

A Letter from the Chief Management Officer

Again in FY 2005 and for the 7th consecutive year, the Department of Veterans Affairs (VA) received an unqualified audit opinion on its financial statements from the external auditors, Deloitte & Touche. We are very proud of this accomplishment.

During FY 2005, we continued progress toward resolving two outstanding audit material weaknesses as reported by Deloitte & Touche – *Information Technology Security Controls* and *Lack of an Integrated Financial Management System*. VA validated that it was compliant with the Health Insurance Portability and Accountability Act (HIPAA) and certified and accredited over 600 information technology systems. We also initiated projects to automate the preparation of our consolidated financial statements using commercial software and are establishing a data warehouse to not only enhance our financial reporting, but also to ensure the integrity of the data used. Following the termination of VA's planned new computerized financial management and logistics system, CoreFLS, VA initiated a thorough review by PriceWaterhouseCoopers of all the Department's current "As Is" and future "To Be" finance and logistic business processes. As a result of this effort, VA is moving forward with a new project initiative: Financial & Logistics Integrated Technology Enterprise (FLITE). This 4-year remediation program will correct financial and logistics deficiencies throughout the Department, standardize many of our business processes and maximize the use of commercial off-the-shelf finance/logistics software. We will continue to work on eliminating all material weaknesses, including the operational oversight material weakness identified in our most recent audit.

VA corrected and closed an FMFIA material weakness, *Personnel Accounting Integrated Data (PAID) System – Mission Performance*, and is on track to correct the *Internal Control Weaknesses in the Compensation and Pension Payment Process* in FY 2006. No additional FMFIA material weaknesses have been identified. Additionally, VA has begun to address the requirements of OMB Circular A-123, Appendix A, on internal controls over financial reporting.



VA successfully completed risk assessments, statistical sampling and all other requirements for all programs under the Improper Payments Information Act of 2002. Furthermore, VA achieved all audit recovery targets for improper payments during the fiscal year. VBA also made progress in simplifying agency regulations for disability determinations which should further decrease improper payments by improving the accuracy of the payment amounts and ensuring that payments are provided to the appropriate beneficiaries.

Under the Government Performance and Results Act, we continuously assessed and refined our performance measures, the quality of the data and our compilation procedures. We have developed procedures to assure our stakeholders that we have the most useful and accurate performance data available.

We are proud of our many accomplishments, but realize there is a lot of work yet to be done. We continually strive to improve our financial posture and financial stewardship, and have set new goals to improve our performance. We will continue to promote sound business practices and accountability toward the ultimate goal of fulfilling our mission to serve our Nation's veterans.

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