

Evaluation



Report

OFFICE OF THE INSPECTOR GENERAL

**EVALUATION OF THE OFFICE OF THE
CIVILIAN HEALTH AND MEDICAL PROGRAM
OF THE UNIFORMED SERVICES**

Report No. 96-207

August 6, 1996

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DEPARTMENT OF DEFENSE

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Acronyms

IRM
OCHAMPUS

Information Resource Management
Office of the Civilian Health and Medical Program of the Uniformed
Services



**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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August 6, 1996

**MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (HEALTH
AFFAIRS)
DIRECTOR, OFFICE OF THE CIVILIAN HEALTH AND
MEDICAL PROGRAM OF THE UNIFORMED
SERVICES**

**SUBJECT: Report on the Evaluation of the Office of the Civilian Health and Medical
Program of the Uniformed Services (Report No. 96-207)**

We are providing this evaluation report for review and comment. We considered management comments on a draft of this report in preparing the final report.

Comments on the draft report generally conformed to requirements of DoD Directive 7650.3. However, we request that the Assistant Secretary of Defense (Health Affairs) provide additional comments with an effective date for planned actions on Recommendation B.2.b. in response to the final report. We request that management provide comments by October 4, 1996.

We appreciate the courtesies extended to the evaluation staff. Questions on the evaluation should be directed to Ms. Debra B. D. Murphy, Program Director, at (703) 604-8810 (DSN 664-8810) or Mr. Joseph Comé, Project Manager, at (703) 604-8780 (DSN 664-8780). See Appendix D for the report distribution. The evaluation team members are listed inside the back cover.

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Office of the Inspector General, DoD

Report No. 96-207
(Project No. 6LH-0014)

August 6, 1996

Evaluation of the Office of the Civilian Health and Medical Program of the Uniformed Services

Executive Summary

Introduction. The Office of the Civilian Health and Medical Program of the Uniformed Services (OCHAMPUS) manages a medical benefits program that supplements direct medical care provided through military treatment facilities and is similar to private medical insurance programs. DoD spent about \$3.5 billion on the program in FY 1995. Among other things, OCHAMPUS ensures that health care providers and medical facilities receive payment for services provided and detects fraud and abuse within the program. OCHAMPUS is also the procuring activity for a new managed care program (TRICARE) being implemented by DoD.

Evaluation Objectives. The primary evaluation objective was to evaluate the efficiency and effectiveness of the internal management and administrative programs, policies, practices, procedures, and controls used by OCHAMPUS in performing its mission and functions. This report discusses manpower requirements determination processes, information resource management, and other administrative programs and practices. Contract management and financial management at OCHAMPUS will be covered in other reviews.

Evaluation Results. We noted positive aspects in the management of OCHAMPUS (Appendix B). It had established adequate processes for mission requirements determination; civilian personnel management; drug abuse testing programs; the Freedom of Information Act; government ethics training; and logistics and supply support. In addition, OCHAMPUS had begun, but not yet completed, initiatives to establish organizational-wide goals and objectives and a strategic plan. However, we identified two conditions warranting management action.

- o The OCHAMPUS manpower requirements determination process had focused on meeting immediate staffing needs. However, the existing process did not include comprehensive and long-term analysis of the types and number of personnel needed to accomplish the changing mission of the organization. The situation increases the risk that the right mix of skills and resources will not be available to manage the emerging TRICARE program (Finding A).

- o The OCHAMPUS Information Resource Management Program needed to improve the process for supporting internal needs. Also, OCHAMPUS did not fully comply with relevant information resource guidelines involving strategic planning, program review, systems accreditation, and security awareness training. The overall situation may impede efforts underway to correct incompatibilities across the information systems within OCHAMPUS that support the \$3.5 billion OCHAMPUS benefit program. Additionally, the specific compliance problems in the security area increase the risk for the unauthorized release of sensitive data (Finding B).

Summary of Recommendations. We recommend that OCHAMPUS obtain the capability to better assess manpower needs across functions and processes at the organization and bring to closure strategic planning efforts already begun by the director. We also recommend that OCHAMPUS establish a formal users group in the information resource management area to improve internal support and fully comply with DoD guidelines on planning, program review, systems accreditation, and security awareness training.

Management Comments. The Assistant Secretary of Defense (Health Affairs) concurred with all recommendations and stated that OCHAMPUS will revitalize and refocus its strategic planning activities by seeking outside assistance to facilitate the process. The Assistant Secretary indicated that security accreditation and training issues are being addressed in collaboration with Health Affairs/Defense Medical Information Management with a completion date of FY 1997. The Assistant Secretary did not commit to setting up a face-to-face information resource management users group. However, it agreed to establish an information system users group that will establish priorities if face-to-face meetings proved more effective than distributing the quarterly plan for concurrence. See Part I for a summary of management comments and Part III for the complete text of management comments.

Audit Response. The Assistant Secretary comments were responsive. We request that the Assistant Secretary provide a completion date for planned actions on meeting program review requirements in the information resource management area by October 4, 1996.

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Part I - Evaluation Results

Evaluation Background

The Program. United States Code, title 10, chapter 55, sections 1071-1090, authorize the Secretary of Defense to contract for medical care for eligible active duty dependents, former members of the uniformed services and their dependents, and survivors of former members. The authorized program is called the Civilian Health and Medical Program of the Uniformed Services. It supplements direct medical care provided through military treatment facilities and is similar to private medical insurance programs. In FY 1995, benefits provided through the program totaled about \$3.5 billion.

The Organization. DoD Directive 5105.46, "Civilian Health and Medical Program of the Uniformed Services," December 4, 1974, established the Office of the Civilian Health and Medical Program of the Uniformed Services (OCHAMPUS) to administer and manage the program. OCHAMPUS operates as a DoD field activity under the policy guidance and operational direction of the Assistant Secretary of Defense (Health Affairs). In FY 1995, OCHAMPUS was authorized 222 personnel and a directly funded budget of \$79.1 million to carry out its assigned responsibilities.

Payment Responsibilities. The OCHAMPUS responsibilities include ensuring that civilian health care providers and medical facilities receive payment for authorized medical care provided to qualified beneficiaries. As of January 1996, this was accomplished by private contractors known as "fiscal intermediaries" and under a new "managed care" program that OCHAMPUS was helping to implement.

Fiscal Intermediaries. The OCHAMPUS issues and administers the contracts governing the work of the fiscal intermediaries. The fiscal intermediaries determine the amount of the claim that should be paid and distribute the checks for the claims to the beneficiaries and providers. OCHAMPUS cites the Defense Health Program appropriation for the claims check sent by the fiscal intermediary and pays the fiscal intermediary a fee for each claim processed.

Managed Care. Based on the success of past pilot projects, OCHAMPUS is moving away from the use of fiscal intermediaries and toward a managed care program. Under the managed care program, OCHAMPUS contracts with managed health care companies, who are responsible for providing health care for the beneficiaries and dependents in a specified region of the United States. The new program is known as TRICARE. A TRICARE contractor receives a fixed amount each month to cover the cost of providing

care and processing claims to a defined beneficiary population. Thus, the managed care contractor assumes a portion of the risk for the cost of health care in a region.

The OCHAMPUS plays a key role in ensuring that TRICARE is completely operational by 1997. It is the responsible procurement activity for awarding the seven managed care support contracts that will cover the United States. Under a congressional mandate, the contracts are to be awarded by October 1996 and are expected to be fully operational by mid-1997. Fiscal intermediary contracts remain in affect until the managed care contracts in that region are awarded and implemented.

Other Responsibilities. Other OCHAMPUS responsibilities include oversight of contractor performance and the detection of fraud and abuse within the program. OCHAMPUS must also coordinate its efforts with the 12 joint-service regions making up the Military Health Services System. Each region is managed by military medical center commanders, who are designated as the lead agent for the region.

Evaluation Objectives

The primary objective was to evaluate the efficiency and effectiveness of the internal management and administrative programs, policies, practices, procedures, and controls used by OCHAMPUS in performing its mission and functions. The specific objectives were to:

- o evaluate the adequacy of the processes and mechanisms used by OCHAMPUS to identify mission requirements and to acquire, plan, and organize resources to meet mission requirements;

- o evaluate the efficiency and effectiveness of OCHAMPUS internal management and administrative programs:

- contract management,
- equal employment opportunity,
- financial management,
- information resource management,
- logistics and supply management,
- personnel (civilian and military),
- safety, health, and security; and

Evaluation Results

o evaluate the adequacy of the OCHAMPUS internal management oversight processes and mechanisms.

As a result of an in-process review, information relevant to contract management and financial management and the adequacy of the OCHAMPUS internal management oversight process was transferred to other Inspector General, DoD, projects. See Appendix A for a discussion of the evaluation process. Appendix B discusses evaluation results related to equal employment opportunity, safety, health, security, and other areas of interest not addressed in Part I of the report.

Finding A: Manpower Requirements Determination Process

The OCHAMPUS manpower requirements determination process effectively focused on its near-term requirements; however, the process did not include comprehensive analyses of the types and number of personnel needed to accomplish the OCHAMPUS mission over the longer term. The process for addressing requirements in the longer term was inadequate because:

- o personnel did not possess the skills and capabilities needed to perform staffing and cross-functional process analysis.

- o the initial effort at strategic planning had not reached a closure point so that future uncertainties could be reduced.

While the near-term focus in the manpower arena is understandable in the fiscal environment, the situation increases the risk that the right mix of skills and resources will not be available to manage the emerging TRICARE program.

Guidance on Manpower Requirements Determination Process

DoD guidance to organizations emphasizes having adequate processes and procedures for identifying and matching resources with the tasks that must be performed. DoD Instruction 5010.37, "Efficiency Review and Resource Requirements Determination," November 17, 1987, details the policy; criteria; procedures; and responsibilities for such areas as labor and staffing standards development, position management, and work measurement. The Instruction provides a structured and disciplined approach to establishing the most efficient organization. Consistent with the guidance, an ideal manpower requirements determination process begins by defining the missions and tasks for the organization, which is a prerequisite for identifying the skills and personnel the organization must obtain to accomplish its overall mission. Prioritization follows so that essential tasks can be accomplished first. The specific organizational arrangements for establishing and carrying out manpower requirements determination are not specified in the Instruction.

Manpower Requirements Determination Process at OCHAMPUS

The manpower requirements determination process at OCHAMPUS had effectively focused on its near-term requirements (covering from 6-24 months).

Finding A. Manpower Requirements Determination Process

OCHAMPUS established a senior level corporate planning group that discussed critical manpower issues and pursued alternative staffing actions; and the Contract Management Division analyzed the Division's changing workload requirements related to the awarding of managed care contracts.

Corporate Planning Group Action. At OCHAMPUS, while no single group is specifically established to conduct manpower requirements determination, a senior-level corporate planning group had begun strategic planning and had taken actions that focused on near-term manpower questions. In late 1994, the Director, OCHAMPUS, established the group from among the seven senior directorate heads. The group met regularly beginning in December 1994, to address the future of OCHAMPUS, the transition to TRICARE, and the effects of downsizing by the Federal Government. As part of an overall effort to devise a strategic plan, the group redefined the OCHAMPUS mission statement, identified the most important external customers, and set forth the services OCHAMPUS provides. As of March 1996, the strategic plan was not complete. From a specific manpower requirements perspective, the group took several actions. It:

- o predicted which organizational elements could be expected to experience personnel losses in FYs 1996 and 1997.

- o performed an analysis of areas where contracting out the work was a prudent management decision and immediately began implementing those decisions.

- o rated and ranked 17 vacant positions and established a priority of fill sequence by workforce attrition or personnel transfers.

Pursuing Alternatives for Meeting Short Term Staffing Needs. In the interim, OCHAMPUS officials took other actions to address immediate staffing needs. As discussed below, most of the actions focused on the contract management area.

Use of Detailed Employees. An employee on loan from the Defense Contract Management Command was assigned to write a manual on administering managed care support contracts. The employee was obtained as part of a nationwide training program for aspiring managers.

Shifting Management of Small Contracts. The Contract Management Division, working under Federal Acquisition Regulations had successfully returned 14 regional small contracts for work by the Defense Contract Management Command.

Maximizing Authorized Workyears. Using part-time hires and filling permanent positions, OCHAMPUS reported using 99.97 percent of authorized workhours in FY 1995.

Manpower Analysis by Contract Management Division. In conjunction with the initiatives focusing on meeting immediate staffing needs, the Contract Management Division prepared an analysis of its manpower needs based on

Finding A. Manpower Requirements Determination Process

current and projected work. In November 1995, the Chief, Contract Management Division, forwarded a formal request to the Director, OCHAMPUS, seeking eight additional personnel for the Division. The request contained supporting justification that included overtime and compensatory time data, workload data from previous projects, the projected work load, and detailed justifications for each position requested. The request noted the additional work load associated with awarding and managing the congressionally mandated TRICARE contract services by year-end 1996. The Director was considering the request for additional manpower from the Contract Management Division, but was concerned about the feasibility given current end strength ceilings imposed in DoD. Since 1991, no formal OCHAMPUS request had been made to the Assistant Secretary of Defense (Health Affairs) seeking additional manpower.

Comprehensive and Longer Term Analysis

While effectively addressing the near-term requirements for manpower, OCHAMPUS did not comprehensively analyze the types and numbers of personnel needed to accomplish its mission over the longer term. The corporate planning group provided a mechanism for determining longer term needs and the Contract Management Division took action to address the staffing needed for projected work load. Both were commendable; however, the tools needed to address OCHAMPUS-wide manpower requirements for FYs 1997 through 1999 were not in place. To improve the situation, OCHAMPUS personnel should obtain the skills and capabilities necessary and take action to close out strategic planning efforts.

Skills and Capabilities. The OCHAMPUS personnel needed to obtain or expand on existing skills and capabilities (tools) needed to perform certain forms of staffing and process analysis. They needed the skills and capabilities to:

- o facilitate discussions of resource trade-offs across directorates,
- o conduct cross-functional process analyses, and
- o perform manpower analyses.

The OCHAMPUS officials recognized the need for those skills, but were concerned about spending scarce resources to acquire them.

Facilitation of Trade-off Discussions. A skill needed for the corporate planning group discussions was improved facilitation. Through 1995, the Director, OCHAMPUS, facilitated discussions of the group. The Director recognized the difficulties with performing the dual roles of facilitator and

Finding A. Manpower Requirements Determination Process

adjudicator over the corporate planning group. Therefore, as of December 1995, in an attempt to improve the facilitation of discussions, a greater role was given to the executive assistant. The need for improved facilitation was supported also by the realization that ground rules established for trade-off discussions were not always followed.

Cross-functional Process Analysis. Another skill shortage existed in the capability to examine activities or processes that cut across functions at OCHAMPUS. Such analysis is sometimes termed business process reengineering or functional process improvement.¹ Cross-functional process analysis includes identifying core business processes and making changes to an organization's structure, culture, roles, and responsibilities as a means to support the resulting reengineered process. Such an analysis at OCHAMPUS might be considered for examining the full range of activities associated with the oversight of newly established managed care contractors.

Manpower Analysis. The OCHAMPUS lost the in-house capability to perform manpower analysis in 1987 when its Management Analysis Branch was abolished. The branch was authorized to perform analysis of staffing needs throughout the organization. It was responsible for conducting manpower surveys to match existing manpower requirements against the organizational mission work load and performing analysis intended to analyze the impact of manpower changes across the entire organization. According to an official at the Office of the Under Secretary of Defense (Personnel and Readiness), this type of manpower analysis is one factor considered when examining requests for additional manpower.

We believe improving skills and capabilities by re-establishing the management analysis branch is not a feasible option, based on the overall manpower constraints. However, certain actions can help OCHAMPUS replace the skills lost when the branch was abolished and obtain new skills that are needed. By using selective staff training or contracted advisory services, OCHAMPUS can acquire the analytical skills and capabilities to conduct process analysis and to facilitate better discussions of manpower needs across the different components. If these skills and capabilities are applied during the formulation of the OCHAMPUS strategic plans, future manpower allocations can thus be based on the most efficient processes and structures consistent with the mission of OCHAMPUS.

Actions to Initiate Strategic Planning. The Director, OCHAMPUS, initiated strategic planning, under the corporate planning group, when he assumed the position in late 1994. The Director's intention was to complete a strategic plan

¹Business Process Reengineering is discussed in General Accounting Office, "Reengineering Organizations: Results of a GAO Symposium," Report No. GAO/NSIAD-95-34, December 1994. Basic concepts of business process improvement are discussed in D. Appleton Company, Inc., "CIM [Corporate Information Management] Process Improvement Methodology for DoD Functional Managers," Defense Technical Information Center Number AD-B174-459, January 1993.

Finding A. Manpower Requirements Determination Process

and forward it to Assistant Secretary of Defense (Health Affairs) for approval. As of March 1996, that action had not been taken and no milestone was established for completing the process. Officials attributed the delays to the complexity of the task and the fact that they had no prior planning efforts to build upon.

Complexity of Planning. We realize that strategic planning efforts were not initiated at OCHAMPUS until the present leadership took action at the end of 1994. We also acknowledge that the planning task facing OCHAMPUS was complicated and thus time-consuming. OCHAMPUS officials were required to follow the goals set forth by the Assistant Secretary of Defense (Health Affairs) and coordinate their plans with those established by the lead agents of the 12 joint-service regions making up the Military Health Service System. OCHAMPUS plans are also impacted by decisions of the Services that retain command and control for the military health care facilities in a region. Further, OCHAMPUS plans had to be made with the idea of accommodating the complex procurement actions underway for acquiring private-sector health care services.

Closure of Strategic Planning. While recognizing the challenges, we believe prompt closure of the OCHAMPUS strategic planning efforts would provide overall benefits for the organization by reducing uncertainties regarding future manpower requirements and focusing cross-functional analyses. For example, the Chief, Contract Management Division, noted that the issue of whether lead agents would have contracting functions was still unsettled. The Chief, Contract Management Division, and his superior believed that how future contracting actions would be distributed among OCHAMPUS and the lead agents within the Military Health Services System would greatly influence the contracting work load of OCHAMPUS. The work load for other offices at OCHAMPUS such as the Resource Management Division and the Program Integrity Branch would also be affected by the degree of centralization established in the contracting arena. Officials were not inclined to devote time to manpower requirements analysis unless future assumptions about the issue were clearly understood.

Summary

By working with the Assistant Secretary of Defense (Health Affairs) to close out the strategic planning efforts that have been started, OCHAMPUS can more readily base manpower requirements on an overall assessment of the organizations future requirements. Close consultation with the Office of the Assistant Secretary of Defense (Health Affairs) during the formulation of the OCHAMPUS strategic plan can surface and spur resolution of remaining unresolved questions about the future structure of the Military Health Services System, including the interface with TRICARE. Thus, OCHAMPUS can obtain assurance that its plans are consistent with the most current assumptions on how the Military Health Services System will be structured. Overall,

Finding A. Manpower Requirements Determination Process

improving skills and capabilities and bringing strategic planning actions to a closure point would help ensure that the right mix of skills and resources were available for managing the emerging TRICARE program.

Recommendations, Management Comments, and Audit Response

A.1. We recommend that the Director, Office of the Civilian Health and Medical Program of the Uniformed Services (OCHAMPUS), obtain the skills and capabilities needed to better assess overall organizational processes and facilitate discussions of long-term staffing needs across different components in OCHAMPUS.

Management Comments. In responding for the Director, the Assistant Secretary of Defense (Health Affairs) concurred with the recommendation and stated that outside assistance for manpower analysis will be arranged by August 15, 1996. However, the Assistant Secretary stated that for maximum positive results, the manpower analysis must await completion of the strategic planning activities described in response to the recommendation to establish milestones for concluding strategic planning activities at OCHAMPUS. The Assistant Secretary projected that an action plan based on the results of the activities would be developed by November 30, 1996. The Assistant Secretary also stated that the draft report did not describe actions that OCHAMPUS initiated in 1991 and 1992 to offset reductions in manpower resources that occurred in FYs 1994 and 1995. The full text of the comments is in Part III.

Audit Response. Management comments were responsive. We agree that the application of the skills and capabilities called for in the recommendation is best accomplished following the completion of the strategic-planning activities. We did not include a discussion of the actions taken in 1991 and 1992 because the focus of the finding was on the process for addressing future staffing needs.

A.2. We recommend that the Assistant Secretary of Defense (Health Affairs) and the Director, OCHAMPUS, establish milestones for concluding the current strategic planning efforts at OCHAMPUS and include in the plan assumptions on the future role of OCHAMPUS in the Military Health Services System, and the resultant staffing requirements under those assumptions.

Management Comments. The Assistant Secretary concurred with the recommendation, stating that OCHAMPUS will "revitalize and refocus its strategic planning activities by seeking outside assistance to facilitate the process." The Assistant Secretary expects the actions to be completed by August 10, 1996. The milestones include reaching an agreement within

Finding A. Manpower Requirements Determination Process

the Office of the Assistant Secretary of Defense (Health Affairs) on the nature and scope of the contracting activity for TRICARE, including existing staffing constraints.

Finding B: Information Resource Management

The OCHAMPUS Information Resource Management (IRM) Program had shown success in supporting the mission of the agency; however, the process for supporting internal IRM requirements needed improvement. Also, OCHAMPUS did not fully comply with IRM guidelines involving strategic planning, program review, systems accreditation, and security awareness training. Improvements in internal support and better compliance with IRM guidelines were needed because the Chief, Information Systems Division, placed a higher priority on operational matters. As a result, the overall situation may impede efforts underway to correct incompatibilities across the internal IRM operating systems that support the \$3.5 billion OCHAMPUS benefits program. Additionally, the specific compliance problems in the security area increase the risk for the unauthorized release of sensitive data.

Guidance and Criteria

DoD Directive 7740.1, "DoD Information Resource Management Program," June 20, 1983, requires organizations to establish an IRM program that promotes, coordinates, and integrates the information management functions in accordance with United States Code, title 44, section 3506, the Paper Reduction Act. Those criteria are applicable to IRM programs that support management processes at all levels, both internal support and support of the direct mission.

The IRM program includes mechanisms such as hardware and software that are designed, built, integrated, operated, and maintained by an organization to collect, process, disseminate, and store information. To be consistent with the guidance, an IRM program should:

- o include formal plans for achieving and supporting information management technology requirements and multi-year resources necessary to meet those requirements in support of entire organizational mission,

- o address automated information systems security,

- o be responsive to the users to ensure that the IRM needs of the user and organization are identified and met.

Organization Responsible for IRM

The Information Systems Division within OCHAMPUS manages the information system that provides the data used in fraud detection as well as providing other direct mission support. The Information Systems Division, which is located in the Operations Directorate, is responsible for coordinating all information systems support; gathering and analyzing statistical data; and providing information resources, systems, and policies needed to support the OCHAMPUS mission. The majority of the direct automation support in OCHAMPUS is provided by a contractor.

Support of the OCHAMPUS Mission

While the scope of the evaluation did not include an assessment of overall mission performance, the Information Systems Division appears to effectively support the mission of the agency by providing oversight of the information systems. The Information Systems Division provides day-to-day operational support to fiscal intermediaries and contractors who process 20 million beneficiary claims annually. Also, essential data for the detection of fraud are provided to the Defense Criminal Investigative Service, the Federal Bureau of Investigation, and the Department of Justice through an information system managed by OCHAMPUS. The Federal Government has recouped over \$700 million through fraud detection efforts in this area.

Support of Internal Operations

The Information Systems Division support to OCHAMPUS internal operations needed improvement. Specifically, improvement was needed in the interoperability of systems, the quality of internal IRM support, and the way priorities for internal IRM projects were established.

Systems Interoperability. Although efforts were underway to correct the situation, as of March 1996, OCHAMPUS lacked a common automation platform to support internal communications. Internal organizations were using a combination of UNIX operating systems, Honeywell "Dumb" terminals (terminals that cannot communicate with another terminal), personal computers, and different software packages that, in combination, were not interoperable. The condition impeded the efficient transferring of automated data at OCHAMPUS and made it difficult to track information generated in one part of the organization and useful to another part. For example:

Finding B. Information Resource Management

o The Program Integrity Branch, with responsibility in the fraud prevention area, had limited capability to download data from the CHAMPUS Detail Information System. The System, which is managed by the Information Systems Directorate, provides users with the most current available data on health care providers, beneficiaries, and sponsors.

o The OCHAMPUS Legal Office had a UNIX operating system that could not communicate with other internal offices. This situation made it harder to track a program change from the legislative mandate through the definitization of a contract modification. Potentially, the difficulty could contribute to missed implementation dates or could slow the completion of contract modifications.

o Responding to the large number of congressional inquiries was also made more difficult because of the lack of a common automation platform by which information could be shared or transferred between the office receiving the inquiry and the office answering the request.

Quality of Internal IRM Support. The OCHAMPUS staff made numerous negative comments on the quality and responsiveness of internal IRM support. We provided 219 copies of a questionnaire to OCHAMPUS staff in July 1995 and received 76 (about 35 percent) responses. Although the questionnaire asked no specific question on IRM support, 27 respondents volunteered negative comments and no respondents volunteered positive comments. In interviewing a combination of nine branch and division chiefs, six indicated dissatisfaction with IRM support to their organizations. The remaining three, which included the personnel officer, indicated satisfaction. The complaints were generally divided between the quality of support and responsiveness, three offices reported having to work around the Information Systems Division to do their job. In addition, IRM officials stated that the quarterly contractor payment rating system, used to gauge user opinions on contracted IRM support, had in the last reporting period of FY 1995 shown the lowest rating ever. In that rating, organizational users graded the actual performance level of the supporting contractor.

Establishing Priorities for Internal IRM Projects. Interviews with staff outside the Information Systems Division and examination of the process also surfaced problems with the way priorities for internal IRM projects were established. The formal process for establishing IRM project priorities was based on having goals and objectives that were not in place at OCHAMPUS. Internal users were to use the IRM work order form, established for contractor support, as their means for communicating internal computer support needs. The table shows a facsimile of the priority determination part of the work order. Of the five categories in the urgency section, the first two are mandated by law or mandated by director. The other three categories are based on organizational goals and objectives. However, as of January 1996, no such formalized goals and objectives existed for either OCHAMPUS or the IRM program.

Priority Determination Part of Work Order

OCHAMPUS WORKORDER PRIORITY EVALUATION		
FROM:	TO:	WORKORDER TITLE:
COMPLETED BY REQUESTOR		
<p>1. URGENCY</p> <p> <input type="checkbox"/> MANDATED BY LAW <input type="checkbox"/> MANDATED BY DIRECTOR <input type="checkbox"/> ESSENTIAL TO MEET OCHAMPUS GOALS AND OBJECTIVES <input type="checkbox"/> RELATES TO OCHAMPUS GOALS AND OBJECTIVES <input type="checkbox"/> NOT INCLUDED IN OCHAMPUS GOALS AND OBJECTIVES </p>		

IRM User Involvement. Compounding the problem, with the form used for establishing priorities, was the lack of formal user involvement in the process. No established mechanism existed for automation users and key components to participate with Information Systems Division in determining or validating priorities on automation projects. Interviews indicated that division chiefs promoted their projects on an individual basis with the Information Systems Division. In addition, the Information Systems Division developed and promoted its own projects. No forum existed for considering priorities collectively, such as an IRM functional users group. Establishment of such a group would bring more user involvement into the decisionmaking process and ensure fair consideration of projects developed outside the Information Systems Division. Permitting the group to make recommendations to the Director, OCHAMPUS, on IRM goals, priorities, and resource allocation helps ensure the success of efforts underway to correct incompatibilities across the internal IRM operating systems that support the \$3.5 billion OCHAMPUS benefits program.

Compliance with IRM Guidelines

The OCHAMPUS had not fully complied with IRM guidelines involving strategic planning, a required program review, systems accreditation, and security awareness training.

IRM Strategic Planning. While plans for individual projects existed, no required IRM strategic planning process was in place. That condition was reflected in the absence of a strategic plan to support the OCHAMPUS mission. DoD Directive 7740.2, "Automated Information System (AIS) Strategic

Finding B. Information Resource Management

Planning," July 29, 1987, requires DoD Components to establish and maintain an Automated Information System Strategic Planning Program. The program provides structure to identify, validate, and document information needs. The resulting plan should describe the missions and functions of the organization, discuss the strategy for moving from the current to target information architecture, and discuss resource requirements and scheduled milestones. The plans should be updated annually, support the OCHAMPUS budget submissions, and be consistent with any future overall OCHAMPUS strategic plan. At OCHAMPUS, individual plans did exist for major, multi-year automated projects such as the OCHAMPUS local area network and an automated contract tracking system. However, those projects had not been pulled together into a coordinated, overall plan that reflected the mission and functions of the various organizational elements as delineated in the organizational strategic plan.

IRM Program Review. The OCHAMPUS had not conducted a required annual IRM program review. DoD Instruction 7740.3, "Information Resource Management Review Program," February 7, 1989, requires an annual IRM review that focuses on:

- o identifying areas that need improvement,
- o determining customer satisfaction or the lack thereof,
- o identifying opportunities to reduce cost, and
- o furthering the DoD IRM Program Goals and Objectives.

In the absence of a periodic review of the IRM program, OCHAMPUS was limited in its ability to gauge how well the IRM program supported the OCHAMPUS mission, including internal operations. A review of the existing program would be a necessary first step in setting up goals and objectives that align with the DoD IRM program.

Systems Accreditation and Security Training. The OCHAMPUS had not fully implemented requirements on systems accreditation and security awareness training areas. DoD Directive 5200.28, "Security Requirements for AIS," March 21, 1988, implements public law, Office of Management and Budget Circular A-130, and the Federal Information Resource Management Regulation. It requires an automated data processing security plan that addresses accreditation for automated information systems and security awareness training. Four primary OCHAMPUS automated information systems were not accredited and mandatory security awareness training was not being conducted. The following primary systems at OCHAMPUS were not accredited.

- o Administrative System (primarily the Resource Accounting and Management System)

Finding B. Information Resource Management

- o CHAMPUS Detail Information System (a series of mainframe based systems designed to provide easy access to databases with the most current available data on health care providers, beneficiaries, and sponsors)

- o Source Data Collection System (which collects data on any health care purchased by DoD and included approximately 25 million transactions in FY 1995)

- o Local Area Network Support Office Automation System

Importance of Accreditation. We believe attention to accreditation is particularly important at OCHAMPUS because of the complexity of and interconnections among the automated systems. Accreditation provides basic information about the risk involved in the systems' operational environment and an evaluation of security safeguards. OCHAMPUS systems are located at the Defense Mega Center, Denver; Fitzsimons Army Medical Center; and at various contractor sites. Those systems are interfaced with each other, with private networks in support of contractor functions, with military treatment facilities, and with other Government agencies. Such connectivity increases the opportunity for unauthorized release of sensitive data.

Security Training. While no known automated data processing security problems were reported, there was no implementation of security awareness training as required by OCHAMPUS and DoD directives. Security awareness training was required for new employees. However, the OCHAMPUS personnel office reported that since 1994, no annual security awareness training had been conducted, although the requirement was made known to management. The training would involve the entire OCHAMPUS organization, which was authorized 222 personnel in FY 1995.

Recognition of Problems and Corrective Actions

When concerns regarding the security area were brought to the attention of OCHAMPUS management, they took action. In addition, OCHAMPUS recognized the need to improve interoperability and internal IRM support. Phased implementation of a local area network designed to correct the interoperability situation was underway in December 1995. However, improvements that increase the role of IRM users were needed and greater priority on compliance with IRM guidelines was required. Those actions would ensure that corrective actions were fully and successfully implemented.

Corrective Action in Security Related Areas. After we briefed OCHAMPUS officials on our security and accreditation concerns in the IRM area, they initiated several corrective actions. OCHAMPUS tasked a contractor with reviewing the security of automated information systems at OCHAMPUS. The review was to include the extent to which security requirements should be included in the requests for proposals being issued for the managed care contracts. The statement of work also called for the contractor to provide

Finding B. Information Resource Management

recommendations, milestones, and required resource costs in a report to the Director, OCHAMPUS. Also, OCHAMPUS accepted an offer from the Defense Mega Center, Denver, to provide required security awareness training for OCHAMPUS staff. Completion of corrective actions already begun in the security area would reduce the risk of unauthorized release of sensitive data.

Plans for Local Area Network. In the areas of interoperability and internal user support, the Chief, Information Systems Division, and other IRM staff recognized that concerns about internal IRM support existed, but said that actions underway, particularly the establishment of a personal computer based local area network, would help to correct the situation. We do not disagree with the importance of the local area network, but we believe more formal mechanisms for getting user involvement in the IRM decisionmaking process should be established. Establishing a forum where functional users help determine requirements and priorities would increase satisfaction with IRM support and improve the chance of successfully implementing the local area network.

Past Priorities on IRM Guidelines. Full compliance with IRM guidelines, in addition to the security related concerns, means a shift in management priorities. In the past, the overall condition regarding compliance with IRM guidelines occurred because of the Chief, Information Systems Division's interpretation of the Director, OCHAMPUS, general guidance to give priority to operational priorities, such as supporting the processing of claims. That resulted in resources being devoted to operational concerns rather than to providing internal IRM support and complying with IRM policies. The emphasis on operational matters in the IRM area was evidenced by the organizational placement of the Information Systems Division within the operational rather than the administrative support side of the organization. The organizational placement may be appropriate based on the key role IRM plays in the OCHAMPUS mission, but management attention is needed to ensure that the administrative support aspect of IRM is not ignored.

Benefits for the Organization. Increased senior management priority to IRM policy requirements can produce benefits for the organization beyond conformance with regulatory requirements. Better strategic planning in the IRM area and reviewing and monitoring IRM programs can provide key support for overall agency strategic planning and improve mission performance.

Management Comments on Finding and Audit Response

Management Comments. The Assistant Secretary of Defense (Health Affairs) stated that while IRM support was marginal in past years, "it has been reported" to have been outstanding for the last 2 years. The Assistant Secretary also stated that the personnel officer at OCHAMPUS commented that OCHAMPUS IRM support for the personnel function was outstanding.

Finding B. Information Resource Management

Audit Response. The report discusses dissatisfaction with internal IRM support among OCHAMPUS staff and management that existed at the time of our evaluation. We did not attempt to examine user satisfaction over time or assess the accuracy of reports to higher headquarters on IRM support. The draft report stated that certain individuals expressed satisfaction with IRM support. We revised the final report to state that those expressing satisfaction included the personnel officer.

Recommendations, Management Comments, and Audit Response

B. We recommend that the Director, Office of the Civilian Health and Medical Program of the Uniformed Services (OCHAMPUS):

1. Establish a formal information resource management functional users group that has authority to consider, determine, and make recommendations to the Director, OCHAMPUS, on all major information resource management matters. The recommendations should include information resource management goals and objectives, quality of support, priorities, resources, plans, and development of an interoperable system.

Management Comments. The Assistant Secretary of Defense (Health Affairs) concurred with the recommendation, stating that the OCHAMPUS Information Systems Division currently distributes a quarterly, comprehensive plan for concurrence by senior managers that establishes information systems priorities. OCHAMPUS will set up an information systems users group for establishing priorities by the end of FY 1996 if OCHAMPUS determines that formal face-to-face meetings are more effective than distributing the quarterly plan for concurrence. The Assistant Secretary commented that the TRICARE support office at OCHAMPUS has been integrated into the overarching Military Health Services System Information Management Program.

Audit Response. Although the Assistant Secretary comments do not specifically cite the establishment of a formal information systems group, the actions taken or planned to improve internal IRM support satisfy the intent of the recommendation. No further comments are required.

2. Establish controls to ensure compliance with information resource management guidelines concerning strategic planning, program review, systems accreditation and security training. Specifically:

a. Produce an information resource management strategic plan in consonance with other major organizational planning efforts,

b. Develop and implement an information resources review and monitoring process,

Finding B. Information Resource Management

c. **Accredit all OCHAMPUS automated information systems,**
and

d. **Implement an annual automated data processing security awareness training program for all employees.**

Management Comments. The Assistant Secretary concurred with the recommendations and detailed the actions taken or planned to implement the recommendations. The Assistant Secretary stated that the Information Systems Division has drafted a strategic plan that will be synchronized with the overall organizational strategic plan that the Office of the Assistant Secretary of Defense (Health Affairs) and the Service Medical Departments are reviewing. In addition, the Assistant Secretary noted that a more in-depth review and monitoring process had begun that included a customer satisfaction survey and detailed analysis and discussions on the Information Systems Budget. Other aspects of a formal IRM program review will be conducted as needed. The Assistant Secretary further stated that mandatory training on electronic mail, conducted in April 1996, included computer security awareness and that security and training issues will be addressed through the use of contractor support by the end of the first quarter of FY 1997. The Assistant Secretary also stated that actions on security accreditation and training issues will be completed within FY 1997.

Audit Response. Comments from the Assistant Secretary were responsive. However, we request that the Assistant Secretary provide an effective date for meeting all IRM program review requirements.

Management Comments on Appendices and Audit Response

The Assistant Secretary of Defense (Health Affairs) also provided comments on Appendices A and B. For a full text of the comments, see Part III.

Comments on Appendix A, Evaluation Process. The Assistant Secretary stated that the draft report referred to a questionnaire that was distributed but did not discuss its results (other than negative comments on IRM). The Assistant Secretary also recommended that the results of the questionnaire be added to the final report.

Audit Response. We provided a summary of the questionnaire results to the Director, OCHAMPUS. We summarized the results of the multiple choice questions in the questionnaire; and we provided information on employees comments. However, we did not include the summary of results in the report because we believe the response rate (35 percent) was too low. The comment that the report did not discuss the questionnaire other than the negative comments on IRM is not accurate. In addition to discussing the unsolicited negative comments received on IRM, the report states that no specific instances of sexual harassment were surfaced through the questionnaire.

Finding B. Information Resource Management

Comments on Appendix B, Other Matters of Interest. In commenting on equal employment opportunity matters, the Assistant Secretary stated that policy statements on disability and equal employment opportunity were being reviewed for signature and that 17 articles on equal employment opportunity had been included in the OCHAMPUS Newsletter since February 1995. The Assistant Secretary stated that although OCHAMPUS is in full support of the Computer-Electronic Accommodation Program, it has been able to accommodate employees computer needs through internal resources and the flexiplace program. The Assistant Secretary also stated that OCHAMPUS exceeded the DoD goal for hiring individuals with targeted disabilities in FYs 1992 through 1995 and received awards for the program. The Assistant Secretary also commented that policy statements on prevention of sexual harassment had been prepared and were being reviewed for signature. The Assistant Secretary further noted that mandatory training courses on "Cultural Diversity," which included coverage of both sexual harassment and sexual discrimination, were conducted in August, September, October, and November 1995.

The Assistant Secretary also stated that the lack of an automated system to track position description updates is not causing any problems or concerns other than the inconvenience of having to compile the information manually. The Assistant Secretary expects an overall physical security plan to be developed before OCHAMPUS relocates from Fitzsimons Army Medical Center.

Audit Response. As a result of management comments, we changed our discussion of the DoD Disability program to show that OCHAMPUS had exceeded the DoD goals for hiring individuals with targeted disabilities.

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Part II - Additional Information

Appendix A. Evaluation Process

Scope and Methodology

Change in Project Title. This project was announced as an "organizational management inspection" of OCHAMPUS in June 1995. It was redesignated as an "Evaluation of OCHAMPUS" following a reorganization within the Inspector General, DoD, that took effect on October 1, 1995. The objectives of the project did not change. However, as noted in the discussion of Evaluation Objectives, information relevant to certain objectives was provided to other Inspector General, DoD, projects for inclusion in later reports.

Criteria and Limitations. To evaluate the efficiency and effectiveness of management processes and mechanisms at OCHAMPUS, we compared existing conditions with applicable laws and DoD regulations as well as a model of ideal practices developed for use in previous Inspector General, DoD, organizational management inspections. Mission impacts may be used to support the need for improved processes but the evaluation was not designed to measure mission performance or to critique specific program decisions. We did not use statistical sampling or statistical projections for this evaluation.

Data Sources. Information on existing conditions and operations was obtained through document reviews, structured and unstructured interviews of OCHAMPUS staff and other DoD officials, review of a memorandum issued to all DoD Components that solicited issues or concerns, and results of a questionnaire mailed to all OCHAMPUS employees.

We reviewed OCHAMPUS internal memoranda on the actions taken by a corporate planning group since December 1994, manpower documentation and guidance for FYs 1985 through 1996, and staffing requests prepared by OCHAMPUS offices in 1986 and 1995. We also examined memoranda of agreement with other organizations current as of December 1995, the management training plan for FY 1994, work orders and implementation schedules for IRM projects prepared in October 1995, and a statement of work prepared in early 1996 for a security posture assessment. We also reviewed documents prepared within the Contract Management Division at OCHAMPUS in September 1995 that discussed the procurement schedule for the managed care support procurements covering DoD Health Service Regions 1, 2, and 5.

Approximately 35 percent of the questionnaires were returned. At the request of the Director, OCHAMPUS, we provided him a summary of the questionnaire results. We did not make any statistical projections from the survey results.

Evaluation Period and Locations Visited. We performed this evaluation from August 1995 through February 1996. See Appendix C for a list of organizations visited or contacted.

Research Associated with Implementing Recommendations

To assist OCHAMPUS officials in implementing our recommendations, we contacted other organizations to find programs and practices that might offer useful lessons or provide a general model for conducting manpower requirements determination. We contacted the Indian Health Services, Health Care Financing Administration, Air Force Center for Environmental Excellence, Defense Contract Management Command, Defense Contract Audit Agency, and Environmental Protection Agency. We were unable to find one ideal model or easy recipe for conducting manpower analysis. However, we provided OCHAMPUS officials with material on prioritization of tasks and roles, strategic planning and implementation, other DoD agency performance plans, the development of performance measures, and actions taken by the Environmental Protection Agency to obtain additional manpower for contract management operations.

Prior Reviews

While the DoD health care systems and recent program initiatives have been the subject of numerous reviews and audits over the last 5 years, none discussed internal management processes such as are examined in this report.

Appendix B. Other Matters Of Interest

This appendix discusses elements of the OCHAMPUS evaluation that are not discussed as findings and recommendations in Part I of the report or incorporated into other ongoing Inspector General, DoD, audits or evaluations. The elements provide the results of review and some warrant management attention but none require a response to the Inspector General, DoD.

Equal Employment Opportunity

DoD Disability Programs. OCHAMPUS exceeded the DoD target goals of 2 percent employees with disabilities and was recognized as having an outstanding Affirmative Action Program for hiring people with disabilities in 1993 and 1994. The Physical Barrier Program was in compliance with the Reasonable Accommodation Guidelines that DoD issued. The Computer-Electronic Accommodation Program was not used, but provisions were made for employees on a case-by-case basis. The program manager's perception was that OCHAMPUS had not used the Computer-Electronic Accommodation Program because it takes 4 to 6 months to approve it. We suggest OCHAMPUS determine whether action is needed to expedite the approval process for the Computer-Electronic Accommodation Program.

Prevention of Sexual Harassment. The required Annual Statement of Policy on the Prevention of Sexual Harassment was not issued. OCHAMPUS had not published a sexual harassment policy statement since 1992. Training requirements for employees existed, but OCHAMPUS had not ensured that awareness training for the prevention of sexual harassment is conducted periodically. Accordingly, the last mandatory sexual harassment training for OCHAMPUS employees was conducted in 1989. However, no specific instances of sexual harassment were surfaced through the employee questionnaire.

Safety, Health, and Security

No problems were identified regarding occupational and health support. In addition, OCHAMPUS physical security support was adequate. However, in one location, no security barriers existed between OCHAMPUS supplies and computers, and the other building tenant - the Defense Printing Service. That leaves property subject to theft. We suggested that OCHAMPUS develop an overall physical security plan before the anticipated move from Fitzsimons Army Medical Center. IRM security issues are discussed in Finding B.

Other Areas

Mission Requirements and Planning. OCHAMPUS had an adequate process to identify and prioritize mission requirements by conducting periodic reviews of requirements from the Assistant Secretary of Defense (Health Affairs), legislative changes, and current OCHAMPUS responsibilities. However, no strategic plan, annual organizational performance plan, or overall performance measures were established although, as discussed in Findings A and B, some planning was underway.

Civilian Personnel. The OCHAMPUS has responsibility for managing its own civilian personnel program. Assistance is provided by the Directorate of Personnel and Security, Washington Headquarters Services. Matters of interest are:

- o **Position Management and Classification.** The OCHAMPUS lacked automation of statistical data for tracking and recording positions descriptions updates and desk audit verifications. An automated data processing work order was submitted June 1995 for the development of an automated tracking system.

- o **Recruitment, Placement, and Staffing.** The OCHAMPUS had an adequate process in place to seek candidates for employment, and select personnel on the basis of merit. Requests for recruitment actions were reviewed and approved at appropriate levels of supervision and management.

Drug Abuse Testing Program. The OCHAMPUS Drug Abuse Testing Program was adequate. The Washington Headquarters Services, "Drug-Free Workplace Plan, Procedures Manual," June 1990, had been implemented. The OCHAMPUS Drug Abuse Testing Program also matched requirements established by Executive Order 12564 and other applicable DoD directives. Additionally, OCHAMPUS employees were periodically tested, under an inter-service support agreement, at the co-located Fitzsimons Army Medical Center. A substitute location will need to be found when OCHAMPUS relocates.

Federal Employees Compensation Act. The Federal Employees Compensation Act program manager adequately administered the program and effectively maintained files while monitoring the processing of associated paperwork. OCHAMPUS had one long-term worker compensation case in 10 years. If more cases arise in the future, OCHAMPUS may consider tracking the costs that reflect the compensation and medical benefits paid under the Act to OCHAMPUS employees. Those costs can be significant if numerous long-term cases are present and OCHAMPUS is responsible for resolving billing discrepancies with the Department of Labor.

Freedom of Information Act. The OCHAMPUS had an adequate program for the dispersion of information under the Freedom of Information Act. It had a designated administrator for the Act. Further, it had established a process for the release of information pertaining to files and records, while monitoring costs and providing adequate public facilities for reading and copying government

Appendix B. Other Matters Of Interest

information. Procedures also existed for identifying and tracking the number of requests received, granted, and denied, while monitoring the average processing time.

Government Ethics Training Program. The OCHAMPUS had an adequate and comprehensive ethics training program established in accordance with applicable references. It had a designated ethics program official and a highly qualified ethics trainer.

Logistics and Supply. The OCHAMPUS received adequate support through several interservice support agreements with the Fitzsimons Army Medical Center; the Defense Mega Center, Denver; the Defense Contract Management Command; and the Defense Contract Management Area Operations, Denver. Under those agreements, 28 categories of administrative support and 7 categories of supply and maintenance support were fulfilled. With the planned closure of the Fitzsimons Army Medical Center, coordination with the General Services Administration on future support was occurring.

Management Control Program. The 1995 OCHAMPUS management control plan complied with administrative requirements for the management control program set forth in DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987. The plan included 146 assessable units, including 76 from the fiscal intermediary contractors. Procedures were established for reviewing and tracking risk assessments and associated data. Information packages and training programs were provided to the staff and contractors on how to conduct assessments. We did not review the adequacy of the assessments. However, as stated in Finding B, improvements are needed to ensure compliance with IRM guidelines.

Procurement Strategy Concerns. Concerns were expressed about how OCHAMPUS was planning to evaluate the final two managed care contracts. A specific concern involved the risks associated with reviewing best and final offers for two contracts during the same period. While we did not examine that concern in detail during this evaluation, we suggest that OCHAMPUS weigh potential risks associated with parallel evaluation and award during the course of the procurements.

Appendix C. Organizations Visited or Contacted

Office of the Secretary of Defense

Office of the Assistant Secretary of Defense (Health Affairs), Washington, DC

Department of the Army

Designated Lead Agent, Health Service Region 11, Madigan Army Medical Center,
Tacoma, WA

Department of the Navy

Designated Lead Agent, Health Service Region, San Diego Naval Hospital,
San Diego, CA

Department of the Air Force

Designated Lead Agent, Health Service Region 10, David Grant Air Force Medical
Center, Vacaville, CA

Other Defense Organizations

Defense Mega Center, Denver, CO
Office of the Civilian Health and Medical Program of the Uniformed Services,
Aurora, CO

Other Non-Defense Organizations

Computer Data Systems, Inc., Aurora, CO

Appendix D. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)
Assistant Secretary of Defense (Health Affairs)
Assistant to the Secretary of Defense (Public Affairs)
Director, Defense Logistics Studies Information Exchange

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Auditor General, Department of the Navy

Department of the Air Force

Auditor General, Department of the Air Force

Other Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Investigative Service Agency
Director, Defense Logistics Agency
Director, National Security Agency
Inspector General, National Security Agency
Director, Office of the Civilian Health and Medical Program of the Uniformed Services
Inspector General, Defense Intelligence Agency
Director, Personnel and Security, Washington Headquarters Services

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
General Accounting Office
National Security and International Affairs Division
Technical Information Center

Chairman and ranking minority member of each of the following congressional committees and subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Government Affairs
House Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal Justice,
Committee on Government Reform and Oversight
House Committee on National Security

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Part III - Management Comments

Assistant Secretary of Defense (Health Affairs) Comments



THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301-1200

JUN 28 1996

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE
(ATTENTION: MR. JOE COMÉ)

SUBJECT: DoDIG Report on the Evaluation of the Office of the Civilian Health and Medical
Program of the Uniformed Services (Project No. 6LH-0014)

This is in response to your memorandum dated April 12, 1996, subject as above. Our
response to the draft report is attached. If you have any questions, please contact
Ms. Barbara Jannotti, the point of contact for this audit at the Civilian Health and Medical
Program of the Uniformed Services, at (303) 361-1187.

Edward D. Matton / for
Stephen C. Joseph, M.D., M.P.H.

Attachment:
As stated

**RESPONSE TO THE DRAFT DODIG REPORT ON THE EVALUATION
OF THE OFFICE OF THE CIVILIAN HEALTH AND MEDICAL PROGRAM
OF THE UNIFORMED SERVICES (PROJECT NO. 6LH-0014)
DATED APRIL 12, 1996**

PART I - EVALUATION RESULTS

Finding A. Manpower Requirements Determination Process.

A.1. Recommended that the Director, OCHAMPUS, obtain the skills and capabilities needed to better assess overall organizational processes and facilitate discussions of long-term staffing needs across different components in OCHAMPUS.

OASD(HA) Response: Concur. OCHAMPUS is just now completing its preliminary planning related to the mission, functions, and staffing for the TRICARE Support Office (TSO), which will replace OCHAMPUS as the TRICARE contracting activity and provide a focal point for centralized oversight, monitoring, and support of regional activities related to TRICARE managed care support contracts. While considerable effort has gone into this exercise, both at OCHAMPUS and within its parent organization (Health Services Financing), no formal, detailed manpower analysis has been undertaken. As indicated in the draft report, OCHAMPUS does not possess this expertise as an internal resource. Therefore, outside assistance from another government agency or through contract support will be pursued. For maximum positive results, this activity must await completion of the strategic-planning activities described in response to Recommendation A.2 below. A rough time line for this activity is as follows:

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| 1. Bring closure to preliminary strategic planning activities, including finalization of mission, vision, functions, goals, and break-through activities for the TSO. | August 15, 1996 |
| 2. Arrange for outside assistance for manpower analysis. | August 15, 1996 |
| 3. Begin analysis. | September 1, 1996 |
| 4. Complete analysis. | September 30, 1996 |
| 5. Receive report of analysis. | October 31, 1996 |
| 6. Develop action plan based on results, including requests for modification of future POM manpower assumptions, if appropriate. | November 30, 1996 |

OASD(HA) Additional Comments: Concerning OCHAMPUS' attention to its manpower needs, the draft report points out that the agency has pursued alternatives for meeting short-term staffing needs, such as assigning work to the Defense Contract Management Command, and maximizing use of its authorized workyears, by utilizing 99.97 per cent of its authorized workhours in Fiscal Year 1995. It concludes that most of these actions focused on the contract management area. However, the draft report does not include other actions taken to address manpower needs, including:

- In 1991, six FTE billets were transferred to OCHAMPUS from the Defense Supply Service, Washington (DSSW), in response to a request initiated by OCHAMPUS. (These billets were transferred to DSSW from the Services in 1986 when DSSW started the CHAMPUS Reform Initiative procurement.)
- Beginning in 1992, OCHAMPUS initiated the downsizing of OCHAMPUSEUR. The claims processing function was transferred to a CONUS contractor, and from 1992 to 1994, 12 FTE billets were transferred to OCHAMPUS from OCHAMPUSEUR.
- OCHAMPUS has moved a number of functions to contractors, and discontinued performing other functions, to enable shifts in internal staffing to meet higher priority needs and changing requirements. One example of this was the discontinuance of allowable charge administrative reviews by the Benefit Services Branch in April 1994. This enabled OCHAMPUS to transfer five employees from the Benefit Services Branch to other parts of the organization.

The efforts made by OCHAMPUS to deal with its increasing and changing workload and declining manpower resources are not fully addressed. The 18 additional FTE billets that were transferred to the Aurora, Colorado, office offset a reduction of 14 FTE billets that occurred during Fiscal Year 1994-1995.

A.2: Recommended that the Assistant Secretary of Defense (Health Affairs) and the Director, OCHAMPUS, establish milestones for concluding the current strategic planning efforts at OCHAMPUS and include in the plan assumptions on the future role of OCHAMPUS in the Military Health Services System, and the resultant staffing requirements under those assumptions.

OASD(HA) Response: Concur. OCHAMPUS will revitalize and refocus its strategic planning activities by seeking outside assistance to facilitate the process, according to the following milestones:

1. Reach preliminary agreement within Health Affairs concerning the nature and scope of the TSO mission and assigned functions, including existing POM-related staffing constraints.

June 15, 1996

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 2. Obtain the services of an outside facilitator to assist in the completion of the preliminary planning process (mission, vision, goals, objectives, break-through activities and milestones). | June 15, 1996 |
| 3. Complete mission, vision, and goals planning exercise. | July 15, 1996 |
| 4. Establish major goals, objectives, break-through activities, and milestones. | August 10, 1996 |

Finding B. Information Resource Management.

B.1.: Establish a formal information resource management functional users group that has authority to consider, determine, and make recommendations to the Director, OCHAMPUS, on all major information resource management matters. The recommendations should include information resource management goals and objectives, quality of support, priorities, resources, plans, and development of an interoperable system.

OASD(HA) Response: Concur. The Information Systems Division (IS) currently distributes a quarterly, comprehensive plan for concurrence by senior managers. This plan establishes IS priorities for the next quarter. Additionally, senior managers meet to discuss, quantify and rate the performance of the organization's ADP facility management contractor. However, OCHAMPUS will determine if face-to-face meetings with senior managers are effective in establishing IS priorities for the next quarter. If it is determined that formal, face-to-face meetings are more effective than distributing the quarterly plan for concurrence, OCHAMPUS will establish an IS users group that will establish priorities for the organization. This will be accomplished by the end of Fiscal Year 1996. Additionally, the TRICARE Support Office (TSO) information resources management program has been integrated into the overarching MHSS Information Management Program. TSO participates as a member of the MHSS Information Management Project Review Board (IMPRB) and TSO information management projects are reviewed by the MHSS IMPRB to ensure alignment with MHSS goals, objectives, priorities, and standard.

B.2.: Establish controls to ensure compliance with information resource management guidelines concerning strategic planning, program review, systems accreditation and security training. Specifically:

- a. Produce an information resource management strategic plan in consonance with other major organizational planning efforts.
- b. Develop and implement an information resources review and monitoring process.

Assistant Secretary of Defense (Health Affairs) Comments

Final Report
Reference

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c. Accredite all OCHAMPUS automated information systems.

d. Implement an annual automated data processing security awareness training program for all employees.

OASD(HA) Response to B.2, a, b, c, and d: Concur. The Information Systems Division (IS) has drafted a strategic plan that supports the goals and objectives of the organization. This plan will be synchronized with the MHHS IM/IT Strategic Plan, which is under review by OASD(HA) and the Service Medical Departments. Once the organization's strategic plan is finalized, the IS draft strategic plan will be reviewed, modified and approved by senior management. A more in-depth review and monitoring process has already begun, including a customer satisfaction survey and detailed analysis and discussions on the IS budget. Other aspects of a formal program review will be conducted, as needed, using contract resources. Security and training issues will be addressed via contract support with a completion date the first quarter of Fiscal Year 1997. As a result of the previously mentioned April/May meetings with Health Affairs (HA)/Defense Medical Information Management (DMIM) staff, DMIM will include the TSO information systems in the MHHS Information System Security Program. The security accreditation and training issues are being addressed in collaboration with HA/DMIM, with a completion date of Fiscal Year 1997.

OASD(HA) Comment on Page 16 of the draft report which states "the OCHAMPUS personnel office reported that since 1994, no annual security awareness training had been conducted, although the requirement was made known to management." It should be noted that the OCHAMPUS Personnel Office has arranged for security awareness training for all employees in the past. If there was a lapse in scheduling this type of training, it probably was due to a heavy workload. Mandatory training on E-mail Records Management, which included computer security awareness, was conducted in April 1996. The position that administers the OCHAMPUS training program is currently vacant, but computer security awareness training will be on the list of assignments to be given to the new incumbent.

OASD(HA) Comment on Page 13, Quality of internal IRM Support: The draft report indicates a high level of dissatisfaction with internal IRM support. In past years, IRM support for the OCHAMPUS Personnel Office was marginal in some respects. However, it has been reported that for at least the last two years IRM support has been outstanding in all respects. In addition to the standard office automation systems common throughout OCHAMPUS, the personnel function has needed (and as the function is consolidated into a regional operation, will continue to need) extensive ADP support on a number of unique systems and problems, such as the Defense Civilian Personnel Data System (DCPDS), which is operated through Washington Headquarters Service and the Air Force (Randolph Air Force Base). Some of the problems encountered have required extensive efforts on the part of personnel from the Information Systems Division and the Facilities Management Services contractor. In all cases, the support received was reported to be outstanding. The Personnel Officer, who has relatively recent experience in working in an environment other than OCHAMPUS, commented that in comparison, the IRM support at OCHAMPUS is outstanding.

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revised
page 14

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OASD(HA) Additional Comments: The interoperability problems have been resolved. Effective May, 1996, all organizational elements are operating on a single, integrated platform using Novell software and personal computers. In addition, meetings have taken place during April and May with HA/DMIM which have led to concrete plans for increased interoperability and collaboration with HA networks. As mentioned above, a user's survey is currently being performed to measure satisfaction with IS support.

PART II - ADDITIONAL INFORMATION

Appendix A. Evaluation Process.

OASD(HA) Response: The draft report refers to the questionnaire that was distributed but does not discuss its results (other than the negative comments about IRM Support on Page 13). Recommend the final report contain the results of the questionnaire. If there are positive comments, these should be included.

Appendix B. Other Matters of Interest.

Page 22, Civilian Personnel, Position Management and Classification.

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OASD(HA) Response: The draft report states that OCHAMPUS lacks an automated system for tracking and recording position description updates, and that a work order for an automated tracking system was submitted in June 1995. We would like to clarify that the work order submitted in 1995 was for a system to track Requests for Personnel Actions ("SF-52 Tracking System"). Tracking and recording position description updates is only one part of the system requested. The lack of an automated system to track position description updates is not causing any Position Management and Classification problems or concerns, other than the inconvenience of having to compile the information manually.

Page 23, DoD Disability Programs. The draft report cites several areas, which are addressed below.

- **Draft report:** The Computer-Electronic Accommodation Program was not used, but provisions were made on a case-by-case basis. The program manager's perception was that it was not used because it takes 4 to 6 months to approve it. We suggest a determination be made to expedite the approval process.

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OASD(HA) Response: Although OCHAMPUS is in total support of the Computer-Electronic Accommodation Program, it has been able to accommodate employees' computer needs through internal resources and often through the flexiplace program. No requests for accommodations involving computer equipment have been denied. This actually reflects favorably on the internal IRM support provided and probably should be noted under Finding B. If at any time the local program is not meeting the needs of an employee, accommodations will be provided under the Computer-Electronic Accommodation Program.

Assistant Secretary of Defense (Health Affairs) Comments

Final Report
Reference

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- Draft report: The Director, OCHAMPUS had not signed a policy letter for the disabilities program.

OASD(HA) Response: Revised policy statements on the disability program and other equal employment opportunity programs have been prepared and are being reviewed for signature. However, information concerning these areas has been disseminated to employees. For instance, since February 1995, 17 separate EEO related articles have been published in the OCHAMPUS Employee Newsletter, including information in the October 1995 issue concerning National Disability Employment Awareness Month.

- Draft report: OCHAMPUS did not meet the DoD target goal of 2 percent employees with disabilities. We suggest OCHAMPUS reassess what it can do to meet the goal.

OASD(HA) Response: OCHAMPUS exceeds the DoD goal for hiring individuals with targeted disabilities. The following numbers show the percentages of employees with targeted disabilities in Fiscal Years 1992 through 1995, as reported to the EEOC (see Attachment 1).

<u>Fiscal Year</u>	<u>Percent Employees with Targeted Disabilities</u>
1992	2.42
1993	2.78
1994	2.91
1995	2.82

OCHAMPUS was recognized by the Secretary of Defense as having an Outstanding Affirmative Action Program for hiring people with disabilities in October 1993 and October 1994 (see Attachment 2). *

Deleted

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Page 24, Health, Safety, and Physical Security.

Draft report: The draft report states that in one location no security barriers existed between OCHAMPUS supplies and computers and the other building tenant - the Defense Printing Service. That could result in property being subject to theft. We suggest developing an overall physical security plan before the anticipated move from Fitzsimons Army Medical Center.

OASD(HA) Response: After the move from Fitzsimons Army Medical Center, the Defense Printing Service will be separated from OCHAMPUS space and will not have any access to any OCHAMPUS supplies or equipment. Also, an overall physical security plan will be developed before OCHAMPUS relocates from Fitzsimons.

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Page 25, Prevention of Sexual Harassment.

* Omitted because of length. Copies available upon request.

Draft report: The draft report states that a sexual harassment policy statement has not been published since 1992, training requirements on sexual harassment exist, but mandatory training on this subject has not been given since 1989. The draft report states that no specific instances of sexual harassment surfaced through the employee questionnaire.

OASD(HA) Response: Revised policy statements on sexual harassment, and other equal employment opportunity programs have been prepared and are being reviewed for signature. However, information concerning these areas has been disseminated to employees. For instance, since February 1995, 17 separate EEO related articles have been published in the OCHAMPUS Employee Newsletter, including the OSD EEO Policy Statement dated November 3, 1994, (see Attachment 3) which applies to OCHAMPUS. The 1989 mandatory training on sexual harassment referred to resulted in numerous complaints from employees that a segment in a film used by the trainer was racially stereotyping and demeaning. This resulted in a determination that future training needed to be carefully screened to preclude future adverse reactions. A determination was also made to combine different subjects for mandatory training, where applicable. Mandatory training courses on "Cultural Diversity," which included coverage of both sexual harassment and sexual discrimination, were conducted in August, September, October, and November, 1995. This was the result of a recommendation from the Director's Special Emphasis Committee which is composed of EEO Program officials and members of the Federal Women's Program, the Black Employment Program, and interested OCHAMPUS employees. This committee, chaired by the Director, meets bi-monthly to address employee concerns related to equal opportunity. In addition, a mandatory training course for supervisors on "Interviewing," which covered sexual discrimination in hiring practices, was conducted in March 1996. The position that administers the OCHAMPUS training program is currently vacant, but an assessment of whether there is a need to conduct additional sexual harassment training will be made with the new incumbent after that person reports for duty in June 1996.

Appendix D. Report Distribution.

OASD(HA) Response: Recommend adding the Director, Personnel & Security, Washington Headquarters Service, to the Office of the Secretary of Defense Distribution.

Revised

* Omitted because of length. Copies available upon request.

Evaluation Team Members

This report was prepared by the Logistics Support Directorate, Office of the Assistant Inspector General for Auditing, DoD.

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