

The President's Management Agenda

The President's Management Agenda (PMA), which was announced in 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 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. VA is also reporting on one additional agency-specific area of focus: improved coordination of VA and DoD programs and systems.

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

Initiative	As of September 30, 2004			
	Status	Change from September 2003	Progress in Implementation	Change from September 2003
Human Capital	Y	↑	G	↔
Competitive Sourcing	R	↔	R	↔
Financial Performance	R	↔	R	↓
E-Government	Y	↔	Y	↓
Budget and Performance Integration	Y	↔	G	↔
DoD/VA Coordination	Y	↔	Y	↓

* Arrows indicate change from September 30, 2003.

Strategic Management of Human Capital

In FY 2004 VA implemented multiple initiatives to address this area of the President's Management Agenda.

The Department focused on implementation of the goals contained in its first national Strategic Human Capital Management Plan that was completed in July 2003. VA's human capital goals for FY 2005 center on updates to organizational workforce plans and movement to a Web-based workforce planning process using "Proclarity," a state-of-the-art workforce analysis tool.

VA's Senior Executive Service (SES) candidate development program continued to develop future leaders. Five members of the initial 20 candidates selected for the class of 2003 have been placed in SES positions. A new class of 32 candidates has been selected and will begin the program of intensive training and developmental experiences during the fall of 2004.

The report from the Secretary's Task Force on the Employment and Advancement of Women and Minorities in VA was published in April 2003. Goals identified by the Task Force include increasing internal and external recruitment and retention programs; developing and enhancing education and training programs; and fostering a corporate culture that proactively integrates women, minorities, and people with disabilities into GS-13, GS-14, GS-15, and SES positions. Initiatives in the report are monitored and significant progress continues to be made.

VA's online entrance and exit survey process continues to provide VA with information from new as well as separating employees to help the Department understand what influences individuals to work for or leave VA. As of August 2004, over 15,000 survey responses have been collected and maintained in a database.

VA's childcare tuition assistance program assists lower-income employees in offsetting the high cost of childcare. As of August 2004, there were 1,462 employees participating in the VA childcare program, which represents a total of 1,960 children. VA's program continues to be showcased by OPM as a "model" program, which has the highest number of employees participating and the highest enrollment rate of children in the Federal government.

VA placed major emphasis on marketing in FY 2004 by:

- Enhancing the VA Job Opportunities Web site to make it more user-friendly for prospective applicants. The site averages more than 100,000 "hits" per month.
- Distributing a state-of-the-art "VA Recruitment" CD ROM in September 2004 to colleges, universities, military transition centers, and other potential recruitment sources, including 141 Hispanic-serving institutions, 97 Historically Black Colleges and Universities, and 34 Tribal Colleges.
- Employing 20 Presidential Management Fellows in FY 2004 (as of August 2004).
- Implementing pilot radio advertisements in several localities in the Southeast U.S. and Washington, DC metropolitan area promoting hard-to-fill health care occupations. There was an increase of 9,000 Web site "hits" during this time with 28 applications received as a result of the advertisements.

Plans for FY 2005 include:

- Updating organizational workforce plans and the national VA Strategic Human Capital Management Plan using Web-based technology.
- Conducting quarterly status assessments of initiatives in the VA Strategic Human Capital Management Plan.
- Deploying fully the competency-based High Performance Development Model throughout VA.
- Continuing to focus on creative, state-of-the-art marketing initiatives and outreach to prospective applicants.

Competitive Sourcing

VA recognizes that competitive sourcing can be an effective management tool to reduce program costs and improve operational efficiencies. VA intends to support the Administration's goals through a variety of approaches aimed at improving both the efficiency and effectiveness of operations.

The bulk of competitive sourcing within VA was halted in April 2003 when VA's General Counsel opined that section 8110 of title 38 U.S.C. prevents VA from conducting cost comparisons on VHA positions unless Congress provides specific funding for the competitions. The Administration is seeking legislative relief so that VA can restart its planned competitive sourcing program. However, funding has not been appropriated for this purpose. As a result, no positions within VHA were studied for possible conversion to private sector performance during FY 2004.

The title 38 prohibition is targeted at cost comparisons and does not preclude the development of studies for determining the "most efficient organizations" or "high performing organizations." As part of its normal business operations, and as part of the Secretary's priority of applying sound business principles, VA continuously assesses the demand for benefits and services from veterans and ensures that it has the capabilities to meet those needs. This market-based analysis often results in VA contracting with the private sector for medical care and other services in specific geographic areas when it is determined to be a better value to VA.

Once relief from this prohibition is obtained, VA will proceed with studies of selected commercial activities on both a national and local basis using our three-tiered, streamlined, market-based analysis approach. Based on agreements with OMB, VA plans to use this approach to study approximately 16 ancillary service functions that involve some 35,000 employees over a 5-year period. The total annual salaries for the

employees in these functions are over \$1 billion, and cumulative savings are currently estimated at over \$1 billion over 5 years. This focus on ancillary functions will allow VA to meet the intent of the PMA and produce potential long-term cost savings for the Department.

Until such time as VA obtains legislative relief from the prohibition of title 38, the Deputy Secretary has charged the Office of Policy, Planning, and Preparedness with implementing a management analysis/business process reengineering (MA/BPR) initiative, and to integrate the results into VA's workforce planning process. Relying primarily on management analysis, benchmarking, and BPR approaches provides a viable alternative to the cost-comparison approach of competitive sourcing as delineated under the provisions of OMB Circular A-76. Integrating BPR results into workforce planning policies and processes may negate the need for a long-term competitive sourcing program. Projected cumulative savings from this initiative are currently estimated at \$1 billion over 5 years.

The Management Systems Improvement Service (MSIS) continues to lead an intra-departmental team committed to the current approach of strategically identifying opportunities for MA/BPR studies. This team, the MA/BPR Working Group, includes representatives from the three administrations and the major support functions within VA. The MSIS has established a staff dedicated to performing this initiative in conjunction with seeking consultant support.

VA's strategy to integrate BPR results with workforce planning would enable VA to meet the ultimate goal of significant savings and noticeable performance improvements identified in the PMA competitive sourcing initiative without violating the prohibition of 38 U.S.C. 8110; initially reduce and eventually eliminate the need for a separate competitive sourcing program within VA; minimize any adverse impacts on the workforce by providing ample time to implement any service delivery process changes that would enable impacted employees

more opportunities for transitioning to other activities; and demonstrate to OMB and Congress that current workforce and future service delivery process decisions are based on documented and supportable business case decisions.

Improved Financial Performance

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 \$862,000, approximately 5 percent below the 2003 level. Discounts earned increased to over \$2.7 million, 21 percent above last year's level. Following are some additional ways VA improved its financial performance in 2004.

Material Weaknesses. VA took steps to address previously reported FMFIA material weaknesses in three areas — internal control weakness 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 needed labor distribution functionality; final reports detailing this functionality were provided to the OIG in October 2004. If acceptable, this will lead to the closure of this material weakness early in FY 2005. 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. One FMFIA material weakness was closed in FY 2004 — C&P Lack of Adaptability and Documentation. The Internal Control Weakness in the C&P Payment Process (VBA) is scheduled for closure in FY 2006.

Core Financial and Logistics System (CoreFLS). The Bay Pines VA Medical Center and two other pilot sites began piloting the program, an integrated system combining logistical, billing, and other management functions, in

October 2003. The pilot was designed to test a new computerized financial management and logistics system at designated pilot sites and to highlight the strengths and weaknesses of certain commercial off-the-shelf technology programs in a complex medical environment. However, due to technology and other issues, a decision was made to phase out the pilot and return the pilot sites to VA's existing FMS at the beginning of FY 2005. An executive project committee, chaired by VA's Assistant Secretary for Information and Technology (VA Chief Information Officer) and comprised of other VA senior leaders, is examining the results of the CoreFLS pilot program at Bay Pines and the other two pilot sites and will make recommendations to the VA Secretary concerning the future of the program. CoreFLS was intended to comply with the Federal Financial Management Improvement Act of 1996, which required all governmental agencies to integrate their financial management systems based on commercially available, off-the-shelf programs.

Improper Payments. As detailed on page 41 and Part IV, page 270, VA completed actions to sample 17 of the 19 programs identified. Actions will continue in FY 2005 in accordance with VA's OMB-approved plan for addressing the requirements of the Improper Payments Information Act of 2002.

Electronic Government

To support the President's vision for expanding electronic government, VA is participating in all four categories of E-Government (E-Gov) customer groupings and the crosscutting initiative, E-Authentication. In FY 2004, VA signed official agreements with managing partner agencies and provided funds and/or commitments to support the following initiatives: GovBenefits; E-Loans; E-Authentication; Integrated Acquisition Environment; E-Payroll; USA Services; E-Rulemaking; E-Training; E-Travel; E-Grants; Federal Asset Sales; E-Records Management; Business Gateway; E-Clearance; and Recruitment One-Stop. VA FY 2004 accomplishments are as follows:

- Issued E-Gov guidance to VA administrations and staff offices describing VA's role, responsibilities, and policy to implement and comply with the E-Government Act of 2002. VA also issued a policy stipulating that planned and existing IT acquisitions costing \$2 million or more must not duplicate any of the 24 Federal E-Government initiatives.
- Provided DFAS detailed VA requirements for payroll and related services, along with related business processes for payroll, benefits, and human resources. Gaps in processes between DFAS and VA have been identified and final negotiations will be completed in early FY 2005. Work to finalize a migration schedule has also begun (see page 45).
- Launched a new E-Travel system, saving time and money by reducing the paperwork needed to process travel requests. The new Web-based system is available 24 hours per day; over 60 VA stations are using it effectively. Work is now focused on migration to the Government's eTS travel solution.
- Initiated privacy impact assessments of VA's major IT investments. To meet privacy requirements, VA implemented an enterprise-wide Web site audit program, auditing 42 of VA's most prominent Web sites for persistent tracking technologies in the form of persistent "cookies." The assessment confirmed that persistent tracking mechanisms do not exist on these Web sites. VA efforts in this area will continue.
- Identified critical job categories, specialty areas, skills, and competencies based on Office of Personnel Management (OPM) guidelines to support the Department's IT workforce planning and management efforts. VA continues its active partnership with OPM on workforce development, succession planning, training, and recruitment. A number of special programs support VA's efforts. Specific examples include VA Learning University initiatives, individual development planning strategies, a CIO intern development program, and use of the Web site, GOLearn.gov.
- Expanded its adaptive training program to comply with section 508 of the 1973 Rehabilitation Act and increase employment opportunities for people with disabilities. Under this program, VA has completed a

thorough analysis of 1,777 VA IT products and tested 15 IT systems. VA has established a Department-wide Section 508 Committee to work on disabilities issues and provide recommendations for future implementation.

- Co-led the Federal Consolidated Health Informatics, a Quicksilver E-Gov initiative. VA created Health@People as a strategy to work with other Federal agencies and public and private sector organizations. (Health@People (Federal) includes the joint VA/DoD Electronic Health Record System interoperability plan.)

FY 2005 Plans and Major Actions

In partnership with other Federal departments and agencies, VA will support the “next generation” Lines of Business Task Forces to draft a common solution and architecture in the areas of financial management, human resources, and Federal health architecture. In addition to providing continued support and funding of Federal E-Gov initiatives, VA will continue developing and implementing new electronic systems that improve the way VA communicates with and serves veterans and their families.

Budget and Performance Integration

Last year VA continued to make good progress towards more effectively integrating budget and performance information. One of the most important approaches the Department uses to address this PMA initiative is to hold monthly performance reviews. Chaired by the Deputy Secretary of Veterans Affairs, these reviews provide a forum for VA’s senior leaders to assess progress toward achieving the Department performance goals. The monthly performance reviews focus on financial and program performance, workload, and major construction and information technology projects. By comparing actual versus planned performance, the Department’s leaders identify where problems exist, and then immediately develop and implement corrective action plans in order to help ensure performance goals are reached.

With the submission of the FY 2005 Congressional budget, VA more fully integrated performance information with the Department’s request for resources. Rather than prepare a separate performance plan, VA’s FY 2005 budget identified the performance goals for each program and staff office along with the resources required to achieve these goals. The Department’s budget request included a summary of the Program Assessment Rating Tool (PART) reviews that have been completed. Through the FY 2005 budget process, VA had completed PART reviews on 46 percent of our programs covering more than 90 percent of the Department’s budget. PART reviews of all VA programs are expected to be completed by the time the FY 2007 budget is submitted to Congress.

VA has implemented a new five-tier performance appraisal system for non-bargaining unit employees that effectively differentiates between various levels of performance. Employee awards are linked to their performance appraisals and are tied to the organization’s mission, goals, and objectives.

Future efforts pertaining to this initiative will focus on the development and implementation of improved measures of program outcomes and program efficiency. VA will use the results of our recently completed program evaluations conducted by independent contractors as one source of information for assistance in developing and implementing new outcome and efficiency measures.

Improved Coordination of VA and DoD Programs and Systems

Over the past year VA and DoD have continued their efforts to improve beneficiary access to quality health care and to increase efficiency. Using the PMA and the Final Report of the President’s Task Force to Improve Health Care Delivery for Our Nation’s Veterans as guidelines, the Departments developed a strategy to enhance VA/DoD collaboration.

The first VA/DoD joint strategic plan (JSP) was signed in April 2003. A significant step toward institutionalizing the VA/DoD partnership, the plan articulated a vision for collaboration; established priorities for partnering; launched processes to develop and implement interagency policy decisions; developed joint operations guidelines; and instituted performance monitors to track progress. Examples of enhanced collaboration derived from the JSP include:

The Health Executive Council adopted a schedule to develop interoperable electronic medical records by the end of FY 2005, made significant progress in easing the transition of separating servicemembers from active duty to veteran status, and developed initiatives that improved the continuity of care and services provided to separating servicemembers who sustained injuries, illnesses, and/or disabilities in Operation Enduring Freedom or Operation Iraqi Freedom.

The Benefits Executive Council simplified the transition process by increasing the number of sites participating in the Benefits Delivery at Discharge initiative and by developing and successfully piloting a single physical examination that meets both the military services' separation requirements and VA's disability compensation examination criteria. This initiative eliminates the need for the separating servicemember to have a separate physical examination solely to rate a

service-connected disability. The pilot provided the basis for the development of a national policy on the implementation of the single physical examination. A national memorandum of agreement between VA and DoD to codify this policy is in the concurrence process and is expected to be implemented during the second quarter of FY 2005.

The Joint Executive Council established a Joint Capital Asset Planning Committee to provide a forum to facilitate collaboration in achieving an integrated approach to capital coordination. This coordination considers both short and long-term strategic capital issues beneficial to both Departments and provides the oversight necessary to ensure that collaborative opportunities for joint capital asset planning are maximized.

Many other joint projects are underway including the areas of procurement, provider credentialing, health care and business operations, data exchange, and information management.

The accomplishments of the VA/DoD executive councils, including those associated with the joint strategic plan, will be documented in the First Annual Report of the VA/DoD Joint Executive Council. This report will be submitted by the Secretary of Veterans Affairs and the Secretary of Defense by the end of calendar year 2004.