



Department of Veterans Affairs Office of Inspector General

Audit of VA's HR LINK\$ Payroll and Human Resources System Replacement Project

The HR LINK\$ project was not effectively managed. Prior audit recommendations were not implemented. A project evaluation should be performed before a decision is made to continue the development of HR LINK\$.

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DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420

Memorandum to:

Principal Deputy Assistant Secretary for Management (004)

Assistant Secretary for Human Resources and Administration (006)

Subject: Audit of VA's HR LINK\$ Payroll and Human Resources System Replacement Project

1. The Office of Inspector General (OIG) performed an audit of the Department of Veterans Affairs (VA) Human Resources (HR) LINK\$ project. The original scope of the HR LINK\$ project was to automate VA personnel functions and to replace VA's antiquated payroll system which processed over \$10 billion in salary transactions and served over 222,000 VA employees in Fiscal Year (FY) 2001. The objectives of this audit were to: (i) follow up on the recommendations of a prior OIG review, and (ii) advise Department officials on the appropriateness of continuing with the HR LINK\$ project as the best means of achieving an effective payroll and HR system in a cost-efficient manner.

2. This was the second OIG review performed on VA's initiative to replace its payroll and HR system. While the first evaluation¹ concluded that this project had significant potential to streamline VA's payroll and HR functions, the evaluation also found problems with project management, accumulation of cost data, security controls, definition of contract deliverables, and misuse of Government purchase cards. The evaluation concluded that project management controls were too weak to assess accountability over product development responsibilities, and several recommendations were made in the report to enhance project internal controls.

3. The current payroll and HR system had its beginning in an interdisciplinary team named PAY-VA, which was established in 1992. This team was tasked to develop alternatives to VA's payroll processing system called PAID.² The team recommended that the Department purchase and adapt commercial off-the-shelf (COTS) payroll and HR software products. Initial project funding was appropriated in FY 1995. A COTS payroll and HR software product was purchased in September 1995 for approximately \$6 million. Additional systems software for such applications as interactive voice response, position classification, and resumé processing was also purchased for approximately \$650,000. The project was a joint venture of VA's Offices of Financial Management and Human Resources Management. In FY 1998, the project was

¹ Evaluation of the Design and Implementation of PAY-VA (Report Number 7D2-G07-019; February 14, 1997).

² Personnel and Accounting Integrated Data.

renamed HR LINK\$ and at the time of our audit in FY 2001 project managers were contracting for the services of 13 contractors to help bring the HR LINK\$ system to full implementation.

4. The HR LINK\$ project has experienced numerous delays and substantial cost overruns. In addition, communication between Departmental organizations (VA stakeholders) and project management was ineffective during most of the project, resulting in confusion and dissatisfaction among the stakeholders. The estimated project completion date has slipped from FY 1999 to FY 2003, and the estimated project costs have increased from \$37 million to \$469 million through FY 2006.

5. In July 2001, in an effort to speed the project's progress, the HR LINK\$ Steering Committee recommended concentrating project efforts on just implementing a new payroll system. Under this plan, further efforts at automating and centralizing most HR functions would be suspended until the new payroll system was in place. If this change in project goals is adopted, the final HR LINK\$ system will vary greatly from the centralized payroll and HR system originally envisioned in the HR LINK\$ project concept.

6. An April 2001 consultant study concluded the project could be cost beneficial if completed. However, the conclusion is no longer valid because of the likelihood that the project scope will be changed to a less ambitious, less centralized system. That study's conclusions depended on the scope of HR LINK\$ not changing. Consequently, no additional resources should be expended on HR LINK\$ until an evaluation is made of whether this project is still cost beneficial and the best alternative to meet VA's future payroll and HR needs.

7. If VA decides to continue the HR LINK\$ project, specific corrective actions and project reevaluations are necessary to ensure that VA achieves an effective payroll and HR system in the most cost-efficient manner possible. Recommendations made in our 1997 report were not implemented concerning: (i) project documentation, (ii) accounting for project costs, (iii) defining contract deliverables, and (iv) the duties of the Contracting Officer's Technical Representative (COTR). This audit identified these and other issues that need improvement and increased oversight by VA officials:

- Project documentation of plans and goals was insufficient.
- There was a lack of supervisory control over contractor performance.
- Managers did not ensure that VA received value for money spent.
- Stakeholders were not adequately involved in project planning.
- The project did not comply with the Information Technology Management Reform Act of 1996 (the Clinger/Cohen Act).
- Project managers did not properly carry out administrative functions.

We recommended that a determination be made of:

- a. What stakeholders want in a payroll and HR system before committing further resources on the HR LINK\$ project.
- b. Whether HR LINK\$ will meet stakeholder needs and result in a cost-effective payroll and HR system or whether other alternatives should be considered.

If a decision is made to continue the HR LINK\$ project, then we recommended that the following actions be taken:

- Improve project planning to better define plans, goals, and objectives.
- Assign contracting officers from the Office of Acquisition and Materiel Management's Acquisition Operations and Analysis Service to be responsible for all current and future HR LINK\$ contracts.
- Revise current and future project contracts to the firm fixed price type with defined deliverables and delivery dates.
- Improve oversight of contractor performance.
- Ensure contractors are not given conflicting roles of providing project management support and technical support.
- Ensure full stakeholder participation in future project decisions.
- Comply with all Clinger/Cohen Act reporting requirements.
- Cancel the \$1.4 million payment for software license maintenance fees.
- Ensure Government purchase card procurements are adequately justified, properly approved, and adhere to established spending limitations.
- Ensure contractor travel is properly approved and paid in accordance with Federal Acquisition Regulations.
- Reevaluate the duties of the COTR.

We also recommended that:

- Contractor travel payments are audited and the contractor repays overpayments, including improper payments of \$17,834 identified by this audit.
- Project equipment purchases are properly reconciled with VA's Financial Management System accounts.
- A 100 percent inventory of project equipment is performed and all discrepancies resolved.
- The mission and functions of the Shared Services Center are reassessed before allocating additional staff resources.

8. We believe that many of the problems with the HR LINK\$ project resulted from the manner in which the project was managed. The Office of Management and the Office of Human Resources and Administration shared project management responsibility, at

both executive and operational levels. We believe this shared management structure contributed to the problems and lack of accountability evidenced in this project.

9. The Principal Deputy Assistant Secretary for Management and the Assistant Secretary for Human Resources and Administration concurred with all findings and recommendations and provided acceptable implementation plans. We consider all issues in this report resolved, although we may follow up on planned actions until completion.

(original signed by:)
MICHAEL SLACHTA, JR.
Assistant Inspector General for Auditing

Results and Recommendations

VA Does Not Have a Replacement for the PAID System

After 20 years of effort and expenditures totaling well over \$203 million,³ VA continues to rely on the PAID system and has no prospect of a completely rolled-out HR LINK\$ system before the end of calendar year 2003. While some functions of the proposed HR LINK\$ system are operating at a few pilot sites, VA officials have serious concerns whether the entire system can be functioning by 2003, given the history of delays in the project. For example, in March 2001, completion was scheduled for July 2003; however, as of October 2001, the estimated completion date had slipped more than 5 months to the end of December 2003.

A Steering Committee was established for the project in April 1995 and reconstituted in March 2001, to include higher-level representatives from VA's organizational stakeholders. As of September 2001, the Steering Committee still struggled with decisions on what future course to recommend for the HR LINK\$ project and finding the best way for VA to provide for Department-wide payroll and HR functions.

Problems and delays occurred because for much of the project, managers did not: (i) establish, maintain, or update well-defined, detailed plans, goals, and cost estimates for achieving project objectives; (ii) adequately award and administer contracts; (iii) ensure that VA received value for money expended; or (iv) keep VA stakeholders informed and involved in the project's progress and direction. In addition, project reporting did not fully comply with requirements of the Information Technology Management Reform Act of 1996 (the Clinger/Cohen Act).

Documentation of Plans, Goals, and Cost Estimates Was Inadequate

In our 1997 report titled Evaluation of the Design and Implementation of PAY-VA, we recommended establishing project documentation and work plans to track key implementation efforts. Given the significance of the project's costs, complexities, risks, and the long-term project design and implementation phases, project documentation and work plans were needed to track project phases, milestones, and accomplishments. Summary level documentation was also needed to support major modifications, additions, and deletions affecting the project's scope, budget, cost, and schedule.

In response to our recommendation, VA officials told us that the PAY-VA team would develop an integrated plan for VA's new payroll and HR delivery system. The new master plan identified four prototype phases and associated target dates for testing the

³ This is our estimate of the cost of the HR LINK\$ project from its inception in 1995 through September 2001. This estimate does not include undocumented costs for the 10-year PAID Redesign project and PAY-VA, the precursor to HR LINK\$.

functionality and applications of each phase. The plan called for the combined payroll and HR project to be completed in four phases:

1. Reporting and tracking of HR activities by May 1997.
2. HR employee self-service functions (ESS) by September 1997.
3. HR management self-service (MSS), job classification, and recruitment by March 1998.
4. Payroll functions (no date given).

As of June 2001, HR LINK\$ staff and consultants had completed only the first two phases. Rollout of the MSS program was facing strong opposition from the VA administrations. Use of the job classification and recruiting software was terminated because of hardware and contracting issues, and no alternatives had been selected to complete this phase of the project. Finally, the new payroll system was only in the initial stages of load testing, and there were serious concerns that the system would fail the testing.

In addition, we were unable to find appropriate project documentation or cost estimates for project years 1997 through 1999. HR LINK\$ project staff told us that any project data from 1997 through 1999 had probably been archived or no longer existed. Work plans existed for the period January 2000 to June 2001; however, there were no cost estimates associated with these work plans.

Contract Award and Administration Needed Improvement

HR LINK\$ project management routinely used time and materials contracts and task orders from existing General Services Administration (GSA) contracts to obtain project services. Time and materials contracts are based solely on levels of effort provided by contractors, not on the delivery of specific work products or the accomplishment of specific objectives. This method of procurement makes it difficult for project managers to hold contractors responsible for meeting definite time schedules, approved cost levels, and most importantly, specific deliverables. Federal Acquisition Regulation (FAR) 12.207 states that Government agencies should utilize firm fixed price contracts with clearly defined deliverables and delivery dates, instead of time and materials contracts.

VA's monitoring of contractor performance was largely limited to timekeeping since most contracts paid for time and materials and the only deliverable required from a contractor was a certain level of effort. In May 2001, there were 75.5 full-time equivalent employees (FTEE) representing 13 contractors working at the HR LINK\$ project headquarters in Washington, DC. The number of contractor employees fluctuated between 60 and 80 employees as the project progressed.

Eleven VA project team captains, including the Contracting Officer's Technical Representative (COTR), were assigned to monitor these contract employees. Each

contract employee reported his/her own time worked by completing a daily electronic timesheet. The project team captains reviewed and approved these timesheets but the procedure only tracked reported hours worked, not completion of tasks.

An example of the need for improved contracting and monitoring of contractor performance includes a time and materials contract awarded in June 2000. HR LINK\$ project managers awarded this contract to customize the core suite of Federal Human Resources and Payroll software products which served as the foundation for the entire HR LINK\$ concept. VA paid the contractor hourly rates ranging from \$37 per hour for clerical support to \$280 per hour for a Task Manager. These contracts rates were comparable to the rates paid other contractors during this time period.

The contract's Statement of Work (SOW) was divided into four phases, with four distinct funding levels. The estimated cost to complete all 4 phases was over \$6 million. The contractor provided the following estimated costs and dates for completing the four phases:

Design and Configuration (September 2000)	\$1,488,786
Development (December 2000)	2,845,450
Product Test (no date given)	1,208,529
Enterprise Test (no date given)	<u>615,938</u>
Total	\$6,158,703

The COTR approved a contractor-developed SOW, which lacked details of what the contractor was required to do. The vague SOW hampered control over contractor work and expenditures, and project managers were not aware until after the fact, in early July 2001, that the contractor had consumed 85 percent of total estimated contract funds and had exceeded specified funding levels for 2 phases of the contract. This occurred without VA receiving a finished product, knowing exactly what had been accomplished, or without knowing when a finished product would be delivered.

Another example of poor contracting and contract administration occurred in VA's attempt to develop and implement a classification and staffing application. Position classification software was purchased in 1996 and successfully prototyped in 1998. Deployment was delayed due to load testing issues, which were subsequently resolved in May 2000. VA purchased new software from the same vendor in April 1998 that combined the previously purchased classification system with a new staffing system. The combined classification and staffing application did not pass load testing and was not deployed. In January 2000, the contractor told VA that the server VA used (which had been recommended by the contractor) was inadequate for VA's load volume. The contractor recommended several larger and more expensive servers, but would not guarantee that the new servers would work. As a result, the classification and staffing application was put on hold pending the resolution of this problem.

In February 2000, the contractor told VA that it was changing its business practice and would become an application service provider (ASP). The contractor would provide its

classification and staffing applications through a subscription service. The HR LINK\$ Steering Committee endorsed this revision because the classification application had received a favorable reaction from users, it would provide Internet access to the applications at both work and home, and VA would not need to buy an expensive hardware/software platform.

The contractor changed over to the ASP business practice on September 30, 2000, the same day VA's license to use the classification software on VA's computer platform expired. However, VA was unable to reach a new user agreement with the contractor and the application was taken out of service in December 2000. Negotiations failed in part because, under the proposed arrangement, maintenance costs would increase from \$12,000 to \$459,000 per fiscal quarter. As a result, VA was left without a classification and staffing system and VA had to start over in its search for an automated classification and staffing system.

The total cost to VA for the development of the classification and staffing application and succeeding contracts was \$1,107,504. In May 2001, a member of the Steering Committee Working Group told us that VA was considering: (i) procuring one of two other commercial applications, (ii) procuring "Coredoc,"⁴ a system developed and used by the Department of Defense, or (iii) outsourcing classification and staffing functions to another ASP.

Stakeholders Were Not Adequately Involved in Project Planning

VA stakeholders told us that the project scope was not what they wanted or expected. As recently as May 2001, officials from all three VA administrations stated that HR LINK\$ project managers had not responded to numerous complaints and concerns. One official from the Veterans Health Administration's (VHA) Management Support Office thought that the HR LINK\$ project would simply add new payroll and HR efficiencies to existing systems, not reengineer the entire payroll and HR process.

The Deputy Under Secretary for Health told us that she liked the ESS function of HR LINK\$, as well as the position classification and staffing application. However, the position classification and staffing application is now gone, and she did not think that VHA could afford to have doctors and nurses performing administrative personnel tasks as is proposed in the MSS function of HR LINK\$. That is why, as of May 2001, VHA continued to refuse to participate in the MSS prototype.

The Deputy Under Secretary for Operations, Veterans Benefits Administration (VBA), expressed disappointment that the HR LINK\$ system could not provide the detailed, sophisticated reports he needed on the makeup and distribution of VBA's workforce. He also criticized HR LINK\$'s proposed MSS function, because he felt it was a mistake to have managers doing HR tasks. In addition, he stated that VBA's position is that they

⁴ "Coredoc" stands for "core documents."

would rather maintain their own HR experts at VBA's existing four regional HR centers instead of implementing plans to consolidate all VBA HR functions at the SSC.

The Deputy Under Secretary for Management, National Cemetery Administration (NCA), stated that ESS was working well, but expressed concern about the effectiveness of MSS. In addition, he said it was too early to tell if the HR LINK\$ system would be able to handle VA's payroll, since the contractor had never serviced an organization of VA's size and complexity. Further, he felt that an evaluation of the SSC's ability to carry out its mission was needed.

The HR LINK\$ Project Did Not Comply with the Clinger/Cohen Act

One reason that the HR LINK\$ project was over budget and behind schedule was that statutory controls for the management and oversight of large Government investments in information technology were not implemented. In 1996, Congress passed what is commonly referred to as the Clinger/Cohen Act. This law required the Director of the Office of Management and Budget (OMB) to develop "...a process for analyzing, tracking, and evaluating the risks and results of all major capital investments made by an executive agency for information technology (IT) systems." To implement the Clinger/Cohen Act, OMB issued Circular No. A-11, Part 3 (Planning, Budgeting, and Acquisition of Capital Assets).

This circular required that planning for IT projects must include prototype testing and implementation in clearly defined, narrow segments. Annual reporting requirements for each Department with major IT initiatives also include providing OMB with a funding summary and a project cost and goals summary for each initiative. If work falls behind schedule or exceeds planned costs by more than 10 percent, an explanation is required, along with a detailed plan to bring the project back on schedule and within budget. The Act also mandates that planning includes involvement and "buy-in" from the program officials who will eventually use the system.

HR LINK\$ did not comply with the requirements of the Clinger/Cohen Act. The HR LINK\$ report to OMB for FY 2000 did not include a funding summary and, while the report did contain a segment called a Summary of Spending for FY 1999 and prior years, that segment only detailed estimated costs for FYs 2000 and 2001. The required summary of progress meeting the projects performance goals and planned costs was not submitted. The acting project co-manager and the COTR stated that they were unfamiliar with the Clinger/Cohen Act reporting requirements but believed that they had submitted some of the required data to the VA Chief Information Officer in October 2000. Noncompliance with OMB reporting requirements denied VA and OMB officials critical information about project cost increases, and information that may have helped to identify alternatives that could have lowered costs and brought the project back on schedule.

In March 2001, the Principal Deputy Assistant Secretary for Information and Technology noted that the projected cost for HR LINK\$ was 75 percent over the amount approved by VA's Capital Investment Board in 1998. Because of this rapid escalation in costs, he recommended that the project be halted for a complete reevaluation. The HR LINK\$ Steering Committee contracted to conduct two cost-benefit analyses, one on each of two possible scenarios for HR LINK\$. The first scenario was to fully implement the HR LINK\$ system as originally envisioned, and the second was to drop the staffing and classification functions and continue with the payroll functions. The study results were published in April 2001 and supported continuing with the project if the originally envisioned system was completely implemented. However, the contractor concluded that if the staffing and classification functions were deleted from the project, the outlook for a cost beneficial system would be greatly diminished.

VA Has Lost the Opportunity To Franchise HR LINK\$

One of the original HR LINK\$ project goals was for VA to become a leader in providing payroll and HR services to other government agencies (OGAs). VA planned to offer OGAs a complete, state-of-the-art package of payroll and HR services that would replace their labor-intensive systems and substantially reduce overhead. Selling the payroll and HR services to OGAs was expected to offset project development, operating, and maintenance costs. Also, the increased workload from participating OGAs would create greater economies of scale in HR LINK\$ operations, particularly at the SSC.

Although the VA Franchise Board approved an HR LINK\$ Franchising Business Plan in July 1999, the plan as submitted only covered services for internal VA customers. As of August 2001, an official plan to service OGAs had yet to be submitted to OMB for approval, and a plan would not be submitted until VA had an actual working product.

As far back as July 2000, the VA Franchise Board tabled a plan to sell HR LINK\$ to external customers because of "slippage in meeting project milestones." Project management had originally hoped to begin external servicing of OGAs in 1999. This has been postponed until at least 2004, when project managers hoped to finally have a tested, fully functioning, finished product.

Among the risks discussed in the original franchising business plan was VA's ability to effectively and timely develop and implement a new state of the art system. Timely implementation was seen as critical for external customers because of the potential for savings through staff reductions. The annual cost of the new system when fully implemented was estimated at \$187 per employee account, which was considered very competitive. Unfortunately, these plans were based on: (i) having the system up and running by 2002, and (ii) complete centralization of VA HR activities at the SSC by that time. As of October 2001, neither of these conditions had occurred.

In addition, in recent years potential external customers have been developing their own payroll and HR replacement systems. In fact, VA's prime contractor is marketing its own software to OGAs and would be in direct competition with any VA attempt at future franchising. A December 1999 Office of Personnel Management survey of OGA payroll and HR systems revealed that 14 agencies were already implementing, or were in the process of acquiring, new systems. Among them were eight cabinet-level Departments and six other smaller agencies. Four of these agencies (the Department of State, the Department of Labor, the Department of Energy, and the Environmental Protection Agency) have already purchased payroll and HR products from VA's prime contractor.

Because OGAs have been involved with their own payroll and HR initiatives since at least 1999 and VA's prime contractor and other competitors were aggressively marketing to OGAs, VA has very little potential to recover its project costs through franchising efforts.

VA Has a Narrow Window of Opportunity To Avoid Additional Unnecessary Costs

Immediate action is needed to prevent incurring further unnecessary costs. Under the original contract, VA had the right to support an unlimited number of employees with the finished payroll and HR system. However, in 1998 VA paid the contractor an additional \$1.02 million for a "license expansion" allowing VA to support 300,000 employee accounts. VA currently has only about 222,000 employees, or 78,000 fewer employees than licenses. Despite this, VA paid an additional \$3 million in 1999 for another software upgrade that included 17,500 more "franchising" licenses, for a total of 95,500 more licenses than VA needed.

The additional franchising licenses have not been used and may never be used. However, starting in January 2001, under the agreement with the contractor, VA began paying annual maintenance fees for upgrades over the life of the 17,500 franchising licenses. These currently unusable franchising licenses will cost VA over \$1.4 million in maintenance fees by the end of 2003. VA should terminate the contracts for expanded licenses and cancel any future obligations for license maintenance. This can result in a cost avoidance of up to \$1.4 million.

The Future of the Shared Service Center Is Uncertain

Plans for the future operation and expansion of both the staffing and functional capabilities of the SSC were developed to completely centralize all VA payroll and HR functions and to sell the finished HR LINK\$ product to OGAs. VA established the SSC at the Colmery-O'Neil VA Medical Center in Topeka, KS in 1997 at a cost of \$29 million. The SSC began operation in March 1998.

As of August 2001, the SSC employed about 240 FTEE to process employee enrollments and changes to the Thrift Savings Plan and the Federal Employee Health Benefits Program. The SSC also provides automated employment verification, nationwide classification services including a position classification library, and manual position classification services after the automated classification product was discontinued in December 2000. In addition, the SSC provides payroll advisory services for all VHA sites and transaction processing for all Veterans Canteen Service employee allotments for purchases.

The SSC has piloted recruitment and staffing, management activities, and retirement processing applications. Pilot testing involved employees at three veterans integrated service networks, VHA's Cleveland Office of Information Service Center, a VBA Administration Service Delivery Network, the Austin Automation and Financial Services Centers, several national cemeteries, and selected elements of VA Central Office. The scope of pilot testing varied by site and the maximum number of employees served by any of these pilots was 13,000 out of VA's total workforce of about 222,000 employees.

The SSC was a key component of the 1996 plan to reengineer VA's payroll and HR systems. Under this plan, payroll and HR field staff in VHA, VBA, and NCA were to be substantially reduced and the remaining field personnel were to consist primarily of a few technical experts. Almost all of VA's payroll and HR work was to be transferred to the SSC. The original plan called for VA-wide deployment of the HR functions to begin around July 1997, with final phased deployment (essential to accommodate system development and initial/ongoing training) to be completed by September 1999.

The objectives of the SSC were to provide more responsive and higher quality payroll and HR services to all VA employees and to free significant FTEE resources to directly serve veterans. This centralization of effort was also designed to streamline the entire payroll and HR operation, reducing the number of staff dedicated to those functions throughout VA. In the July 1996 memorandum implementing the SSC, the HR LINK\$ project managers estimated that the SSC would reduce VA payroll and HR resources by 31 percent, from 3,464 to 1,080 FTEE.

VA also expected to save an additional 359 FTEE by including position classification and staffing in the functions assigned to the SSC. Total projected life cycle savings associated with SSC operations were expected to be \$137 million. According to the November 1999 HR LINK\$ Steering Committee minutes, full implementation of the position classification and staffing application at the SSC would have resulted in a 35 percent reduction in the number of VA staffing specialists.

The HR LINK\$ project staff has monitored HR staffing levels on a quarterly basis. As of July 1998, only about 600 HR FTEE had been eliminated. However, in February 2000, VBA officials complained that their field sites were in a difficult situation. While they had cut HR staff, they still had the same workload. VBA officials especially stressed the need to employ the position classification and staffing software to help make up for the

lost staff. However, the contractor stopped supplying the position classification and staffing software in December 2000.

As of June 2001, HR LINK\$ project management was planning to increase the SSC's staffing level from 250 to 705 FTEE by the first quarter of FY 2003. This was the projected date when the SSC would assume all of VA's payroll functions and the coding of all personnel actions. However, this projected date has now slipped to the first quarter of FY 2004. Plans still exist for the SSC to process all payroll and HR transactions for future franchise customers.

The feasibility of expansion, or even continued operation, of the SSC is in doubt because:

- In June 2001, the Steering Committee reassessed the HR LINK\$ project and opened the door to a much more decentralized approach for future payroll and HR functions than envisioned in the original plans. If the Secretary approves this new direction for HR LINK\$ development, the planned SSC expansion will no longer be needed, and the SSC itself may no longer be needed.
- VA's potential ability to franchise HR LINK\$ to OGAs is severely limited, if not completely gone.
- VHA, VBA, and NCA officials indicated that they have serious doubts about the appropriateness of MSS, a key feature of the HR LINK\$ centralized HR function concept.

Although the SSC's ESS functions are universally popular, if VA decides upon a more decentralized approach to future HR LINK\$ endeavors there may be no need for the SSC. SSC staffing should not be increased beyond its current level until a final decision is reached on the future of HR LINK\$.

Project Managers Did Not Properly Carry Out Administrative Functions

We found poor documentation of work performed, misuse of Government purchase cards, improper procurement of printing, inappropriate travel payments to contractor staff, and discrepancies in accounting for equipment. In addition, HR LINK\$ project co-directors inappropriately delegated too many administrative oversight and contracting functions to the COTR, who could not effectively carry out the delegated responsibilities.

Invoices from contractors for project consultation work lacked sufficient detail to support actual work performed. We reviewed payment information and accompanying invoices for HR LINK\$ Government purchase cards expenditures from October 1997 through February 2001 consisting of 173 monthly bills totaling \$2,664,075. We reviewed 84 invoices over \$2,500 totaling \$2,204,123 in detail,

including 48 payments to 12 contractors for consulting services totaling \$845,804. The consulting fees paid to contractors ranged from \$3,225 to \$260,413.

None of the 48 invoices for consulting services included any validation of the work performed or contained adequate descriptions of tasks actually completed. Most of these invoices included only a statement of the hours that a contract employee worked on the project. To illustrate, for the period July 16 to September 30, 2000, one contractor was paid \$73,864 for 745 hours of work. The contractor submitted five invoices detailing hours worked, but provided only cursory descriptions of work performed such as "continued production support activities during system testing." Information was not provided showing the specific tasks performed. All invoices were approved for payment by the COTR.

To avoid mandated Government purchase card dollar limits, VA employees practiced purchase splitting in obtaining project goods and services. The COTR had been issued two purchase cards with single purchase authority of \$25,000 for each. There were also five other HR LINK\$ employees who used purchase cards during the period covered in the review described above. HR LINK\$ employees split purchases in 5 of 84 invoices reviewed, apparently to avoid mandated purchase card limitations. For example, in one instance, computer servers costing \$45,000 were purchased on the same day using the same Government purchase card, with two identical transactions of \$22,500 each.

Project staff improperly obtained printing services. Public Law 90-620 requires that the Government Printing Office (GPO) oversee all Government printing. Public Law 102-392 states that no entity of the Executive Branch may expend funds for the procurement of any printing of Government publications unless it is done by or through GPO.

From the previously described review of Government purchase card invoices and payments, we found 3 instances that involved printing violations, totaling \$20,132. For example, a printing company was paid \$13,877 to print and bind HR LINK\$ pamphlets without authorization from GPO.

Contractor travel lacked required prior approval and was paid at incorrect rates. We reviewed all 107 travel claims contained in 88 invoices submitted for the period October 1998 through May 2001 by employees of 2 of the major HR LINK\$ contractors. These 107 claims totaled \$559,986. The SOW for these contracts required that VA approve contractor travel in advance, but 106 of the 107 claims we looked at (99 percent), were not approved as required.

The FAR and the VA COTR Handbook specify that contractor travel should be paid at applicable Government per diem rates, unless approval to exceed those rates is granted in advance. In 95 of the 107 claims reviewed (89 percent), Government per diem rates were exceeded without prior approval. For example, a contractor's employee voucher for the period September 10 through September 15, 2000, included

5 nights of lodging. The applicable maximum Government lodging rate was \$118 per night, but the contractor's employee was paid \$219 per night. Advance approval to exceed the Government lodging rate was not requested or provided, but the travel voucher was approved as submitted, causing an overpayment of \$505.

We identified total overpayments for excessive lodging charges of \$15,495 to the two contractors whose claims we reviewed. We also found 18 instances, totaling \$2,339, where VA improperly paid for non-reimbursable expenses such as personal cellular telephone charges. VA should bill the contractors involved for these overpayments, which totaled \$17,834. As of May 2001, more than 75 individuals from 13 contractors were working on the HR LINK\$ project. A 100 percent review of all contractor travel invoices should be performed and all excessive payments recouped from the contractors.

An accounting for project equipment purchases needs to be made. We were unable to reconcile all project equipment expenditures recorded in VA's Financial Management System (FMS). FMS records showed that from FYs 1997 through 2000 Government purchase cards were used to purchase equipment valued at \$1,974,547. We identified an additional \$198,350 in equipment purchases that were not recorded in FMS and purchase card entries totaling \$18,855 in FMS that did not have corresponding purchase card statements. VA's Integrated Funds Distribution, Control Point Activity, Accounting, and Procurement (IFCAP) system also showed that from FYs 1996 through 2000, equipment purchases totaling \$12,496,495 were made with purchase orders. This exceeded the amount recorded in FMS for equipment acquired through purchase orders by \$221,306.

These discrepancies indicate serious problems in accounting for, and possible diversion of, equipment with significant value. A 100 percent inventory of HR LINK\$ equipment should be performed and discrepancies should be resolved.

The COTR has too many responsibilities. Some of the deficiencies in HR LINK\$ project administration can be related to placing too many responsibilities on the COTR. As of July 2001, the COTR also served as the project's business manager, budget officer, and procurement officer, in addition to the duties of providing onsite technical expertise to the contracting officer. The COTR also approved the majority of project expenditures and oversaw project consultants, as well as approving contractor fees and travel expenses. The scope of the COTR's duties violated the internal control principle of separation of duties.

Some of the Same HR LINK\$ Deficiencies Were Reported in 1997

In 1997, the Office of Inspector General (OIG) performed an evaluation of the HR LINK\$ (then PAY-VA) project and reported the following deficiencies:

- Project documentation and plans were insufficient to identify and support major changes in the project's scope, budget, cost, and schedule.
- Contract deliverables associated with the COTS software were not sufficiently defined.
- All project costs were not identified and accounted for.
- The COTR needed formal training on the roles and responsibilities of his position, as well as on the inappropriateness of "purchase splitting."

VA officials concurred with recommendations we made to correct these problems. During this review we found that the following recommendations were not implemented: (i) improve project documentation, (ii) improve accounting for project costs, (iii) define contract deliverables, and (iv) establish appropriate duties for the COTR.

Conclusion

Management should make an informed determination as to whether the HR LINK\$ project should be terminated, whether the PAID system can be sufficiently updated, or whether an entirely new strategy is needed. If the decision is to continue with HR LINK\$, the management deficiencies reported must be remedied if the project is to have any chance of providing VA with an effective cost efficient payroll and HR system.

We believe that many of the problems with the HR LINK\$ project can be traced to manner in which the project was managed. The Office of Management and the Office of Human Resources and Administration shared project management responsibility, at both the executive and operational levels. We believe this structure contributed to the problems and lack of accountability evidenced in the management of this project. Accordingly, this shared project management should be avoided in future VA projects.

For More Information

- The objectives, scope, and methodology of the audit are discussed in Appendix I.
- More detailed audit information on HR LINK\$ project costs is provided in Appendix III.

Recommendation 1

We recommended that the Principal Deputy Assistant Secretary for Management and the Assistant Secretary for Human Resources and Administration:

- a. Not expend any additional resources on HR LINK\$ until a determination is made of what VA stakeholders want in a payroll and HR system.

- b. Assess whether continuing with the HR LINK\$ project will meet VA stakeholder needs in an effective and cost efficient payroll and HR system or whether other alternatives should be sought.

Principal Deputy Assistant Secretary for Management and Assistant Secretary for Human Resources and Administration Comments

Concur: A Decision Memorandum has been prepared for signature by the VA Secretary recommending termination of the current HR LINK\$ development and modernization initiative.

(The full text of comments, including target dates and status, is included in Appendix V.)

Office of Inspector General Comments

The Principal Deputy Assistant Secretary for Management and the Assistant Secretary for Human Resources and Administration concurred with the recommendation and provided acceptable implementation plans. We consider this recommendation resolved, although we may follow up on planned actions until completion.

Recommendation 2

We recommend that the Principal Deputy Assistant Secretary for Management and the Assistant Secretary for Human Resources and Administration ensure that if the HR LINK\$ project is to continue:

- a. Project planning is improved by defining plans, goals, and objectives.
- b. VA contracting officers from Office of Acquisition and Materiel Management's Acquisition Operations and Analysis Service are designated to be responsible for all current and future HR LINK\$ contracts.
- c. All current contracts are revised to the firm fixed price type, with defined deliverables and delivery dates, and all future contracts also have these same features.
- d. Contractor performance is adequately monitored.
- e. Contractors are not permitted to assume conflicting roles, such as concurrently providing both project management support and technical support.
- f. Full participation of project stakeholders is obtained before future project decisions are made.

- g. All Clinger/Cohen Act requirements are met.
- h. Unnecessary software license maintenance fees of \$1.4 million are canceled.
- i. Purchases via the Government purchase card adhere to established spending limitations, and purchases include adequate justifications and appropriate approvals.
- j. Contractor travel payments are properly approved and paid in accordance with the FAR.
- k. The COTR is given appropriate duties.

(The associated monetary benefits for Recommendation 2.h. are shown in Appendix IV.)

Principal Deputy Assistant Secretary for Management and Assistant Secretary for Human Resources and Administration Comments

Concur: A Decision Memorandum has been prepared for signature by the Secretary of VA recommending termination of the current HR LINK\$ development and modernization initiative. Recommendations to action items B, H, I, & K have been completed. The Office of Financial Management (OFM) will implement the remaining action items should any future development be approved.

(The full text of comments, including target dates and status, is included in Appendix V.)

Office of Inspector General Comments

The Principal Deputy Assistant Secretary for Management and the Assistant Secretary for Human Resources and Administration concurred with the recommendation and provided acceptable implementation plans. We consider this recommendation resolved, although we may follow up on planned actions until completion.

Recommendation No 3

We recommend that the Principal Deputy Assistant Secretary for Management and the Assistant Secretary for Human Resources and Administration ensure that:

- a. All contractor travel payments are audited and overpayments repaid to VA, including the \$17,834 identified by this audit.
- b. Project equipment purchases are properly reconciled with VA's FMS accounts.

- c. A 100 percent inventory of project equipment is conducted and discrepancies resolved.
- d. No further staffing resources are given to the SSC until its mission and functions are reassessed.

(The associated monetary benefits for Recommendation 3.a. are shown in Appendix IV.)

Principal Deputy Assistant Secretary for Management and Assistant Secretary for Human Resources and Administration Comments

Concur: A Decision Memorandum has been prepared for signature by the VA Secretary recommending termination of the current HR LINK\$ development and modernization initiative.

(The full text of comments, including target dates and status, is included in Appendix V.)

Office of Inspector General Comments

The Principal Deputy Assistant Secretary for Management and the Assistant Secretary for Human Resources and Administration concurred with the recommendation and provided acceptable implementation plans. We consider this recommendation resolved, although we may follow up on planned actions until completion.

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to: (i) follow up on the recommendations of a prior OIG evaluation, and (ii) advise Department officials on the appropriateness of continuing with the HR LINK\$ project as the best means of achieving an effective payroll and HR system in a cost efficient manner.

Scope and Methodology

To accomplish the audit objectives, we reviewed VA and OMB manuals, policies, and procedures; the FAR; VA internal studies; and prior OIG and Office of Acquisition and Materiel Management (OA&MM) reviews pertaining to HR LINK\$ issues. We obtained and reviewed available HR LINK\$ plans, management reports, cost data, contracting reviews, a contractor's April 2001 Cost Benefit Analysis, and HR LINK\$ Steering Committee meeting minutes from March through July 2001. We compiled and analyzed available HR LINK\$ cost, workload, and contracting data, including data from the Financial Management System, VA budget, Government purchase card records, project management files, and contract files.

Audit interviews of cognizant VA staff included, but were not limited to, HR LINK\$ project directors, co-managers, and employees; HR LINK\$ Steering Committee and Working Group members; contractor representatives; VHA, VBA, and NCA officials; SSC managers and employees; and OA&MM contracting officials.

The time frame covered by this audit was generally from the HR LINK\$ project inception in 1995 through the beginning of September 2001.

The audit did not include an in-depth analysis of contracting requirements, since OA&MM staff had completed such a review in March 2001, at the request of VA's Chief Financial Officer. The OA&MM findings have been referenced in this report.

We performed this audit in accordance with generally accepted Government auditing standards. To meet the audit objectives, we used computer-processed expenditure data from VA's automated FMS, purchase histories from the Government purchase card program, and HR LINK\$ project control files. We conducted tests to assess the reliability of this data, which we found to be sufficiently reliable to meet our audit objectives.

Background

The Human Resources (HR) LINK\$ project began in FY 1995 as a joint venture between VA's Offices of Financial Management and Human Resources Management. The original purpose of the project was to replace VA's existing PAID⁵ system with a new automated system to process payroll and HR transactions. In FY 2001, the PAID system processed over \$10 billion in salary transactions and served over 222,000 VA employees.

Before the HR LINK\$ project, VA was involved in a 10-year effort to upgrade its payroll system. That project was called PAID Redesign, and it ended in 1991. At the conclusion of the PAID Redesign project, VA officials determined that PAID still could not meet then current or future needs because: (i) material weaknesses existed in the system, (ii) it was prone to errors, (iii) VA was incurring about \$3 million in excessive system maintenance costs per year, and (iv) a system failure was feared.

In 1992, an interdisciplinary team called PAY-VA was tasked to analyze alternatives to PAID. PAY-VA was a joint project of the Office of Financial Management and the Office of Human Resources Management and was a component of the Department's long-term strategy for improving resource management systems and services. VA management accepted the team's recommendation that VA acquire and customize a "mature" software system available in the commercial marketplace. This action was considered the least costly, risky, and time-consuming.

In September 1995, the project received GSA approval for a \$37 million procurement that included the original commercial off-the-shelf (COTS) software. This marked the official start of what would be the HR LINK\$ project. The COTS procurement changed the project scope to completely reengineer both VA's payroll and HR systems. The estimated cost for this increased scope was \$115 million (including the \$37 million for the COTS procurement), with an estimated completion date of FY 1999. In July 1996, the Secretary of Veterans Affairs approved a proposal to establish a Shared Service Center (SSC) in Topeka, KS, where all VA payroll and HR functions would eventually be centralized.

As of September 2001, about \$203 million had been spent on HR LINK\$ and VA still did not have a fully functioning replacement payroll system. As of the same date, the project completion date had slipped to the end of calendar year 2003 and estimated project costs rose \$266 million to a total \$469 million through 2006. In addition, as of August 2001, the payroll software VA purchased in 1995 was still being revised to accommodate VA needs, and VA officials still did not know if the system would be able

⁵ Personnel and Accounting Integrated Data.

to process VA's payroll, or provide the other HR functions planned for about 222,000 VA employees.

HR LINK\$ Project Costs

The HR LINK\$ Budget Officer provided the project financial information shown in the following table. Although we did not validate each line item as presented, we utilized some of this data in our limited sampling reviews. VA officials were also using this cost data for analysis and decision-making. The table shows the actual and projected costs for HR LINK\$ at both VA Central Office and the SSC. After HR LINK\$ staff and contractors complete all development work and “roll out” the finished product, operation of the SSC will account for the remaining costs in the outlying years.

BREAK OUT OF CENTRAL OFFICE AND SHARED SERVICES CENTER COSTS

FY 1995 - FY 2006

(000s)

SOURCE: HR LINK\$ Budget Officer

TABLE 1

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	TOTALS
Cost Category	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	PLAN	PLAN	PLAN	PLAN	PLAN	PLAN	
Central Office (HRL\$)													
Personal Services	\$337	\$344	\$415	\$263	\$397	\$480	\$429	\$442	\$455	\$0	\$0	\$0	\$3,562
Travel	\$166	\$231	\$401	\$531	\$362	\$290	\$494	\$500	\$500	\$0	\$0	\$0	\$3,475
Rent/Utilities	\$0	\$0	\$0	\$0	\$33	\$4	\$5	\$5	\$5	\$0	\$0	\$0	\$52
Printing	\$0	\$0	\$0	\$0	\$53	\$4	\$0	\$0	\$0	\$0	\$0	\$0	\$57
Contractual Services – HR LINK\$	\$4,079	\$3,771	\$4,702	\$5,908	\$5,354	\$10,089	\$5,811	\$5,827	\$5,778	\$0	\$0	\$0	\$51,319
Supplies/Materials	\$38	\$49	\$133	\$77	\$167	\$111	\$100	\$100	\$100	\$0	\$0	\$0	\$875
Equipment	\$976	\$1,829	\$1,001	\$2,147	\$1,652	\$45	\$600	\$565	\$600	\$0	\$0	\$0	\$9,415
Total Central Office	\$5,596	\$6,224	\$6,652	\$8,926	\$8,018	\$11,023	\$7,439	\$7,439	\$7,438	\$0	\$0	\$0	\$68,755
Shared Services Center (SSC)													
Personal Services	\$0	\$10	\$1,425	\$4,258	\$5,228	\$8,351	\$11,996	\$14,300	\$18,412	\$20,889	\$21,620	\$22,377	\$128,866
Travel	\$0	\$64	\$216	\$309	\$285	\$124	\$466	\$470	\$460	\$115	\$120	\$125	\$2,754
Transportation of Goods	\$0	\$6	\$283	\$129	\$164	\$205	\$345	\$346	\$365	\$25	\$25	\$30	\$1,923
Rent/Utilities	\$0	\$0	\$425	\$1,139	\$1,205	\$1,619	\$2,270	\$2,176	\$2,242	\$2,185	\$2,251	\$2,319	\$17,831
Printing	\$0	\$0	\$0	\$24	\$6	\$31	\$100	\$50	\$50	\$50	\$50	\$55	\$416
Contractual Services - SSC	\$0	\$5,058	\$3,475	\$13,264	\$15,336	\$20,778	\$30,723	\$32,509	\$27,070	\$20,085	\$20,688	\$21,308	\$210,294
Supplies/Materials	\$0	\$38	\$375	\$170	\$192	\$213	\$200	\$260	\$265	\$200	\$200	\$200	\$2,313
Equipment	\$0	\$182	\$675	\$5,127	\$1,927	\$2,405	\$3,345	\$950	\$650	\$300	\$300	\$325	\$16,186
Total Shared Services Center (SSC)	\$0	\$5,358	\$6,874	\$24,420	\$24,343	\$33,726	\$49,445	\$51,061	\$49,514	\$43,849	\$45,254	\$46,739	\$380,583
Field Site Equipment													
Hardware/Software	\$0	\$500	\$164	\$45	\$4,728	\$64	\$0	\$0	\$0	\$0	\$0	\$0	\$5,501
Total Field Site Equipment	\$0	\$500	\$164	\$45	\$4,728	\$64	\$0	\$0	\$0	\$0	\$0	\$0	\$5,501
TOTAL HR LINK\$ PROJECT	\$5,596	\$12,082	\$13,690	\$33,391	\$37,089	\$44,813	\$56,884	\$58,500	\$56,952	\$43,849	\$45,254	\$46,739	\$454,839
CUMULATIVE PROJECT TOTALS	\$5,596	\$17,678	\$31,368	\$64,759	\$101,848	\$146,661	\$203,545	\$262,045	\$318,997	\$362,846	\$408,100	\$454,839	

**Monetary Benefits in
Accordance with IG Act Amendments**

Report Title: Audit of VA's HR LINK\$ Payroll and Human Resources System Replacement Project

Report Number: 01-00949-81

<u>Recommendation Number</u>	<u>Explanation of Benefits</u>	<u>Better Use of Funds</u>	<u>Questioned Costs</u>
2.h.	Maintenance fees for franchising should be canceled.	\$1,407,000	
3.a.	Questioned costs associated with payment of contractor travel vouchers.	<u> </u>	<u>\$17,834</u>
	Totals	\$1,407,000	\$17,834

**Full Text of Comments by the Principal Deputy Assistant Secretary for
Management and by the Assistant Secretary for
Human Resources and Administration**

**Department of
Veterans Affairs**

Memorandum

Date: FEB 4, 2002

From: Principal Deputy Assistant Secretary for Management (004)
Assistant Secretary for Human Resources and Administration (006)

Subj: Draft Report, Audit of HR LINK\$ – OIG Project No. 2001-00949-R4-0079

To: Assistant Inspector General for Auditing (52)

1. Thank you for the opportunity to respond to the subject draft report. We apologize for the delay in our response.
2. We concur with the recommendations and estimated dollar impact outlined in the report.
3. We have either completed or taken steps to implement many of the corrective actions enumerated in the report. The attachment contains an implementation plan and target completion dates for implementing specific corrective actions.
4. If you have any questions, please contact me or the ADAS for Financial Systems, Edward Murray, at (202) 565-8332.

Original signed by
William H. Campbell *for*
D. Mark Catlett

Original signed by
Jacob Lozada, Ph.D.

Attachment

**Full Text of Comments by the Principal Deputy Assistant Secretary for
Management and by the Assistant Secretary for
Human Resources and Administration (Continued)**

ATTACHMENT

OIG Project No. 2001-00949-R4-0079

HR LINK\$ Response to Recommendations:**Recommendation 1**

We [OIG] recommend that the Principal Deputy Assistant Secretary for Management and the Assistant Secretary for Human Resources and Administration:

- a. Not expend any additional resources on HR LINK\$ until a determination is made of what VA stakeholders want in a payroll and HR system.
- b. Based upon VA stakeholder decisions, perform an assessment of whether continuing with the HR LINK\$ project will meet VA stakeholder needs in an effective and cost efficient payroll and HR system or whether other alternatives should be sought.

Response

Concur: A Decision Memorandum has been prepared for signature by the VA Secretary recommending termination of the current HR LINK\$ development and modernization initiative.

The Decision Memorandum specifies the following corrective actions to address this recommendation:

Responsible Office	Decision Memorandum Recommendations	Target Date/Status
OFM	Terminate HR LINK\$ development and modernization efforts.	Q2/FY02
OFM	Continue use of the legacy HR/payroll systems (PAID/OLDE/ETA) and the HR LINK\$ Employee Self Service module. Correct latent defects in the legacy systems that were deferred pending HR LINK\$ and further automate a direct link between ESS and PAID.	Q4/FY04 (Latent defect requirements under development)
OFM/ HRM	Appointed Single Project Manager of HR LINK\$. (ADAS Financial Systems)	Complete
OFM	Close out the existing HR LINK\$ Project.	Q2/FY02
OFM	OFM will build the business case for any future payroll system investment and will ensure stakeholder support. Initial planning will only be undertaken within the CIO and	Alternatives Analysis FY02

Full Text of Comments by the Principal Deputy Assistant Secretary for Management and by the Assistant Secretary for Human Resources and Administration (Continued)

	Capital Investment procedures. Specifically, OFM will work with the fiscal communities within the Administrations to prioritize requirements and identify automation opportunities to enhance payroll processing.	
OHRM	Develop options for the role of the SSC. The options should include choices on the placement of HR processing activities, the costs and FTE required to accomplish these activities, and how future funding of the SSC will occur. The plan should also include an option of closing of the SSC and the impact of such a decision.	Q2/FY02 (Meeting scheduled for January 2002)
OHRM	OHRM will develop a proposal for any future human resource systems investments in concert with our stakeholders. OHRM will work with the HR communities within the Administrations to prioritize requirements and identify automation opportunities to enhance HR processing. Initial planning will only be undertaken within the CIO and Capital Investment procedures.	Alternatives Analysis FY02

Recommendation 2

We [OIG] recommend that the Principal Deputy Assistant Secretary for Management and the Assistant Secretary for Human Resources and Administration ensure that if the HR LINK project is to continue:

- a. Project planning is improved by defining plans, goals, and objectives.
- b. VA contracting officers from Office of Acquisition and Materiel Management's Acquisition Operations and Analysis Service are designated to be responsible for all current and future HR LINK\$ contracts.
- c. All current contracts are revised to the firm fixed price type, with defined deliverables and delivery dates, and all future contracts also have these same features.
- d. Contractor performance is adequately monitored.
- e. Contractors are not permitted to assume conflicting roles, such as concurrently providing both project management support and technical support.

**Full Text of Comments by the Principal Deputy Assistant Secretary for
Management and by the Assistant Secretary for
Human Resources and Administration (Continued)**

- f. Full participation of project stakeholders is obtained before future project decisions are made.
- g. All Clinger/Cohen Act requirements are met.
- h. Unnecessary software license maintenance fees of \$1.4 million are canceled.
- i. Purchases via the Government purchase card adhere to established spending limitations, and purchases include adequate justifications and appropriate approvals.
- j. Contractor travel payments are properly approved and paid in accordance with the FAR.
- k. The COTR is given appropriate duties.

Response

Concur: A Decision Memorandum has been prepared for signature by the Secretary of VA recommending termination of the current HR LINK\$ development and modernization initiative. Recommendations to action items B, H, I, & K have been completed. OFM will implement the remaining action items should any future development be approved.

Recommendation 3

We [OIG] recommend that the Principal Deputy Assistant Secretary for Management and the Assistant Secretary for Human Resources and Administration ensure that:

- a. All contractor travel payments are audited and overpayments repaid to the VA, including the \$17,834 identified by this audit.
- b. Project equipment purchases are properly reconciled with VA's FMS accounts.
- c. A 100 percent inventory of project equipment is conducted and discrepancies resolved.
- d. No further staffing resources are given to the Shared Services Center until its mission and functions are reassessed.

**Full Text of Comments by the Principal Deputy Assistant Secretary for
Management and by the Assistant Secretary for
Human Resources and Administration (Continued)**

Response

Concur: A Decision Memorandum has been prepared for signature by the VA Secretary recommending termination of the current HR LINK\$ development and modernization initiative.

Responsible Office	Action Item	Target Date/Status
OFM	Contractor travel payments are audited against FAR upon receipt. HR LINK\$ Project office will request a copy of the details relating to the \$17,834.00 overpayment identified in this audit and take appropriate corrective actions to recover overpayments.	Q3/FY 03
OFM	Inventory of project equipment has been completed. This information will be used to reconcile with the Consolidated Memorandum of Receipt (CMR) system. All discrepancies found will be resolved.	Q2/FY 02
OHRM	Shared Service Center future state and functions are being reassessed.	Q2/FY 02
OHRM	HQ approval now required for all SSC hires.	Q1/FY 02 (ongoing)

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