost for training).

***Ineffective
Contract
Monitoring***

FLITE program managers needed to improve oversight of the contractor's performance. VA awarded a cost plus fixed fee task order to General Dynamics for the implementation of the SAM pilot project. Cost plus fixed fee contracts permit contracting for efforts that might otherwise present too great a risk to contractors but also provide contractors with little incentive to control costs. Much of the risk associated with this type of contract is borne by the Government. Accordingly, a higher level of oversight is required for these types of contracts.

The contractor's deliverables and artifacts have not been timely or acceptable. Artifacts are outputs of the development process such as end-user documentation, design documents, requirements, and plans. In the SAM pilot project, several artifacts make up each deliverable. On multiple occasions, VA returned items as basic as the project schedule and a project management plan to the contractor for revision, resulting in significant delays for the project.

According to General Dynamics' initial schedule, VA should have accepted eight formal deliverables by January 11, 2010. As of April 30, 2010, VA had accepted only two deliverables—the Project Management Plan and the SAM Training Plan. Specifically, the Project Management Plan was originally due on May 22, 2009, but FLITE program managers did not accept it as a complete and accurate document until December 9, 2009. Similarly, General Dynamics' submission of the SAM Training Plan was due by January 11, 2010, but FLITE program managers did not accept the plan as a complete and accurate document until March 22, 2010. Because VA entered into a cost-reimbursement contract for the implementation of SAM at the pilot site by April 2010, it will pay General Dynamics \$8 million even though the contractor has not yet delivered any software functionality. (Appendix C provides a list of deliverables and artifacts that FLITE program managers have accepted as of April 30, 2010, and illustrates the extensive delays the project has incurred.)

***Project Schedule
and Delivery Dates
Not Established***

FLITE program managers were not timely in establishing the project schedule, including dates for contractor deliverables. VA's acquisition plan for the SAM pilot project called for the use of a Statement of Objectives to provide prospective contractors with maximum flexibility for proposing innovative approaches because of the technical unknowns associated with the

project. The overall objective for the pilot project was to develop and implement the SAM system in a production environment at the pilot site.

Each contractor bidding on the SAM pilot project was responsible for proposing a Statement of Work that described how its organization would meet the objectives. Each contractor was also required to submit a list of deliverables along with a delivery schedule as part of its proposal. The winning contractor's Statement of Work would then form the basis of the contract. FLITE program officials were responsible for evaluating the winning contractor's Statement of Work to ensure that it met VA's needs.

On April 21, 2009, VA awarded a cost plus fixed fee task order against an indefinite delivery/indefinite quantity contract with the National Institutes of Health valued at approximately \$8 million to General Dynamics for the implementation of the SAM pilot project. The task order included a price of approximately \$5.6 million for a cost plus fixed fee line item regarding the following activities: planning, development and deployment; data migration and integration; and help desk services. It included a cost line item of approximately \$954 thousand for travel and firm fixed price line items for things such as SAM pilot training, IT equipment, software, and contract access fees. General Dynamics' invoices paralleled the contract line items included in the task order.

General Dynamics' Statement of Work identified 12 formal deliverables such as a Project Management Plan, SAM Test Plans, a Training Plan, and Training Course Workbooks that would facilitate the development and implementation of the solution. However, General Dynamics did not include a delivery schedule in its Statement of Work. During the contract kick-off meeting, General Dynamics and VA agreed that by May 15, 2009, the contractor would submit a project schedule, including dates for the contract deliverables.

However, FLITE program managers allowed the contractor to proceed for 8 months without an approved schedule for the SAM pilot project. From November 16 to December 4, 2009, VA and General Dynamics held collaborative work group sessions to arrive at a co-developed schedule for the SAM pilot project. FLITE program managers accepted the revised SAM pilot project schedule on January 17, 2010. The FLITE Program Director stated that VA should not have waited so long to collaborate with General Dynamics on the schedule.

Based on the co-developed project schedule, General Dynamics created a revised estimate to complete the SAM pilot project, taking into account additional tasks and associated hours required to accomplish the work. According to the contracting officer, both General Dynamics and VA initially underestimated the complexity of implementing the SAM solution.

In addition, General Dynamics became aware of several factors after contract award that led to changes in approach and an increased level of effort.

For example, General Dynamics based its initial proposal on the contractor's experience in defining Maximo interfaces to legacy systems and assumptions regarding availability of VA legacy system resources. The nature of the interface work required General Dynamics and VA resources to collaborate. General Dynamics and VA needed to agree on items such as requirements, data mapping, error handling, and message sequencing. In addition, the contractor assumed that VA's legacy systems resources would be part of efforts to validate business process flows. However, as previously discussed, the Office of Information and Technology did not fully dedicate VA legacy systems resources to the SAM pilot project until October 31, 2009 (6 months after the award of the contract). Because VA's legacy system resources were not involved in gathering requirements, efforts to define business process flows between SAM and legacy systems continue.

*Quality Assurance
Surveillance Plan
Not Followed*

A Quality Assurance Surveillance Plan (Surveillance Plan) provides a systematic and structured method for the contracting officer's technical representative (COTR) to evaluate the services contractors are required to furnish. It is needed because it provides a comprehensive method of monitoring contractor performance and the standards against which surveillance methods can be measured.

Despite the contractor's lack of progress, the COTR and the contracting officer did not formally document their oversight of the contractor's performance in accordance with requirements included in the Surveillance Plan for the SAM pilot project's contract. The contract for the SAM pilot project included a detailed Surveillance Plan, which spelled out the surveillance responsibilities and duties of the COTR and the contracting officer.

VA's solicitation for the SAM pilot project stated that technical monitors would be assigned to assist the COTR with monitoring contractor performance and evaluating deliverables. The Surveillance Plan stated that the technical monitors would provide detailed technical oversight of the contractor's performance. They would also submit written reports of their findings to the COTR to support the COTR's contract administration duties.

The Surveillance Plan requires the COTR to notify the contractor in writing when unacceptable performance occurs. In addition, the COTR must place a copy of the written notification in the COTR's contract file. If the COTR determines that formal written communication is required, the COTR prepares a Contract Discrepancy Report, for presentation to the contractor's project manager. The report specifies if the contractor is required to prepare a corrective action plan to document how the contractor shall correct the

unacceptable performance and avoid a recurrence. The reports serve as supporting documentation for contractual actions deemed necessary by the contracting officer. The Surveillance Plan also states that the contracting officer and COTR will evaluate the contractor's performance in writing on a quarterly basis using a rating scale of exceptional, satisfactory, or unsatisfactory.

However, when we asked for copies of the reports prepared by technical monitors, the COTR told us that no reports had been prepared. The COTR also stated that he had not prepared any Contract Discrepancy Reports to formally notify the contractor's project manager of performance issues. Similarly, we were told that the COTR and the contracting officer had not provided quarterly evaluations to the contractor.

The contracting officer maintained evidence of several documented contract management meetings and correspondence between the contracting officer and senior General Dynamics officials that discussed concerns about the contractor's performance. However, given the history of CoreFLS, the complexity of the FLITE program, and the slow progress made on the SAM pilot project, FLITE program managers needed to ensure that more formal procedures were used to monitor and notify the contractor of performance issues in case the need to take contractual actions became necessary.

***Project Outlook
Based on Recent
Developments***

VA senior leadership has increased scrutiny of FLITE and newly issued Federal IT guidance will result in more Office of Management and Budget (OMB) oversight of the Department's IT financial system development. Both may have unforeseen implications on the future of the SAM pilot project as well as the FLITE program.

From January 19, 2010–April 2, 2010, VA conducted a technical evaluation of General Dynamics' estimate to complete the pilot and VA finalized contract negotiations with General Dynamics on May 20, 2010. However, concurrent with VA's timing in awarding the task order modification for the SAM pilot contract, OMB indicated it would soon issue guidance on high risk financial system modernization initiatives that could significantly impact VA's FLITE program. VA senior leadership decided that, until OMB issues the new guidance, it would extend the current SAM pilot task order through the next Program Management Accountability System (PMAS) review of software functionality scheduled for August 16–20, 2010, instead of awarding a contract modification.

On June 28, 2010, OMB issued its new guidance on financial systems IT projects. According to OMB, it issued this guidance because large-scale financial system modernization efforts undertaken by Federal agencies have historically led to complex project management requirements that were difficult to manage. Moreover, by the time the lengthy projects were

finished, they were technologically obsolete. Consequently, OMB directed all Chief Financial Officer Act agencies to immediately halt the issuance of new procurements for financial system projects until it approves new project plans developed by the agencies. Accordingly, VA's Chief Information Officer announced on July 12, 2010, that FLITE, with the exception of the SAM project, has been terminated. In general, this will shift the oversight function from the FLITE Program Director's Office to the Assistant Secretary for Information and Technology and the SAM Project Manager.

On June 19, 2009, VA's Chief Information Officer announced the new PMAS process as a substantial change in the way it plans and manages IT programs. PMAS requires that IT programs use incremental development to focus on near-term, small deliveries of new capabilities. The FLITE program volunteered to participate in the PMAS process.

On August 17, 2009, during a PMAS review, the Chief Information Officer gave General Dynamics its first strike for missing the delivery of the SAM project schedule. At this meeting, the Chief Information Officer also cautioned that General Dynamics and FLITE need to make substantial gains prior to the next PMAS milestone review in order to avoid a second strike. Should the project incur three strikes, it could be paused and re-planned. Additional FLITE project contracts have been placed on hold until VA demonstrates that it has the SAM pilot project on track.

Since that first strike, the SAM pilot project has successfully passed three PMAS reviews, focused primarily on deliverables (planning documents) and related artifacts. However, the SAM pilot project has not yet produced any software functionality. Nonetheless, VA is considering extending the SAM pilot project by 17 months (from 12 to 29 months) potentially more than doubling the original contract cost of \$8 million. The PMAS review scheduled to take place at the SAM pilot project site during August 16–20, 2010, is the first review associated with software functionality. If the SAM pilot project does not successfully pass this review, the CIO indicated that VA would consider pausing or potentially terminating the project.

Conclusion

FLITE program managers did not take actions to ensure the achievement of cost, schedule, and performance goals and that the contractor provided deliverables in a timely manner. FLITE program managers were not ready to initiate the SAM pilot project when the contract was awarded because the FLITE program suffered from significant staffing shortages and also lacked clearly defined roles and responsibilities for personnel assigned to the program. SAM project managers could improve contractor performance by adhering to the more formalized methodology for performing and documenting contractor surveillance described in the Surveillance Plan and by taking more timely actions when addressing deficiencies.

By implementing more robust oversight of the SAM pilot, beta, and national deployment projects the Assistant Secretary for Information and Technology can increase the probability of SAM's success. Although the SAM pilot project is showing signs of improved performance, given the slow progress that has been made, VA senior leaders should carefully weigh the results of the first functionality review scheduled to take place at the pilot site in August 2010 in deciding the project's future.

- Recommendations**
1. We recommended the Assistant Secretary for Information and Technology develop and implement procedures to prevent future contracts for IT projects from being awarded until program staffing shortages are addressed.
 2. We recommended that within the next 3 months, the Assistant Secretary for Information and Technology in coordination with the SAM project manager develop a new operating model and related roles and responsibilities to provide a clear definition of both VA and contractors' roles and responsibilities for the SAM pilot, beta, and national deployment projects.
 3. We recommended the Assistant Secretary for Information and Technology establish oversight mechanisms to ensure that all solicitations for future IT projects clearly define VA's expectations and requirements.
 4. We recommended the Executive Director for Acquisition, Logistics, and Construction establish policies and procedures that require contracting officers to follow a more formalized process for monitoring performance of the SAM pilot, beta, and national deployment projects and future IT projects, as specified in the Quality Assurance Surveillance Plan for the pilot contract.
 5. We recommended the Executive Director for Acquisition, Logistics, and Construction establish oversight mechanisms to ensure project managers and contracting officers take timely actions to address contractor performance issues.
 6. We recommended the Executive Director for Acquisition, Logistics, and Construction develop and implement procedures to ensure that project schedules for future projects are established at the beginning of contract performance.

**Management
Comments and
OIG Response**

The Principal Deputy Assistant Secretary for Information and Technology and the Executive Director for Acquisition, Logistics, and Construction agreed with our findings and recommendations and provided acceptable implementation plans. Subsequent to the award of the SAM pilot contract,

the Assistant Secretary implemented PMAS, which ensures that contracting officers do not award contracts in the future until sufficient resources are assigned to the projects. The SAM project manager developed a new operating model and related roles and responsibilities, which were approved by the Assistant Secretary and the Deputy Secretary on August 24, 2010. Under PMAS, Integrated Product Teams will be established for each major IT initiative to create acquisition packages and assist in all areas of project management. The Office of Enterprise Development has instituted standard processes and templates to assist project teams in completing development tasks such as requirements definition. Project managers are receiving Federal Acquisition Certification training and the Assistant Secretary is realigning OI&T to develop an organizational approach that will refine the requirements review process. OI&T will complete these actions by October 1, 2010. We will monitor OI&T's implementation of planned actions. Appendix E contains the full text of the Assistant Secretary's comments.

In a separate response, the Executive Director stated that the Office of Acquisition, Logistics, and Construction (OALC) established a Program Advisory Office to strengthen the monitoring of critical contracts. OALC has assigned a Program Advisory Office staff member to assist the contracting officer in providing increased oversight of the SAM pilot project contractor. For future IT development projects, OALC will use the Program Advisory Office and PMAS to ensure that project managers and contracting officers take timely actions to address contractor performance issues and that project schedules are established at the beginning of contract performance. In addition, OALC will ensure that PMAS requirements are incorporated into the SAM pilot contract modification due to be awarded on November 1, 2010. We will monitor OALC's implementation of the planned actions. Appendix F contains the full text of the Executive Director's comments.

Finding 2 SAM Pilot Risks Were Ineffectively Identified and Managed

FLITE program managers did not always effectively identify and manage risks associated with the SAM pilot project. Specifically, they did not take steps early on to ensure that General Dynamics participated in the risk management process and that the Risk Control Review Board followed procedures to close risks appropriately. These problems occurred because FLITE program managers did not ensure that personnel followed the established procedures.

Moreover, they occurred even though a CoreFLS lesson learned stated “though some government and contractor personnel spotted and communicated various risks from early in the project, risk mitigation activities were nearly non-existent and allowed the risks to actualize into problems.” Significant cost overruns and schedule slippages that the SAM pilot project experienced could have been mitigated or possibly avoided altogether with a more aggressive risk management program.

Risk Management Roles and Responsibilities

FLITE program managers created a foundation for building a sound risk management program. They created a risk management plan that reflected industry best practices; the plan included methods and tools used to identify, analyze, mitigate, and monitor risks. Written procedures provided step-by-step instructions on how to handle risks, including a formal evaluation of the impact and probability that a risk presented and the process for escalating a risk to an issue. In addition, the Risk Control Review Board and the FLITE Oversight Board provided oversight of the risk management program.

This risk management approach has resulted in improvements to the FLITE program. These improvements included the Office of Information and Technology providing needed staffing to the program, the development of a FLITE Governance and Staffing Resource Plan that defined roles and responsibilities for all staff assigned to the FLITE program, and the development of a Comment Resolution Matrix that was incorporated into the document review process to facilitate the tracking of progress related to document submission and acceptance.

The FLITE Risk Management Plan provides a detailed description of the roles and responsibilities for risk and issue management along with the processes used to identify and manage risks and issues.^{1,2} FLITE employees

¹A risk is an uncertain event or condition that, if it occurs, has a positive or negative effect on a project’s objectives.

are responsible for risk management activities, depending upon the roles they perform within the FLITE program. Risk originators, either individual team members or a project team, are responsible for describing risks and their consequences and proposing risk owners. Risk originators document the risk information in a database. The risk owner (typically a project or operations manager) is the person best suited to handle the risk because of span of control, access to required resources, and relevant subject matter expertise.

The risk owner determines the probability of the risk occurring and estimates its impact on the project's objectives. The risk owner is also responsible for identifying a response plan for each risk. Risk response plans describe in detail how the risk owner or project team will reduce a risk's probability of occurrence and impact. Depending on the complexity of the risk, the risk owner may work individually or with teams and other subject matter experts to define the specific actions of a response plan.

The FLITE Risk Manager and Risk Management Team are responsible for monitoring and evaluating progress and reporting to program management on the overall risk management program for FLITE and each project. The Risk Manager performs an initial screening of all risks and coordinates the assignment of risk owners. The Risk Manager also coordinates all Risk Management Team activities and serves as the primary interface between the Risk Control Review Board and the FLITE Oversight Board.

The FLITE Risk Management Team coordinates, facilitates, and supports risk management across the FLITE program. The Risk Management Team evaluates documented risks and follows up with originators and owners as needed. In addition, the Risk Management Team meets with individual risk owners to review the status of risk management processes in projects. The Risk Management Team also plans and conducts risk management training and supports risk identification, response, status reporting, and escalation activities. Each month, the Risk Management Team prepares a Risk Management Status Report that the FLITE Risk Manager presents to the Risk Control Review Board and FLITE Oversight Board.

The Risk Control Review Board and the FLITE Oversight Board provide assistance and oversight to the FLITE Risk Management Program. The Risk Control Review Board provides advice and guidance on how to manage risks and is responsible for monitoring high and medium priority risks. This board meets monthly to review and approve risk response strategies for high and medium priority risks that risk owners escalated to the Risk Control Review Board. The Risk Control Review Board also escalates risks to the FLITE

²An issue is a realized risk, an event, or condition that has negative consequences for a project, operation, or program.

Oversight Board. The FLITE Oversight Board provides senior management guidance and oversight of escalated risks and serves as the final decision-making authority for FLITE Risk Management policy. The FLITE Oversight Board meets monthly to review priority risks and those risks escalated by the Risk Control Review Board. The FLITE Oversight Board also coordinates with external entities to resolve risks outside the control of FLITE.

Lack of Contractor Participation

Despite FLITE Risk Management Plan requirements, General Dynamics was not actively engaged in the risk management process until it was 4 months into the SAM pilot project. According to the plan, risk management involves FLITE personnel, its contractors, and Federal partners. In addition, directors and managers are responsible for sharing risk information with appropriate parties as soon as possible.

FLITE program managers did not ensure that General Dynamics staff formally identified risks using the procedures established in the FLITE Risk Management Plan. Prior to September 2009, General Dynamics reported risks in weekly status reports submitted to FLITE program managers. For example, General Dynamics identified an issue in a weekly status report on June 5, 2009, related to a lack of availability of VA staff familiar with VA's legacy systems. General Dynamics' report indicated that if legacy system personnel are not dedicated to FLITE on a full-time basis, competing priorities could hinder progress on schedules, deliverables, interface development, testing, and review. Even though this staffing shortage was a problem that significantly contributed to the project not meeting cost and schedule goals, the risk was not established formally in the FLITE risk register until VA's SAM project manager identified it in October 2009.

According to the risk register, the initial meeting between the Deputy Secretary of VA, the Office of Information and Technology, and FLITE program managers to discuss FLITE legacy resource needs occurred on September 1, 2009. On September 18, 2009, program managers notified 19 personnel of their full time assignment to the FLITE program. However, the risk register also indicates that the Office of Information and Technology did not allocate full time legacy resources to the SAM pilot project's interface areas until October 31, 2009. FLITE program managers needed to provide FLITE risk management training to General Dynamics personnel at the beginning of the project. They also needed to provide adequate oversight to ensure that the contractor formally reported risks in accordance with the program's risk management procedures. Had General Dynamics reported this risk in June 2009, corrective actions could have been taken in a timelier manner.

**Risks Closed
Inappropriately**

The Risk Control Review Board, which is responsible for determining whether risks should be closed, inappropriately closed risks without ensuring that adequate mitigation efforts existed. The risk register contained 215 risks as of April 30, 2010. We identified 10 risks that according to the risk register, generally were closed because they could be handled by proper project management. Because we also found that FLITE officials subsequently identified similar risks for 6 of the 10 closed risks, we concluded that Risk Control Review Board officials closed the risks without ensuring that FLITE personnel took adequate actions to mitigate the risks.

For example, on October 23, 2008, FLITE officials identified a risk related to OCM. The risk statement indicated that if the FLITE program did not achieve user acceptance or buy-in, it might incur resistance that could threaten the success of the program's objectives. FLITE personnel developed a mitigation strategy that called for the FLITE team to deliver messages intended to rebuild the trust that was lost with CoreFLS. The strategy also stated that users' perception of message authenticity would be tracked using data collected from scheduled FLITE communications surveys. The FLITE Communications Survey Results for 2008 stated that continued vigilance is needed to address stakeholder concerns and to communicate how FLITE will improve VA business practices. Nonetheless, instead of determining whether the risk had been mitigated, Risk Control Review Board officials inappropriately closed the risk under the premise that it would be addressed as part of planned OCM activities.

However, risk management personnel identified a similar risk on September 28, 2009. The risk impact statement noted that if the SAM pilot project did not achieve user acceptance, it would have a ripple effect throughout the entire program. In addition, the risk management team identified yet another risk related to beta site readiness degradation on January 7, 2010. The risk statement indicated that the SAM pilot project delay would have an adverse effect on beta site readiness. FLITE officials needed to develop a timely, robust, and well-designed OCM effort to prevent delays in site preparedness. The risk stated that now, more than ever, communications and transition activities would be challenged by the potentially negative message linked to a pilot delay.

In another example, on February 19, 2009, Risk Control Review Board officials closed a risk that VA will be in violation of public law if the SAM project software does not comply with Section 508 of the Rehabilitation Act of 1973. The Act requires Federal agencies to make their information technology accessible to people with disabilities. According to the risk register, the officials closed the risk because it fell under the general category of good project management and because the solicitation requirements specified that the contractor will meet Section 508 requirements. However,

on September 22, 2009, VA officials identified a new risk when they discovered that the software was not 100 percent compliant with Section 508.

Untimely Actions FLITE officials did not always identify risks and pursue actions to mitigate risks in a timely manner. Best practices, such as those published by the Carnegie Mellon Software Engineering Institute, state that early and aggressive detection of risk is important because it is typically easier, less costly, and less disruptive to make changes and correct work efforts during the earlier phases of a project. The best practices also state that past experience in performing similar projects should be used to identify risks.

The FLITE Risk Manager told us that the FLITE program had mapped the CoreFLS lessons learned and entered appropriate risks into the risk management process. The Risk Manager explained that not all of the lessons learned should result in a risk or an issue, which is why a separate lessons learned process exists for FLITE. At the time of our review, only 22 of the 103 CoreFLS lessons learned were incorporated into the FLITE risk management program. (Appendix D provides a list of the 22 CoreFLS lessons learned that program managers incorporated into the FLITE risk management program.) Although we agree with the Risk Manager's assertion that all lessons learned do not necessarily become risks or issues, we have concerns that program managers did not adequately review all of the lessons learned at the beginning of the SAM pilot project to determine whether they should be risk candidates.

For example, a lesson learned dealt with VA having erroneous expectations about the ease of implementing a commercial-off-the-shelf solution. According to the Software Engineering Institute, implementing this type of solution requires more engineering effort than a custom solution because of the effort involved to understand and integrate unrelated software packages that were built under different architectural, business, and user restrictions. Given the difficulty in meeting the project's schedule, it appears that both General Dynamics and VA underestimated the scope of the integration effort related to the SAM pilot project.

Our review also showed that some of the risks directly related to lessons learned from CoreFLS were not identified early in the SAM pilot project. For example, one of the CoreFLS lessons learned dealt with personnel not complying with the procedures governing software changes. Although this risk should have been known in advance of the SAM pilot project, it was not formally addressed in the risk management program until January 7, 2010, after the risk was elevated to an issue because it had already occurred. The issue was initiated because of an observed lack of adherence to the defined configuration management process. System configuration changes were initiated although change request records with modification details were not

recorded, analyzed, and approved in accordance with the configuration management process.

Similarly, another CoreFLS lesson learned dealt with poor understanding of the integration task as a significant cause of the technical flaws associated with CoreFLS failure. On June 27, 2009, FLITE officials initiated an issue because FLITE integration and implementation planning efforts were inadequate for a program of the size and complexity of FLITE. The Risk Control Review Board moved the issue to a risk on July 15, 2009.

Conclusion

Although FLITE program managers established a solid foundation for the risk management program, they did not always effectively identify and manage risks associated with the SAM pilot project. By implementing a more aggressive risk management program, the Assistant Secretary for Information and Technology can mitigate potential cost overruns, schedule slippages, performance issues, and increase the probability of a successful implementation of SAM.

Recommendations

7. We recommended that the Assistant Secretary for Information and Technology establish oversight mechanisms to ensure future contractors participate in the project's risk management program from the onset of each contract.
8. We recommended that the Assistant Secretary for Information and Technology perform periodic independent quality assurance reviews of closed risks and issues to ensure that they were adequately addressed before closure.
9. We recommended that the Assistant Secretary for Information and Technology in coordination with the SAM project manager ensure that all CoreFLS lessons learned are revisited by an independent assessment team to determine whether they should be included in the risk management program.

**Management
Comments and
OIG Response**

The Principal Deputy Assistant Secretary for Information and Technology agreed with our findings and recommendations and provided acceptable implementation plans. The Assistant Secretary stated that contractors are required to follow the revised SAM project risk management plan and lessons learned procedures. The Assistant Secretary stated that future contracts will include this requirement in their statements of work or performance work statements. Kick off meetings for each new contract will include breakout sessions on risk management and lessons learned, as well as training on procedures and the contractors' roles and responsibilities. OI&T will incorporate these procedures into the SAM project contract expected to be awarded in November 2010. MITRE Corporation will perform periodic independent quality assurance assessments of risk and issue management,

and report its results to the Assistant Secretary for Information and Technology and the Acting Assistant Secretary for Management. In June 2010, a team of FLITE personnel reviewed all 103 of the CoreFLS lessons learned to determine whether they should be included in the risk management program. As a result, new risk statements were developed. We will monitor OI&T's implementation of the planned actions. Appendix E contains the full text of the Assistant Secretary's comments.

Finding 3 Challenges Exist Regarding Stakeholder Acceptance of SAM

FLITE OCM managers were working to gain stakeholders' acceptance of the overall FLITE program and the SAM pilot project. OCM managers developed a comprehensive FLITE OCM Strategy and Plan. A key component was the FLITE Marketing and Communications Plan. OCM managers developed this plan as a tool to gain stakeholder acceptance for the FLITE program throughout the Department. The plan was used to introduce stakeholders to FLITE and builds their commitment to program and project objectives. Most importantly, OCM managers explained in the plan how they would address the CoreFLS lessons learned during the development of FLITE. Key goals of the plan included efforts to:

- Inform stakeholders of the compelling reasons for adopting FLITE.
- Promote awareness, understanding, acceptance, and commitment to FLITE's effective implementation.
- Provide a clear and consistent representation of FLITE's benefits, progress, and status.

OCM managers used a wide variety of communications to provide stakeholders with information about FLITE. They used town hall meetings, leadership conferences, web-based messages (such as FLITE News Flashes and FLITE Newsletters), and brochures. In addition, OCM managers used focus group and communications surveys to conduct research to understand stakeholder needs and measure the success of their efforts. They also refined their OCM efforts based on the results of the surveys. Finally, to commit VA leaders to the FLITE program, they developed the Change Champion Program. Through this program, VA leaders at all levels would be used as change champions to promote and support the FLITE program mission.

Despite these efforts, OCM managers faced an uphill battle in gaining stakeholder acceptance. Because of the failed CoreFLS project and the lack of progress made on the SAM pilot project, communications survey results showed that a considerable amount of skepticism still existed among stakeholders. For example, according to the communications survey completed in November 2009, only 40 percent of the stakeholders who responded agreed with the statement that FLITE would help them do their jobs better. Additionally, only 37 percent agreed with the statement that FLITE was being built with their needs in mind.

Until the SAM project produces tangible results at the SAM pilot site, OCM efforts may not gain sufficient momentum. OCM managers recognize this

challenge and are working to overcome the stakeholders' skepticism. Therefore, we will not make any recommendations related to OCM at this time.

Conclusion

VA has a longstanding history of poorly managing large scale IT projects that suffer from cost overruns and schedule slippages while contributing very little to mission-related outcomes. Accordingly, OCM managers must continue to work diligently to overcome the doubt that naturally exists as a result of VA's past system failures. OCM managers must forge ahead with their efforts to gain stakeholder acceptance for the project. They must continue to engage VA leaders at all levels and maintain a constant open and honest dialogue with stakeholders to keep them informed about the progress being made on the pilot as well as the overall SAM project.

Appendix A Background

History of FLITE

VA's need for an integrated financial management system has existed for years. In 1998, VA began developing CoreFLS, an integrated financial and asset management system, in an attempt to create a single system that integrated the numerous financial and asset management systems used by VA. Despite spending more than \$249 million on the CoreFLS effort, VA discontinued the initiative in 2004 after pilot tests indicated that the system failed due to significant project management weaknesses.

VA began work on the FLITE initiative in September 2005 after CoreFLS failed. Because of the need to address a material weakness in VA's financial management system functionality, FLITE has become a highly visible project that is needed to help report on and manage the department's multi-billion dollar assets. Moreover, OMB designated FLITE as a high risk project. High risk projects require special attention from oversight authorities, such as OMB and the Government Accountability Office. They also require the highest level of agency management attention.

Roles and Responsibilities

The FLITE program was co-sponsored by the Assistant Secretary for Management and the Assistant Secretary for Information and Technology. The FLITE Program Director was responsible for providing executive leadership and direction to the FLITE program and for managing the program's scope, schedule, and budget. The FLITE Program Manager, who reports to the FLITE Program Director, was responsible for providing guidance and direction to FLITE projects such as the SAM pilot project. The FLITE Program Manager was also responsible for managing the scope, schedule, and budget for each FLITE project. The SAM Project Manager is responsible for the day-to-day management of the SAM pilot project. Accordingly, the SAM project manager is also responsible for managing the SAM project's scope, schedule, and budget.

FLITE Objectives

The FLITE program had three objectives:

- Implement accessible and enterprise level standardized business processes that result in increased efficiencies and enhanced internal controls.
- Provide business data and information in a secure, shareable, open, and efficient manner to facilitate a services oriented atmosphere.
- Provide VA executives and managers with timely, transparent financial and asset management information to make and implement effective policy, management, stewardship, and program decisions.

Key Components

FLITE had three primary components:

- **Integrated Financial Accounting System**—a system designed to standardize business processes and modernize the IT environment supporting financial management.
- **Strategic Asset Management**—the system of record for all VA assets.
- **FLITE Data Warehouse**—the data source to be used for financial and logistical analysis and reporting.

Development and Implementation

FLITE program managers were using a multi-year, multi-phased approach for the development, integration, and implementation of FLITE. VA was using this approach for both the SAM and Integrated Financial Accounting System projects. Contractors would have implemented these projects using commercial-off-the-shelf products.

VA plans call for SAM to be implemented initially at a pilot site. VA will refine and validate the system at beta sites before national deployment. The purpose of the pilot phase is to validate the system and associated business processes in a production environment, to gain experience in deploying the system, and to obtain acceptance from the user community. The beta phase will be used to perfect rollout capabilities by deploying the system to a limited number of sites representative of the full range of VA organizational environments, incorporate lessons learned from the pilot phase, and produce a set of repeatable processes for use during VA-wide deployment.

SAM Objectives

SAM will consolidate VA's asset, inventory, and work order management processes into a single enterprise system that will be used Department-wide. The enterprise system will allow VA to standardize procurement, inventory, equipment, and work management processes. The SAM project has the following objectives:

- Address asset management material weaknesses in VA's current financial systems.
- Standardize procurement, inventory, equipment, and work management business processes and data standards to improve insight, understanding, and data exchange, thus providing corporate accountability and tracking of assets.
- Reduce purchasing costs by combining similar purchases across multiple VA sites.
- Reduce operational costs and allow users to be more effective in their work through increased automated support.

Appendix B Scope and Methodology

We conducted the audit from September 2009 through July 2010. To determine if VA is effectively planning and managing the SAM pilot project, we focused our review on four areas critical to its success: (1) cost, schedule, and performance; (2) contract deliverables; (3) risk management; and (4) organizational change management.

To evaluate whether program managers timely and effectively addressed these key areas, we interviewed FLITE program and SAM project managers, contract employees who were providing independent oversight and project management support, and other key senior officials (including the COTR and contracting officer) who were responsible for managing the project. We reviewed project timeliness and adherence to project cost estimates. We analyzed critical project contract documents including the Request for Proposal, Statement of Work, and the Statement of Objectives. We also reviewed the artifacts and deliverables prepared and submitted by the contractor.

In addition, we selected key risks from the FLITE Risk Register and evaluated whether appropriate risk management procedures were followed. We evaluated the actions taken by organizational change managers to involve appropriate stakeholders throughout the Department and analyzed survey results which addressed the effectiveness of stakeholders' acceptance of SAM. Finally, we analyzed plans for program governance, program management, marketing and communications, organizational change management, quality management, and risk management.

Computer-Processed Data

To address our audit objective, we did not rely on computer-processed data. Accordingly, we did not assess the reliability of computer-processed data.

Compliance with Government Audit Standards

Our assessment of internal controls focused on those controls relating to our audit objectives. We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix C Deliverables and Artifacts

Deliverable	Artifact	Original Due Date	Revised Due Date	Acceptance
Project Management Plan		May 22, 2009	January 20, 2010	December 9, 2009
	Integrated Master Project Schedule ³	May 15, 2009		January 7, 2010
SAM Requirements Document		December 14, 2009	May 11, 2010	
	SAM Requirements Traceability Matrix Baseline Original	August 14, 2009	January 5, 2010	February 12, 2010
	SAM Requirements Traceability Matrix Baseline BRD 2.0	Added to Revised Schedule	December 29, 2009	February 12, 2010
	SAM Requirements Traceability Matrix Baseline Fulfilled	Added to Revised Schedule	February 11, 2010	March 29, 2010
	SAM Requirements Management Plan	August 14, 2009	December 18, 2009	March 11, 2010
	SAM Maximo Gap Analysis for Unmet Requirements	September 21, 2009	March 26, 2010	April 2, 2010
SAM Test Plan		December 28, 2009	August 10, 2010	
	SAM Test Plan		January 12, 2010	April 19, 2010
	Test Scenario/Scripts	October 15, 2009	June 18, 2010	
SAM Maximo End User Training Course Workbooks		January 11, 2010	June 23, 2011	
	SAM Maximo End-User Training Course Workbooks	November 18, 2009	May 2, 2011	
SAM Training Plan		January 11, 2010	March 24, 2010	March 22, 2010
	SAM Training Plan	November 25, 2009	February 1, 2010	March 22, 2010
SAM Design Document		December 14, 2009	July 23, 2010	
	SAM Application Functional Specs (Multiple)	September 23, 2009	February 1, 2010	February 22, 2010
	SAM Workflow Specs-Medical Facilities	September 23, 2009	February 4, 2010	March 11, 2010

³General Dynamics agreed to deliver the Integrated Master Project Schedule on May 15, 2009, during the project kick-off meeting.

Deliverable	Artifact	Original Due Date	Revised Due Date	Acceptance
	SAM Escalations & Notifications Specs (Multiple)	September 23, 2009	March 15, 2010	March 8, 2010
	SAM Reports Specs	August 19, 2009	January 19, 2010	February 11, 2010
	SAM ICD IFCAP 2-IFCAP PO to Maximo	August 19, 2009	February 25, 2010	March 11, 2010
	SAM ICD-Prosthetic System	September 21, 2009	February 17, 2010	March 5, 2010
	SAM ICD-Surgery Schedule to Maximo	August 4, 2009	March 10, 2010	March 10, 2010
	SAM ICD IFCAP 3 Receiving to Maximo	September 3, 2009	March 29, 2010	April 20, 2010
	SAM Fixed Assets to FMS ICD	July 20, 2009	February 8, 2010	April 8, 2010
	SAM ICD IFCAP Vendors To Maximo Companies	Added to Revised Schedule	April 19, 2010	April 30, 2010
	SAM NIF Alternatives Analysis	August 28, 2009	December 18, 2009	February 12, 2010
	SAM Asset Identification & Classification Standards	July 24, 2009	April 30, 2010	February 12, 2010
	SAM AEMS/MERS Data Conversion Specs	July 2, 2009	March 19, 2010	March 31, 2010
	SAM IFCAP GIP Data Conversion Specs	July 2, 2009	February 25, 2010	February 24, 2010
	SAM Q-Quest Data Conversion Specs	August 13, 2009	March 2, 2010	March 1, 2010
	SAM NIF Data Conversion Specs	June 18, 2009	March 22, 2010	March 25, 2010
	SAM Atlas Data Conversion Specs	August 27, 2009	February 25, 2010	April 20, 2010
	SAM Other Data Conversion Specs	Added to Revised Schedule	March 1, 2010	April 14, 2010
	SAM PIP Data Conversion Specs	Added to Revised Schedule	February 22, 2010	April 20, 2010
	SAM Application Extension Specs	September 17, 2009	March 9, 2010	March 8, 2010
	SAM Maximo User Security Functional Specs	October 15, 2009	March 5, 2010	March 5, 2010
	IFCAP Interface-Maximo PR to IFCAP	June 18, 2009	March 26, 2010	
	SAM ICD Item Master to IFCAP	Added to Revised Schedule	April 9, 2010	
	SAM ICD-VIE Interface	Added to Revised Schedule	April 28, 2010	
	SAM Interface Design Document	Added to Revised Schedule	June 1, 2010	

Deliverable	Artifact	Original Due Date	Revised Due Date	Acceptance
	SAM Data Conversion Technical Specs	October 16, 2009	July 28, 2010	
SAM Security Deliverable		December 8, 2009	December 14, 2010	
	SAM Usability Checklist	June 25, 2009	February 4, 2010	February 16, 2010
	SAM Privacy Impact Assessment	Added to Revised Schedule	January 7, 2009	March 8, 2010
	System Security Plan	August 20, 2009	August 20, 2010	
	Contingency Plan	October 30, 2009	September 20, 2010	
	Risk Assessment	October 2, 2009	September 20, 2010	
	Incident Response Plan	Added to Revised Schedule	October 19, 2010	
	Security Configuration Checklists	Added to Revised Schedule	September 20, 2010	
	Signatory Authority Security C&A Planning & Support	Added to Revised Schedule	August 20, 2010	
SAM Test Results		April 19, 2010	April 21, 2011	
	SAM Integration & Test Reports Release 1	January 6, 2010	November 9, 2010	
	SAM Maximo Performance Load Test Report	Added to Revised Schedule	March 1, 2011	
SAM Implementation Plans		April 13, 2010	July 12, 2011	
	SAM Pilot Site Readiness Checklist	September 9, 2009	May 13, 2010	
	SAM Pilot Site Deployment Plan	October 21, 2009	August 13, 2010	
	SAM Pilot Site Production Cutover Plan	December 30, 2009	February 11, 2011	
	SAM Beta Site Production Cutover Plan	February 9, 2010	March 21, 2011	
	SRC Finalization	March 29, 2010	April 20, 2011	
	SAM Beta Site Readiness Checklist	March 29, 2010	May 18, 2011	
SAM Organizational Change Management		April 9, 2010	May 21, 2010	
	SAM Maximo Role-to-Position Mapping Report	November 16, 2009	January 12, 2010	

Deliverable	Artifact	Original Due Date	Revised Due Date	Acceptance
SAM Configuration & Administration Reference		April 19, 2010	September 19, 2011	
	SAM On-Line Help System Update Summary	December 4, 2009	February 12, 2010	March 4, 2010
	SAM Maximo Installation Summary Report (Pre Deployment and Test Deliverables)	June 17, 2009	January 12, 2010	January 22, 2010
	System Configuration Document	August 4, 2009	April 19, 2010	
	SAM Maximo User Provisioning Plan	November 19, 2009	January 6, 2011	
	SAM Maximo Installation Summary Report (Deployment)	February 26, 2010	April 22, 2011	
	SAM Maximo System Administration Guide	January 25, 2010	June 1, 2010	
	SAM Maximo System Operation Guide	January 25, 2010	January 18, 2011	
	SAM Program Deliverable Inventory	April 15, 2010	July 27, 2011	
	SAM Maximo WBT Story Boards	Added to Revised Schedule	April 30, 2010	
	SAM Maximo WBT Courseware	Added to Revised Schedule	June 1, 2010	
SAM Mobile Device Inventory and Configuration		December 8, 2009	May 4, 2010	
	SAM Maximo Mobile Specs Update	October 23, 2009	March 12, 2010	
	SAM Maximo Mobile Software Administrators Guide	October 23, 2009	February 12, 2010	

Appendix D Lessons Learned

Item	CoreFLS Lessons Learned Captured in the FLITE Risk Management Program	Functional Responsibility
1	CoreFLS was deployed without sufficiently resolving numerous reported risks including inadequate training to hospital employees on how to use the system.	OCM
2	OCM officials did not adequately communicate and train stakeholders on changes to business processes so as to prepare them for the new system before it was introduced.	OCM
3	OCM officials did not obtain an understanding of the VA culture that was resistant to change and existed at both the VHA level and the local level.	OCM
4	CoreFLS lacked proper administrative internal controls, such as standard operating procedures (SOPs) for monitoring, tracking, and documenting the contract-related aspects of the project.	Program Management
5	CoreFLS, the Program Management Office, and Office of Acquisition and Materiel Management officials did not identify SOPs to document requirements and how documentation was to be tracked and maintained.	Program Management
6	CoreFLS program officials did not ensure that proper resources were available to perform project administrative duties.	Program Management
7	CoreFLS program officials did not maximize the use of best business practices in the areas of governance, systems engineering, OCM, and acquisition.	Program Management
8	CoreFLS officials did not have sufficient staff with expertise and independence to provide both management and technical oversight.	Program Management
9	CoreFLS officials did not adhere to the VA Enterprise Architecture as a framework which led to individual task being disjointed.	Program Management
10	CoreFLS officials did not secure the involvement of stakeholders in all areas of project development. This involvement is needed from the beginning to the end of the project.	Program Management
11	CoreFLS officials failed to ensure the accuracy of applicable legacy system data prior to testing.	Systems Engineering

Item	CoreFLS Lessons Learned Captured in the FLITE Risk Management Program	Functional Responsibility
12	Data contained in the legacy systems lacked conformance and integrity.	Systems Engineering
13	Proper procedures governing the authorization of software changes were not followed.	Systems Engineering
14	Leadership did not perform adequate preparation for CoreFLS testing.	Systems Engineering
15	There were significant issues with a lack of Interface Control Documents between the component products of CoreFLS, and the legacy systems, principally Vista, IFCAP, and Prosthetics.	Systems Engineering
16	A significant cause of technical flaws was caused by the lack of properly understanding integration task.	Systems Engineering
17	Integration risks were not adequately identified.	Systems Engineering
18	Evidence emerged that data contained in CoreFLS was not valid.	Systems Engineering
19	Excessive and unnecessary changes were made to the product.	Systems Engineering
20	CoreFLS software allowed for manipulation of data outside of the parameters of the established configurations.	Systems Engineering
21	The CoreFLS test strategy plan did not adequately address the thorough testing of the product before the “go live” date.	Systems Engineering
22	The CoreFLS test strategy plan did not address the testing of real world scenarios which would test the system to its breaking point.	Systems Engineering

Appendix E Agency Comments - Office of Information and Technology

Department of
Veterans Affairs

Memorandum

Date: September 3, 2010

From: Principal Deputy Assistant Secretary for Information and Technology (005A)

Subj: Draft Report—Audit of the FLITE Strategic Asset Management Pilot Project (Project No. 2009-03861-R6-0184)

To: Assistant Inspector General for Audit and Evaluations (52)

Thank you for the opportunity to review the Office of Inspector General (OIG) draft report titled, *“Audit of the FLITE Strategic Asset Management Pilot Project”* (Project No. 2009-03861-R6-0184). The Office of Information and Technology (OI&T) agrees with OIG’s findings and submits the attached written comments for **recommendation 1-3 and 7-9**. If you have any questions, please contact Leslie Abbott, FLITE Program Director, at 202-461-1201.

(original signed by:)

Stephen W. Warren

Attachment

VA Responses to OIG Recommendations
Audit of the FLITE Strategic Asset Management Pilot Project
(OIG Project No. 2009-03861-R6-0184)

- 1. We recommend the Assistant Secretary for Information and Technology develop and implement procedures to prevent future contracts for IT projects from being awarded until program staffing shortages are addressed.**

Concur: The Office of Information and Technology's (OI&T) Program Management Accountability System (PMAS) ensures projects will not be started -- and therefore contracts awarded -- without sufficient resources being assigned to the project. Completed.

- 2. We recommend that within the next 3 months, the Assistant Secretary for Information and Technology in coordination with the SAM project manager develop a new operating model and related roles and responsibilities to provide a clear definition of both VA and contractors' roles and responsibilities for the SAM pilot, beta, and national deployment projects.**

Concur: A new SAM Project operating model was developed and approved by the SAM business sponsor, Mr. Bill Schoenhard, the project owner, Mr. Roger Baker and the DepSec, Mr. W. Scott Gould on August 24, 2010 (attached). This was distributed to the SAM Project Team members on the same day via e-mail. Completed.

- 3. We recommend the Assistant Secretary for Information and Technology establish oversight mechanisms to ensure that all solicitations for future IT projects clearly define VA's expectations and requirements.**

Concur: The Assistant Secretary for Information and Technology has already aligned all information technology (IT) initiatives under the Secretary's 16 key initiatives. Integrated Product Teams (IPTs) are established as part of the acquisition process to create the acquisition packages for major IT initiatives. IPTs will be established for major initiatives to assist projects in all areas of IT including project management.

The Office of Enterprise Development (OED) has developed standard processes and templates for solicitations and makes them available for all staff in the ProPath System. OED ProPath is an innovative, front-end tool to a Process Asset Library containing information regarding standard processes. It is a one-stop shop providing critical links to the formal approved processes, artifacts, and templates to assist project teams in facilitating daily development tasks.

The VA Program Management Accountability System (PMAS) was established to provide a more rigorous management approach that delivers smaller, more frequent releases of new functionality to customers. It ensures that customers and vendors working on projects are aligned and accountable, and have access to the necessary

resources before work begins. Federal Acquisition Certification training for program/project managers is underway to ensure VA program/project managers meet the requirements for Senior/Expert Level Certification or other necessary levels of certification.

Realignment in OI&T will be underway soon to develop a competency-based organizational approach that will refine the requirements review process and continually improve measuring performance. Implementation of this recommendation is ongoing.

Target Completion Date: October 01, 2010

- 4. We recommend the Executive Director for Acquisitions, Logistics, and Construction establish policies and procedures that require contracting officers to follow a more formalized process for monitoring performance of the SAM pilot, beta, and national deployment projects and future IT projects, as specified in the Quality Assurance Surveillance Plan for the pilot contract.**

Response to be provided by Office of Acquisition Logistics and Construction.

- 5. We recommend the Executive Director for Acquisitions, Logistics, and Construction establish oversight mechanisms to ensure project managers and contracting officers take timely actions to address contractor performance issues.**

Response to be provided by Office of Acquisition Logistics and Construction.

- 6. We recommend the Executive Director for Acquisitions, Logistics, and Construction develop and implement procedures to ensure that project schedules for future projects are established at the beginning of contract performance.**

Response to be provided by Office of Acquisition Logistics and Construction.

- 7. We recommend that the Assistant Secretary for Information and Technology establish oversight mechanisms to ensure future contractors participate in the project's risk management program from the onset of each contract.**

Concur: Contractors are required to follow the recently revised SAM Project risk management plan and lessons learned procedures (previously the FLITE Risk Management Plan and Lessons Learned Procedures). Current contractors, to include Booz Allen Hamilton, General Dynamics Information Technology (GDIT) and MITRE, have submitted risks, issues and lessons learned on a continuing basis since November 2009 and are vetted through the Risk Management Team and Risk Control Review Board on a scheduled basis.

Future contracts will include this requirement in the SOW/PWS as applicable and the kick off meetings for each new contract will include a break out session on risk management and lessons learned, to include training, on the VA SAM Project plan and

procedures and the expected contractors role and responsibility to participate. This will begin with the next SAM project contract projected for IV&V in November 2010. In addition, the current GDIT team leaders were provided follow-on risk management training on June 2, 2010.

Target Completion Date: November 2010

- 8. We recommend that the Assistant Secretary for Information and Technology perform periodic independent quality assurance reviews of closed risks and issues to ensure that they were adequately addressed before closure.**

Concur: Personnel from the MITRE Corporation will conduct ongoing independent assessments of the SAM pilot project and provide recommendations for improving operations in monthly and quarterly reports to the VA Chief Information Officer and VA Acting Assistant Secretary for Management. Risk/issue management is a critical element of MITRE's independent assessment. Staff from MITRE will continue to be invited to participate in all risk/issue management meetings and also be privy to information related to all decisions that impact the management of risks and issues as they relate to the SAM pilot project. Completed.

- 9. We recommend that the Assistant Secretary for Information and Technology in coordination with the SAM project manager ensure that all CoreFLS lessons learned are revisited by an independent assessment team to determine whether they should be included in the risk management program.**

Concur: In June 2010, a team of FLITE personnel reviewed all 103 Lessons Learned from CoreFLS to evaluate their risk profile. This team consisted of the risk/lessons learned manager, a lead from the Organizational Change Management team, the SAM Pilot COTR, and work stream leads from the impacted program and project areas. If lessons learned were not determined to be risks, the appropriate justification was provided. If a lesson learned was already linked to an existing risk, staff documented that in the lessons learned register. If the lesson learned resulted in a new risk, a new risk statement was developed. These newly developed statements have been voted on by the Risk Management Team (see attached document entitled "corefls_reassessment_final2.xls"). Completed.

Appendix F Agency Comments - Office of Acquisition, Logistics, and Construction

**Department of
Veterans Affairs**

Memorandum

Date: September 2, 2010

From: Executive Director, Office of Acquisition, Logistics, and Construction (001ALC)

Subj: Draft Report for the Audit of the FLITE Strategic Asset Management Pilot Project (Project No. 2009-03861-R6-0184)

To: Assistant Inspector General for Audit and Evaluations (52)

The Office of Acquisitions, Logistics, and Construction (OALC) has completed its review of the subject Office of Inspector General Draft Report and provides attached responses and status updates.

(original signed by:)

Glenn D. Haggstrom

Attachment

Attachment

Response to Draft Report for Audit of the
FLITE Strategic Asset Management (SAM) Pilot Project
(Project No. 2009-03861-R6-0184)

Recommendation 4. We recommend the Executive Director for Acquisitions, Logistics, and Construction establish policies and procedures that require contracting officers to follow a more formalized process for monitoring performance of the SAM pilot, beta, and national deployment projects and future IT projects, as specified in the Quality Assurance Surveillance Plan for the pilot contract.

OALC Response: Concur. Although the Task Order's Quality Assurance Surveillance Plan (QASP) specifically called for the Department of Veterans Affairs (VA) surveillance of contractor performance on a quarterly basis, the plan was not consistently followed due to a lack of clarity in the requirements and inefficient performance monitoring.

OALC anticipates remedying this through additional oversight using the OALC Program Advisory Office (PAO) and the inclusion of Project Management Accountability System (PMAS). Initially slated to expire in April 2010, the SAM Pilot contract was extended through October 2010, and an additional one-year performance period, is currently under negotiation.

OALC established a Program Advisory Office (PAO) to further strengthen the performance monitoring of critical contracts. The PAO is staffed with highly-qualified and certified acquisition professionals, tasked with monitoring the cost, schedule and performance parameters of assigned contracts, identify program risks and propose mitigation strategies. The PAO is an integral part of developing acquisition strategies and ensure the project schedules are realistic and PMAS-compliant. OALC has already assigned a PAO staff member to assist the FLITE program office and contracting officer with the monitoring of cost, schedule, and performance parameters for the SAM Pilot program.

The Project Management Accountability System (PMAS) is an incremental development approach ensuring frequent delivery of new functionality to customers, coupled with a rigorous management approach to halt programs failing to meet agreed upon contract milestones. PMAS requirements will be incorporated as part of the contract modification.

OALC believes increased oversight through a dedicated PAO manager, the incorporation of PMAS, and the enforcement of existing policies and procedures delineated in Federal Acquisition Regulation 37.604 and 46.406, including VA

Information Letter 001AL-09-05, use of Integrated Product Teams (IPT) for Major Acquisitions, dated October 9, 2009, constitute an adequate framework for monitoring contractor performance consistently. Based on the implementation of the PMAS and PAO we believe actions are complete to address the recommendation.

Target Completion Date: November 1, 2010.

Recommendation 5. We recommend the Executive Director for Acquisitions, Logistics, and Construction establish oversight mechanisms to ensure project managers and contracting officers take timely actions to address contractor performance issues.

OALC Response: Concur. OALC agrees with the need for oversight mechanisms being in place to ensure contractor performance issues are addressed in a timely manner. The SAM Pilot task order had a QASP established to monitor contractor performance at the time of award. However, the QASP was not consistently followed due to a lack of clarity in the requirements and inefficient performance monitoring.

Performance concerns were raised through the FLITE governance board and were discussed with General Dynamics Information Technology, Inc., (GDIT) on several occasions. On February 26, 2010, a letter of concern was issued to GDIT by the Associate Deputy Assistant Secretary for Acquisition, addressing concerns relative to GDIT's performance issues under the task order. These actions demonstrate the contracting officer and FLITE Program Office actively and aggressively administering the task order.

OALC anticipates further remedying this through additional oversight using the OALC Program Advisory Office (PAO) and the inclusion of Project Management Accountability System (PMAS). These actions will provide the contracting officer with more frequent performance results to take appropriate and timely action.

Initially slated to expire in April 2010, the SAM Pilot contract was extended through October 2010, and an additional one-year performance period, is currently under negotiation.

Moving forward, OALC will incorporate PMAS requirements in future high risk IT acquisitions as identified by OIT. Additionally, OALC has established an Acquisition Customer Advocacy Office, which will help to identify acquisition resource needs for high risk programs and will coordinate with the PAO on these programs.

Target Completion Date: November 1, 2010.

Recommendation 6. We recommend the Executive Director for Acquisitions, Logistics, and Construction develop and implement procedures to ensure that project schedules for future projects are established at the beginning of contract performance.

OALC Response: Concur. Project schedules with a reasonable level of detail should generally be obtained as part of the pre-award process for projects of similar complexity as the SAM Pilot Project. OALC also believes project schedules should be evaluated during the pre-award phase of the acquisition so the government can determine whether the contractor has an adequate understanding of the project and if the contractor can perform the work.

OALC anticipates remedying this through additional oversight using the OALC Program Advisory Office (PAO) and the inclusion of Project Management Accountability System (PMAS).

The establishment of the Program Advisory Office (PAO) at OALC's Technology Acquisition Center, Eatontown, NJ, further strengthens the performance monitoring of critical contracts. The PAO is staffed with highly-qualified and certified acquisition professionals, tasked with monitoring the cost, schedule and performance parameters of assigned contracts, identify program risks and propose mitigation strategies. The PAO staff is an integral part of developing acquisition strategies and ensure the project schedules are realistic and Project Management Accountability System (PMAS) compliant. OALC has already assigned a PAO staff member to assist the FLITE program office and contracting officer with the monitoring of cost, schedule, and performance parameters for the SAM Pilot program.

PMAS requires frequent deliveries of new functionality to ensure contractor performance and progress under information technology contracts. Programs failing to meet delivery milestones will be halted and may be terminated. PMAS requirements are integrated into applicable contracts to support a rigorous management approach to VA's IT programs. Initially slated to expire in April 2010, the SAM Pilot contract was extended through October 2010, and an additional one-year performance period, is currently under negotiation. PMAS requirements will be incorporated as part of the contract modification.

In addition to these efforts, the Department is proactively promoting the use of project management practices. During fiscal year 2010, the OALC Acquisition Academy, provided project management training to over 1,160 VA employees. These courses enable program managers to develop adequate program performance requirements and measures with associated cost and schedule baselines against which contract performance can be measured. Based on the implementation of the PMAS and PAO we believe actions are complete to address the recommendation.

Target Completion Date: November 1, 2010.

Office of Acquisition, Logistics, and Construction

September 2010

Appendix G **OIG Contact and Staff Acknowledgments**

OIG Contact	Mario M. Carbone, Director, (214) 253-3301
-------------	--

Acknowledgments	Theresa Cinciripini Clenes Duhon John Houston Michael Jacobs Jehri Lawson Kristin Nichols Charanpreet Singh
-----------------	---

Appendix H Report Distribution

VA Distribution

Office of the Secretary
Veterans Health Administration
Veterans Benefits Administration
National Cemetery Administration
Assistant Secretaries
Office of General Counsel
FLITE Program Director's Office

Non-VA Distribution

House Committee on Veterans' Affairs
House Appropriations Subcommittee on Military Construction, Veterans Affairs, and Related Agencies
House Committee on Oversight and Government Reform
Senate Committee on Veterans' Affairs
Senate Appropriations Subcommittee on Military Construction, Veterans Affairs, and Related Agencies
Senate Committee on Homeland Security and Governmental Affairs
National Veterans Service Organizations
Government Accountability Office
Office of Management and Budget

This report will be available in the near future on the OIG's Web site at <http://www.va.gov/oig/publications/reports-list.asp>. This report will remain on the OIG Web site for at least 2 fiscal years after it is issued.