

expectations for cemetery appearance as well as specific improvement opportunities and training needs.

VA continued its partnerships with various civic organizations that provide volunteers and other participants to assist in maintaining the appearance of national cemeteries. An agreement with the Bureau of

Prisons provided for the use of selected prisoners as a supplemental source of labor to assist in maintaining the national cemeteries.

Data Quality

Please refer to the Key Measures Data Table on page 136.

Objective E-1

		FY 2004 Obligations (\$ in Millions)	% of Total VA Resources
Enabling Goal Deliver world-class service to veterans and their families by applying sound business principles that result in effective management of people, communications, technology, and governance.		\$898	1.3%
Objective	Performance Results		
E-1 Recruit, develop, and retain a competent, committed, and diverse workforce that provides high-quality service to veterans and their families.	<ul style="list-style-type: none"> Increased to 90 percent the proportion of employees who were aware that alternate dispute resolution (ADR) is an option for addressing workplace disputes (goal was 80 percent) Increased to 60 percent the proportion of cases using ADR techniques (goal was 70 percent) 	\$81	0.1%

Performance

Employees are VA's foundation and are the key to our ability to deliver timely and high-quality benefits and services. In support of Objective E-1, the Department has placed a high priority on implementing strategies to ensure VA recruits, retains, and develops a quality and diverse workforce to serve veterans and their families. Our primary roadmap for achieving this objective is the Department's Strategic Human Capital Management Plan, which presents an overview of past and projected workforce trends and summaries of workforce plans

developed by VA's program and staff offices. VA has moved closer to the ultimate aim of Objective E-1 by implementing initiatives covering a multitude of topics outlined in these plans. One indicator of our success is measured by the fact that in FY 2004, 73 percent of employees responded favorably when surveyed about their job satisfaction, a share up markedly from the 57 percent recorded 3 years earlier. VA has hired hundreds of new decision-makers to help reduce the claims backlog and trained these and other employees in proper claims processing procedures. We also developed a legislative proposal, signed into law in

December 2003, to improve our ability to recruit and retain a number of mission-critical health care occupations. The Department created a voluntary VA-wide, online entrance and exit survey with Web-based data access. This valuable information helps guide the Department in improving recruitment and retention activities throughout all organizational levels.

VA recently developed a Web-based tracking system to collect data on ADR that will be analyzed yearly so that benchmarks can be identified and accomplishments measured. In addition, VA will conduct ADR and mediation awareness training sessions for all employees to ensure that employees are aware of the ADR and mediation tools that can be used to effectively resolve workplace conflicts and disputes. From these efforts, VA expects to derive benefits such as improved morale and productivity, reduction in future disputes, repaired relationships, improved customer service, and increased employee trust.

Program Assessment Rating Tool (PART) Evaluation

There are no PART evaluations that have been completed, nor are there any planned, that specifically address Objective E-1.

Major Management Challenges

The Government Accountability Office has identified strategic human capital management as a governmentwide high-risk area, which is related to

Objective E-1. It was also placed at the top of the President's Management Agenda (PMA). Please refer to pages 50-51 in the PMA section regarding VA's progress on strategic human capital management.

Program Evaluations

There have not been any independent evaluations of programs or activities related to Objective E-1.

New Policies and Procedures

VA established several new procedures and initiatives in support of Objective E-1. For example, the Department has:

- Increased internal and external recruitment and retention programs, developed and enhanced education and training programs, and fostered a corporate culture that proactively integrates women, minorities, and people with disabilities into management positions.
- Continued its *One VA* Senior Executive Service Candidate Development Program to develop future candidates for the Senior Executive Service within VA.
- Redesigned the VA Job Opportunities Web site; site visits more than doubled in the last 2 years.
- Devoted increasing attention to implementing employee performance standards that truly measure performance.
- Required all VA organizations to conduct an annual self-assessment of HRM programs to identify best practices and systemic deficiencies.

Objective E-2

		FY 2004 Obligations (\$ in Millions)	% of Total VA Resources
Enabling Goal Deliver world-class service to veterans and their families by applying sound business principles that result in effective management of people, communications, technology, and governance.		\$898	1.3%
Objective	Performance Results		
E-2 Improve communications with veterans, employees, and stakeholders about the Department's mission, goals, and current performance as well as the benefits and services VA provides.	<ul style="list-style-type: none"> Increased to 70 percent the participation rate in the monthly Minority Veterans Program Coordinators conference call (goal was 75 percent) Maintained at 30 percent the proportion of funded grants providing services to homeless veterans that are faith-based (goal was 33 percent) 	\$14	<0.1%

Performance

VA took several important steps during FY 2004 to improve communication among employees and with veterans and their families concerning the Department's mission, goals, and current performance. In particular, VA released two key publications that helped move the organization closer to achievement of Objective E-2. First, the Department published the "Strategic Plan for Employees" in December 2003. This document was specifically designed for VA employees to help them better understand the current and future priorities for the Department and to see how employees directly contribute to VA's mission. This plan discusses VA's strategic goals and objectives and identifies the organization's major accomplishments associated with each goal and objective. In addition, the plan presents performance targets for FY 2008 so that employees will have a more complete understanding of what the organization will be striving to accomplish in the next

few years. The second major publication VA published was the "Results Report," which was released in August 2004. Designed primarily for VA employees, but also serving to improve communication with veterans and their families, veterans service organizations, Congress, and other stakeholders, this document highlights the significant accomplishments VA has made over the last 3 years in each of our program areas as well as the improvements the Department has made in results-based management.

During FY 2004 the Department increased its emphasis on reengineering the minority veterans' program coordinators efforts. Streamlining of the Advisory Committee on Minority Veterans and a refocusing of the committee towards more tangible recommendations with renewed emphasis on data gathering will enhance VA's Center for Minority Veterans' ability to identify issues and concerns for minority veterans and provide a better foundation for resolving the issues and concerns. The

center will continue its participation in forums, conferences, and meetings that address minority veterans' issues.

VA implemented a number of faith-based and community initiatives in FY 2004. 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 were published in the Federal Register, 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. VA participated in the White House Faith-Based and Community Initiatives Regional Conferences during FY 2004, distributing fact sheets and benefit information and responding to hundreds of requests for assistance. The aggressive outreach efforts of the Department helped VA maintain at 30 percent the proportion of funded grants providing services to homeless veterans that are faith-based.

Also, VA was successful in developing communication, collaboration, and coordination of Departmentwide programs and activities to address the needs of homeless veterans. The Homeless Veterans Program Office continued to develop and enhance collaborative programs with faith-based and community-based non-profit organizations, veterans service organizations, and state and local governments to serve homeless veterans through national "Stand-Downs" and the establishment of housing and employment services.

Program Assessment Rating Tool (PART) Evaluation

There are no PART evaluations that have been completed, nor are there any planned, that specifically address Objective E-2.

Major Management Challenges

Neither VA's Office of Inspector General nor the Government Accountability Office identified any major management challenges related to Objective E-2.

Program Evaluations

The Department has established the Center for Faith-Based and Community Initiatives that will seek advice from responsible parties within the faith-based and community organizations structure to enhance communication and coordination efforts and optimize resources targeted at the homeless and at-risk veteran populations. The results of the center's efforts will be presented in future reports.

New Policies and Procedures

VA established several new procedures and initiatives in support of Objective E-2. For example, the Department has:

- Instituted a contact initiative to reach all former prisoners of war not currently using VA benefits to inform them of benefits and services that they may be entitled to receive.
- Launched a Web site to provide Gulf-War related medical research information to veterans and their families.
- Continued to expand, update, and improve the Web site that disseminates information about VA programs, benefits, and services for women veterans.

Objective E-3

		FY 2004 Obligations (\$ in Millions)	% of Total VA Resources
Enabling Goal Deliver world-class service to veterans and their families by applying sound business principles that result in effective management of people, communications, technology, and governance.		\$898	1.3%
Objective	Performance Results		
E-3 Implement a <i>One VA</i> information technology framework that supports the integration of information across business lines and that provides a source of consistent, reliable, accurate, and secure information to veterans and their families, employees, and stakeholders.	Began the process of transforming business lines to achieve a secure veteran-centric delivery process that enables veterans and their families to register and update information, submit claims or inquiries, and obtain status (goal was 2 business lines transformed)	\$186	0.3%

Performance

Enterprise Architecture

Enterprise Architecture (EA) is the practice of advancing and modernizing VA's information technology operations and investments while also pairing those efforts with business process reengineering and innovation. The "enterprise" is VA and the "architecture" is the complex framework of processes, systems, and programs by which VA provides health care, benefits, and memorial services to veterans and their families. In FY 2004 the Office of the Chief Information Officer (CIO) accomplished the following:

- Restructured the Office of Enterprise Architecture to focus on advancement of the developed and stated architecture as well as the tools and methodologies to integrate all aspects and inputs. A Data Architecture Service is being established, which is fundamental to effective baselining and reference modeling for technology, systems, and business processes. Additionally, a Systems and Integration Service is being implemented to provide for a program management

office in direct support of commitments made to lead the development of Registration and Eligibility and Contact Management (RE/CM) systems development initiatives.

- Initiated and managed several IT initiatives including: Operation Seamless Transition at Walter Reed Hospital in direct support of servicemembers returning from Operation Iraqi Freedom and Operation Enduring Freedom; RE/CM business functions; DoD/VA data sharing and integration; and executive correspondence tracking in the Office of the Secretary.

Telecommunications

VA initiated the Telecommunications Modernization Project (TMP), which implements an enterprise-standard architecture for its wide area network. TMP will provide VA with a centrally managed, secured, and funded national resource that will transport the data communications requirements for all VA business functions.

Information Security Program

The Office of the CIO is responsible for providing services to veterans that protect the confidentiality, integrity, and availability of their private information; for

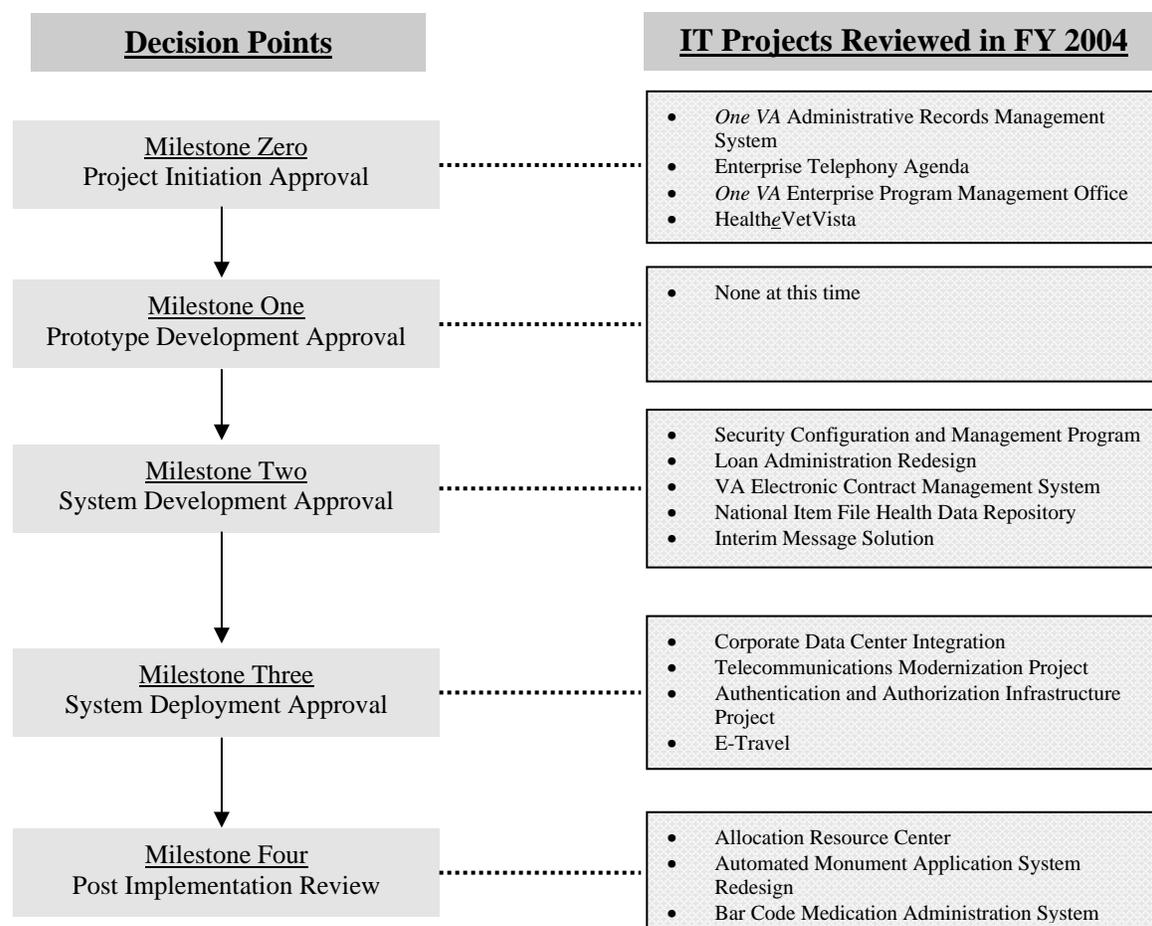
enabling the timely, uninterrupted, and trusted nature of services provided; and for providing assurance that cost-effective cyber security controls are in place to protect automated information systems from financial fraud, waste, and abuse. The Office of the CIO accomplished the following activities during FY 2004:

- Initiated deployment of a security configuration and management program to provide patch management and remediation services on a centralized basis.
- Managed all VA intrusion detection systems and provided real-time analytical incident support, event correlation and analysis, and audit log analyses through a fully functional Network and Security Operations Center (NSOC) that operates 24/7. The NSOC was a significant factor in successfully mitigating the impact of several major computer viruses and worms infecting VA systems and networks in FY 2004.

- Partnered with VA's Employee Education Service to develop and implement a cyber security awareness course for over 250,000 employees, contractors, and volunteers.
- Rolled out an Information Security Officer (ISO) cyber security professionalization program, which included training, certification, and credentialing for 442 of VA's 444 full-time ISOs and Office of Cyber and Information Security staff.

Integrated IT Project Management Process

To properly manage high priority IT projects in terms of budget, schedule, and scope, VA employs an integrated IT project management process that is delineated by five major decision points called milestones. Project managers are required to brief the Department's Enterprise Information Board, which includes the CIO, in order to gain approval to proceed to the next step in the process. Listed below are milestone reviews that were conducted in FY 2004.



Program Assessment Rating Tool (PART) Evaluation

There are no PART evaluations that have been completed, nor are there any planned, that specifically address Objective E-3.

Major Management Challenges

VA's Office of Inspector General has identified the following information technology issue as a major management challenge related to Objective E-3 (the program's response to the challenge may be found on the pages referenced below):

- Information security – information security vulnerabilities still exist, and corrective action needs to be taken to resolve them (refer to pages 248-250 for more information).

The Government Accountability Office has designated protecting information systems supporting the Federal government and the Nation's critical infrastructures as a governmentwide high-risk area, which is related to Objective E-3 (the program's response to the challenge may be found on the pages referenced below):

- Information technology challenges – the computer security management program requires further actions to ensure that the Department can protect its computer systems, networks, and sensitive health and benefits data from vulnerabilities and risks (refer to pages 264-265 for more information).

Program Evaluations

There have not been any independent program evaluations conducted recently that specifically address Objective E-3.

New Policies and Procedures

The *One VA* IT Enterprise Program Management Office (EPMO) initiative is designed to improve and standardize the management and reporting of VA's IT portfolios and projects, as required by the Clinger-Cohen Act. The EPMO is charged with developing a standard set of portfolio and project management policies, processes, procedures, tools, training, and certification across all VA entities to ensure a greater probability of achieving consistent, repeatable project successes in support of VA's mission and goals. The EPMO's mission has three main goal categories: people, processes, and tools.

The goal of the "people" category is to develop and certify qualified, competent project managers, project team members, and portfolio and project oversight staff members to successfully manage VA's IT projects. Through VA's Project Management Training and Certification Program, VA identifies, trains, and certifies project managers with significant project manager responsibilities. Over 850 project managers, team members, and stakeholders have participated in the program. Over 160 employees have been certified at the highest level and have earned a Master's Certificate in project management awarded by a major university. VA currently has 100 percent of its IT project managers for OMB Exhibit 300 initiatives trained and certified.

The "processes" goal is to define and implement repeatable strategic planning, portfolio management, and project management best practices and standardized processes that senior officers, project managers, and oversight staff members can employ to successfully select, manage, control, and evaluate VA's IT projects. In FY 2004, VA developed key documents to enable the improved management and oversight of VA's major IT projects and portfolios. The documents include: *Project Management Guide*, *Revised Milestone Briefing Templates and Instructions*, and *Portfolio Management Guide*.

The “tools” goal is to implement best-of-breed project management tools that project managers, project team members, and oversight staff members will use to facilitate the successful management, reporting, and oversight of VA’s IT projects. VA selected TeamPlay project management software to manage VA projects.

VA uses the Capital Asset Management System (CAMS) to manage VA’s IT portfolio. The system captures, tracks, and evaluates all VA capital asset initiatives within VA. OMB reviewed the Exhibit 300s for our FY 2005 IT portfolio and accepted all 59 of them on the first round, the first 100 percent success level for a Cabinet Department.

Objective E-4

		FY 2004 Obligations (\$ in Millions)	% of Total VA Resources
Enabling Goal Deliver world-class service to veterans and their families by applying sound business principles that result in effective management of people, communications, technology, and governance.		\$898	1.3%
Objective	Performance Results		
E-4 Improve the overall governance and performance of VA by applying sound business principles, ensuring accountability, and enhancing our management of resources through improved capital asset management; acquisition and competitive sourcing; and linking strategic planning, budgeting, and performance planning.	<ul style="list-style-type: none"> Maintained at 41 percent the ratio of collections to billings (goal was 41 percent) Achieved a dollar value of sharing agreements with DoD of \$120 million (goal was \$116 million) 	\$616	0.9%

Performance

VA recorded a broad array of accomplishments during FY 2004 that demonstrated significant movement toward the ultimate aim of Objective E-4. These achievements covered a wide range of operational processes and management improvement initiatives that will continue to lead to greater efficiency. Many of these efforts are being accomplished largely through centralization of several of our major business processes.

During FY 2004, we moved closer to a realignment of our finance, acquisition, and capital asset management

functions into business offices across the Department. This realignment of business functions is leading to reduction and standardization of field business activities into a more manageable size, provides for more consistent interpretation of policies and procedures, and promotes implementation of performance metrics and data collection related to these business functions. We are significantly strengthening compliance and consistency with finance, acquisition, and capital asset policies procedures.

The Department implemented 19 recommendations of the proposals put forth by the Secretary's Procurement Reform Task Force. Those recommendations promote leveraging our size and purchasing power by establishing more national contracts, standardizing procurement requests, creating a procurement database, and improving organizational effectiveness. These reforms have led to cost avoidances of hundreds of millions of dollars.

VA helps ensure accountability for performance through monthly performance reviews involving senior leadership. These reviews provide the forum for the Department's top leaders to continually review financial and program performance, workload, major construction, and information technology projects. As required, corrective actions are identified and implemented quickly in order to help ensure performance goals are achieved.

With the release of the President's FY 2005 budget and the Department's Congressional budget justifications in February 2004, VA integrated performance information with its request for resources. This was the first time the Department used this approach rather than prepare a separate performance plan. This was a major step toward better integration of strategic planning, budgeting, and performance planning.

VA worked to achieve the goal of collecting 41 percent of all medical care billings to veterans and health insurance companies, thus helping to maximize health care resources to our core service population—service-connected disabled veterans, those with lower incomes, and veterans with special health care needs. In addition, we achieved a dollar value of sharing agreements with DoD of \$120 million. These collaborative efforts between VA and DoD lead to greater efficiency in both departments.

Program Assessment Rating Tool (PART) Evaluation

During the development of the FY 2005 budget, the Administration conducted a PART evaluation of the medical care program that relates to the accomplishment of Objective E-4. This assessment reviewed the combined effectiveness of the legislative and executive branches in designing and implementing the many aspects of the medical care program. The PART evaluation for the medical care program resulted in a rating of "Adequate," an improvement from the FY 2004 budget year PART rating of "Results Not Demonstrated." The improvement in the PART evaluation of the medical care program resulted from several factors, including VA's sharpening its focus on providing timely, high-quality health care to our highest priority veterans—those with service-connected disabled conditions, veterans with lower incomes, and those with special health care needs.

Major Management Challenges

VA's Office of Inspector General identified the following issues as major management challenges related to Objective E-4 (the program's response to each challenge may be found on the pages referenced below):

- Federal Supply Schedule contracts – VA medical centers need to make more effective use of the best purchasing sources (refer to pages 240-241 for more information).
- Contracting for health care services – conflicts of interest exist in the request for approval of contracts, preparation of solicitations, contract negotiations, and contract administration (refer to pages 241-242 for more information).
- Government purchase card activities – systemic management weaknesses exist in the oversight and use of government purchase cards (refer to pages 242-244 for more information).
- Inventory management – systemic problems exist with inventory management caused by inaccurate information, lack of expertise needed to use the electronic inventory management system, and non-use

of the system at some supply points in medical centers (refer to pages 244-245 for more information).

- Financial management and reporting – manual compilations and processes should be automated (refer to pages 245-246 for more information).
- Data validity – data on performance should be thoroughly reviewed to ensure that data validity problems do not exist (refer to pages 246-247 for more information).
- Workers' compensation program – problems exist with inadequate case management and fraud detection (refer to pages 247-248 for more information).

The Government Accountability Office has identified the following issues as major management challenges related to Objective E-4 (the program's response to each challenge may be found on the pages referenced below):

- VA/DoD Sharing – VA needs to continue to work with DoD to address remaining barriers (refer to pages 255-257 for more information).
- Third-party collections – continuing work needs to be done to ensure that VA maximizes its third-party collections and to correct persistent collections process weaknesses (refer to pages 257-258 for more information).
- Financial management material weakness – problems still exist with the ability to produce auditable information after year end (refer to pages 265-266 for more information).
- Federal real property – this is designated as a governmentwide high-risk area (refer to pages 266-269 for more information).

Program Evaluations

There have not been any independent program evaluations conducted that specifically address Objective E-4.

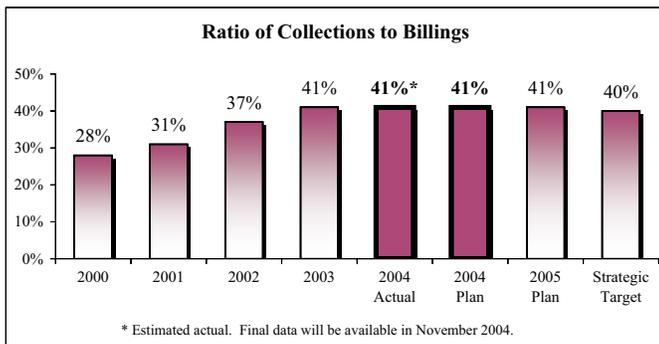
New Policies and Procedures

During FY 2004 VA was involved in a multitude of new efforts that helped bring the Department closer to the ultimate aim of Objective E-4. Some of these included:

- VA began using a new capital asset management system (CAMS), an integrated Departmentwide system that enables VA to establish, analyze, monitor, and manage its portfolio of capital assets.
- Through the Health Executive Council, VA and DoD have adopted a schedule to develop interoperable electronic medical records by FY 2005. This agreement, the VA/DoD Joint Electronic Health Record Plan – HealthPeople (Federal) strategy, calls for joint development of a virtual health record that will be accessible by authorized users throughout both departments.
- Through the Benefits Executive Council, the transition from active military to veteran status has been simplified by the development of a single examination that meets both military services' separation requirements and VA's disability compensation examination criteria. A national memorandum of agreement to codify this policy is scheduled for implementation shortly.
- VA is in the process of developing a baseline for erroneous payments in all programs – data that will assist the Department in reducing the volume of such payments in the future.
- The Department implemented and exceeded aggressive goals for reducing interest penalty payments and increasing discounts earned VA-wide in order to provide additional funds for veterans' programs.
- VA improved its financial processes by centralizing payment of certified invoices at a single center in Austin, Texas.
- VA improved its delivery of financial government services through expanded use of electronic commerce/electronic data interchange transactions.

Objective E-4 — Key Performance Goal

Achieve 41 percent ratio of collections to billings.



Description, Importance, and Results

VHA has developed a number of performance measures relating to space, costs, revenue, and value provided. The collections to billings ratio is a calculation based on the total cumulative fiscal year collections divided by the total cumulative billings. VA cannot collect from Medicare, but must include 100 percent of charges to assert claims to Medicare supplemental carriers. Because of this inability to collect from Medicare, the resulting ratio appears comparatively lower than the private sector standard.

Management and Policy Issues

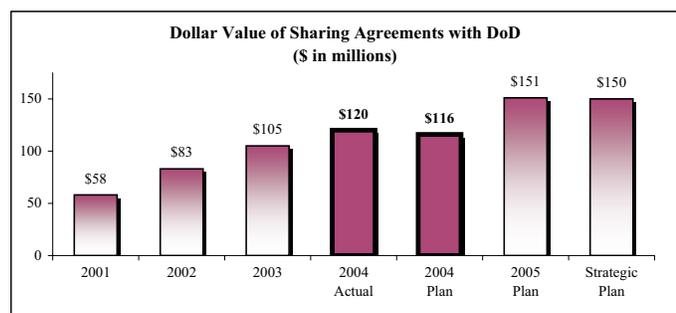
VA's primary strategies to achieve this performance goal include raising awareness of the services VA provides, and increasing revenue and efficiency through sound business practices. VA will assess and align the health care system to enhance cost-effective care for veterans. We will focus on increasing revenue and efficiency through better collections and improved business practices. We will hold managers accountable for performance through performance agreements. Achievement of this performance goal is largely contingent on the willingness of first and third parties to pay their bills.

Data Quality

Please refer to the Key Measures Data Table on page 136.

Objective E-4 — Key Performance Goal

Achieve \$116 million in the value of sharing agreements with DoD.



Description, Importance, and Results

VA has entered into a number of sharing agreements and memoranda of understanding with DoD to share direct medical care and other services, such as laundry and fire protection. VA and DoD also use other contracting authority to jointly procure pharmaceuticals, medical/surgical supplies, and equipment in order to combine purchasing power and eliminate redundancies. This measure is based on the total dollar value of sharing agreements VA has entered into with DoD. We achieved a \$120 million value of sharing agreements with DoD in FY 2004. VA has continued to increase the dollar value of sharing agreements with DoD each year.

Management and Policy Issues

VA's primary strategies to achieve this performance goal include raising awareness of the services VA provides, and increasing revenue and efficiency through sound

business practices. VA and DoD will work collaboratively through the VA/DoD Health Executive Council to drive the sharing process. VA and DoD will work to increase use of the same pharmaceutical and medical products resulting in increased leverage in Federal Supply Schedule or other joint contracting negotiations. VA partners with DoD's Pacific e-Health Center in Honolulu to provide peer consultation and patient care to participants separated by distance. VA and DoD participate in the Alaska Federal Health Care Partnership, with the goal of providing specialized care to isolated or remote patient populations in Alaska. VA's Cooperative Studies Program collaborates with DoD on a number of studies, including an antibiotic treatment trial and an exercise/behavioral medicine treatment trial for Gulf War Syndrome. While efforts are underway to document the value of sharing that is not tabulated in VA's or DoD's accounting systems, the new reimbursement rate—90% of CHAMPUS Maximum Allowable Charges for all clinical services—may actually lead to decreased sharing.

Data Quality

Please refer to the Key Measures Data Table on page 136.