

# The President's Management Agenda

In addition to these five areas, VA is also reporting on two additional agency-specific areas of focus:

- Improved coordination of VA and DoD programs and systems
- Faith-based initiatives.

The following is a discussion of VA's progress in each of these areas.

## Strategic Management of Human Capital

VA continues to face many challenges in the area of human capital. By 2007, 36 percent of VA's workforce will be eligible for regular retirement. VA took numerous measures to address this issue during 2003. One of the most significant achievements was the accomplishment of the Department's strategic human capital plan, which was approved by the Secretary in July 2003. This plan includes an overview of past and projected workforce trends; summaries of workforce plans developed by all organizational components; and strategies to ensure that VA recruits, retains, and develops a quality and diverse workforce to serve veterans.

Other accomplishments include the implementation of online entrance/exit surveys. The surveys were designed to capture the reasons why employees chose to work for VA or why they elected to leave VA. As of August 2003, approximately 1,200 surveys were completed.

*The President's Management Agenda, announced in the summer of 2001, is an aggressive strategy for improving the management of the federal government. It focuses on five areas of management weakness across the government where the most progress can be made. VA is working closely with the Office of Management and Budget (OMB) to resolve problems identified in each of these areas. OMB issues reports quarterly and uses a 'stoplight' scorecard to reflect progress made by each federal agency. The following chart identifies the five areas of government focus and the scores from 2001 compared with those of September 2003. VA is making good progress in all areas and is committed to implement them fully.*



The results are available at the national and facility levels and can be sorted by organization, occupation, age categories, and many other selective components. The first national summary of data was published in October 2003 on the Office of Human Resources Management's Web site.

VA believes it can attain a highly skilled, customer-focused workforce through the High Performance Development Model. The systemwide

framework aligns around a set of core competencies – personal mastery, technical skills, interpersonal effectiveness, customer service, creative thinking, flexibility/adaptability, systems thinking, and organizational stewardship. Achievement of these competencies would enhance every employee's abilities.

In August 2003, VA instituted a Web-based management support system available to managers and supervisors 24 hours a day 7 days a week

providing guidance on the full range of workforce issues.

VA entered into an interagency agreement with the Office of Personnel Management in July 2003. The agreement outlines the phased deployment of USA Staffing, an integrated online software staffing solution that automatically generates vacancy announcements that can be uploaded to the USAJOBS/Monster.com Web site. USA Staffing also permits applications for vacancies to be submitted online, reduces the time it takes to process applications, and issues automated certificates of eligible candidates.

In 2003, the Secretary approved a plan presented by VA's Task Force on the Employment and Advancement of Women, which outlines strategic goals that include measurable objectives for correcting imbalances in the employment and advancement of women at VA. The goals are to: (1) increase internal and external recruitment and retention programs; (2) develop and enhance education and training programs; and (3) foster a corporate culture that proactively integrates women into GS-13, GS-14, GS-15, and Senior Executive Service positions.

## Competitive Sourcing

VA utilizes competitive sourcing and the FAIR Act as part of its basic business management approach, which is predicated on VA's efforts to deliver timely and high-quality service to our Nation's veterans and their families. As part of its normal business operations, VA continuously assesses the demand for benefits and services from veterans and ensures that the Department has the capabilities to meet these needs.

This market-based analysis often results in contracts for medical care and other services in specific geographical areas when it is determined to be more cost effective to obtain the services from the private sector than to hire doctors, nurses, and other staff with needed skill sets. This approach does not focus on moving a certain established number of jobs from the public sector to the private sector – but rather on providing veterans and taxpayers the best value possible.

VA is committed to continuing the approach of strategically identifying opportunities for competitive sourcing. VA hired a competitive sourcing staff and developed a directive and 5-year plan (2003 – 2008) that calls for studying 55,000 FTE across 19 ancillary functions within VHA. VA also developed a tracking system, which is currently being tested, to assess progress in this initiative. The Office of Management and Budget (OMB) approved VA's plan and streamlined three-tiered process in April 2002.

One of the reasons OMB approved VA's new competitive sourcing process is due to VHA's exemption under section 8110(a)(5) of title 38 U.S.C. This statute states that VHA funding to carry out any activity in connection with a study comparing the cost of VA providing commercial or industrial products and services is prohibited unless such funds are specifically appropriated. VHA had no such funds appropriated for 2003. However, VA's initial interpretation was that the prohibition would apply only to a formal A-76 cost comparison and not to most, or all of the streamlined process planned by VA. In April 2003, VA was in the process of executing the OMB-approved competitive sourcing plan, starting with laundry service and food production,

when VA's General Counsel (GC) opined that the prohibition applied to VA's three-tiered process. VHA continued to make progress in competitively sourcing laundry and food service while seeking a clarification from VA's GC regarding application of their earlier opinion in conjunction with other statutory authorities. Upon receiving GC clarification, all competitive sourcing studies were terminated within VHA in August 2003. VA is now seeking remedies to the prohibition through either a separate appropriation, or revision to title 38. In the meantime, VA is examining other alternatives that do not violate the prohibition of title 38 while potentially yielding cost savings that would be obtained if VHA were permitted to continue with competitive sourcing studies.

At the end of 2002, VA had completed studies on approximately 4,000 FTE, with an estimated cost savings of \$25 million. In 2003, VA began the study of 1,380 FTE within the VHA laundry service, and 1,500 FTE within the Veterans Canteen Service when the studies were terminated due to the prohibition. VA completed one standard competitive sourcing competition in 2003 within VBA. The net result was to outsource the VBA property management function. VA's internal reengineering efforts produced a Most Efficient Organization (MEO) proposal that presented an estimate of more than \$18 million (12.5 percent) over the term of performance. This proposal also included a reduction in 156 FTE (from 276 to 120) performing the function. Although the MEO proposal demonstrated significant improvements in efficiencies and cost reductions, VA will ultimately save an estimated \$47 million (27.1 percent) over the 4.5-year performance period by outsourcing the function to industry.

NCA increased its contracting out for full maintenance services from 26 national cemeteries in 2002 to 36 of the 120 national cemeteries in 2003. In addition, NCA contracted out an equivalent of about 240 FTE in connection with the National Shrine Commitment. This competitively sourced function is the equivalent of approximately 20 percent of NCA's 2003 commercial activities based on VA's 2003 FAIR Act inventory.

## Financial Management

VA continued its tradition of excellence in financial management during 2003.

**Audit Opinion and Improved Performance** - VA received an unqualified opinion on the Department's financial statements from the auditors, continuing the success first achieved in 1999. Interest penalties continued to decrease to below \$1 million, approximately 33 percent below the 2002 level. Discounts increased to nearly \$2.2 million, 25 percent above last year's level. Following are some additional ways VA improved its financial performance in 2003.

**Material Weaknesses** - VA took steps to address previously reported material weaknesses in three areas - erroneous and fraudulent payments in the compensation and pension (C&P) payment process, the Personnel and Accounting Integrated Data (PAID) system lack of ability to expand, and security-related vulnerabilities in PAID and the Financial Management System (FMS). VA modified the PAID system to provide labor distribution functionality. Final actions to effect this functionality will

be complete in October 2003. In addition, actions to correct security-related vulnerabilities in the PAID and FMS systems have been scheduled, and new control procedures are being implemented as recommended by VA auditors. Two FMFIA material weaknesses were closed - Drug Control and Housing Credit.

**CoreFLS** - The CoreFLS project office successfully completed Build 1.2 and Test Cycle 2 as well as demonstrations on Asset Management, Stockroom Replenishment, and the entire Payroll Cycle and Suspense Processing function. Staff finalized deployment and training plans to support Operational Testing 1 and 2. Planned actions for the first quarter of 2004 include commencing Operational Test Phase 1 and going live at four test sites and other unique focus sites. Further, VA plans to complete CoreFLS User Acceptance Testing and implementation of cyber security plans that are currently being prepared.

**Erroneous Payments** - In an effort to enhance internal controls in the area of erroneous payments, VA met with OMB to review a statistical method for estimating erroneous payments in the insurance and C&P programs. We are developing measures to identify overpayments and determine the nature and causes of such overpayments. VA has identified programs for review under the Improper Payments Information Act of 2002 (P.L. 107-300) and plans to award a contract in 2004 to estimate improper payments. Initial data were entered into OMB's Financial Information Performance and Measurement Tracking Systems in May 2003. VA management plans to use this information to develop and implement controls to prevent further occurrences. Also, VA is collabo-

rating with other government agencies such as the Bureau of Prisons and Social Security Administration to identify and recover payments from beneficiaries who are ineligible for benefits. These activities are further described in the following information, which was formerly presented in a form, Exhibit 57, in compliance with P.L. 107-300.

### I. Commitment by Agency Head to President's and Congress' Initiative to Reduce Erroneous Payments

The Department of Veterans Affairs is committed to reducing erroneous payments and has designated the Assistant Secretary for Management as the VA official responsible for establishing policies and procedures to assess agency and program risks of improper payments, taking actions to reduce those payments, and reporting the results of the actions to agency management for oversight and other actions as deemed appropriate.

### II. Description of Risk Analysis performed in compliance with Improper Payments Information Act of 2002

VA will perform a Risk Analysis of programs in FY 2004 to include the following:

- General Operating Expense Salaries
- VHA Salaries
- VHA Research
- VHA Employee and Beneficiary Travel
- VHA Fee
- VHA Grants
- VHA Property, Plant, and Equipment
- VHA Pharmacy (drugs/medicine)
- VHA Prosthetics

- VHA Communications and Utilities
- VBA Compensation
- VBA Dependency and Indemnity Compensation
- VBA Pension
- VBA Vocational Rehabilitation and Employment
- VBA Education
- VBA Insurance
- VBA Housing
- NCA Burial Services

**III. List Programs found to be at Risk of Significant Erroneous Payments (including those programs listed in the former Section 57 of A-11)**

Once the Risk Analysis of programs is completed, VA will be able to identify those programs found to be at Risk of Significant Erroneous Payments, in addition to the Compensation, Dependency and Indemnity Compensation, Pension, and Insurance programs listed in the former Section 57 of A-11.

**IV. Program-by-program**

**description of programs previously required to submit Exhibit 57s.**

**A. Program Description**

**Disability Compensation** is provided to veterans for disabilities incurred or aggravated while on active duty. The amount of compensation is based on the degree of disability. Several ancillary benefits are also available to certain severely disabled veterans.

**Dependency and Indemnity Compensation (DIC)** is provided for surviving spouses, dependent children, and dependent parents of veterans who died of service-connected causes or while on active duty on or after January 1, 1957. Prior to that date, death compensation was the benefit payable to survivors.

**Nonservice-Connected Disability Pension** is provided for veterans with nonservice-connected disabilities who served in

time of war. The veterans must be permanently and totally disabled or must have attained the age of 65 and must meet specific income limitations.

**Death Pension** is provided for surviving spouses and children of wartime veterans who died of nonservice-connected causes, subject to specific income limitations.

**Insurance program** provides veterans and servicemembers life insurance benefits that are not available from the commercial insurance industry because of lost or impaired insurability resulting from military service. Insurance coverage is available at competitive premium rates and with policy features comparable to those offered by commercial companies. A competitive, secure rate of return is ensured on investments held on behalf of the insured.

**B. Error Table**

Program: <b>Compensation</b>	<b>2002</b>		<b>2003</b>		<b>2004 Target</b>	<b>2005 Target</b>	<b>2006 Target</b>
	Dollars	Rate	Dollars	Rate	Dollars/Rate	Dollars/Rate	Dollars/Rate
Total Payments	22,402,321	100%	24,709,991	100%	TBD	TBD	TBD
Underpayments					TBD	TBD	TBD
Overpayments	119,340	0.53%	129,063	0.52%	TBD	TBD	TBD
<b>Total Erroneous Payments</b>	<b>119,340</b>	<b>0.53%</b>	<b>129,063</b>	<b>0.52%</b>	<b>TBD</b>	<b>TBD</b>	<b>TBD</b>

Program: <b>Pension</b>	<b>2002</b>		<b>2003</b>		<b>2004 Target</b>	<b>2005 Target</b>	<b>2006 Target</b>
	Dollars	Rate	Dollars	Rate	Dollars/Rate	Dollars/Rate	Dollars/Rate
Total Payments	3,164,030	100%	3,221,396	100%	TBD	TBD	TBD
Underpayments					TBD	TBD	TBD
Overpayments	231,660	7.32%	250,535	7.78%	TBD	TBD	TBD
<b>Total Erroneous Payments</b>	<b>231,660</b>	<b>7.32%</b>	<b>250,535</b>	<b>7.78%</b>	<b>TBD</b>	<b>TBD</b>	<b>TBD</b>

Program: <b>Insurance</b>	<b>2002</b>		<b>2003</b>		<b>2004 Target</b>	<b>2005 Target</b>	<b>2006 Target</b>
	Dollars	Rate	Dollars	Rate	Dollars/Rate	Dollars/Rate	Dollars/Rate
Total Payments	1,708,000	100%	1,676,000	100%	TBD	TBD	TBD
Underpayments					TBD	TBD	TBD
Overpayments	284	0.02%	261	0.02%	TBD	TBD	TBD
<b>Total Erroneous Payments</b>	<b>284</b>	<b>0.02%</b>	<b>261</b>	<b>0.02%</b>	<b>TBD</b>	<b>TBD</b>	<b>TBD</b>

**C. Discussion of Causes of Erroneous Payments and Status of Efforts to Reduce**

**Compensation & Pension**

Compensation and Pension Service defines erroneous payments as payments made to ineligible beneficiaries or payments that were made for an incorrect amount. Erroneous payments may be caused by procedural or administrative errors made during the claims process or fraud on the part of employees, beneficiaries, or claimants. Overpayments are typically created by actions to reduce compensation or pension benefits resulting from a change in status while underpayments

reveal that VBA did not properly issue the correct payment to the beneficiaries.

For 2004 through 2006, VBA will determine incorrect payments based on its national Systematic Technical Accuracy Review (STAR) results. The STAR process involves a comprehensive technical accuracy review of a statistically valid random sample of completed cases. The annual STAR sample includes approximately 16,000 currently processed cases including a mix of compensation and pension claims. The STAR process was modified to require reviewers to

calculate the amount of over- or underpayment involved for any errors identified under the following categories: Improper Grant/Denial; Improper Percentage Evaluation Assigned; Improper Effective Dates Affecting Payment; and Improper Payment Rates. The results of this review sample will be extrapolated to the universe of completed claims to calculate estimated annual over- and underpayments. Separate annual amounts will be calculated for the compensation program and pension program. VBA briefed OMB on this plan, which met with their approval.

Reviews under this plan are now being conducted. Initial reviews confirmed the validity of this approach, but sufficient data have not yet been captured to provide statistically valid results. A statistically valid sample result will be included in the next annual report (consistent with the requirements of the Improper Payments Information Act of 2002).

#### **Insurance**

VA does not believe there are design issues within the Insurance Program that contribute significantly to improper payments. There are effective safeguards already installed which are designed to prevent fraud wherever possible and to make it easier to discover fraud if it has occurred.

The majority of VA's improper payments are usually the result of human error, which is directly related to the speed of service provided as well as the large volume of transactions processed. Of the total transactions processed, the number of improper payments is relatively insignificant, constituting less than 1 percent of all transactions processed. This low figure is primarily due to the reviews conducted by the Insurance Service Internal Control Staff.

### **V. Discussion of Application of Recovery Auditing**

#### **Compensation & Pension**

Our methodology for determining overpayments and underpayments also assesses the causes of the erroneous payments. This information is captured as part of our ongoing reviews and will be fully discussed in the next annual report.

Although we currently do not have initiatives specific to underpayments, we are cognizant of the need to improve our accuracy in the areas of pension adjustments, particularly erroneous payments. For this reason, since November 2001, we have consolidated the processing of pension maintenance workload to improve the quality of the pension processing and to focus training in this area. We believe that an improved quality of pension processing and focused training reduces erroneous payments. In December 2002, we began the annual review of a statistically valid sample of 1,200 cases from the three pension maintenance centers.

With more completed statistically valid data over the next year, we will better assess our ongoing audits and how they contribute to reducing overpayments and underpayments. At this time, we will continue with the following list of audits and investigations until the annual report where we will tie these audits to our statistically valid results.

**Unmatched records – with Social Security Administration** – C&P Service analyzes an extract of hits from data runs to obtain the Unverified Social Security Numbers Listing.

**Death Match Project** – The OIG death match project is conducted to identify individuals who may be defrauding VA by receiving VA benefits intended for beneficiaries who have passed away. This project will be updated on an annual basis with new information. The death match project continues to be a priority project of the OIG.

**Fugitive Felon Program** – Public Law 107-103 was enacted

on December 27, 2001. The law prohibits veterans who are fugitive felons, or their dependents, from receiving specified veterans benefits. In addition, the law requires the Secretary to furnish to law enforcement personnel, upon request, the most current address of a veteran who is determined to be a fugitive felon. A memorandum of understanding was signed with U.S. Marshals Service in April 2002, and an agreement with the State of California was signed in July 2002, to electronically match their fugitive felon warrant files with VA databases. Agreements with additional states will be negotiated over the next 2 years. The OIG is responsible for the front end of the fugitive felon program. At any given time more than 100,000 individuals are on a fugitive felon list maintained by the federal government and/or state and local law enforcement agencies.

**Payments to Incarcerated Veterans** – In February 1999, the OIG published a report titled *Evaluation of Benefit Payments to Incarcerated Veterans* (Report No. 9R3-B01-031). The review found that VBA officials did not implement a systematic approach to identify incarcerated veterans and adjust their benefits as required by Public Law 96-385. An agreement was reached with the Social Security Administration (SSA) that allowed VA to use the State Verification and Exchange System to identify claimants incarcerated in state and local facilities. We are now processing both Bureau of Prisons Match and SSA Prison Match cases on a monthly basis.

**Benefit Overpayments Due to Unreported Beneficiary Income**

– The OIG’s November 2000 report, *Audit of VBA’s Income Verification Match Results* (Report No. 99-00054-1), found that opportunities exist for VBA to significantly increase the efficiency, effectiveness, and amount of potential overpayments that are recovered; better ensure program integrity and identification of program fraud; and improve delivery of services to beneficiaries. The audit found that VA’s beneficiary income verification process with the Internal Revenue Service (IRS) resulted in a large number of unresolved cases. VBA has implemented seven of eight recommendations from this report. However, the recommendation to complete necessary data validation of beneficiary identifier information contained in C&P master records to reduce the number of unmatched records with the SSA remains unimplemented. This was a repeat recommendation from a 1990 OIG report.

The Income Verification Match (IVM) processing has been centralized at the three Pension Maintenance Centers this year. The IVM match involves obtaining two files—one from SSA and one from the IRS. The SSA file contains earned income information. The IRS file contains unearned income information. Typically both files are run against VA records at the same time to produce IVM Match output.

**Disability Compensation Benefits for Active Military Reservists**

– In May 1997, the OIG conducted a review to determine whether VBA procedures

ensure that disability compensation benefits paid to active military reservists are offset from training and drill pay as required by law. The OIG report titled *Review of VBA’s Procedures to Prevent Dual Compensation* (Report No. 7R1-B01-089) reported that VBA had not offset VA disability compensation to 90 percent of the sampled active military reservists receiving military reserve pay. Dual payments occurred because procedures established between VA and DoD were not effective or were not fully implemented. VA and DoD have worked to correct procedures and processes to insure dual compensation benefits are properly offset.

**Insurance**

Established in 1992, the Internal Control Staff (ICS) monitors, reviews and approves all manual insurance disbursements and certain other controlled transactions. It is the duty of these reviewers to verify the correctness and propriety of all critical insurance actions. This staff is the primary control point for all processes involving clerical disbursement actions and ensures the propriety of system-generated disbursements. The ICS exists to augment VA’s traditional management controls (e.g., internal system edits, supervision, performance reviews and quality control reviews).

In addition to the above, the ICS conducts a variety of post-audit reviews using, among other tools, matching reports to help prevent and detect fraud, waste, and abuse. Moreover, the ICS reviews the work of its own staff. Through these reviews, the staff supervisors ensure that work is being done in

date order, that it is being reviewed properly, and that no fraud has been committed.

The ICS identified best practices by consulting with the OIG, who provided a variety of computer matching programs to assist in identifying patterns that may indicate abuse. Internal Control managers also attend classes in statistical sampling and in the prevention and detection of fraud, waste and abuse, and attended formal training in management and accountability. They have shared their expertise with other elements of VBA and individuals from the OIG have referred to their operation as a “best practice.”

**VI. Discussion of Purchase and Travel Card Usage**

VA’s Financial Quality Assurance Service conducts financial management reviews of VHA and VBA field facilities. Purchase and travel card programs are reviewed to determine if existing internal controls provide adequate safeguards and management oversight. Travel and purchase card transactions are sampled to determine compliance with applicable federal and VA regulations. Findings and recommendations are reported to facility directors, Administration CFOs, and the VA CFO.

**Electronic Government**

**Progress Achieved in 2003**

VA developed a framework that supports high-level strategies to improve electronic delivery of services to veterans, beneficiaries, and other major VA stakeholders. The framework provides a uniform approach for

electronic forms management, Web-based applications, identification and authentication options, authorization and access control, electronic signature, security, and data interchange that supports the Department's internal business processes and systems. In 2003, VA built a superset data dictionary from information collected from veterans. We intend to use the information to provide veterans with pre-populated forms when they apply for and use VA services, in either electronic or paper-based form. VA changed its form review process to take advantage of opportunities where forms can be consolidated or discontinued. A *One VA* forms Web site was launched, which consolidated five existing Web sites. This *One VA* Web site provides the means for all VA transactions to be available online in fillable formats, and provides a single entry point and source to access all VA forms.

To move VA to the President's vision of electronic government, VA signed official agreements with partner agencies and provided funds to support GovBenefits, e-Loans, e-Authentication, and Integrated Acquisition Environment; signed a working agreement with the General Services Administration for USA Services; provided DoD's Defense Finance and Accounting Service with high-level requirements for payroll systems and services (e-Payroll); and is an active participant in the federal e-Travel System managed by GSA. VA's participation in federal e-Gov initiatives has increased from 11 to 16 of the initial 24 initiatives. To improve its internal operations, VA developed plans to accomplish a strong authentication system that uses digital certificates allowing VA users to authenticate their identity to VA systems and applications; the Department also took steps to

expand the use of public key infrastructure (PKI). In parallel to working on the federal e-Travel initiative, VA recognized the need to improve its travel management operations. VA developed and began implementing a streamlined and centralized travel system, eliminating the three separate systems formerly used.

#### ***e-Payroll Initiative***

During 2003, as part of the e-Payroll initiative, OPM aligned VA with DoD's Defense Finance and Accounting Service (DFAS) system. VA has begun to explore with DFAS various conversion and configuration options under the e-Payroll initiative. VA provided DFAS with a proposed Interagency Agreement, which is pending DFAS signature to begin the work necessary for consolidation, i.e., fit-gap analysis, full requirements analysis, detailed system change requirements and estimated conversion and operations costs for both VA and DFAS. VA is continuing to support DFAS in analyzing the Department of Health and Human Services' title 38 requirements. VA will continue to work with DFAS and OMB/OPM in 2004 on e-Payroll requirements and documentation.

#### ***e-Travel***

During 2003, VA began implementing a new electronic travel system that will allow travelers or travel arrangers to electronically prepare and submit travel information using a Web-based capability. E-travel will provide a Departmentwide system that will reduce cycle time for the travel management process, centralize travel and budget information online, reduce delinquency rates, increase dollar savings from prompt payment of travel card bills, and reduce paperwork as a result of the system's end-to-end capabilities. A contract was awarded for VA's e-

Travel solution and full implementation is slated for completion by the end of the first quarter of 2004.

#### **Plans and Major Actions to be Addressed in 2004**

VA plans to continue to provide support and funding for the federal e-Gov initiatives already underway, and is committed to participating in the remaining initiatives as they evolve, including the federal crosscutting initiative, e-Authentication. VA began efforts to incorporate forms management and e-Gov strategies into the Department's Enterprise Architecture version 3.0.

VA plans to develop a host of enterprise-wide software solutions and corporate-wide licensing strategies; continue to test electronic and information technology products for accessibility by individuals with disabilities as required by section 508 of the Rehabilitation Act; monitor the quality of information published on VA's Web site as required by section 515 of the Data Quality Act; continue work in creating an integrated contact management capability; and complete a centralized database of veteran medical records.

#### **Budget and Performance Integration**

VA has made a number of advancements toward integrating budget and performance: Ongoing monthly performance review meetings involving VA senior leadership have provided a continuous review of program performance in the areas of financial management, performance measurement, workload and major construction, and information technology projects. The purpose of these meet-

ings, chaired by the Deputy Secretary, is to inform while identifying issues through a detailed review of Department resources. Because all VA programs are represented at this meeting, the resulting management decisions are immediately communicated and incorporated to maximize resource utilization and to help ensure achievement of annual performance goals.

VA used OMB's Program Assessment Rating Tool (PART) to review five of the Department's nine programs. The medical care, burial, and compensation programs, which were reviewed in 2002, were included in the President's 2004 budget. VA reviewed the programs on education and research and development during 2003, along with an update on the medical care program. The results will be incorporated in the President's 2005 budget.

Two VA programs are participating in Common Measures exercises: medical care and vocational rehabilitation and employment (VR&E). VHA has been working with DoD, the Indian Health Service, and the Community Health Centers programs in HHS to develop and implement meaningful performance measures of health care programs. VR&E is developing measures with the Departments of Labor, Housing and Urban Development, Education, and Interior to evaluate the effectiveness of federal employment programs.

With the 2005 budget, VA is providing a more complete picture of our resource needs by better integrating legislative proposals with the budget request. VA is submitting its 2005 budget using the same account structure first proposed in the 2004 budget. The structure focuses on nine major programs – medical care, research,

compensation, pension, education, housing, vocational rehabilitation and employment, insurance, and burial. The 2004 budget is pending congressional action. The Administration is negotiating with Congress over which features of the proposed account structure will be implemented.

## Improved Coordination of VA and DoD Programs and Systems

VA and DoD established the Joint Executive Council (JEC) to enhance collaboration. The JEC is co-chaired by VA's Deputy Secretary and the Under Secretary of Defense for Personnel and Readiness. The JEC reached agreement on the Federal Health Information Exchange, including a joint strategy for interoperable electronic records (HealthPeople); a standardized reimbursement rate structure for VA/DoD medical sharing agreements; implementation of a Consolidated Mail Outpatient Pharmacy (CMOP) pilot; establishment of a joint physical examination pilot; increased cooperation in capital asset planning; and a joint strategic planning initiative.

VA and DoD also established a Benefits Executive Council (BEC), chaired by the VA Under Secretary for Benefits and the Assistant Secretary of Defense for Force Management. The BEC will help facilitate the transition of separating servicemembers through initiatives aimed at improving medical examination and establishment of eligibility processes, facilitating enrollment in the VA health care system, and expediting disability compensation claims.

The VA/DoD Health Executive Council, co-chaired by VA's Under Secretary for Health and the Assistant Secretary of Defense for Health Affairs, meets bi-monthly and has work groups for Information Management; Clinical Practice Guidelines; Patient Safety; Pharmacy; Medical/Surgical Supplies; Benefits Coordination; Financial Management; Geriatric Care; Joint Facility Utilization/Resource Sharing; Education; and Deployment Health.

VA and DoD have substantially increased joint procurement activities. As of July 2003, there were 84 joint VA/DoD contracts, 12 blanket purchase agreements, and 2 temporary price reductions in place for pharmaceuticals. The 2003 cost avoidance is estimated at \$376 million for VA and \$104 million for DoD. Ten high-volume prescription drugs have been identified for joint contracting possibilities in 2004.

VA and DoD staff meet regularly to execute joint procurements for medical/surgical supplies. The first joint contract for vital sign monitors is close to award. Requirements are being developed for standardization of surgical instruments. Other areas of interest include patient controlled analgesia pumps, steri-strips/surgical tape, and skin staplers. A memorandum of agreement for high-tech medical equipment was signed in August 2003.

The CMOP pilot with three DoD facilities is growing. Total prescription fills through June 2003 were 333,603; monthly fills have increased to 50,000. Customer service satisfaction surveys are consistently above 90 percent. CMOP electronic interfaces are completed and compliant with the Health Information Portability and Accountability Act and cyber security requirements.

## Faith-based Initiatives

During 2003, VA implemented a number of faith-based and community initiatives. Notices of Funding Availability published this year clearly identified faith-based organizations as being eligible entities to apply for funding under the VA homeless service providers grant and per diem program. New VA regulations are pending publication in the Federal Register. The new regulations, which will be out for public comment, are designed to reduce barriers identified by faith-based representatives as potential impediments to providing services under VA's only grant program to non-profit organizations.

In 2003, VA established a technical assistance provider to assist faith-based organizations in applying for

funding to aid homeless veterans under a variety of federal programs.

VA's Office of Intergovernmental Affairs, along with representatives from VHA and VBA, participated in each of the White House Faith-Based and Community Initiatives Regional Conferences during 2003, distributing fact sheets and benefit information and responding to hundreds of requests for assistance. VA is preparing to attend conferences scheduled for 2004.

While there are no requirements or set-asides for faith-based organizations, we continue to monitor the number and percentage of faith-based organizations that provide direct services to homeless veterans. The percentage of organizations funded and transitional beds supported by VA exceeds 30 percent. Those percentages may

increase with enhanced outreach and technical assistance.

VA conducted a review of the final report presented by BETAH Associates, a consulting group, and the National Center for Neighborhood Enterprise, Inc. Discussions with faith-based organizations that provide direct services lead us to believe our relationships are strong and extensive. A variety of efforts to enhance those historical connections are ongoing.