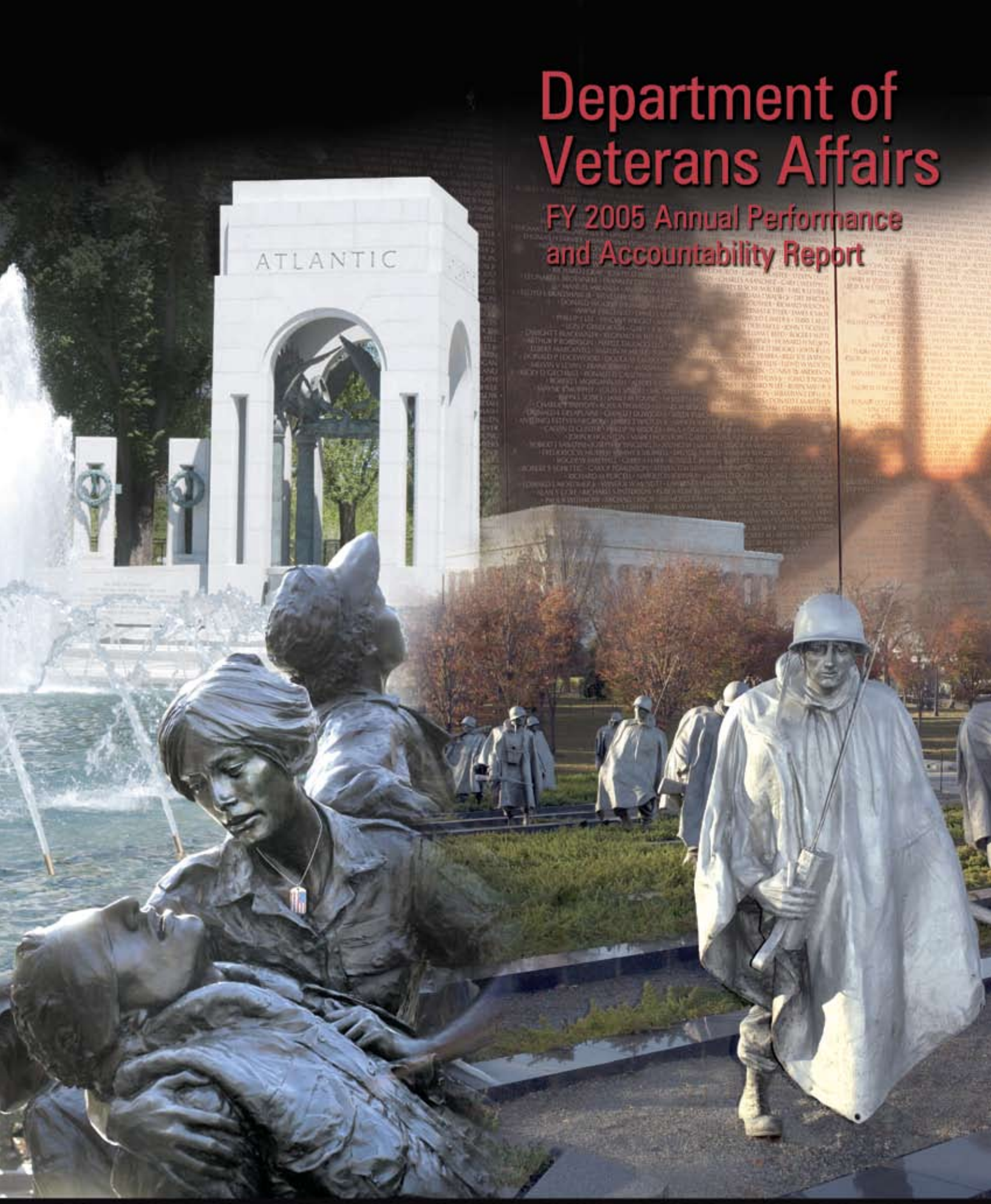
Department of Veterans Affairs

FY 2005 Annual Performance and Accountability Report



TO CARE FOR HIM WHO SHALL HAVE BORNE THE BATTLE, AND FOR HIS WIDOW, AND HIS ORPHAN...

Purpose of This Report

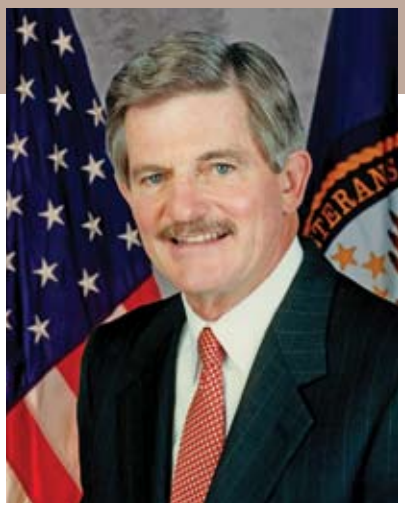
The Department of Veterans Affairs (VA) FY 2005 Performance and Accountability Report (PAR) describes VA's accomplishments and progress during FY 2005 toward fulfilling its mission. The report is designed to enable Department management, our stakeholders, and our employees to assess VA's program and financial performance as compared to its goals and use this information to make necessary improvements.

Statutory Requirements

The PAR satisfies the reporting requirements of the following legislation:

- Chief Financial Officers Act of 1990
- Federal Financial Management Improvement Act of 1996
- Federal Managers Financial Integrity Act of 1982
- Government Management Reform Act of 1994
- Government Performance and Results Act of 1993
- Reports Consolidation Act of 2000

Secretary's Letter



November 15, 2005

To the President of the United States, President of the Senate,
President Pro Tempore of the Senate, and Speaker of the
House of Representatives:

I am pleased to submit the *Department of Veterans Affairs (VA) FY 2005 Annual Performance and Accountability Report*. The report documents the Department's progress towards meeting its performance goals. Our goals are aimed at providing America's veterans with the best in benefits and health care by making VA a model of excellence. Each day, as our troops continue the fight against terrorism and strive to bring freedom and democracy to the people of Afghanistan and Iraq, we are reminded once again of the incredible sacrifices our men and women in uniform make in defense of freedom.

In 2005, with resources of nearly $76 billion in obligations and more than 222,000 employees, VA accomplished a great deal on behalf of America's veterans and their families. To help measure our progress during 2005, VA established 130 performance goals, 24 of which were identified by VA's senior leadership as critical to the success of the Department. Our major accomplishments are summarized below by major business line.

Medical Services: *Delivering High-Quality Health Care*

The number of unique patients using VA's health care system has risen dramatically in recent years, increasing from 3.8 million in 2000 to more than an estimated 5.4 million in 2005. Our commitment to delivering high-quality health care to America's veterans remains our top priority. In 2005 VA accomplished the following in the health care area:

- Increased to 87 percent the Department's score on the Clinical Practice Guidelines Index compared to 77 percent in 2004. This is an industry-wide index that measures the quality of health care delivery.
- Increased the percent of appointments scheduled within 30 days of a patient's desired date as follows:
  - 97 percent for primary care, compared to 94 percent in 2004.
  - 95 percent for specialty care, compared to 93 percent in 2004.
- Increased the percent of patients rating VA health care as very good or excellent as follows:
  - 77 percent for inpatients, compared to 74 percent in 2004.
  - 77 percent for outpatients, compared to 72 percent in 2004.

To further enhance the quality and efficiency of VA's health care, we completed the implementation of a national Master Patient Index (MPI) that provides our medical professionals with the ability to view patient clinical and administrative data from various VA medical facilities using any computer terminal connected to the Computerized Patient Record System. MPI helps improve the quality of care by providing clinicians with immediate access to a patient's history and treatment record when the patient presents for care at a facility other than the one at which he or she originally registered. No additional registration is necessary. Through the Federal Health Information Exchange, MPI is used to share patient data from the Department of Defense (DoD) for servicemembers separated

from active duty, reserves, and the National Guard. This project facilitates the sharing of clinical information including medications, discharge summaries, and laboratory data with our providers as active duty members transition to VA care.

Benefits: *Ensuring a High Quality of Life After Military Service*

VA achieved the following in the benefits claims area:

- Continued an active outreach to separating servicemembers, generating more than 38,000 original compensation claims through the Benefits Delivery at Discharge program. Carried out in close cooperation with DoD, this program assists active duty military personnel in filing claims for benefits at or near their time of discharge in order to expedite the processing of their claims.
- Increased to 85 percent the national accuracy rate on fiduciary work related to claims for compensation and pension benefits. This represents a significant improvement from 1999 when the accuracy rate was 53 percent.
- Provided education benefits to approximately 500,000 students. Twenty-five percent of these students received VA education benefits for the first time. The number of students receiving education benefits each year continues to climb.
- Continued to process insurance disbursements in an average of 1.8 days – significantly better than the industry average of 4.7 days.

VA accomplished these improvements at a time when the number and complexity of claims filed by veterans have increased.

Cemeteries: *Honoring Veterans for Sacrifices on Behalf of the Nation*

VA honors the service and sacrifices of America's veterans through the construction and maintenance of national cemeteries. VA maintained more than 2.7 million gravesites at 154 properties, including 121 national cemeteries and 33 other cemeterial installations in 2005. The Department preserves our Nation's history, nurtures patriotism, and honors veterans and their families by maintaining these national cemeteries as national shrines. To this end, the Department accomplished the following in the memorial affairs area:

- Increased to 77.1 percent the proportion of veterans served by a burial option within a reasonable distance (75 miles) of their residence.
- Improved to 94 percent the proportion of graves in national cemeteries marked within 60 days of interment; this is a remarkable improvement when compared to the 49 percent achieved in 2002.
- Achieved a 98 percent threshold of respondents rating national cemetery appearance as "excellent."

In 2005 the National Cemetery of the Alleghenies began interment operations providing service to veterans in the Pittsburgh, Pennsylvania, area. VA also continued to develop 10 additional new national cemeteries representing one of the Department's largest expansions since the Civil War era.

Also in 2005, VA processed more than 363,000 applications for headstones and markers for the graves of eligible persons in national, state, other public, and private cemeteries, as well as issued nearly 488,000 Presidential Memorial Certificates to recognize the contributions and service of honorably discharged deceased veterans.

Finance: *Ensuring Proper Stewardship of Taxpayer Dollars*

For the seventh consecutive year, VA obtained an unqualified audit opinion on our financial statements. We are extremely proud of this accomplishment, but more needs to be done. VA is aggressively pursuing remediation of its existing material weaknesses and is making continued improvements to its financial systems and operations to "get to green" on the President's Management Agenda. Proper stewardship and accountability over the resources entrusted to us by the American people to care for our Nation's veterans and their families demands nothing less.

Data Quality: *Assuring Completeness and Reliability*

The financial and performance data presented in this report are complete and reliable. Throughout the year, our senior managers assess the efficiency and effectiveness of their organizations by analyzing financial and performance data. Management relies on these data to identify material inadequacies in financial and program performance areas and to identify corrective tasks needed to resolve them.

In accordance with requirements of the Federal Managers' Financial Integrity Act, I can provide a qualified statement of assurance that management controls are in place and the Department's financial systems conform with governmentwide standards. Any exceptions to data reliability completeness and data verification problems are noted where applicable.

Corrective action plans have been developed and are being implemented to address identified material weaknesses. In addition, we are committed to our ongoing efforts to integrate and improve our core financial systems. VA will continue to work with our external auditors to strengthen our fiscal management and accountability. A detailed discussion of material weaknesses and the status of corrective actions are presented in this report.

In sum, I believe that 2005 has been a year of challenge, but also of great progress and success that directly and positively impacted the lives of our Nation's veterans and their families.

R. James Nicholson
Secretary of Veterans Affairs

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[Note 1] The complete narrative version of the OIG and GAO major management challenges is available on the World Wide Web at www.va.gov/budget/report/MMC_Complete.pdf

[Note 2] In this report, with the exception of table and chart titles, references to years (e.g., 2002, 2003) are fiscal years unless stated otherwise.

[Note 3] For additional copies of this report, please call the VA Budget Office at 202-273-5289. An electronic version is available on the World Wide Web at www.va.gov/budget/report

Performance Scorecard

Strategic Goals		Key Performance Measures (page reference)	FY 2005 Recap: Target Achieved? Yes	FY 2005 Recap: Target Achieved? No	FY 2005 Recap: Target	FY 2005 Recap: Result	Improved From FY 2004? Yes/No/Same	Measure Type
Strategic Goal #1	Restore the capability of veterans with disabilities to the greatest extent possible and improve the quality of their lives and that of their families	National accuracy rate for compensation core rating work (pp. 85, 156)		X	88%	84%*	No	Efficiency
		Compensation and pension rating-related actions — average days to process (pp. 85, 156)		X	145	167	No	Efficiency
		Rating-related compensation actions — average days pending (pp. 85, 156)		X	119	122	No	Output
		Vocational rehabilitation and employment rehabilitation rate (pp. 89, 158)		X	66%	63%	Yes	Outcome
		Average days to process Dependency and Indemnity Compensation actions (pp. 91, 158)		X	120	124	Yes	Efficiency
Strategic Goal #2	Ensure a smooth transition for veterans from active military service to civilian life	Average days to complete: - Original education claims - Supplemental education claims (pp. 97, 158)		X X	25 13	33 19	No No	Efficiency
		Foreclosure avoidance through servicing (FATS) ratio (pp. 99, 160)	X		47%	48%	Yes	Outcome
Strategic Goal #3	Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation	Percent of patients rating VA health care service as very good or excellent: - Inpatient - Outpatient (pp. 103-104, 160)	X X		74% 73%	77%* 77%*	Yes Yes	Outcome Outcome
		Percent of primary care appointments scheduled within 30 days of desired date (pp. 102, 160)	X		94%	97%*	Yes	Efficiency
		Percent of specialty care appointments scheduled within 30 days of desired date (pp. 103, 162)	X		93%	95%*	Yes	Efficiency
		Clinical Practice Guidelines Index (pp. 102, 162)	X		77%	87%*	Yes	Outcome
		Prevention Index II (pp. 102, 162)	X		88%	90%*	Yes	Outcome
		Non-institutional long-term care as expressed by average daily census (pp. 104, 164)		X	30,118	29,316*	Yes	Output
		Non-rating pension actions — average days to process (pp. 107, 164)	X		73	68	No	Efficiency

Performance Scorecard

Strategic Goals		Key Performance Measures (page reference)	FY 2005 Recap: Target Achieved? Yes	FY 2005 Recap: Target Achieved? No	FY 2005 Recap: Target	FY 2005 Recap: Result	Improved From FY 2004? Yes/No/Same	Measure Type
Strategic Goal #3, *cont'd*	Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation	National accuracy rate for pension authorization work (pp. 107, 166)	X		84%	84%*	Same	Efficiency
		Average days to process insurance disbursements (pp. 110, 166)	X		2.7	1.8	Same	Efficiency
		Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence (pp. 113, 166)		X	78.3%	77.1%	Yes	Outcome
		Percent of respondents who rate the quality of service provided by the national cemeteries as excellent (pp.113, 168)		X	95%	94%	Same	Outcome
		Percent of graves in national cemeteries marked within 60 days of interment (pp. 116, 168)	X		88%	94%	Yes	Efficiency
Strategic Goal #4	Contribute to the public health, emergency management, socioeconomic well-being, and history of the Nation	Number of peer-reviewed publications by VA investigators (pp. 123, 168)	X		2,558	2,665*	N/A	Output
		Percent of respondents who rate national cemetery appearance as excellent (pp. 131, 170)	X		98%	98%	Same	Outcome
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	Ratio of collections to billings (pp. 142, 170)	X		41%	41%*	Same	Efficiency

* Indicates partial or estimated actual data.

Department Overview

Our Mission

"To care for him who shall have borne the battle, and for his widow, and his orphan..."
-Abraham Lincoln

The mission of the Department of Veterans Affairs (VA) is clear and compelling.

VA fulfills the words spoken by President Lincoln nearly 150 years ago by working to provide world-class benefits and services in a cost-effective manner to the millions of men and women who have served this country with honor in the military. President Lincoln's words guide the efforts of more than 222,000 VA employees who are committed to providing the best medical care, benefits, social support, and lasting memorials to veterans and their dependents in recognition of veterans' service to this Nation.

Our Programs: *What They Do*

Veterans Health Administration

Providing Medical Care to Veterans
VA operates the largest direct health care delivery system in the country. In this context, VA meets the health care needs of America's veterans by providing a broad range of primary care, specialized care, and related medical and social support services. VA focuses on providing health care services that are uniquely related to veterans' health or special needs. VA is the Nation's largest provider of health care education and training for medical residents and other health care trainees. Our education and training programs are designed to help ensure an adequate supply of clinical care providers for veterans and the Nation.

Conducting Veteran-Centered Medical Research
VA advances medical research and development in ways that support veterans' needs by pursuing medical research in areas that most directly address the diseases and conditions that affect veterans. Shared VA medical research findings contribute to the public good by improving the Nation's overall knowledge of disease and disability.

Veterans Benefits Administration

Delivering Compensation Benefits to Veterans
The Compensation program provides monthly payments and ancillary benefits to veterans, in accordance with rates specified by law, in recognition of the average potential loss of earning capacity caused by a disability, disease, or death incurred or aggravated during active military service. This program also provides monthly payments, as specified by law, to surviving spouses, dependent children, and dependent parents in recognition of the economic loss caused by the veteran's death during active military service or, subsequent to discharge from military service, as a result of a service-connected disability.

Providing Pension Benefits to Veterans
The Pension program provides monthly payments, as specified by law, to needy wartime veterans at age 65 or over or who are permanently and totally disabled. This program also provides monthly payments, as specified by law, to needy surviving spouses and dependent children of deceased wartime veterans who die as a result of a disability unrelated to military service.

Providing Education Opportunities to Veterans
The Education program assists eligible veterans, servicemembers, reservists, survivors, and dependents in achieving their educational or vocational goals.

Delivering Vocational Rehabilitation and Employment Services to Veterans
The Vocational Rehabilitation and Employment program assists veterans with service-connected disabilities to achieve functional independence in daily activities, become employable, and obtain and maintain suitable employment.

Promoting Homeownership Among Veterans
The Housing program helps eligible veterans, active duty personnel, surviving spouses, and selected reservists purchase and retain homes.

Providing Insurance Service to Veterans
The Insurance program provides veterans, servicemembers, and family members with life insurance benefits, some of which are not available from other providers -- such as the commercial insurance industry -- due to lost or impaired insurability resulting from military service. Insurance coverage is made in reasonable amounts and at competitive premium rates comparable to those offered by commercial companies. The program ensures a competitive, secure rate of return on investments held on behalf of the insured.

National Cemetery Administration

Delivering Burial Services to Veterans
Primarily through the National Cemetery Administration, VA honors veterans with final resting places in national shrines and lasting memorials that commemorate the veterans' service to the Nation.

Staff Offices

The Department's staff offices are critical to VA's ability to deliver services to veterans in a cost-effective manner. These offices provide a variety of services including human resources management, accounting, information technology, acquisition, and facilities management.

Our Programs: *Who They Serve*

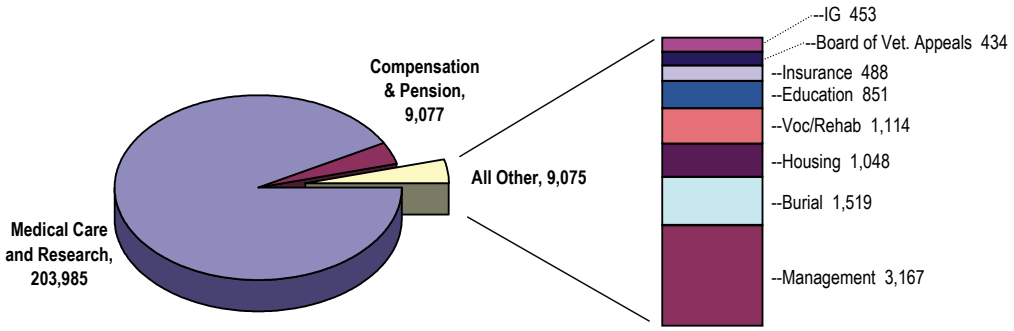
Program	FY 2005 Participants*
Medical Care	
Unique Patients	**5,435,500
Compensation	
Veterans	2,633,900
Survivors/Children	322,700
Pension	
Veterans	335,900
Survivors	207,100
Education	
Veterans/Servicemembers	338,100
Reservists	86,600
Survivors/Dependents	74,800
Vocational Rehabilitation	
Veterans	96,200
Housing	
Loans Guaranteed	152,200
Insurance	
Veterans	1,874,400
Servicemembers/Reservists	2,371,500
Spouses/Dependents	3,037,000
Burial	
Interments	93,200
Graves Maintained	2,706,100
Headstone/Markers (Processed)	363,300
Presidential Memorial Certificates	487,800

*Numbers rounded to nearest hundred
**Estimated

Resources: *Our People*

As of September 30, 2005, the Department employed more than 222,000 staff nationwide. The charts below show the distribution of full-time equivalents by program area.

Number of Full-Time Equivalent Employees
as of September 30, 2005

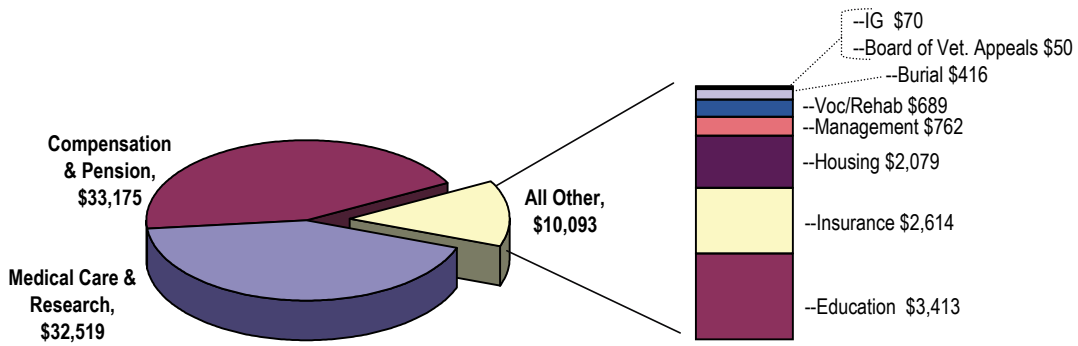


As shown above, more than 200,000 employees support VA's health care system, one of the largest in the world. Of the remaining employees, approximately 13,000 are involved with providing compensation and pension as well as other benefits to veterans and their families. More than 1,500 provide burial and memorial services for veterans and their eligible spouses and children, and about 3,000 employees provide administrative and management support to the programs.

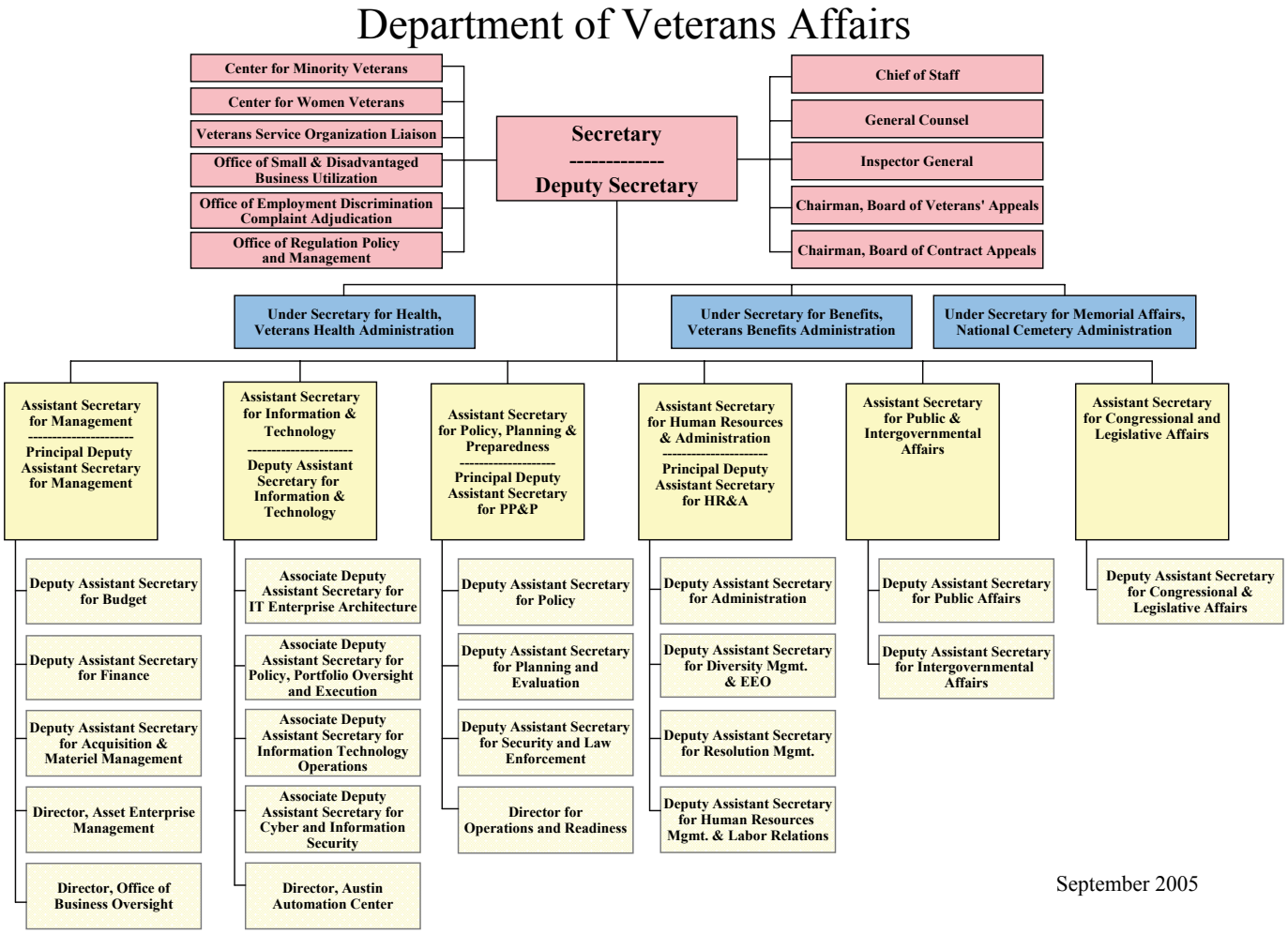
Resources: *Budgetary*

In 2005 VA obligated nearly $76 billion. Approximately 86 percent of total funding went directly to veterans in the form of monthly payments of benefits or for direct services such as medical care. The following charts show how VA spent the funds with which it was entrusted.

FY 2005 Obligations
($ Millions)



Our Organization



Leadership and Governance

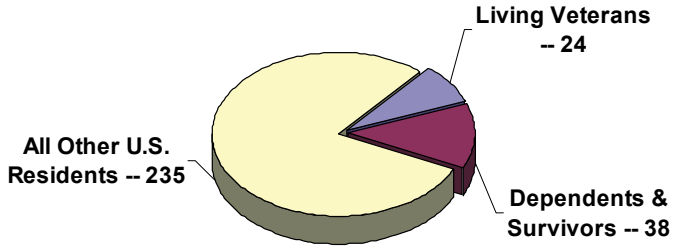
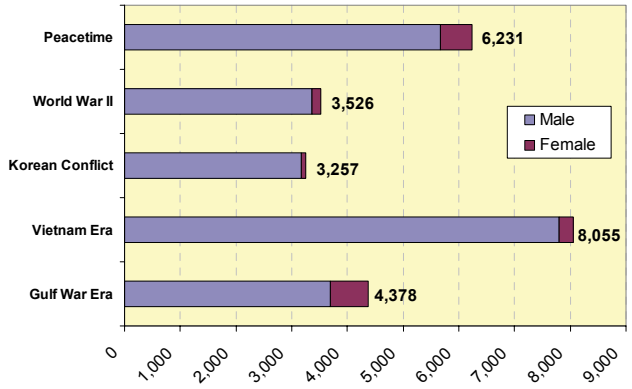
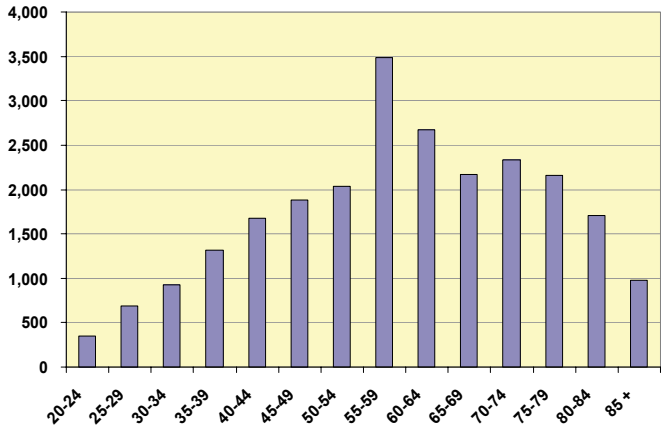
VA senior leadership makes policy decisions through internal governing boards including those cited below.

Governance	Major FY 2005 Actions
Strategic Management Council	
The Strategic Management Council (SMC), chaired by the Deputy Secretary, includes the six Assistant Secretaries; the Deputy Under Secretaries for Health, Benefits, and Memorial Affairs; the Deputy General Counsel; Chair for the Board of Veterans' Appeals; Chief of Staff; Counselor to the Secretary; and the Senior Advisor to the Deputy Secretary. The SMC serves as the day-to-day operational management body for the Department.	The SMC accomplished the following actions: • Worked to address congressional concerns with the VETSNET program. • Conducted pre- and post-award audits on VA drug contracts. • Directed an assessment on post-traumatic stress disorder (PTSD) trends for Vietnam, Operation Iraqi Freedom (OIF), and Operation Enduring Freedom (OEF) veterans. • Explored alternative land acquisition strategies to meet future demands for burial space. • Validated a plan to meet a secretarial mandate to reduce the number of days required to hire a new employee/fill a position, from 160 to 92 days. • Approved the development of an implementation plan for enhanced preventive health to combat obesity among veterans. • Approved initiation of a program evaluation of the VA Burial program. • Reviewed and made recommendations on the e-Payroll and e-Travel Initiatives. • Reviewed and made recommendations on VA's initiatives on the President's Management Agenda (PMA).
Business Oversight Board	
The VA Business Oversight Board (Board) meets quarterly to review all major business policy and operations issues involving procurement, collections (primarily medical collections), capital asset management, and business revolving funds (Canteen, General Post Fund, Franchise Fund, Supply Fund). The Board monitors performance of the operating plans approved by the Secretary and identifies and manages key business issues facing VA.	• The Board continued the restructuring of the Department's capital assets with the goal of reducing the funds needed to operate and maintain the capital asset infrastructure. The Office of Trust Oversight was established to ensure better oversight. • The Consolidated Mail Outpatient Pharmacy (CMOP) received additional scrutiny this year. Previously the capital investments were funded on an ad hoc basis. With the Board's support, VHA adopted a policy that added a capitalization fee to the cost of each script. This policy permits the program to accrue funds to support the acquisition of replacement equipment and additional facilities in support of the CMOP strategic plan. • One of the Board's primary focuses has been on procurement reform. VA contracts for nearly $9 billion a year in goods and services. To date, the Department has completed 60 of the 65 reforms recommended by the Secretary's Procurement Reform Task Force. The Department is on track to complete all 65 recommendations by the end of calendar year 2005. This will improve efficiency and extend VA's buying power for its health care system. • The Board has monitored VA's progress in improving the way the Department manages revenue collections. This past year, the Board placed an increased emphasis on reducing the gross days revenue outstanding to maximize collections. • At the request of the Board, VHA, working with the Office of General Counsel, has formalized national payer relationship management to facilitate prompt appropriate payment of health care claims from third-party payers.

Governance	Major FY 2005 Actions
Monthly Performance Reviews	
The Monthly Performance Reviews, chaired by the Deputy Secretary, focus on financial and program performance. In this context, the Department's leadership discusses and makes decisions on mission-critical issues within the context of performance, budget, and workload targets and associated results.	• Using financial and performance metrics, each VA administration and staff office depicts its progress in meeting established monthly and/or fiscal-year-to-date goals. • Actual obligations, FTE, workload, and performance levels are compared to those in the operating plans. • Projects are reviewed noting milestones achieved and timeliness of milestone accomplishment. At the end of a given fiscal year, annual results are recorded in the Department's Performance and Accountability Report.

Who We Serve: *A Profile of Today's Veteran*

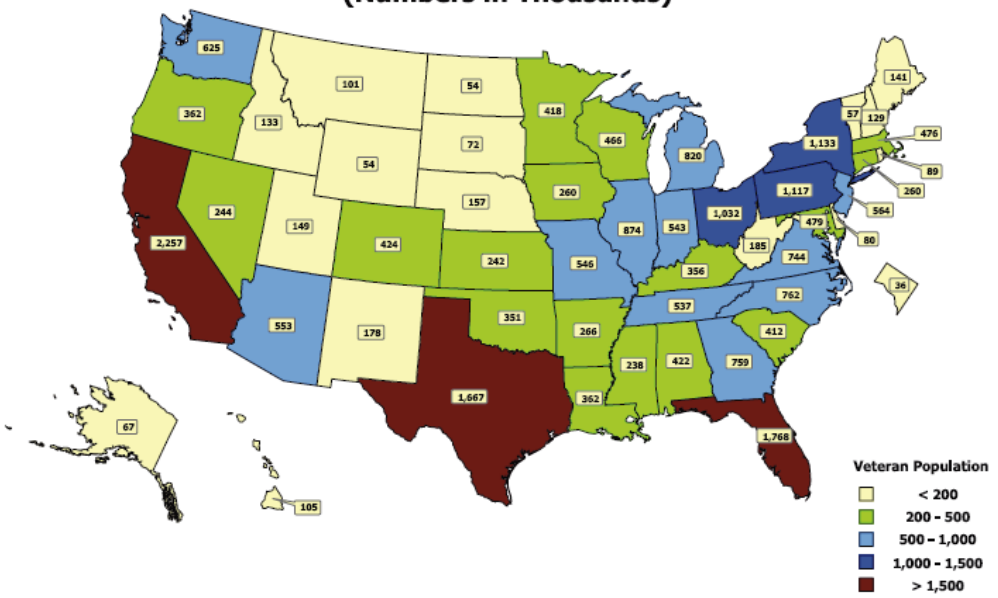
Beginning with our Nation's struggle for freedom more than 2 centuries ago, approximately 42 million men and women have served this country during wartime periods. The charts below provide various social and demographic data on today's veteran population based on the 2000 census.

Data	Analysis
Veteran Population Compared to Total U.S. Population (Millions) 	• Currently there are about 24.4 million living U.S. veterans, 7 percent of whom are women veterans. The percentage of women veterans is expected to increase. • There are an estimated 38 million dependents (spouses and dependent children) of living veterans and survivors of deceased veterans in the U.S.
Veteran Population by Period of Service* (Thousands) 	• Over 18 million (74 percent) of veterans served during at least one wartime period. • The nearly 8.1 million Vietnam Era veterans account for the largest segment of the veteran population. • About 73 percent of all women veterans served during the post-Vietnam Era compared to 44 percent of men.
Age Distribution of the Veteran Population By 5-Year Age Groups (Thousands) 	• As of September 2005, the median age of all living veterans was 59 years. • Men's median age was 60; women's was 46. • The number of veterans 85 and older totaled nearly 980,000, compared to 164,000 in 1990. • Between 2004 and 2012, veterans 85 and older enrolled in VA's health care system are expected to increase from 278,000 to 681,000, or 145 percent. • Associated workload for long-term care increased more than 20 percent in 2004 and over 18 percent in 2005. • The number of women veterans enrolled in VA's health care system is 355,000.

*There are too few living World War I veterans to estimate their number with an acceptable level of reliability. Sum of period of service will exceed number of all veterans because veterans who served in multiple periods are shown in each period.

Data

Veteran Population by State
As of September 30, 2005
(Numbers in Thousands)



Analysis

- Veterans in just three states – California, Florida, and Texas – comprised over 23 percent of the total number of veterans living in the United States.
- The three next largest states in terms of veteran population are New York, Pennsylvania, and Ohio.
- Together, these six states account for more than 37 percent of the total veteran population.

Performance Overview

Purpose of This Report

VA's FY 2005 Performance and Accountability Report (PAR) describes VA's accomplishments and progress during FY 2005 toward fulfilling its mission. The report is designed to enable Department management, our stakeholders, and our employees to assess VA's program and financial performance as compared to its goals and to use this information to make necessary improvements.

How We Measure Performance

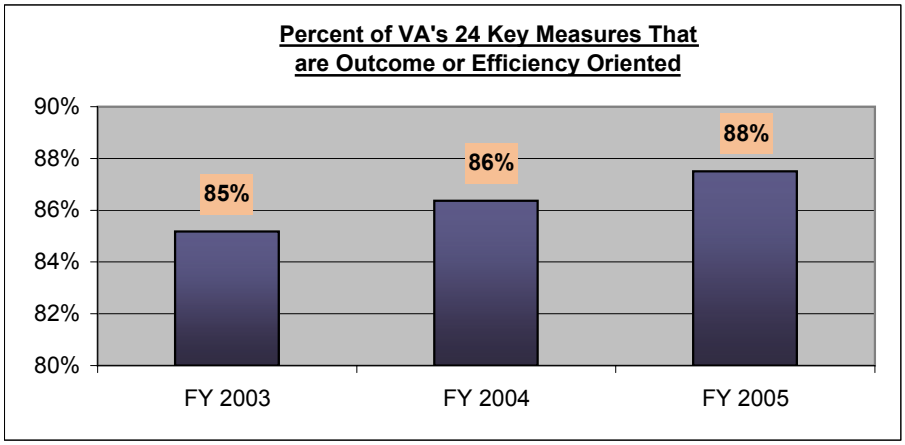
VA employs a **four-tiered performance management framework** to measure performance.

Term	***Definition***
Strategic Goals	The Department's long-term outcomes as detailed in the Strategic Plan. VA has four strategic goals and one enabling goal.
Strategic Objectives	Broad operational focus areas designed to achieve strategic goals. The Department has 21 strategic objectives.
Performance Measures	Specific measurable values or characteristics used to measure progress towards achievement of strategic objectives. The Department has 130 measures, 24 of which have been designated by VA's senior leadership as "key" or critical to the success of the Department. The Department uses a mix of different types of measures to evaluate outcome, output, and efficiency.
Performance Targets	Expressions of desired performance/success levels associated with performance measures to be achieved during a given fiscal year.

VA's strategic objectives are supported by 130 performance measures, 24 of which were identified by VA's senior leadership as **mission critical**. The Department's performance measures are a mix of program outcomes that measure the impact that VA programs have on the lives of veterans and their families, program outputs that measure activities undertaken to manage and administer these programs, and program efficiency that measures the cost of delivering an output or desired outcome.

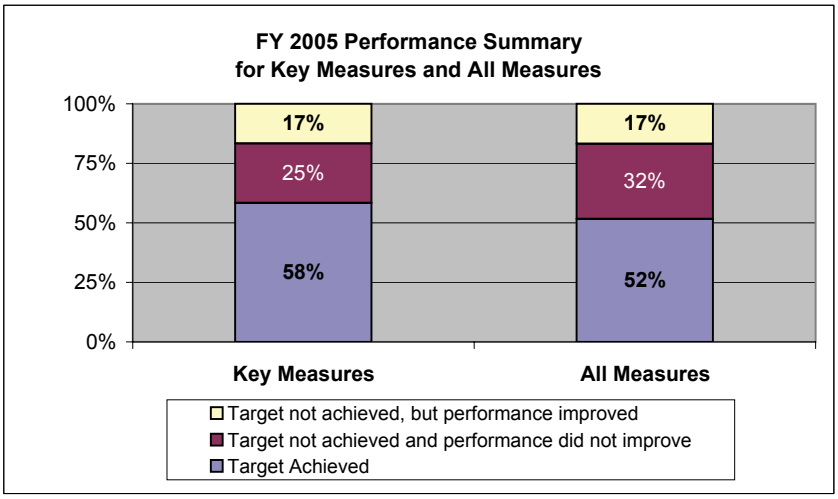
Our 24 Key Measures

Key measures are those that measure mission-critical activities. As of FY 2005, 71 percent of VA's key measures have been in place for at least 3 years. This provides the Department's leadership with the ability to track significant performance trends over time and to make adjustments when necessary. In addition, as shown in the chart below, VA has increasingly moved towards the use of outcome and efficiency measures to assess mission-critical performance.



2005 Performance: *A Department-Level Summary*

The chart below shows how well VA performed in meeting its performance targets. As shown, VA achieved the target for over 50 percent of its key measures and over 50 percent of its total measures. In addition, 17 percent of the targets were not achieved, but performance improved from the prior year. Further details on performance by goal and objective are provided on the following pages.



Performance Results by Strategic Goal

Strategic Goal 1

Restoration and Improved Quality of Life for Disabled Veterans

Restore the capability of veterans with disabilities to the greatest extent possible and improve the quality of their lives and that of their families.

Public Benefit

Providing for the specialized health care needs of veterans is an integral component of America's commitment to its veterans. Due to the prevalence of certain chronic and disabling conditions among veterans, VA has developed strong expertise in certain specialized services that are not uniformly available in the private sector. For example, VA has developed poly-trauma centers that provide coordinated health and rehabilitation services to active duty servicemembers and veterans who have experienced severe injuries resulting in multiple traumas including spinal cord injuries, traumatic brain injuries, visual impairment, amputations, combat stress, and post-traumatic stress disorder. VA's expertise in these specialized services has been shared with health care systems across the country and throughout the world.

In addition to VA's comprehensive system of health care, VA provides compensation, vocational rehabilitation, life insurance, dependency and indemnity compensation, and dependents' and survivors' education services to veterans and their families.

These services are concrete expressions of the pact between soldier and country.

Making a Difference for the Veteran

A veteran's first steps since suffering a brain injury in Iraq

Veteran Expresses Appreciation

A letter to the Waco, Texas, VA Regional Office VR&E section from a veteran: "I would like to take the time to thank you for all the support you have given me up to this point. In life, it is important to say thank you to those who help you become the person you want to be. I know that you get paid to do what you do, but I know that you went a little extra for me and you have my sincere gratitude. I do appreciate all that you are doing, what you did in the past and what we will do in the future."

FY 2005 Performance Summary Table

The following table highlights important achievements related to strategic goal one and its supporting strategic objectives. Also shown are estimates of the total resources devoted to each.

Strategic Goal 1 Restoration and Improved Quality of Life for Disabled Veterans			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
		$51,291	**67.7%**

Objective 1.1 – Specialized Health Care Services MAXIMIZE THE PHYSICAL, MENTAL, AND SOCIAL FUNCTIONING OF VETERANS WITH DISABILITIES AND BE RECOGNIZED AS A LEADER IN THE PROVISION OF SPECIALIZED HEALTH CARE SERVICES.			
• **Attain 86 percent** score on the Prevention Index II for special populations of veterans	• **86 percent** *FY 2004* **86%** *FY 2003* **80%** *FY 2002* **N/A** *FY 2001* **N/A**	$20,481	27.0%
• **Discharge 79 percent** of the homeless veterans from domiciliary or residential care settings to an independent or secured institutional living arrangement	• **82 percent** *FY 2004* **79%** *FY 2003* **72%** *FY 2002* **65%** *FY 2001* **N/A**		

Strategic Goal 1 Restoration and Improved Quality of Life for Disabled Veterans			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
Objective 1.2 – Decisions on Disability Compensation Claims PROVIDE TIMELY AND ACCURATE DECISIONS ON DISABILITY COMPENSATION CLAIMS TO IMPROVE THE ECONOMIC STATUS AND QUALITY OF LIFE OF SERVICE-DISABLED VETERANS.			
• **Complete in 145 days** compensation and pension rating-related actions, on average	• **167 days** *FY 2004* **166** *FY 2003* **182** *FY 2002* **223** *FY 2001* **181**	$29,653	39.1%
• **Reduce to 119 days** rating-related compensation actions pending, on average	• **122 days** *FY 2004* **120** *FY 2003* **114** *FY 2002* **179** *FY 2001* **186**		
• **Achieve an 88 percent** national accuracy rate for compensation core rating work	• **84 percent** *FY 2004* **87%** *FY 2003* **86%** *FY 2002* **80%** *FY 2001* **80%**		
Objective 1.3 – Suitable Employment and Special Support PROVIDE ALL SERVICE-DISABLED VETERANS WITH THE OPPORTUNITY TO BECOME EMPLOYABLE AND OBTAIN AND MAINTAIN SUITABLE EMPLOYMENT, WHILE PROVIDING SPECIAL SUPPORT TO VETERANS WITH SERIOUS EMPLOYMENT HANDICAPS.			
• **Achieve a 66 percent rehabilitation rate** of all veteran participants who exit the vocational rehabilitation program and find and maintain suitable employment	• **63 percent** *FY 2004* **62%** *FY 2003* **59%** *FY 2002* **62%** *FY 2001* **65%**	$689	0.9%

Strategic Goal 1 Restoration and Improved Quality of Life for Disabled Veterans			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
Objective 1.4 – Improved Standard of Living for Eligible Survivors IMPROVE THE STANDARD OF LIVING AND INCOME STATUS OF ELIGIBLE SURVIVORS OF SERVICE-DISABLED VETERANS THROUGH COMPENSATION, EDUCATION, AND INSURANCE BENEFITS.			
• **Complete in 120 days** dependency indemnity compensation (DIC) claims, on average	• **124 days** *FY 2004* **125** *FY 2003* **153** *FY 2002* **172** *FY 2001* **133**	$468	0.6%

Strategic Goal 2

Smooth Transition to Civilian Life

Ensure a smooth transition for veterans from active military service to civilian life.

Public Benefit

Through readjustment counseling, employment services, vocational rehabilitation, education assistance, and home loan guarantees, VA helps veterans become fully reintegrated into their communities with minimal disruption to their lives.

In partnership with DoD, VA also conducts outreach activities and transition assistance to separating servicemembers. This enables VA to more quickly identify veterans returning from a combat zone who have service-connected disabilities as well as those returning without a disability.

During the past year VA established a Seamless Transition Office whose mission is to:

- Improve collaboration and communication between VA and DoD.
- Ensure VA staff members are educated in transition procedures.
- Improve outreach to returning servicemembers.
- Ensure priority consideration and world-class service for those returning from combat theaters with service-related conditions.
- Ensure *"Seamless Transition"* from DoD to the VA system.

In summary, VA's benefits programs help veterans reintegrate into their communities with minimum disruption to their lives benefiting not only veterans and their families, but the Nation as a whole.

Making a Difference for the Veteran

To ensure a smooth transition to civilian life, Veterans Service Representatives speak to servicemembers about veterans benefits

Helping Veterans Make a Smooth Transition With the Latest Technology

They talk to their computers, and the computers talk back! VA is equipping veterans recovering from traumatic injury at Walter Reed Army Medical Center with voice recognition computers as part of the VA seamless transition program. Jeannie Lehowicz, a VA counselor, works with Walter Reed patients and staff. She and her co-workers help servicemembers make the transition from military to civilian life. "Sometimes they have to redefine their career so we're helping them choose alternative careers if their disability is such they can no longer perform the job they were in the military to perform," she explained. "If they want to make a change, we're here to assist them." What began as a special assignment for Lehowicz soon evolved into an official program. The voice-recognition computer system itself is merely a tool in this transition process, but a very important one. "If you lost your dominant right arm and you can't take notes as fast in school, you might not do as well," Lehowicz pointed out. While the same person could probably use their non-dominant hand to manipulate a mouse, she explained, overuse of one hand might lead to repetitive motion disorders like carpal tunnel syndrome. Lehowicz said the technology might also lead to opening new doors. "The whole point of a voice-activated computer is to teach them that they have other options."

FY 2005 Performance Summary Table

The following table highlights important achievements related to strategic goal two and its supporting strategic objectives. Also shown are estimates of the total resources devoted to each.

Strategic Goal 2 Smooth Transition to Civilian Life			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
		$5,896	**7.8%**

Objective 2.1 – Reentry into Civilian Life EASE THE REENTRY OF NEW VETERANS INTO CIVILIAN LIFE BY INCREASING AWARENESS OF, ACCESS TO, AND USE OF VA HEALTH CARE, BENEFITS, AND SERVICES.			
• **Achieve (a designated percent)** of VA medical centers that are contracted to serve as TRICARE (DoD-managed care support contract) network providers (FY 2005 was the baseline year; thus no target had been identified.)	• **87 percent** *FY 2004* **N/A** *FY 2003* **N/A** *FY 2002* **N/A** *FY 2001* **N/A**	$745	1.0%
• **Achieve (a designated number)** of implementation guides for the Consolidated Health Informatics Standards adopted by VA and DoD (FY 2005 was the baseline year; thus no target had been identified.)	• **2 guides** *FY 2004* **N/A** *FY 2003* **N/A** *FY 2002* **N/A** *FY 2001* **N/A**		

Strategic Goal 2
Smooth Transition to Civilian Life

Targets	Results	Obligations ($ in Millions)	% of Total VA Resources
Objective 2.2 – Decisions on Education Claims PROVIDE TIMELY AND ACCURATE DECISIONS ON EDUCATION CLAIMS AND CONTINUE PAYMENTS AT APPROPRIATE LEVELS TO ENHANCE VETERANS' AND SERVICEMEMBERS' ABILITY TO ACHIEVE EDUCATIONAL AND CAREER GOALS.			
• **Complete in 25 days** original education claims, on average	• **33 days** *FY 2004* **26** *FY 2003* **23** *FY 2002* **34** *FY 2001* **50**	$3,072	4.1%
• **Complete in 13 days** supplemental education claims, on average	• **19 days** *FY 2004* **13** *FY 2003* **12** *FY 2002* **16** *FY 2001* **24**		
• **Ensure a 95 percent** payment accuracy rate (Education)	• **96 percent** *FY 2004* **94%** *FY 2003* **94%** *FY 2002* **93%** *FY 2001* **92%**		
Objective 2.3 – Home Purchase and Retention IMPROVE THE ABILITY OF VETERANS TO PURCHASE AND RETAIN A HOME BY MEETING OR EXCEEDING LENDING INDUSTRY STANDARDS FOR QUALITY, TIMELINESS, AND FORECLOSURE AVOIDANCE.			
• **Achieve a 47 percent** "Foreclosure Avoidance Through Servicing" ratio	• **48 percent** *FY 2004* **44%** *FY 2003* **45%** *FY 2002* **43%** *FY 2001* **40%**	$2,079	2.7%

Strategic Goal 3

Honoring, Serving, and Memorializing Veterans

Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation.

Public Benefit

VA continues to set the national standard of excellence in quality and patient safety for the health care industry. Interactive technology strategies are being implemented to provide care in the least restrictive environments to allow patients and families maximum participation in disease management and health maintenance. Telehealth technologies continue to be implemented to facilitate access to care and to improve the health of veterans and provide the right care in the right place at the right time. VA has developed and implemented nationally recognized clinical guidelines for treatment and care of patients with one or more high-volume diagnoses. VA's innovations in patient care and development of technology strategies serve as models for the health care industry.

Veterans will have dignity in their lives, especially in time of need, through the provision of pension programs and life insurance. VA will honor veterans with final resting places in national shrines and with lasting memorials that commemorate their service to our Nation.

Making a Difference for the Veteran

Palo Alto VA Medical Center

Swift Recovery Facilitated by Dedicated Staff

Marine Corps Corporal Jason Poole, a patient in the traumatic brain injury unit in the Palo Alto, California, VA Medical Center, became a citizen of the United States in November. Born in Bristol, England, Poole came to the United States as a boy and graduated from Cupertino High School near Palo Alto. He enlisted in the U.S. Marine Corps and was sent to Iraq -- not once, not twice, but three times. Ten days before he was due to come home from his third tour, a booby trap exploded and the young corporal was very seriously injured. When he arrived at Palo Alto, he couldn't walk, could barely talk, and breathed exclusively through a tracheotomy. Four weeks later at his citizenship swearing-in ceremony, he talked nonstop; thrilled to have his family, girlfriend, and friends there to congratulate him. Poole's mother, Trudy, and twin sister traveled from England to be with him. "My son has come so, so far since his injury and much of that is due to the tireless and dedicated staff at this hospital," said Trudy Poole. "This is such a joyous event and my son is extremely proud to become an American citizen. My tears today are tears of happiness."

FY 2005 Performance Summary Table

The following table highlights important achievements related to strategic goal three and its supporting strategic objectives. Also shown are estimates of the total resources devoted to each.

Strategic Goal 3 Honoring, Serving, and Memorializing Veterans			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
		$14,492	**19.1%**
Objective 3.1 – Delivering Health Care PROVIDE HIGH-QUALITY, RELIABLE, ACCESSIBLE, TIMELY, AND EFFICIENT HEALTH CARE THAT MAXIMIZES THE HEALTH AND FUNCTIONAL STATUS FOR ALL ENROLLED VETERANS, WITH SPECIAL FOCUS ON VETERANS WITH SERVICE-CONNECTED CONDITIONS, THOSE UNABLE TO DEFRAY THE COST, AND THOSE STATUTORILY ELIGIBLE FOR CARE.			
• **Achieve a score of 77 percent** on the Clinical Practice Guidelines Index	• **87 percent** *FY 2004* **77%** *FY 2003* **70%** *FY 2002* **Baseline** *FY 2001* **N/A**	$8,763	11.6%
• **Achieve a score of 88 percent** on the Prevention Index II	• **90 percent** *FY 2004* **88%** *FY 2003* **83%** *FY 2002* **82%** *FY 2001* **80%**		
• **Achieve 94 percent** of primary care appointments scheduled within 30 days of desired date	• **97 percent** *FY 2004* **94%** *FY 2003* **93%** *FY 2002* **89%** *FY 2001* **87%**		
• **Achieve 93 percent** of specialty care appointments scheduled within 30 days of desired date	• **95 percent** *FY 2004* **93%** *FY 2003* **89%** *FY 2002* **86%** *FY 2001* **84%**		

Strategic Goal 3 Honoring, Serving, and Memorializing Veterans			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
• **Achieve a score of 74 percent** of patients rating VA health care service as "very good" or "excellent" for inpatients	• **77 percent** *FY 2004* **74%** *FY 2003* **74%** *FY 2002* **70%** *FY 2001* **64%**		
• **Achieve a score of 73 percent** of patients rating VA health care service as "very good" or "excellent" for outpatients	• **77 percent** *FY 2004* **72%** *FY 2003* **73%** *FY 2002* **71%** *FY 2001* **65%**		
• **Achieve a 30,118** average daily census for non-institutional long-term care	• **29,316** *FY 2004* **25,523** *FY 2003* **24,413** *FY 2002* **24,126** *FY 2001* **N/A**		

Strategic Goal 3 Honoring, Serving, and Memorializing Veterans			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
Objective 3.2 – Decisions on Pension Claims PROCESS PENSION CLAIMS IN A TIMELY AND ACCURATE MANNER TO PROVIDE ELIGIBLE VETERANS AND THEIR SURVIVORS A LEVEL OF INCOME THAT RAISES THEIR STANDARD OF LIVING AND SENSE OF DIGNITY.			
• **Complete in 145 days** compensation and pension rating-related actions, on average	• **167 days** *FY 2004* **166** *FY 2003* **182** *FY 2002* **223** *FY 2001* **181**	$3,577	4.7%
• **Complete in 73 days** non-rating pension actions, on average	• **68 days** *FY 2004* **58** *FY 2003* **67** *FY 2002* **65** *FY 2001* **59**		
• **Achieve an 84 percent** national accuracy rate for pension authorization work	• **84 percent** *FY 2004* **84%** *FY 2003* **81%** *FY 2002* **76%** *FY 2001* **62%**		

Strategic Goal 3 Honoring, Serving, and Memorializing Veterans			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
Objective 3.3 – Providing Insurance Service MAINTAIN A HIGH LEVEL OF SERVICE TO INSURANCE POLICY HOLDERS AND THEIR BENEFICIARIES TO ENHANCE THE FINANCIAL SECURITY FOR VETERANS' FAMILIES.			
• **Complete in 2.7 days** insurance disbursements, on average	• **1.8 days** *FY 2004* **1.8** *FY 2003* **2.4** *FY 2002* **2.6** *FY 2001* **2.8**	$1,836	2.4%
• **Achieve a 95 percent** high customer rating for insurance services	• **96 percent** *FY 2004* **96%** *FY 2003* **95%** *FY 2002* **95%** *FY 2001* **96%**		

Strategic Goal 3 Honoring, Serving, and Memorializing Veterans			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
Objective 3.4 – Meeting Burial Needs ENSURE THAT THE BURIAL NEEDS OF VETERANS AND ELIGIBLE FAMILY MEMBERS ARE MET.			
• **Ensure 78.3 percent** of veterans are served by a burial option within a reasonable distance (75 miles) of their residence	• **77.1 percent** *FY 2004* **75.3%** *FY 2003* **75.2%** *FY 2002* **73.9%** *FY 2001* **72.6%**	$252	0.3%
• **Achieve 95 percent** of survey respondents rating the quality of service provided by the national cemeteries as excellent	• **94 percent** *FY 2004* **94%** *FY 2003* **94%** *FY 2002* **91%** *FY 2001* **92%**		
Objective 3.5 – Symbolic Expressions of Remembrance PROVIDE VETERANS AND THEIR FAMILIES WITH TIMELY AND ACCURATE SYMBOLIC EXPRESSIONS OF REMEMBRANCE.			
• **Ensure 88 percent** of graves in national cemeteries are marked within 60 days of interment	• **94 percent** *FY 2004* **87%** *FY 2003* **72%** *FY 2002* **49%** *FY 2001* **N/A**	$64	0.1%

Strategic Goal 4

Contributing to the Nation's Well-Being

Contribute to the public health, emergency management, socioeconomic well-being, and history of the Nation.

Public Benefit

VA advances medical research and development programs in ways that support veterans' needs and contribute to the Nation's medical and scientific knowledge base as a public good. Initiatives in research include developing strategies to reduce the number of veterans with diabetes; expanding research addressing obesity issues of veterans; and increasing VA involvement in the research and practice of genomic medicine – the science of using information about gene sequence and expression to assess the risk of future disease, to diagnose existing disease, and to choose treatments best matched to the needs of each individual. VA established six new centers specializing in research, education, and clinical care for Parkinson's disease, and two new centers specializing in the study of treatment for war-related illnesses among military patients and veterans.

VA has reaffirmed existing partnerships and is forming new ones with the Nation's academic community to provide training and education to medical residents and other health care trainees. The quality of health care provided to veterans is significantly enhanced as a result of these partnerships. Through relationships with 107 of the 126 U.S. medical schools, VA trained some 31,000 medical residents and fellows and 17,000 medical students in the past year. In addition, as a partner in 5,000 associated health programs across the country, VA trained nearly 40,000 additional medical personnel in over 40 separate disciplines.

VA maintenance of national cemeteries as national shrines preserves our Nation's history, nurtures patriotism, and honors the service and sacrifice of our Nation's veterans. Each national cemetery exists as a national shrine that provides an enduring memorial to this service, as well as a dignified and respectful setting for their final rest.

Finally, VA's timely evacuation of patients and staff from its medical centers in Biloxi and New Orleans during Hurricane Katrina illustrates VA's continual commitment to a strong emergency management capability dedicated not only to the well-being of veterans and the peace of mind of their families, but also to the Nation's well-being.

Making a Difference for the Veteran

Representatives of the VA Employee Association team from the Louis Stokes Cleveland VA Medical Center

VA Employees Contribute to Their Community

Employees of the Louis Stokes Cleveland VA Medical Center were among the leaders in a community event, "Making Strides Against Breast Cancer®," held recently in downtown Cleveland, Ohio. The VA team, organized by the Employee Association and led by Minority Affairs Program Coordinator Deloris Roach, exceeded their fund-raising goal by 100 percent and placed third among 60 teams from businesses and organizations in the greater Cleveland area. Twenty-five VA participants raised more than $2,700 and in the process helped increase community awareness about research, patient services, and education related to breast cancer. Making Strides Against Breast Cancer® has been the American Cancer Society's rallying cry to raise awareness and dollars to fight breast cancer since 1993. To date nationally, the event has raised more than $104 million.

Strategic Goal 4 Contributing to the Nation's Well-Being			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
		$1,414	**1.9%**

Objective 4.1 – Emergency Preparedness IMPROVE THE NATION'S PREPAREDNESS FOR RESPONSE TO WAR, TERRORISM, NATIONAL EMERGENCIES, AND NATURAL DISASTERS BY DEVELOPING PLANS AND TAKING ACTIONS TO ENSURE CONTINUED SERVICE TO VETERANS AS WELL AS SUPPORT TO NATIONAL, STATE, AND LOCAL EMERGENCY MANAGEMENT AND HOMELAND SECURITY EFFORTS.			
• **Achieve (a designated percent)** of emergency planners who have completed orientation (Target had not been identified at the beginning of FY 2005)	• **100 percent** *FY 2004* **N/A** *FY 2003* **N/A** *FY 2002* **N/A** *FY 2001* **N/A**	<$1M	<0.1%
• **Achieve (a designated percent)** of Under Secretaries, Assistant Secretaries, and other key officials who self-certify that their teams are "ready to deploy" to their continuity of operations (COOP) site (Target had not been identified at the beginning of FY 2005)	• **85 percent** *FY 2004* **N/A** *FY 2003* **N/A** *FY 2002* **N/A** *FY 2001* **N/A**		

Strategic Goal 4 Contributing to the Nation's Well-Being			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
Objective 4.2 – Medical Research and Development ADVANCE VA MEDICAL RESEARCH AND DEVELOPMENT PROGRAMS THAT ADDRESS VETERANS' NEEDS, WITH AN EMPHASIS ON SERVICE-CONNECTED INJURIES AND ILLNESSES, AND CONTRIBUTE TO THE NATION'S KNOWLEDGE OF DISEASE AND DISABILITY.			
• **Achieve 2,558** peer-reviewed publications by VA investigators	• **2,665** *FY 2004* **N/A** *FY 2003* **N/A** *FY 2002* **N/A** *FY 2001* **N/A**	$382	0.5%
Objective 4.3 – Academic Partnerships SUSTAIN PARTNERSHIPS WITH THE ACADEMIC COMMUNITY THAT ENHANCE THE QUALITY OF CARE TO VETERANS AND PROVIDE HIGH-QUALITY EDUCATIONAL EXPERIENCES FOR HEALTH CARE TRAINEES.			
• **Attain a score of 85** on a scale of 0-100 on the assessment by medical residents and other trainees of their clinical training experience at VA	• **84** *FY 2004* **84** *FY 2003* **83** *FY 2002* **83** *FY 2001* **84**	$931	1.2%
Objective 4.4 – Socioeconomic Well-Being of Veterans ENHANCE THE SOCIOECONOMIC WELL-BEING OF VETERANS, AND THEREBY THE NATION AND LOCAL COMMUNITIES, THROUGH VETERANS' BENEFITS; ASSISTANCE PROGRAMS FOR SMALL, DISADVANTAGED, AND VETERAN-OWNED BUSINESSES; AND OTHER COMMUNITY INITIATIVES.			
• **Attain 23 percent** as the statutory minimum goal for small business expressed as a percent of total VA procurement	• **27.8 percent** *FY 2004* **28.5%** *FY 2003* **31.8%** *FY 2002* **31.2%** *FY 2001* **32.6%**	<$1M	<0.1%

Strategic Goal 4 Contributing to the Nation's Well-Being			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
Objective 4.5 – Maintaining National Cemeteries as Shrines ENSURE THAT NATIONAL CEMETERIES ARE MAINTAINED AS SHRINES DEDICATED TO PRESERVING OUR NATION'S HISTORY, NURTURING PATRIOTISM, AND HONORING THE SERVICE AND SACRIFICE VETERANS HAVE MADE.			
• **Achieve 98 percent** of survey respondents rating the appearance of the national cemeteries as excellent	• **98 percent** *FY 2004* **98%** *FY 2003* **97%** *FY 2002* **97%** *FY 2001* **96%**	$100	0.1%

Enabling Goal

Applying Sound Business Principles

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.

Public Benefit

VA's enabling goal is different from the four strategic goals. The enabling goal and its corresponding objectives represent crosscutting support activities such as information technology management, supply management, human capital planning, and budgeting. These activities enable all organizational units of VA to carry out the Department's mission. Below are a few examples of how VA is applying sound business principles to save time and money.

VA has a number of initiatives underway to promote excellence in business practices through administrative, financial, and clinical efficiencies. Initiatives include applying Advanced Clinic Access principles to improve efficiencies of in-house administrative and clinical capacity as well as to reduce fee and contract care; efficiency reviews of VA supply chain processes to maximize standardization of supplies, equipment, and services; and standardized policy and guidance for pharmacy, prosthetics, and fee basis management. VA is also improving, standardizing, and consolidating revenue cycle activities through initiatives that will employ electronic capabilities system-wide using the Patient Financial Services System and the Consolidated Patient Account Centers. Other initiatives include the continued work of the VA/DoD Joint Executive Council toward the development of Joint Clinical Practice Guidelines, the Interoperable Electronic Medical Record, the Graduate Medical Education initiative, and VA/DoD Health Resources Sharing Agreements. VA continues to improve its collection processes and procedures and collected an estimated $1.8 billion in 2005.

The Board of Contract Appeals' use of "alternate dispute resolution" contributes to the efficient, cost-effective resolution of disputes allowing agency personnel and resources to be used to further the mission of serving veterans rather than resolving disputes between competing parties.

VA's Information Security program, designed to protect the confidentiality, integrity, and availability of veterans' private information, provides assurance that cost-effective cyber security controls are in place to protect automated information systems from financial fraud, waste, and abuse. VA's E-Gov (Electronic Government) initiatives allow for personal and medical information to be stored and used in electronic format. Having Web-based information in one place readily available for veterans reduces the time required to find services for which they may qualify.

Making a Difference for the Veteran

Using information technology

Sound Business Principles

VA is working with DoD to improve information sharing and to ensure a seamless transition to civilian life for our newest veterans from Operation Iraqi Freedom and Operation Enduring Freedom. Automated information systems, an integral part of this effort, significantly expedite the transfer of medical records and other information to VA. In this context, VA and DoD have made significant progress toward implementing a strategy to achieve interoperability of health information. This strategy is known as the VA/DoD Joint Electronic Health Records Interoperability plan. The Departments are working to achieve interoperability between data repositories. The first release of Phase II of the Clinical Health Data Repository for outpatient pharmacy, medication allergies, and patient demographic data is expected in February 2006.

VA has developed a national item file that will standardize identification for medical supplies and ensure that all items are accounted for, thereby improving inventory management.

FY 2005 Performance Summary Table

The following table highlights important achievements related to VA's Enabling Goal and its supporting objectives. Also shown are estimates of the total resources devoted to each.

Enabling Goal Applying Sound Business Principles			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
		$2,694	**3.2%**

Objective E-1 – Development and Retention of a Competent Workforce RECRUIT, DEVELOP, AND RETAIN A COMPETENT, COMMITTED, AND DIVERSE WORKFORCE THAT PROVIDES HIGH-QUALITY SERVICE TO VETERANS AND THEIR FAMILIES.			
• **Ensure 72 percent** of contractor cases use alternate dispute resolution techniques	• **9 percent** *FY 2004* **9%** *FY 2003* **20%** *FY 2002* **43%** *FY 2001* **21%**	$94	0.1%
Objective E-2 – Outreach and Communications 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.			
• **Contact 100 percent** of newly elected/appointed state officials within 60 days of taking office regarding VA programs/services	• **100 percent** *FY 2004* **90%** *FY 2003* **80%** *FY 2002* **75%** *FY 2001* **N/A**	$15	<0.1%

Enabling Goal Applying Sound Business Principles			
Targets	**Results**	**Obligations** ($ in Millions)	**% of Total VA Resources**
Objective E-3 – Reliable and Secure Information Technology IMPLEMENT A ONE VA 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			
• **Transform 0* business lines** to achieve a secure veteran-centric delivery process that would enable veterans and their families to register and update information, submit claims or inquiries, and obtain status. *Transformation of complete business lines is a multi-year effort. As such, we did not expect to transform any business lines in 2005.	• **0** *FY 2004* **0** *FY 2003* **N/A** *FY 2002* **N/A** *FY 2001* **N/A** Note: VA has made significant progress through execution of the e-gov program, a revised Enterprise Architecture, and aggressive implementation of programs that will eliminate instances of multiple registration/eligibility and provide veterans with direct access to their personal data.	$245	0.3%
Objective E-4 – Sound Business Principles IMPROVE THE OVERALL GOVERNANCE AND PERFORMANCE OF VA BY APPLYING SOUND BUSINESS PRINCIPLES; ENSURING ACCOUNTABILITY; ENHANCING OUR MANAGEMENT OF RESOURCES THROUGH IMPROVED CAPITAL ASSET MANAGEMENT, ACQUISITION, AND COMPETITIVE SOURCING; AND LINKING STRATEGIC PLANNING, BUDGETING, AND PERFORMANCE PLANNING.			
• **Achieve a 41 percent** ratio of collections to billings	• **41 percent** *FY 2004* **41%** *FY 2003* **41%** *FY 2002* **37%** *FY 2001* **31%**	$2,340	3.1%

Most Important Achievements and Current Challenges - Summary Table 1

The Department's most important FY 2005 operational and policy achievements as well as its current challenges are summarized below by strategic goal.

Achievements and Challenges

SUMMARY TABLE 1

Most Important Achievements	Current Challenges
Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans	
• VA completed the first Comprehensive Mental Health Strategic Plan intended to reduce variability in access to care, enhance post-traumatic stress disorder (PTSD) services, restore VA substance abuse treatment services, emphasize the recovery model to facilitate each veteran's achievement of his or her optimal level of functional capability, and address the specific needs of veterans of different ages, races, ethnic groups, and genders. • VA established six centers specializing in research, education, and clinical care for Parkinson's disease, two Centers for Excellence for the research and treatment of Multiple Sclerosis, and two centers specializing in studying the treatment of war-related illnesses among military patients and veterans.	• VA continues to work with DoD to ensure that veterans or servicemembers returning from Iraq and Afghanistan with an injury or illness have timely access to VA's special health care services. This includes treatment for spinal cord injuries, amputations, blindness, traumatic brain injuries, and post-traumatic stress disorder.
• The total number of compensation and pension rating-related claims completed in 2005 is 763,464. This is 9 percent greater than in 2004. • VBA's joint project with the Board of Veterans' Appeals to reduce unnecessary remands has resulted in implementation of a number of improvements. In September 2004, VBA had an inventory of 30,426 remands; as of September 2005, the remand inventory had been reduced to 23,564 cases. • VBA continues to enhance the information technology tools supporting claims processing, including the VETSNET suite of applications. In February 2005, VETSNET added the Nashville Regional Office as the second beta test site for the final two applications — Award and Financial Accounting System.	• The number of conditions claimed, the nature of severe traumatic multiple body system combat injuries, highly complex medical conditions, and enhanced legal requirements substantially increase the complexity of the claims process and claims decisions. • The review of PTSD cases based on the May 19, 2005, Office of Inspector General (OIG) report, State Variances in VA Disability Compensation Payments, will have a significant impact on VBA's workload. • The number of veterans filing initial and reopened claims for disability compensation has increased every year since 2000 (received 36 percent more rating claims in 2005 than in 2000). VBA expects the increased receipts to continue over the coming years.
• VA piloted Job Resource Labs in four regional offices: Montgomery, Detroit, St. Louis, and Seattle. The pilot was successful, and full deployment of the Job Resource Labs is scheduled for 2006. • VA signed several memoranda of understanding (MOUs) with organizations such as United States Army Materiel Command and Helmets to Hardhats. These MOUs focus on a joint effort to provide career opportunities to veterans.	• A large percentage of the Vocational Rehabilitation and Employment (VR&E) program workforce is eligible to retire. In FY 2005, VR&E lost 13 of the most experienced VR&E officers to retirement. VR&E will have to continue to focus on succession planning to meet this challenge.

Achievements and Challenges

SUMMARY TABLE 1

Most Important Achievements	Current Challenges
Strategic Goal #2: Smooth Transition to Civilian Life	
• In June 2005, DoD signed a memorandum of understanding defining data sharing between the Departments, thereby laying the foundation for VA to receive protected health information such as a list of servicemembers who will be separating from the military due to injury or illness. • In response to a sharp increase in dental workload from recently discharged servicemen and women, VA allocated additional resources to address the dental needs of these veterans. • In June 2005, VA and DoD held a Seamless Transition Summit on institutionalizing a coordinated transition process for servicemembers and their families. Summit recommendations were presented to the Health Executive Council, which recommended establishing a VA/DoD Joint Seamless Transition Working Group to monitor and report on seamless transition activities and initiatives.	• VA has developed a new performance measure to ensure that veterans and servicemembers returning from a combat area with an illness or injury can get prompt access to specialty care. VA is currently trying to develop a data collection methodology for this measure. • VA continues to work with DoD to identify opportunities to improve the timeliness and efficiency of transition services.
• A Seamless Transition Coordination Office was created to coordinate VA efforts with respect to health care and benefits, with a focus on the successful reintegration of seriously injured servicemembers into civilian society. • The Benefits Delivery at Discharge (BDD) program, which allows servicemembers to begin the VA disability application process 180 days prior to separation and incorporates a single examination using VA protocols, was expanded to 140 military installations within three countries. In January 2005, VA began consolidation of the disability determination aspects of the BDD program into two rating locations: Salt Lake City, Utah, and Winston-Salem, North Carolina. • Continued an active outreach to separating servicemembers, generating more than 38,000 original compensation claims through the BDD program.	• VA must effectively handle increased workload generated by the enhanced services through the BDD program.

Achievements and Challenges

Summary Table 1

Most Important Achievements	Current Challenges
Strategic Goal #2: Smooth Transition to Civilian Life, continued	
• VA added over 105,000 new students to the education rolls and provided benefits to approximately 500,000 students in 2005. • Estimated annual payments to all education beneficiaries totaled over $2.6 billion in 2005.	• VA must expedite the hiring and training of new claims examiners to ensure performance goals are met while at the same time effectively managing an increased workload. • The number of education claims decisions processed increased about 6 percent from a monthly average of 105,000 in 2004 to an average of 111,000 in 2005.
• Advances in the Web technology arena and other system developments have enabled the Loan Guaranty program to provide more timely, accurate service to veterans and other program participants.	• VA needs to keep pace with changes and advances made in the private mortgage and real estate industries. Doing so will enable VA to provide world-class service to veterans.
Strategic Goal #3: Honoring, Serving, and Memorializing Veterans	
• Indian Health Service and VHA have implemented a formal agreement to promote greater cooperation to enhance the health of American Indian and Alaska Native veterans. Thus far in 2005, more than 150 activities and programs have been undertaken. • For the fifth consecutive year, the independent American Customer Satisfaction Index (ACSI) found that veterans are happier than most Americans with the health care they receive. Veterans gave VA's inpatient hospital services a rating of 84 and outpatient services a rating of 83, compared to private-sector patients giving their health care providers ratings of 79 and 81, respectively. • A study by RAND, an independent think-tank, found that VA patients receive significantly better care than private-sector patients. VA patients were significantly more likely than non-VA patients to receive needed preventative care. The study also found that VA patients with chronic medical problems received the treatment they needed more often than private-sector patients.	• VA must: ➢ Maintain aging facilities to continue to provide quality health care. ➢ Manage the increasing demand for health care. ➢ Manage staffing shortages in some areas of the country.
• VA's insurance program continued to maintain its high level of performance and customer satisfaction by processing disbursements in 1.8 days, receiving high customer satisfaction ratings of 96 percent, and providing toll-free telephone service with less than 1 percent blocked call rate with an average speed of answer of 11 seconds.	• VA must maintain or exceed the high standards of service provided to VA's Insurance customers.

Achievements and Challenges

SUMMARY TABLE 1

Most Important Achievements	Current Challenges
Strategic Goal #3: Honoring, Serving, and Memorializing Veterans, continued	
• The total number of compensation and pension rating-related claims completed in 2005 is 763,464. This is 9 percent greater than in 2004. • VBA's joint project with the Board of Veterans' Appeals to reduce unnecessary remands has resulted in the continuing implementation of a number of improvements. In September 2004, VBA had an inventory of 30,426 remands; as of September 2005, the remand inventory had been reduced to 23,564 cases. • VBA continues to enhance the information technology tools supporting claims processing, including the VETSNET suite of applications. In February 2005, VETSNET added the Nashville Regional Office as the second beta test site for the final two applications — Award and Financial Accounting System.	• The number of veterans filing initial and reopened claims for disability compensation has increased every year since 2000 (received 36 percent more rating claims in 2005 than in 2000). VBA expects the increased receipts to continue over the coming years. • VA will continue to expand outreach to the aging veteran population. • VA is researching the possibility of paperless pension processing on the Virtual VA application to encompass full pension claims workflow integrated with payment and accounting components.
• In a report released in 2005, VA's national cemeteries received the highest rating ever achieved by a federal agency in a nationwide customer satisfaction survey. The survey was the 2004 American Customer Satisfaction Index (ACSI) showing that VA earned a rating of 95 out of a possible 100 points for its national cemeteries. This is 2 percentage points higher than the last survey in 2001, when VA's national cemeteries also ranked number one in customer satisfaction. • With the opening of the Idaho State Veterans Cemetery in November 2004, there is now a veterans cemetery in every state in the Union. • In August 2005, the new National Cemetery of the Alleghenies began interment operations. This cemetery will provide a burial option to more than 300,000 veterans in the area of Pittsburgh, Pennsylvania.	• VA will continue to provide high-quality, courteous, and responsive service in all of its contacts with veterans and their families and friends. These contacts include scheduling the committal service, arranging for and conducting interments, and providing information about the cemetery and the location of specific graves.
• In 2005 VA marked 94 percent of graves in national cemeteries within 60 days of interment. This achievement was well above the performance goal of 88 percent, and a significant improvement over 49 percent in 2002, the first year that data were collected.	• In 2005 (the baseline year) within 20 days of receipt, VA processed 13 percent of applications for headstones and markers for the graves of veterans who were not buried in national cemeteries. VA has established a long-range performance goal to process 90 percent of these applications within 20 days of receipt.

Achievements and Challenges

SUMMARY TABLE 1

Most Important Achievements	Current Challenges
Strategic Goal #4: Contributing to the Nation's Well-Being	
• During Hurricane Katrina, VA's readiness and preparedness posture was severely tested. VA anticipated required actions, evacuated facilities before and after the hurricane struck, saved lives, and continued providing essential services to veterans. VA also assisted the larger civilian community by aiding those displaced from their homes. • Robert Lynch, M.D., South Central VA Health Care Network Director, commented on Hurricane Rita, "This was a major storm. We prepared for Rita as we did Katrina. We reached out and made sure veterans in community nursing homes were safe and received shelter and essential medical care." The Alexandria VA Medical Center led the evacuation of 100 elderly veteran patients to temporary shelters in Alexandria.	• VA must apply lessons learned from Hurricanes Katrina and Rita to further improve VA's emergency preparedness posture. • VA must institutionalize procedures to ensure that VA employees, contractors, and volunteers with access to VA facilities receive an appropriate level of pre-employment screening, background investigation, and security clearance commensurate with their job responsibilities and level of access to sensitive or classified information.
• VA researchers showed that an experimental vaccine against herpes zoster (shingles) prevented about 51 percent of cases of shingles, a painful nerve and skin infection, and dramatically reduced its severity and complications in vaccinated persons who got shingles. The results were published in the *New England Journal of Medicine*. • Researchers with VA and the University of California, Los Angeles, found that a diet high in docosahexenoic acid, or DHA—one of the omega-3 fatty acids in cold-water fish—dramatically slowed the progression of Alzheimer's disease in mice. Specifically, DHA cut the harmful brain plaques that mark the disease. The results were published in the *Journal of Neuroscience*. • A recent VA study, published in the *New England Journal of Medicine*, may help doctors manage patients with blocked coronary arteries who need surgery for non-cardiac vascular problems, such as clogged leg arteries. The new study says preventively clearing the coronary arteries is unlikely to improve the outcomes of vascular surgery. • In July 2005, the *U.S. News & World Report* in an article entitled "America's Best Hospitals" praised the quality of VA's health care and showed that the high-quality results from VA research is the underpinning of this clinical excellence.	• The increasing patient workload makes it difficult for VA researchers to achieve a balance between time spent on clinical care and in conducting research.
• VA established the Vendor Information Pages Database, recognized by the Office of Federal Procurement Policy and the U.S. Small Business Administration as a primary data source for locating veteran-owned and service-disabled veteran-owned small businesses.	

Achievements and Challenges

SUMMARY TABLE 1

Most Important Achievements	Current Challenges
Strategic Goal #4: Contributing to the Nation's Well-Being, continued	
• NCA established the National Cemetery Administration Training Center to ensure consistency in operations throughout the national cemetery system. The center provides employees with the training necessary to continue to provide high-quality service to veterans and their families and to maintain our national cemeteries as national shrines. Initially focused on training cemetery directors and assistant directors, the new facility will eventually expand its classes to train supervisors, equipment operators, grounds keepers, cemetery representatives, and other employees. As 11 new national cemeteries become operational, the center's efforts will ensure consistency in operations throughout the national cemetery system as well as a high-performing workforce and well-trained staff for key positions. In 2005 the first class of cemetery director interns graduated. They were assigned to leadership positions throughout the country. • In 2004 NCA launched a Web-based (Internet) Nationwide Gravesite Locator (NGL) system. The grave locator contains more than 3 million records of veterans and dependents buried in VA's 121 cemeteries since the Civil War. It also has records of some burials in state veterans cemeteries and burials in Arlington National Cemetery from 1999 to the present.	• VA will ensure the appearance of national cemeteries meets the standards our Nation expects of its national shrines. In order to meet these standards and fulfill the National Shrine Commitment, improvements in the appearance of burial grounds and historic structures, as well as regular maintenance and repair projects, are necessary. Annual increases in the number of occupied gravesites, as well as increases in the number of acres developed for burial operations, have a compounding effect on NCA maintenance requirements. NCA will continue efforts to address deferred maintenance issues pertaining to the alignment and cleanliness of headstones and markers and the condition of individual gravesites in order to improve the appearance of burial grounds. More than 600 buildings and over 14,000 acres of land contained within 154 cemeterial installations require regular maintenance and repair projects.

Achievements and Challenges

SUMMARY TABLE 1

Most Important Achievements	Current Challenges
Enabling Goal: Applying Sound Business Principles	
• New business information technology has been developed to enable the approximately 7 million third-party health care claims, which are currently sent by mail, to be sent electronically to health plans. • The VA Health Revenue Center now responds to questions from veterans and their families regarding bills through a toll-free number or via e-mail. • The success of the First Party Call Center is documented by improved collections and increased service to veterans. Revenue collection performance increased 2.3 percent during 2005, or $10.8 million. The speed of answering calls was 32 seconds through July 2005. The call abandon rate has dropped from 41 percent to 6 percent during the past year.	• VA must ensure that insurance information is obtained from every veteran at the time of treatment, identify all episodes of billable care, reduce billing backlogs, and improve the accuracy of diagnostic and procedure coding.
• VA has implemented an alternate dispute resolution (ADR) Web-based tracking system designed to facilitate ADR measurement in several categories of disputes including personnel and labor relations, medical malpractice, personal injury, and contracts and other agreements.	• Continuing development and modification of the ADR Web-based tracking system will test VA's ability to make the system more user-friendly and respond to user comments on their needs in ADR tracking.
• VA's privacy program was recognized by the Federal Office Systems Exposition (FOSE) as one of the top ten programs in government for its comprehensive approach to the enterprise-wide application of privacy practices. • VA has increased by more than 60 percent the number of Level III-certified IT project managers, from 161 employees in 2004 to 263 employees in 2005.	• VA will establish a "One VA" earned value management system compliant with the American National Standards Institute/Electronic Industries Alliance Standards to improve management of Department and contractor project development work.
• During 2005 the Office of the General Counsel negotiated 200 administrative settlements of claims for personal injuries or wrongful death due to alleged medical malpractice at VA medical facilities. Included among a total of $20 million in settlements were two settlements for $1 million that were negotiated by the VA Office of the General Counsel and approved by the Department of Justice without the necessity of the veteran filing a law suit.	VA will work towards: • Timely access to medical records – Seeking access to the electronic medical record, either online or on disk, to avoid delays in printing and copying records. • Timely medical opinions – Exploring alternative methods for obtaining more timely medical opinions to aid in the early evaluation of liability and damages issues. • Increased settlement authority – Seeking a delegation from the Department of Justice of greater settlement authority to increase the likelihood of negotiating administrative settlements.

The President's Management Agenda - Summary Table 2

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 key areas of management weakness across the government. VA is working closely with OMB to address weaknesses identified in each of the areas. OMB issues reports quarterly and uses a "stoplight" scorecard to show progress made by each federal agency. VA is reporting on one additional agency-specific area of focus: improved coordination of VA and DoD programs and systems. The following table summarizes VA's progress and status as of September 30, 2005.

PMA Summary

VA's Status and Progress on the President's Management Agenda

	As of September 30, 2005			
Initiative	**Status**	**Change from September 2004**	**Progress**	**Change from September 2004**
Human Capital	Y	⇔	G	⇔
Competitive Sourcing	R	⇔	R	⇔
Financial Performance	R	⇔	Y	⇧
E-Government	R	⇩	G	⇧
Budget and Performance Integration	R	⇩	G	⇔
Real Property	Y	(*)	G	(*)
DoD/VA Coordination	Y	⇔	Y	⇔
R&D Investment Criteria	-- not updated at the time of printing --			
Eliminating Improper Payments	Y	(*)	G	(*)
Faith-Based and Community Initative	Y	(*)	G	(*)

(*) This PMA initiative did not exist in September 2004.

The summary tables on the following pages recap for each PMA initiative VA's progress during FY 2005 to address issues that OMB identified as needing attention.

PMA Summary

SUMMARY TABLE 2

Open Items at the Beginning of FY 2005	FY 2005 Actions and Progress
Human Capital	
• **Comprehensive human capital plan** - Analyze and use results of plan	• VA completed a departmental human capital plan. • An outline was developed for a national VA plan during first quarter of FY 2005.
• **Organizational structures** - Optimize structure and put a process in place to address future challenges	• VA's organizational structure has been optimized by delayering and redeploying services and personnel to meet the future challenges of our business needs (CARES initiative).
• **Succession strategies** - Continuously update talent pool	• Thirty-two employees were selected for the 2004 SES Candidate Development program. This included 15 females and 17 males. • *Fulfilling the Commitment – Coming Home to Work* is a VA initiative to help reduce the high rate of unemployment among recently separated servicemembers, particularly those injured and medically discharged after returning from Iraq and Afghanistan. To date, 26 servicemembers attached to the Walter Reed Army Medical Center have received valuable work experience through the program with 15 being hired by VA.
• **Performance appraisal plans link, differentiate, and provide consequences** - Establish linkage for 60 percent+ of agency	• VA's negotiations with AFGE and NAGE on a five-tiered performance appraisal system were successfully concluded. The agreement with AFGE is subject to ratification by locals throughout VA. • Pending ratification of the agreement, VA will begin implementation of the five-tiered system. • The successful conclusion of the negotiations would increase the maximum percentage of the workforce covered by the five-tiered system from approximately 50 percent to the 60 percent needed to reach "green" status. • VA obtained provisional certification for the 2005 SES Performance Management System. • VA has adopted the High Performance Development Model in assessing performance of its SESers. This includes eight core competencies and links to performance.
• **Under-representation** - Establish a process to sustain diversity	• The National Veterans Employment program Web site is almost completed. The Web site name, address, and domain are established.
• **Skill gaps** - Achieve significant reduction in mission critical gaps	• A certification program for HR professionals is in the planning stages. The program is intended to teach basic job skills; a second level certification for mid-level employees is designed to prepare them to move into supervisory and management positions. • PL 108-170 added 22 additional occupations to hybrid status affecting approximately 18,000 employees. Hybrid status provides VA with more flexibility in terms of recruitment and salary for certain "hard-to-fill" positions. VA is the first Department to successfully collaborate with union representatives to begin hybrid implementation during the first quarter of FY 2006.

PMA Summary

SUMMARY TABLE 2

Open Items at the Beginning of FY 2005	FY 2005 Actions and Progress
Human Capital, continued	
• **Hiring timelines** - Demonstrate significant progress and improvement	• VA developed a 45-Day Hiring Model and conducted a pilot for collecting data in the second quarter of FY 2005. • A Hiring Makeover project was conducted in VA Central Office with OPM; recommendations were implemented. • A total of four reviews (three on-site and one telephonic) were conducted at field facilities to determine best practices and opportunities to improve HR efficiency and effectiveness.
• **Accountability system** - Use system to make decisions	• The Office of Human Resources Management (HRM) submitted the first annual HR Accountability Report to the Secretary on operational status of HRM programs so that the impact of findings can be taken into account in formulating management decisions. It is in the final review process awaiting the Secretary's signature.
Competitive Sourcing	
• **Secure an approved competition plan** • **Begin standard competitions** • **Begin standard and streamlined competitions** • **Streamlined competitions completed in 90 days or less** • **Announced standard & streamlined competitions cancelled**	• Most VA competitive sourcing was halted because section 8110 of title 38 U.S.C. prohibits VA from conducting cost comparisons on VHA positions unless Congress provides specific funding. • VA is supporting Administration goals by improving the efficiency and effectiveness of operations, and by seeking legislative relief by recommending deletion of the prohibition language and sending letters to key members of Congress.

PMA Summary

SUMMARY TABLE 2

Open Items at the Beginning of FY 2005	FY 2005 Actions and Progress
Competitive Sourcing, continued	
Other VA-specific activities being undertaken to support this PMA	• The title 38 prohibition targets cost comparisons but does not preclude the development of Most Efficient Organizations or High Performing Organizations. As part of normal business operations and applying sound business principles, VA assesses demand for benefits and services to ensure it has the ability to meet these needs. This market-based analysis often results in VA contracting with the private sector for medical care/other services in specific geographic areas when it provides better value to VA. • If legally authorized, VA will study selected commercial activities on a national and local basis using our three-tiered streamlined market-based analysis approach. VA intends to study about 16 ancillary service functions involving some 35,000 employees over 6 years. ➢ Annual salaries for these employees total over $1 billion, and cumulative savings are currently estimated at over $860 million over 6 years. This focus on ancillary functions will allow VA to meet the intent of the PMA and produce long-term cost savings. • VA launched a Management Analysis/Business Process Reengineering initiative and will integrate the results into its workforce planning process. Functional management teams will begin pilot studies of the food service and laundry functions.
Financial Performance	
• **Clean audit opinion**	• VA received an unqualified opinion on its FY 2005 Consolidated Financial Statements from the auditors, continuing the success first achieved in 1999.
• **Meets reporting deadlines**	• VA continues to meet required annual and quarterly reporting deadlines.
• **FFMIA Compliance** -VA continues to be noncompliant with FFMIA due to Federal financial management systems requirements as described for the auditor-reported internal control/material weaknesses.	• VA has an FFMIA remediation plan and a detailed material weakness corrective action plan in place; progress is reviewed monthly. • FFMIA compliance focuses on two audit-related material weaknesses. (See next page for material auditor-reported internal control weaknesses regarding actions and progress.) The weaknesses include: ➢ Information Technology Security Controls ➢ Lack of an Integrated Financial Management System (LIFMS)
• **No chronic or significant Anti-Deficiency Act Violations**	• VA has no chronic or significant Anti-Deficiency Act violations.

PMA Summary

SUMMARY TABLE 2

Open Items at the Beginning of FY 2005	FY 2005 Actions and Progress
Financial Performance, continued	
• **Material auditor-reported internal control weaknesses** - VA has two repeat internal control weaknesses	• VA continues to make progress on its two repeat internal control weaknesses – IT Security Controls and LIFMS. • IT Security Controls ➢ Actions for HIPAA compliance, certification and accreditation of major VA systems, and enterprise infrastructure have been completed. ➢ Actions to correct security-related vulnerabilities in VA's payroll system have been substantially completed, with the final corrective action scheduled for implementation in December 2005; closure expected in FY 2006. ➢ Actions to correct security-related vulnerabilities in VA's Financial Management System were completed and are pending OIG review; closure expected in early FY 2006. • LIFMS ➢ Although not intended to fully resolve the LIFMS weakness, VA is pursuing implementation of a financial reporting tool that will substantially improve preparation, processing, and analysis of financial information and final preparation of VA's Consolidated Financial Statements.
• **Material non-compliance with laws or regulations** VA is not substantially compliant with FFMIA	• VA is not in substantial compliance with FFMIA due to material weaknesses in IT Security Controls and LIFMS. Progress is being made, but due to the nature of the FFMIA weaknesses, corrective action over several years is required.
• **Material weaknesses in FMFIA** - one for Section 2 - one for Section 4	• VA completed all actions regarding its one Section 4 FMFIA material weakness – PAID System Mission Performance; the OIG approved closure. • Progress was made on the one remaining weakness (Section 2), Internal Controls in the C&P Payment Process; closure expected in FY 2006.

PMA Summary

SUMMARY TABLE 2

Open Items at the Beginning of FY 2005	FY 2005 Actions and Progress
E-Gov	
• **Cost/Schedule/Performance adherence for major IT** - Installation of an Earned Value Management System (EVMS) to report Earned Value on major IT projects - EVMS shows overruns/shortfalls <10 percent	VA completed the following actions: • Published EVMS standard operating procedures; VA's Chief Information Officer directed all Project Managers to use EVMS. • Implemented Primavera's Project Management (Team Play) tool plan and managed development activities for major IT investments. • Submitted agency migration and system alignment plans.
• **Security of operational IT systems** - 90 percent secured and IG verifies and quarterly reports verify	• Completed FY 2004 fourth quarterly FISMA status report to OMB, first quarter of 2005. • Completed the Certification and Accreditation process for all VA IT systems.
• **E-Gov participation and contributions**	• Signed all required memoranda of understanding and transferred requested funding. • Reviewed all budget requests to identify and affirm that no IT acquisitions duplicate E-Gov initiatives.
Budget and Performance Integration	
• **Performance appraisal plans link** - ≥60 percent of agency	• All 58,000 VA non-bargaining unit employees are covered under VA's five-tier performance management system. Coverage of bargaining unit employees under this system is contingent upon successful completion of negotiations with the American Federation of Government Employees.
• **Cost of achieving performance goals** - Marginal cost not yet reported	• During 2005 initial work was begun to prepare for 2006 implementation wherein VA will estimate the marginal cost of changing performance targets or outcomes. We will apply the methodology to a subset of programs during the formulation of the FY 2008 budget.
• **At least one efficiency measure per program**	• Each of VA's ten programs and major operating units within the programs has efficiency measures. In 2005 efficiency measures were created and/or implemented for the following programs: Compensation, Burial, Education, Pension, Insurance, and Medical Research & Development (R&D). • VA submitted its Efficiency Measure Report to OMB in July. The report documents efficiency gains realized during 2004 by program and by performance measure. In many instances, efficiency gains were expressed in quantifiable, dollar value terms.
• **Use of PART ratings** - Justify requests, direct improvements, <10 percent Results Not Demonstrated for more than 2 years in a row	• All Department programs except one (Vocational Rehabilitation and Employment) have completed PART reviews. • In 2005, three programs were reviewed (Insurance, Pension, and Medical R&D); the ratings have not yet been issued.

PMA Summary

SUMMARY TABLE 2

Open Items at the Beginning of FY 2005	FY 2005 Actions and Progress
Real Property	
• **Asset Management Plan** - Evidence that the plan is being implemented to achieve improved real property management by 1st quarter 2006 - Evidence that plan is consistent with Federal Real Property Council (FRPC) standards or expected equivalent	• VA submitted an Asset Management Plan (AMP) to OMB consistent with FRPC guidelines. The plan has been implemented. • The AMP contained an approved "building block" discussion.
• **Real property performance measures** - Measures used in daily management decision making - Real property management is consistent with agency strategic plan, AMP, and performance measures	• A performance review was initiated with a presentation at the Deputy Secretary's Monthly Performance Review in August 2005. The next review will be in December 2005. The presentation will include highlights of excellent performance for possible best practice lessons and performance shortfalls for possible corrective actions and lessons learned. • VA's capital portfolio goals are directly linked to the Department's strategic plan as described in the AMP.
VA/DoD Coordination	
• **Interoperable Electronic Health Record** - Certify Data Repository - Fully operational October 2005	• Technical complexities of integrating the Clinical Health Data Repository into HealtheVet Vista have delayed the scheduled completion date. • Patient demographics, outpatient pharmacy, and allergy information are scheduled to be integrated in February 2006. • Patient laboratory (Chemistry and Hematology) data are scheduled to be integrated in the third quarter of FY 2006. • All elements will be operational by October 2006.
• **Consolidated Health Informatics** - Identify recommendations for standards in all 24 domains	Together with DoD, VA completed the following actions: • Developed a joint profile on 20 domains. Domains are specific areas that define major health care fields. • Developed a plan to address additional joint IT standards (i.e., common data and communications standards) to improve the electronic interface between DoD and VA health information systems and facilitate the electronic transfer of medical records to VA when servicemembers leave active duty.
• **VA Use of DoD Defense Enrollment/Eligibility Reporting System (DEERS) Data** - Established outcomes set for December 2005 and 4th quarter 2006	• DEERS data were made available to VA regional offices and medical facilities for early identification of recently discharged DoD servicemembers. This previously took 90 days; now data are available within 3 days. • VA refined the data extract procedure from DEERS, which resulted in an additional 69,000 veterans records being identified as part of the database. • The scope of data VA receives on Operation Iraqi Freedom and Operation Enduring Freedom service veterans has been expanded.

PMA Summary

SUMMARY TABLE 2

Open Items at the Beginning of FY 2005	FY 2005 Actions and Progress
VA/DoD Coordination, continued	
• **Establish pilot sharing sites (Natl. Defense Authorization Act)**	• At the Chicago VA Medical Center and the Great Lakes Naval Medical Center, DoD and VA are collaborating in a unique initiative to share services, personnel, and physical plants at the two facilities. • A central governing body manages and oversees opportunities for shared medical services between the two facilities. They are sharing mammography services and have established a joint Women's Health Center for returning female veterans and new Navy recruits. • VA and DoD are developing a joint contract solicitation for the provision of diagnostic imaging services. • Future efforts will focus on identifying commonly used manufacturers, service providers, and vendors for joint contracts and new opportunities as current VA and DoD contracts expire.
• **Develop Graduate Medical Education (GME) Pilot Program 9/30/04** - Develop "time-line" for implementation, 2nd quarter 2005	• VA and DoD approved GME Work Group charter. • We are jointly developing an interim evaluation of outcomes, benefits, and lessons learned from the GME pilot for adjusted completion date of October 2005. • DoD residents entered VA programs including Neurosurgery, Urology, Radiology and Anesthesiology.
• **Single DoD Discharge and VA Compensation Physical Exam 9/30/04** **-** Develop implementation plan, 1st quarter 2005 - Begin implementation, 1st quarter 2005	• The VA/DoD Benefits Executive Council (BEC) examined ways to expand/improve information sharing, refine records retrieval, improve the benefits claims process, and educate servicemembers about the availability of VA benefits. • The BEC advised the Joint Executive Council on issues related to seamless transition from active duty to veteran status through a streamlined benefits delivery process, including developing cooperative physical examinations and pursuit of interoperability and data sharing. • VA currently operates 140 Benefits Delivery at Discharge sites on military installations. The number of signed VA/DoD Memoranda of Understanding rose to 85 from 35 during the past year.
• **Joint Use of VA Consolidated Mail Order Pharmacy (CMOP) Pilot** - Get Continuation Decision, 1st quarter 2005	• VA and DoD are working with industry to develop standards for uniform nomenclature and identification of medical and surgical products to secure a consensus on standard formatting for names and labeling.
• **Joint Purchasing of non-drug medical supplies and equipment**	• The Medical Materiel Management Work Group facilitated the joint purchasing of non-drug medical supplies and equipment. A total of 23 DoD radiology contracts were modified so that VA could add unique VA terms to the contracts. As of June 2005, 100 combined non-drug purchases were made totaling $47 million.

PMA Summary

SUMMARY TABLE 2

Open Items at the Beginning of FY 2005	FY 2005 Actions and Progress
R&D Investment Criteria	
• **R&D programs assessed by PART** - 100 percent are found to be at least "Moderately Effective"	• The Administration conducted a PART re-assessment in 2005. The rating has not yet been issued. • As part of this effort, VA completed the following: ➢ Revised the R&D strategic plan. ➢ Developed new outcome measures.
• **Agency budget proposals** - Use R&D criteria to influence budget decisions and management changes	• VA developed the Field Research Advisory Committee to provide first-line input into Research management decisions.
Eliminating Improper Payments	
• **Risk Assessment** • **Measurement plan for risk susceptible programs in place and OMB-approved** • **Meets reporting requirements**	• An OMB-approved plan is in place for measuring improper payments on an annual basis; VA has also met milestones established in the plan. • In addition, VA completed the following: ➢ A risk assessment for Vocational Rehabilitation and other programs. ➢ A statistical sampling of the six programs identified by the risk assessments and implementation of a data tracking tool for property management activities. ➢ Improper payment data and recovery audit data are reported as required in the PAR.
• **Reduction Targets** - OMB Approved - Evidence that targets are being met	• A corrective action plan with OMB-approved reduction targets is in place, and targets are being met. • VA has established reduction targets for newly established risk-susceptible programs.
• **Recovery Targets** - OMB Approved - Evidence that targets are being met	• A corrective action plan with OMB-approved recovery targets is in place. • VA established recovery targets for all risk-susceptible programs. • Recovery targets were met for this reporting period. • VA plans to continue implementing the simplification of agency regulations for determining and sustaining disability ratings; this will improve the accuracy of benefit payment amounts and decrease improper payments.

PMA Summary

SUMMARY TABLE 2	
Open Items at the Beginning of FY 2005	**FY 2005 Actions and Progress**
Faith-Based and Community Initiatives	
• First PMA Scorecard evaluation will be on September 30, 2005. • On June 30, 2005, there was an initial "no color" evaluation; therefore none of the standards have been evaluated as either outstanding or unmet.	• VA has developed a Proud to Be management plan. • We have completed all third quarter FY 2005 progress planned actions.

OMB PART Reviews - Summary Table 3

Starting in 2002, OMB began to evaluate all federal programs using a detailed questionnaire-driven methodology called the Program Assessment Rating Tool (PART). By year-end 2006, all federal government programs will have been reviewed. The PART is a diagnostic tool designed to analyze program operations and management and be a catalyst for improvement and change.

Once the review is completed, programs are given one of five ratings as follows: Effective, Moderately Effective, Adequate, Ineffective, or Results Not Demonstrated. To date, 9 of VA's 10 programs have been reviewed. Shown below (by strategic goal) for each reviewed program are the ratings, major findings and recommendations, and VA's actions and responses.

OMB PART Reviews	
SUMMARY TABLE 3	
Major Findings & Recommendations	**Actions and Responses**
Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans	
Disability Compensation Program (CY 2002, Results Not Demonstrated)	
• Create outcome measures on how disability payments affect the quality of life of disabled veterans.	• Five outcome measures were added to the 2005 budget submission (three for disability compensation and two for dependency and indemnity compensation).
• Demonstrate outcome-oriented results.	• The overall satisfaction rate, which is based on VBA's Annual Customer Satisfaction Survey, demonstrates outcome-oriented results. Customer satisfaction has improved from 52 percent in 2001 to 59 percent in 2004. The results from 2005 will not be available until 2006. • Data to demonstrate outcome-oriented results are not available for four of the five new outcome measures cited above (pending results of the Veterans' Disability Benefits Commission).
• Create cost-efficiency measures.	• Two National Accuracy Rate measures (core rating work and authorization) and Average Days to Process Rating-Related Actions are already in the budget. • A cost efficiency measure has been developed.
• Conduct a study as to whether program purpose is being met.	• The Veterans' Disability Benefits Commission was established and began meeting in May 2005. The Commission expects to complete its study in approximately 15 months.

OMB PART Reviews

SUMMARY TABLE 3

Major Findings & Recommendations	Actions and Responses
Strategic Goal #2: Smooth Transition to Civilian Life	
Education Program (CY 2003, Results Not Demonstrated)	
• Budget requests should be explicitly tied to performance.	• Initiatives in the President's budget are now linked to specific improvements in performance.
• Strong outcome goals and measures should be developed.	• Two program outcome measures were developed and reported in the President's 2006 budget.
• Cost effectiveness (i.e., efficiency measures) should be developed.	• An internal cost-effectiveness measure is being developed and will be completed by September 2006.
Housing Program (CY 2004, Results Not Demonstrated)	
• Strong outcome goals and measures should be developed.	• A new outcome measure is being developed for inclusion in the next strategic plan due to be published in February 2006.
• Sound financial management practices need to be developed and applied.	• Actions have been completed that dramatically reduced the Direct Loan Balance at maturity. • IT certification and accreditation is still unresolved for the "point of presence" site.
• Improve collaboration with related public and private sector programs.	• VA's Housing program effectively collaborates with other federal agencies and private sector programs.
Strategic Goal #3: Honoring, Serving, and Memorializing Veterans	
Medical Care Program (CY 2003, Adequate)	
• Budget requests should be linked to performance.	• VHA is improving its budget methodology to make better resource decisions based on program results.
• Further and enhanced coordination with DoD is needed.	• VA signed a formal agreement with the Indian Health Service resulting in more than 150 activities and programs undertaken. • VA/DoD Coordination ➢ Made significant progress on the bidirectional sharing of electronic health information. ➢ Initiated Joint Incentive Fund demonstration projects. ➢ Established VA Office of Seamless Transition to improve VA/DoD collaboration and communication during a departing servicemember's transition to civilian life.

OMB PART Reviews

SUMMARY TABLE 3

Major Findings & Recommendations	Actions and Responses
Strategic Goal #3: Honoring, Serving, and Memorializing Veterans, continued	
Insurance Program (CY 2005, rating has not yet been issued)	
This PART review was completed in 2005, but recommendations have not yet been issued by OMB.	
Pension Program (CY 2005, rating has not yet been issued)	
This PART review was completed in 2005, but recommendations have not yet been issued by OMB.	
Strategic Goal #4: Contributing to the Nation's Well-Being	
Burial Program (CY 2002, Moderately Effective)	
• Measures are needed to address National Shrine Commitment needs and performance.	• VA included three new measures in the President's budget, and baseline data are available. Two of the measures were added in 2005 and one was added in 2006. • NCA established the Organizational Assessment and Improvement Program for national cemeteries.
• Measures are needed for state cemetery grants.	• NCA established a process to conduct triennial reviews at state veterans cemeteries.
• Develop measures for monetary benefits/efficiency.	• VA included two new measures for the timeliness and accuracy of burial claims processing in the President's 2005 budget.
Medical Research and Development Program (CY 2005, rating has not yet been issued)	
This PART review was completed in 2005, but recommendations have not yet been issued by the Administration.	
Enabling Goal: Applying Sound Business Principles	
General Administration Program (CY 2004, Moderately Effective)	
• Better cost effectiveness measures are needed.	• VA adopted new asset management measures in accordance with Federal Real Property Council guidance.
• VA's budget request should be linked to performance.	• Monthly performance reviews are attended by agency leadership to assess performance and financial results and to take any necessary corrective action. • VA's most recent budget shows budget/performance linkage and better measures.
• Develop a process to hold managers accountable for program cost, schedule, and performance results.	• A five-tier performance appraisal system is in place for non-bargaining unit staff.

Performance Shortfalls - Summary Table 4

Shown below by strategic goal and measure are brief explanations of significant deviations between actual and planned performance. Also provided are steps being taken to ensure goal achievement in the future.

Performance Shortfalls

SUMMARY TABLE 4

Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans

Measure	Target	Actual
Appeals resolution time Board of Veterans' Appeals (BVA) (Joint measure with C&P)	500 days	622 days
Causes	• (a) Increased workload and (b) remands, which lengthen appeals resolution time and add to workload.	
Resolution Strategies	• VA must eliminate avoidable remands and increase productivity to contain and reduce the appeals backlog. • VA is strengthening intra-agency partnerships: BVA's joint training efforts with VBA, OGC, and VHA will improve decision quality and reduce remands and appeals.	

Compensation and Pension (combined) rating-related actions – average days to process	145 days	167 days
Causes	• The Veterans Claims Assistance Act of 2000 has significantly increased both the length and complexity of claims development. • Over the past several years, VBA has experienced a steady increase in workload – in claims receipts, claims complexity, and more direct contact with increasing numbers of servicemembers and veterans. For example, disability claims from returning war veterans, as well as from veterans of earlier periods, increased by 33 percent from 2000 to 2004. This steady increase continued in 2005 (+2 percent). Since 2003 – when VBA was successful in reducing the pending inventory – incoming claims, appeals, and all other associated claims and public contact workloads have continued to increase. • The ongoing hostilities in Afghanistan and Iraq, and the Global War on Terrorism in general, continue to increase the claims workload.	
Resolution Strategies	• VBA is using a variety of management approaches to address the increased workload, including improvements in productivity and shifting work among regional offices in order to maximize resources and enhance performance, as well as simplifying and clarifying benefit regulations and ensuring claims processing staff members have easy access to manuals and other reference materials needed to process claims as efficiently and effectively as possible. In addition, VBA is evaluating staffing levels to ensure that rising workload challenges can be met. • Improved training is being emphasized so that employees will receive essential guidance, materials, and tools to meet the changing and increasingly complex demands on their decision-making responsibilities.	

Performance Shortfalls

SUMMARY TABLE 4

Strategic Goal #2: Smooth Transition to Civilian Life

Measure	Target	Actual
Average days to complete original education claims	25 days	33 days
Causes	• Claims increased by more than 5 percent from 2004 to 2005 (+10,359 claims), coupled with the loss of several experienced claims examiners.	
Resolution Strategies	• VA will continue to develop process improvements, better workload forecasts, and resource estimates.	

Average days to complete supplemental education claims	13 days	19 days
Causes	• Supplemental claims increased by approximately 5 percent from 2004 to 2005 (+51,020 claims), coupled with the loss of several experienced claims examiners.	
Resolution Strategies	• VA will continue to develop process improvements, better workload forecasts, and resource estimates.	

Telephone Activities – blocked call rate (Education)	22%	38%
Causes	• The increase in claims resulted in a concurrent increase in the number of phone inquiries. Inquiries rose by more than 40 percent in 2005, as compared to 2004. This situation was exacerbated by the loss of several experienced claims examiners.	
Resolution Strategies	• VA will continue to develop process improvements, better workload forecasts, and resource estimates.	

Performance Shortfalls

SUMMARY TABLE 4

Strategic Goal #3: Honoring, Serving, and Memorializing Veterans

Measure	Target	Actual
Rating-related pension actions—average days pending	69 days	83 days
Non-rating pension actions—average days pending	73 days	111 days

Causes	• The Veterans Claims Assistance Act of 2000 has significantly increased both the length and complexity of claims development. • Over the past several years, VBA has experienced a steady increase in workload – in claims receipts, claims complexity, and more direct contact with increasing numbers of servicemembers and veterans. For example, disability claims from returning war veterans, as well as from veterans of earlier periods, increased by 33 percent from 2000 to 2004. This steady increase continued in 2005 (+2 percent). Since 2003 – when VBA was successful in reducing the pending inventory – incoming claims, appeals, and all other associated claims and public contact workloads have continued to increase. • The ongoing hostilities in Afghanistan and Iraq, and the Global War on Terrorism in general, continue to increase the claims workload.
Resolution Strategies	• VBA is using a variety of management approaches to address the increased workload, including improvements in productivity and shifting work among regional offices in order to maximize resources and enhance performance, as well as simplifying and clarifying benefit regulations and ensuring claims processing staff members have easy access to manuals and other reference materials needed to process claims as efficiently and effectively as possible. In addition, VBA is evaluating staffing levels to ensure that rising workload challenges can be met. • Improved training is being emphasized so that employees will receive essential guidance, materials, and tools to meet the changing and increasingly complex demands on their decision-making responsibilities. • Pension maintenance activities (e.g., income adjustments) have been consolidated into three regional offices – Philadelphia, Milwaukee, St. Paul – over the last several years. Further consolidation of other pension work into these centers is now being reviewed.

Performance Shortfalls

SUMMARY TABLE 4

Strategic Goal #3: Honoring, Serving, and Memorializing Veterans

Measure	Target	Actual
Average number of days to process a claim for reimbursement of burial expenses	42 days	57 days
Causes	• While the specific claims for burial expenses have not increased over the last few years, VBA has experienced a sharp growth in claims receipts (both rating and non-rating). Since 2000, overall claims receipts have risen by more than 12 percent. This growth also translates into an increase in such items as appeals and public contact workloads. In addition, the Veterans Claims Assistance Act of 2000 has significantly increased both the length and complexity of claims development.	
Resolution Strategies	• VBA is using a variety of management approaches to address the increased workload, including improvements in productivity and shifting work among regional offices in order to maximize resources and enhance performance, as well as simplifying and clarifying benefit regulations and ensuring claims processing staff members have easy access to manuals and other reference materials needed to process claims as efficiently and effectively as possible. In addition, VBA is evaluating staffing levels to ensure that rising workload challenges can be met. • Improved training is being emphasized so that employees will receive essential guidance, materials, and tools to meet the changing and increasingly complex demands on their decision-making responsibilities.	

Enabling Goal: Applying Sound Business Principles

Measure	Target	Actual
Percent of cases using alternate dispute resolution (ADR) techniques	72%	9%
Causes	• At this time, the Department is uncertain as to the causes of the low percentage of cases using ADR. The Department offers ADR to all parties coming before the Board of Contract Appeals (BCA) as the preferred option for dispute resolution. Indeed, under the Contracts Disputes Act, BCA itself is a form of ADR in lieu of formal adjudications before federal courts. However, ADR is voluntary and the Department has not identified any intrinsic issue or concern that would account for parties' decreased ADR use in BCA cases.	
Resolution Strategies	• VA is developing strategies to promote increased use of ADR in resolving cases, including means for making disputants more aware of BCA-sponsored ADR and encouraging its use. For example, two strategies being developed are (1) increasing education and training of Department Contracting Officers and Contracting Officer Technical Representatives in the awareness and use of ADR and (2) updating Department policy and guidance on ADR use and practice.	

Performance Shortfalls

SUMMARY TABLE 4

Enabling Goal: Applying Sound Business Principles

Measure	Target	Actual
Number of material weaknesses identified during the annual Financial Statement audit or identified by management	2	4
Causes	• There is a lack of compliance with established policies and procedures at field facilities.	
Resolution Strategies	• VA will: ➢ Enhance monitoring controls over medical center financial and performance metrics reporting. ➢ Educate and enforce accountability of medical center directors and other supervisory personnel having responsibility for accurate financial reporting and promoting timely and thorough follow up. ➢ Improve compliance of controls on the review and approval of transactions. ➢ Establish testing of compliance with VA policies and procedures.	

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Financial Highlights

Pursuant to the requirements of 31 U.S.C. 3515(b), VA's financial statements report the financial position and results of operations of the Department. Deloitte & Touche, LLP, performed the audit of the statements under the direction of the Office of Inspector General. While the statements have been prepared from the books and records of the entity, in accordance with the formats prescribed by the Office of Management and Budget, they are, in addition to the financial reports, used to monitor and control budgetary resources that are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides the authority to do so.

VA received an unqualified opinion on the Department's financial statements for 2005 and 2004 from the external auditors, Deloitte & Touche, LLP, continuing the tradition of financial management excellence first achieved in 1999. As a result of its audit work, Deloitte & Touche, LLP reported three reportable conditions, all of which are also material weaknesses. The Department continues to make significant progress on correcting the repeat material weaknesses and reportable conditions.

VA programs operated at a net cost of $263.4 billion in 2005 compared with $33.3 billion in 2004. The calculation of the actuarial liability for future years' veterans' compensation, which increased by $197.8 billion during 2005 and decreased by $30.0 billion during 2004, heavily impacts each year's cost. The actuarial liability for future years' veterans' compensation increased in 2005 due to a significant decrease and flattening of the current interest rates during the year in all but those of very short term durations. Excluding the change in this actuarial liability from the net cost would result in an adjusted net cost for VA's programs of $65.6 billion and $63.3 billion for 2005 and 2004, respectively. The majority of the change applies to three programs--medical care increased $3.0 billion, compensation increased $2.3 billion, and loan guarantee decreased $2.6 billion.

An examination of assets and liabilities reported on VA's balance sheets reveals one line with changes greater than $1 billion. This change is an increase in the Federal Employee and Veterans Benefits Liabilities, which is related to the increase in the actuarial liability for future compensation payments. It should be noted that the future cash flows to liquidate the Federal Employee and Veterans Benefits Liability are not supported by any identifiable assets, as they are anticipated to be funded from the future general revenues of the U.S. Government. The change in the compensation liabilities is the most significant component of the change in Cumulative Results of Operations.

Medical Care collections continue to improve. In 2005 collections totaled approximately $1.8 billion, which builds on the $1.7 billion collected in 2004, and is a significant increase over the 2003 total of $1.2 billion. VA plans to continue to increase these collections, reaching $2.0 billion in 2006 and $2.2 billion in 2007.

In the area of debt management, VA exceeded the goals established with the Department of the Treasury for the Treasury Offset Program (TOP) and the cross-servicing program. VA referred $276 million (99 percent) of eligible debt to Treasury for offset under TOP. Under the cross-servicing program, VA referred $164 million (97 percent) of eligible debt to Treasury for collection.

During 2005 the Department aggressively used the governmentwide commercial purchase card program. Over 3.7 million transactions were processed, representing over $2 billion in purchases. The electronic billing and payment process for centrally billed accounts earned VA $35 million in rebates – compared to $30 million during the same period in 2004. These rebates are returned to VA entities for use in

veterans programs. The increase in rebates can be primarily attributed to the increase in basis points VA receives as a result of the re-competed contract with the contract bank.

Throughout 2005 VA continued to make operational enhancements, which resulted in improvements in interest paid, discounts earned, and audit recoveries. Interest improvements occurred largely because VA centralized VHA-certified payments at the Financial Services Center (FSC), while discounts earned increased due to operational improvements implemented at the FSC and VA's National Acquisition Center. Interest paid as a percentage of principal decreased by 14 percent, and discounts earned increased by 124 percent compared to 2004.

In 2005 VA's recovery audit program recovered improper payments and unapplied vendor credits totaling nearly $2.7 million. Since inception in 2001, VA has recovered $13.2 million in improper payments and cancelled another $13.2 million in improper payments before making payment. VA awarded a recovery audit contract in December 2000 to review past payments by VA's Health Administration Center for hospital care. In 2005, collections for overpayments totaled $15.5 million. Routine recovery collections totaled an additional $10.2 million.

Under 38 U.S.C. 8161, et seq., VA entered into enhanced-use leases to maximize use of underutilized VA property. In return, VA has received fair consideration including goods, services, or space beneficial to VA's mission. Currently, seven of the enhanced-use leases transferred their assets and liabilities to a trust. The agreements establishing the trusts are reviewed and, where appropriate, the trust financial statements are consolidated with the VA consolidated financial statements in accordance with generally accepted accounting principles. Enhanced-use leasing has proven to be very beneficial to the Department, and VA anticipates examining alternative leasing structures and expanding the use of enhanced-use leases to meet critical capital needs.

In an effort to address a repeat reportable condition on operational oversight reported by the Department's external auditors, VHA implemented several monitoring and performance measures, including evaluation of each facility's monthly financial indicators report that measures performance in 19 significant areas. During 2005 VHA implemented a Web-based internal control certification checklist that requires financial staff to certify monthly, quarterly, and annually that their processes are in compliance with financial policy and procedures. This information is used to determine those facilities needing assistance, with follow-on assistance provided in a timely manner. VHA plans to educate and enforce accountability of medical center management, improve controls on review and approval of transactions, and establish compliance testing of VA policies and procedures. Additional focus on operational oversight will continue in 2006 due to the elevation of this reportable condition to a material weakness.

VA's three administrations continued efforts to improve internal controls over finance, acquisition, and asset management functions and realign them to maximize effectiveness and efficiency. VHA continued to centralize certain operations at the network and facility levels and their structure includes a Chief Financial Officer (CFO), Chief Logistics Officer, Capital Asset Manager, and Financial Quality Assurance Manager. VBA centralized these same activities into product lines, with a direct line to the VBA CFO. In 2004 VBA centralized administrative accounting functions for two regional offices into one location; by the end of 2005, an additional 20 offices will be centralized, with the remaining scheduled in 2006. Additional areas (non-pension waiver cases, voucher audit for Chapter 31 payment process) are currently under review to determine if centralization/consolidation is feasible. NCA plans to establish one site for each of the primary activities -- finance, acquisition, and asset management. Currently, the greatest proportion of contracting, finance, and accounting support for the national cemeteries is provided by a VA medical center or regional office. NCA created its own finance division, collocated with its procurement office in Quantico, Virginia, and continues to make progress on its plans to expand finance and acquisition services and assume direct responsibility for these activities over the next several years.

Management Controls, Systems, and Compliance With Laws and Regulations

The auditors' report on internal controls, prepared at the completion of VA's 2005 financial statement audit, includes three material weaknesses: "Information Technology (IT) Security Controls," "Integrated Financial Management System," and "Operational Oversight." In the IT material weakness, the auditors reported that VA's program and financial data continue to be at risk due to serious weaknesses related to access control, segregation of duties, service continuity, and change control. In the second material weakness, the auditors reported continuing difficulties related to the preparation, processing, and analysis of financial information to support the efficient and effective preparation of VA's consolidated financial statements. The third material weakness, "Operational Oversight," was a repeat reportable condition in FY 2004 that was elevated to a material weakness in FY 2005. In this finding, the auditors reported instances where key internal controls were not effective, policies and procedures were not adhered to, and reconciliation processes were not performed consistently or completely.

The Department has made progress in correcting the IT Security Controls material weakness, including achieving compliance with HIPAA security rules. Resources have been maximized to improve the overall security posture, and work will continue in the next fiscal year. Also, VA has reassessed its plans to correct the Integrated Financial Management System material weakness. The Department is implementing the Hyperion Financial Management reporting system to improve the preparation, processing, and analysis of financial information. In addition, VA is implementing a data warehouse to assist in streamlining its financial reporting processes. Final resolution of this weakness is a multi-year effort. VHA took steps to address the Operational Oversight reportable condition this past year, including implementation of a monthly reconciliation monitoring process, provision of additional training, and development and tracking of key financial performance measures. The elevation of this reportable condition will prompt a more concerted effort to monitor compliance and enhance control over financial processes and procedures.

The auditors' report on compliance with laws and regulations, also prepared as a result of the 2005 financial statement audit, discusses Departmental non-compliance with the Federal Financial Management Improvement Act requirements concerning Lack of Integrated Financial Management System, Information Technology (IT) Security Controls, and Operational Oversight. Except for these instances of non-compliance, the report concludes that for the items tested, VA complied with those laws and regulations materially affecting the financial statements.

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to establish management controls over their programs and financial systems. Throughout the fiscal year, VA managers monitor and improve the effectiveness of management controls associated with their programs and financial systems. The results of monitoring and conducting other periodic evaluations provide the basis for the Secretary's annual assessment of and report on management controls. VA managers are required to identify material weaknesses relating to their programs and operations pursuant to sections 2 and 4 of the FMFIA as defined:

- Section 2 seeks to assess internal controls necessary to ensure compliance with applicable laws; protect against loss from waste, fraud, and abuse; and ensure receivables and expenditures are properly recorded.
- Section 4 seeks to assess nonconformance with governmentwide financial systems requirements.

Progress on Material Weaknesses

VA managers continue to make progress in correcting existing material weaknesses and non-conformances. The 2005 Consolidated Financial Statements Audit Report disclosed one repeat reportable condition that was elevated to a material weakness. There are no new management control material weaknesses disclosed or reported under FMFIA. At the end of 2004, two audit-related material weaknesses[1] (Information Technology Security Controls and Lack of Integrated Financial Management System) and two management control weaknesses consisting of two non-conformances were carried forward in 2005.

Corrective actions were implemented and closure approved during 2005 for one of the FMFIA material weaknesses—PAID System – Mission Performance. The remaining four material weaknesses (three audit-related material weaknesses and one management control material weakness) are shown in the tables below, which provide the current status of the Department's material weaknesses.

Audit Material Weaknesses

Description	Current Status	Resolution Target Date
Information Technology Security Controls – VA's assets and financial data are vulnerable to error or fraud because of weaknesses in information security management, access to controls and monitoring, and physical access controls.	Plans are being implemented to address this weakness. The Department has maximized limited resources to make significant improvement in VA's overall security posture in the near term by prioritizing Federal Information Security Management Act remediation activities.	2006
Lack of Integrated Financial Management System – Difficulties exist in the preparation, processing, and analysis of financial information to support the efficient and effective preparation of VA's consolidated financial statements.	VA is implementing a COTS financial reporting system that will improve the efficiency of financial statement preparation. In addition, VA is developing plans to address the Department's financial and logistics deficiencies.	2010
Operational Oversight – Internal controls and reconciliation processes were not performed consistently or completely.	VHA plans to enhance monitoring controls over medical centers' financial and performance metrics reporting; educate and enforce accountability of medical centers' management; improve controls on review and approval of transactions; and establish compliance testing of VA policies and procedures.	TBD

[1] The use of the term "material weakness" should not be confused with use of the same term by government auditors to identify management control weaknesses, which, in their opinion, pose a risk or threat to the internal control systems of an audited entity, such as a program or operation. Auditors are required to identify and report those types of weaknesses at any level of operation or organization, even if management of the audited entity would not report the weaknesses outside the agency.

Management Control Weaknesses

Description	Current Status	Resolution Target Date	Section 2	Section 4
Internal Control Weaknesses in the Compensation and Pension Payment Process – Erroneous and fraudulent payments were found.	Procedures are underway to augment internal controls in the area of erroneous payments. Security features and controls have been implemented and are being further tested to ensure they are operating accurately.	December 2005	X	

Federal Financial Management Improvement Act

The Federal Financial Management Improvement Act (FFMIA) encourages agencies to have systems that generate timely, accurate, and useful information with which to make informed decisions and to ensure accountability on an ongoing basis. The Department faces challenges in building and maintaining financial management systems that comply with FFMIA. Under FFMIA, VA is substantially compliant -- with the exception of federal financial management systems requirements. VA has now initiated a 4-year remediation program to eliminate the existing material weakness--Lack of an Integrated Financial Management System. This new program will be referred to as VA's Financial and Logistics Integrated Technology Enterprise (FLITE)--the goal of which is to correct financial and logistics deficiencies throughout the Department. For FY 2006 and 2007, the work associated with FLITE will be primarily "functional" in nature, that is, oriented on planning and the standardization of financial and logistics processes and data. This effort will be led by the Assistant Secretary for Management and will be very labor intensive involving both contractor and Government personnel. During those fiscal years, a detailed review and analysis of software options will also occur and will include "pilot programs" as needed. The Department is also implementing the Hyperion Financial Management reporting system to improve the preparation, processing, and analysis of financial information and a data warehouse to assist in financial reporting.

In 2005 the Systems Quality Assurance Service (SQAS) within the Office of Business Oversight completed three major financial management systems reviews in accordance with the guidelines established within SQAS' newly created financial systems review program. The reviews were conducted to identify the systems' compliance with the requirements of FFMIA, as implemented by OMB Circular A-127. VA's Credit Card System and Financial Reporting System were found *Substantially Compliant,* and the review of the Corporate WINRS system identified opportunities to enhance the functionality of the system to better address requirements for internal control and financial management.

Federal Information Security Management Act

The Federal Information Security Management Act (FISMA) provides the framework for securing the federal government's information technology. All agencies covered by the Paperwork Reduction Act must implement the requirements of FISMA and report annually to the Office of Management and Budget and Congress on the effectiveness of the agency's security programs. The reports must also include independent evaluations by the agency Inspector General. VA is aware of the vulnerability of its assets and financial data to error or fraud and is in the process of correcting the Information Technology Security Controls material weakness. Implementation plans are in place to address this significant deficiency, as identified in the FY 2005 Fourth Quarterly FISMA Report, dated September 15, 2005. VA met its goal to have all major systems certified and accredited by August 31, 2005.

IG Act Amendments of 1988

VA collected $3 million in disallowed costs from VA-contracted suppliers in 2005.

The Inspector General (IG) Act requires management to complete all final actions on recommendations within 1 year of the date of the IG's final report. Departmentwide, there are 13 reports that have been pending final action for over 1 year. Delays were incurred in implementing recommendations as a result of the development and implementation of new regulations or directives, collection and/or write-off activities, and system changes. Per the IG Act reporting requirements, the following table is a summary of the Office of Inspector General reports with the management dollar value of Disallowed Costs and Funds to Be Put to Better Use.

Disallowed Costs and Funds to Be Put to Better Use Reporting Period October 1, 2004—September 30, 2005 *(dollars in millions)*				
	Disallowed Costs		Funds to Be Put to Better Use	
	Reports	Value	Reports	Value
Balance 9/30/04	5	$0.3	19	$743.3
New Reports	19	$4.2	110	$771.3
Total	24	$4.5	129	$1,514.6
Completed	16	$3.0	102	$744.5
Balance 9/30/05	8	$1.5	27	$770.1

Source: *Compliance with the IG Act Amendments of 1988* section reported by Office of Inspector General, Operational Support Division.

Prompt Payment Act

VA continued to enhance its vendor payment processes throughout 2005. The Department processed over 5.5 million Prompt Payment Act-eligible invoices worth over $8.7 billion, with over 99 percent paid on time. In 2005, interest payments VA-wide declined by $116,000 (from $862,000 to $746,000) -- a 13.5 percent improvement over 2004. At the same time, discounts earned surged by $3.4 million to $6.2 million, a 124 percent improvement over 2004 levels. VA's percentage of discounts earned also improved from 86.1 percent in 2004 to 91.1 percent in 2005. Combined, payment processing improvements saved VA $3.5 million in 2005, which will be used to improve veterans' care. VA also continued to gain efficiencies and better results through an initiative to centralize vendor payment activities at the Financial Services Center (FSC) in Austin, Texas. By centralizing vendor payment activities, VA strengthened its focus on identifying and preventing vendor payment errors. The FSC also enhanced audit recovery efforts over improper/duplicate vendor payments. The FSC routinely reviews VA vendor payments daily to systematically identify, prevent, and recover improper payments made to commercial vendors. Current payment files are matched to identify and, where possible, prevent duplicates prior to payment. Also, payments from prior fiscal years are matched to identify potential duplicate payments for further analysis, assessment and, as appropriate, collection. The FSC staff also reviews vendor payments to identify and collect improper payments resulting from payment processing such as erroneous interest penalties, service charges, and sales taxes. This initiative recovered over $124,000 during 2005 for reuse by VA entities.

Overall, collections of improper payments and the recovery of unapplied vendor statement credits totaled over $2.7 million. Improved payment oversight also enabled VA to identify and cancel nearly $3.5 million in potential improper payments prior to disbursement. Since the FSC audit recovery effort's inception in 2001, VA has recovered $13.2 million in improper payments and prevented the improper payment of another $13.2 million.

During 2005 the Department aggressively used the governmentwide commercial purchase card program. Over 3.7 million purchase card transactions were processed, representing over $2 billion in purchases. The electronic billing and payment process for centrally billed card accounts earned VA $35 million in credit card rebates--compared to $30 million during the same period in 2004. These rebates are returned to VA entities for use in veterans programs. The increase in rebates can be mostly attributed to the increase in basis points VA receives as a result of the re-competed contract with the contract bank.

VA's fee basis credit card program went "live" in September 2003. This program electronically automates Health Care Fee Basis payments, eliminates processing of paper checks, and earns VA additional purchase card rebates. During 2005 the number of Fee Basis purchase card transactions exceeded 96,000 and were valued at $25 million in payments, earning VA over $414,000 in additional rebates compared to $82,000 during 2004.

VA's Prime Vendor Payment System automates payments under a nationwide prime vendor centralized purchasing contract. During 2005, 126 VA medical centers used the Prime Vendor System to electronically process over 468,000 transactions worth over $3.7 billion.

VA's Travel Management Centers (TMC) serve veterans and employees who travel frequently. The billings are transmitted electronically from each TMC, and payment is sent daily through the Department of the Treasury's Electronic Certification System. During 2005 the travel management program processed over 100,000 transactions, disbursed payments of over $19 million and earned over $274,000 in rebates.

VA's FSC staff continued to provide vendor payment history on the Internet. Currently, the Vendor Inquiry System (VIS) Internet application stores over 3 years of information on invoices. Once vendors complete an authentication process, they can access a secure Web site to view payment information for their company. Currently there are 16,101 registered vendors who have made over 408,000 requests in 2005 and over 1.1 million requests since VIS's inception in April 2003. The VIS provides FSC vendors an easy-to-use tool for immediate access to their payment information 24 hours a day without having to call and wait for a person to provide payment information. The VIS has also improved customer service efficiency of the FSC staff by handling many routine inquiries and freeing staff to work the more difficult issues for customers.

The FSC also continued to improve the Intranet online invoice certification process that allows invoices to be certified electronically by VA facilities and schedule the invoices for payment. VA's On Line Certification System (OLCS) allows the FSC to notify certifying officials via e-mail of any invoice requiring payment certification. Through the Intranet, the certifying official can view, certify, and forward the invoice to the FSC for payment processing, reducing the processing time to hours rather than days. The FSC continued to expand the certified invoice service throughout VA (including headquarters offices and VHA) in 2005 and implemented OLCS at all facilities as part of the VHA payment centralization initiative. That brought the number of OLCS users to more than 10,000 VA employees.

Improper Payments Information Act of 2002 (Summary of Implementation Efforts for FY 2005 and Agency Plans for FY 2006 through 2008)

Overview

VA reviewed the requirements of the Improper Payment Information Act (IPIA) of 2002 to identify those programs that are susceptible to significant erroneous payments. After completing the review, VA performed risk assessments for all 19 programs, which account for approximately the entire VA budget. Statistical samplings were performed on all required programs to estimate improper payments.

Our review revealed that 13 of the programs had estimated improper payments of less than $10 million; thus, no report was required for these programs. Dependency and Indemnity Compensation (DIC) is one of the programs previously identified in the former Section 57 of OMB Circular A-11 but is reported here as part of Compensation & Pension. The remaining five programs either had estimated improper payments exceeding $10 million and/or were programs previously identified in the former Section 57 of OMB Circular A-11. These include the Compensation & Pension, Education, Insurance, Loan Guaranty, and Vocational Rehabilitation & Employment programs. Further details are provided in Part IV of this report.

Accomplishments

VA's Assistant Secretary for Management/Chief Financial Officer (CFO) is the designated senior official responsible for implementing IPIA. The CFO is responsible for establishing policies and procedures to assess VA program risks of improper payments, taking actions to reduce those payments, and reporting the results of those actions to VA management. Managers of all programs identified for review are aware of the importance of the IPIA. All 19 programs identified for review completed the risk assessment during 2005, in accordance with VA's IPIA plan.

VA's recovery targets for all susceptible programs have exceeded their 2004 targeted amounts, as shown in a chart in Part IV, VA Recovery Targets for all Susceptible Programs. Public Law 107-103, enacted in December 2001, prohibits veterans who are fugitive felons, or their dependents, from receiving specified veterans benefits. VA recently obtained information identifying more than 100,000 individuals that are on federal, state, or local law enforcement fugitive felon lists. These lists have assisted VA in identifying erroneous payments.

Plans to Accomplish

Efforts are still ongoing to rewrite regulations into clear and understandable language, as well as to develop and automate claims processing for the Education program. VA is consolidating the processing of all pension maintenance workload in order to improve the quality and timeliness of the pension processing, as well as to focus training in this area. The goal is to reduce the amount of erroneous payments in all programs. The Vocational Rehabilitation & Employment program continues to move forward in developing and implementing plans to reduce the estimate rate of improper payments. The Loan Guaranty program will continue to conduct 100 percent post-payment reviews of all Specially Adapted Housing grant payments.

Financial Management Systems Framework

Overview

The Department's strategy, defined about 12 years ago, is based on goals to replace outdated and noncompliant systems with more modern, commercial off-the-shelf (COTS), Joint Financial Managers Improvement Program (JFMIP)-compliant systems based on new technology. This strategy was enhanced to incorporate business process reengineering in the requirements, acquisition, and development and implementation phases of projects.

The Systems Quality Assurance Service, through its financial systems review program (FSRP), provides the CFO with independent review and advisory services designed to add value and improve the acquisition, development, maintenance, and retirement of VA financial systems. The scope of this work is to determine whether the Department's financial systems comply with the FFMIA, as implemented by OMB Circular A-127.

FSRP staff conducts financial systems reviews to determine compliance with OMB Circular A-127, conducts management-directed program activities and system management reviews of project management processes and results, and monitors corrective action to address findings of deficiencies.

In 2005 FSRP staff conducted three reviews under OMB Circular A-127 and two management-directed, limited scope reviews. Management-directed, limited scope reviews were conducted of the Credit Card System and the Veterans Health Information Systems and Technology Architecture (VistA) Accounts Receivable system. The Department is implementing recommendations from these reviews. VA's updated financial systems inventory provides details on all major financial and mixed systems. The major financial system initiatives funded by the Department over the last 13 years to achieve VA's strategic goals have included the following:

- The Financial Management System (FMS), a project to replace VA's 1970's central accounting system. In the FMS initiative, completed in 1995, VA successfully met its stated objectives and implemented FMS as its single, core accounting system based on a certified COTS, JFMIP-compliant system with interfaces to all other VA payment and accounting systems. In the succeeding, post-implementation years, VA completed several studies and determined there were remaining inefficiencies in the overall financial management processes, areas of noncompliance in our mixed systems, and new mission business requirements that could not be supported economically in the current systems. Difficulties were also cited by auditors related to the preparation, processing, and analysis of financial information in the preparation of VA's consolidated financial statements. Efforts are ongoing to address this weakness.

- CoreFLS was a project to replace VA's financial management system (FMS), the Integrated Funds distribution, Control point activity, Accounting and Procurement (IFCAP) system, and other financial and logistics systems interfacing to FMS with a fully integrated system comprised of commercial, off-the-shelf software. Although piloted at three sites during 2004, pilot activities were phased out. Subsequent to the pilot phase-out, a board of directors chaired by VA's Chief Information Officer examined the results of the CoreFLS pilot program and presented recommendations to the Secretary on the program's future. Based upon this evaluation, which highlighted the criticality of addressing fundamental organizational and business standardization issues prior to a system implementation, the CoreFLS project was terminated. VA has now initiated a 4-year remediation program to eliminate the existing material weakness—Lack of an Integrated Financial Management System. This new program will be referred to as VA's Financial and Logistics Integrated Technology Enterprise (FLITE)—the goal of which is to correct financial and logistics deficiencies throughout the Department.

- VA is participating in the federal-wide plan to consolidate federal payroll services and processes, which is included in the President's Management Agenda for Improving Internal Efficiencies and Effectiveness. VA has been aligned with the Defense Finance and Accounting Service (DFAS) as its future payroll provider. Efforts are currently underway to complete required system changes to VA's legacy systems and build the interfaces necessary to migrate VA payroll services to DFAS.

VA's financial system recent accomplishments as well as plans for the next 5 years are detailed as follows.

Financial Management System (FMS) Accomplishments and Plans

VA continued production support and maintenance of FMS during 2005. Due to the suspension of the CoreFLS project, VA will need to continue operation of FMS as the core accounting system until a suitable replacement is available. VA is currently addressing this need and is confronting this with a two-fold approach: an effort to improve FMS financial reporting and an effort to improve FMS data reconciliation.

VA has selected a "business intelligence" tool that will enable standardized and streamlined financial reporting to meet OMB and Treasury requirements. Once configured, this tool will produce VA's consolidated financial statements. The planning and design of this solution was a significant accomplishment in 2005. VA is also planning an effort to enhance the reconciliation of FMS interface data with each of the material interfaces. This effort is still in the conceptual design phase, but will ultimately allow for greater data reconciliation efforts to further ensure the integrity of FMS data. These efforts represent a proactive approach which will put VA in a better position to successfully transition to a new system in the future.

CoreFLS Accomplishments and Plans

A board of directors chaired by VA's Chief Information Officer examined the results of the CoreFLS pilot program and presented recommendations to the Secretary on the program's future. Activities completed to support the recommendation include assessing lessons learned, analysis of "As Is" and development of "To Be" business processes, identification

of VA-wide standardization opportunities, and product analysis and evaluation. Based upon the need to address fundamental organizational and business standardization issues, it was determined that a system implementation was premature and the CoreFLS project was terminated. VA has now initiated a 4-year remediation program, in concert with the FM Line of Business (FMLOB) objectives, to eliminate the existing material weakness—Lack of an Integrated Financial Management System. This new program will be referred to as VA's Financial and Logistics Integrated Technology Enterprise (FLITE)—the goal of which is to correct financial and logistics deficiencies throughout the Department. VA efforts will support the FMLOB goals for efficiency and focus on eliminating the material weakness.

PAID Accomplishments and Plans

As part of VA's strategy to ensure the legacy payroll and HR systems (i.e., PAID and related systems) will still be useable for the next 5 to 10 years, VA has completed the following activities:

- Following the successful implementation of the Office of Personnel Management's Employee Express (EEX) system in 2003, VA automated interfaces from EEX to PAID. This has allowed VHA to reassign staff at the VA Health Revenue Center (HRC) from duties relating to employee self-service to cost recovery and revenue generation tasks. In May 2003 the HRC had 88 FTE supporting employee self-service, and only 8 FTE have been supporting EEX since 2004. The recurring costs for VA's previous employee self-service system were approximately $3.8 million in 2003; VA's costs for EEX were $775,000 in 2004, and $948,927 in 2005, an average annual savings of $2.938 million.

- The PAID system received final accreditation by the VA Chief Information Officer on January 13, 2004. This accreditation provides full authorization for VA to operate PAID until December 10, 2006, unless a significant change warrants an earlier recertification.

- VA made substantial progress in completing the Web-enabling of its HR system user interface. Nationwide roll-out of the Web interface was completed in December 2004. Screens for non-users were Web-enabled in September 2005 and will be fully deployed by December 2005.

- Seventy deferred requirements were successfully completed for PAID in 2004. The remaining nine deferred requirements have been incorporated into the e-Payroll initiative and development timeline.

Extending the Service Life Initiatives

Commensurate with work on the e-Payroll initiative, other initiatives were begun in an attempt to extend the service life of PAID and related systems for the next 5 to 10 years. The status of these initiatives is as follows:

- Web-Reports (design, development, and implementation of a Web-based reporting tool for extraction of data from PAID). This initiative will use a relational database to create reports. It will also acquire and deploy Web-based reports and tools to improve human resources and payroll reporting. A pilot was completed in March 2004. Because of the need to focus resources on the e-Payroll initiative, further development on the Web-Reports has been deferred indefinitely.

- Web-Time & Attendance (development of a Web-based time and attendance (T&A) system for VA employees). This initiative has been realigned to occur as part of the e-Payroll initiative.

- Modernize the OLDE Infrastructure (convert the OLDE database to a relational database and use this database for the Web-Reports and Web-T&A initiatives). No further work is being done on this initiative and it has been removed from further consideration.

e-Payroll Accomplishments and Plans

Numerous meetings were held with DFAS and VA to identify differences in policies, business processes, and system functionality for payroll, benefits, debts, accounting, and human resources. There were over 700 follow-up action items generated and all were resolved. There were also 247 differences identified between VA and DFAS policies, business processes, and system functionality; VA and DFAS reached agreement on resolutions for all 247 differences. Several of the system changes DFAS will be making to fulfill VA requirements will be made available for use by other agencies serviced by DFAS.

VA provided DFAS with a roll-out plan for converting approximately 300 locations. This plan groups the locations into one of five conversions and includes dates for beginning each of the five conversions. VA and DFAS have also defined high-level roles and responsibilities for each agency, as well as performance measures that will be used to determine whether to proceed with converting a station or group of stations. VA has also begun work to modify VA's PAID Time and Attendance system and to build interfaces required by DFAS for payroll processing. Subsequent to conversion, VA's PAID system will continue to be used for HR processes until VA and other agencies migrate to the integrated HR and payroll system that is expected to be available under the eHR Line of Business.

e-Travel Accomplishments and Plans

Use of VA's existing travel systems continued in 2005, including PCTravel, Gelco, and Zegato. VA focused efforts on evaluation and selection of one of three GSA eTS vendors available on the GSA master contract. With substantial participation by VA's three administrations in oversight and source selection, VA conducted a thorough evaluation of each offering, including hands-on testing of functionality, system performance, and comparative pricing. In January 2005, VA awarded a task order to EDS from GSA's master contract to provide e-Travel Services (eTS) to VA. EDS partnered with Zegato Solutions for its eTS offering of FedTraveler.com. VA's task order has a 9-year life cycle (inclusive of options). VA established an eTS Migration Team to ensure the necessary resources and completion of tasks for a successful implementation of FedTraveler.com. The team participated in a February kickoff meeting with EDS and GSA, completed testing of FedTraveler.com, and submitted a gap analysis to EDS. EDS agreed to develop items identified in the gap analysis. VA conducted partial testing of gap items and the accounting interface. VA also plans a load test to ensure FedTraveler.com can support VA requirements and has awarded a task order to STG, Inc. to conduct the independent load test. VA also established monthly high-level meetings with EDS to review project status. Upon completion of software development and development of new architecture by EDS, VA will complete testing of gap items and the accounting interface. Upon acceptance of the gap items and accounting interface and successful completion of the load test, VA plans to proceed with implementation in 2006 and 2007.

Other Systems Accomplishments and Plans

Electronic Commerce (EC)/Electronic Data Interchange (EDI). EC/EDI uses commercially available, off-the-shelf software and national standards to move mission-critical information between VA and each of its trading partners—which includes vendors, mortgage service providers, and health care entities. EC/EDI also provides for internal exchange of information among VA application systems. Electronic data transfers enable program offices to restructure their work processes, take advantage of the accuracy and timeliness of electronic data, and concentrate on service objectives. To leverage the EDI translation capabilities of the newer generation of products, the FSC will implement a server-based translator system to utilize the Internet as another medium for business transactions. Once implemented, small businesses will have the capability of low-volume transactions without incurring prohibitive costs.

VA's Financial Services Center (FSC) provides EDI services to process VHA Medical Care Cost Recovery (MCCR) health care billings. The FSC is also supporting VHA initiatives such as electronic Insurance Identification and Verification (e-IIV), electronic Pharmacy (e-Pharmacy), electronic Medicare Remittance Advice (e-MRA), and the MCCR lockbox initiative for recording receipt of payments for third-party medical claims. Additionally, the FSC provides EDI services to assist the Veterans Canteen Service in receiving and processing invoices.

The FSC will continue to support VA's efforts to increase cost savings and program efficiencies through the expansion of electronic data transfers in VA applications. The FSC will also continue to support VHA's efforts to comply with EC/EDI mandates identified in the Health Insurance Portability and Accountability Act (HIPAA) of 1996. The FSC continues to use the latest versions of software to electronically ensure the validity of data with regard to HIPAA compliancy.

In our efforts to provide VHA with e-Claims reports, the FSC has created a portal for management reports. This portal allows managers to access up-to-date statistics of their data when they need the information. The portal will continue to be updated to include new reports as requested.

In addition to VHA, the FSC provides EC services to VA's Denver Distribution Center for invoices and payment vouchers. Commercial invoices, FMS payments, and the subsistence prime vendor program services are also provided to VA nationwide. Furthermore, VBA benefits from FSC EC services in the FSC's handling of loan processing, identifying the status of loan defaults, and processing of loan guaranty certificates.

Major EC/EDI Initiatives Planned

Tasks	Target Dates
Support MCCR lockbox receipt of payments.	FY 2006 – FY 2010
Support (by providing both development and production support services) VHA's HIPAA compliance efforts.	FY 2006 – FY 2010
Support EDI production projects on a continuing basis.	FY 2006 – FY 2010
Support reports portal.	FY 2006 – FY 2010
Implement the Trusted Link Enterprise translation software.	FY 2006

On Line Certification System (payment certification). The FSC developed the On Line Certification System (OLCS) in 2000. The OLCS application, based on input and suggestions from FSC customers, provides a simple, effective method for certifying officials to view and certify invoices without having to manually route paper invoices. Under OLCS, vendors send invoices directly to the FSC. Within 24 hours, an invoice is scanned into the FSC's document management system (DMS), given a document locator number, and indexed with the information required to process the invoice. The DMS is the FSC's optical imaging system used to route and process all documents in a paperless form. Once scanned, the invoice becomes an electronic image that can be stored for the remainder of its useful life. The OLCS allows officials in the field to have access to invoices requiring certification. When invoices are received at the FSC, the system sends an e-mail notification to certifying officials and provides information on how to access the invoices. This application received an *e-GOV 2000 Trailblazer* award. The OLCS was further improved with system enhancements to allow VA activities to process rejected invoices online and by adding functionality to permit review of invoices by fund control personnel at the VA activity. Over 10,000 employees currently use the OLCS within VA.

The OLCS was an essential enabler in creating the capability to centralize VHA certified invoice payment processing to the FSC. Certified invoices sent to the FSC for processing are managed by certifying officials through the OLCS and then paid by the FSC. As a result, VA has realized a tremendous increase in the efficiency of the payment process resulting in significant savings in resources. At the same time, the OLCS and centralization has substantially reduced interest penalties and increased discounts earned.

The FSC's certified payments process represents a full life cycle of services performed from the time the FSC receives an invoice until the Department of the Treasury (Treasury) renders proper payment. The services include processing cancelled checks, check tracers, vendor re-certifications, rejects and adjustments, inquiries, vendor reclaims, bills of collection, Treasury offsets, and tax levies. The FSC provides these services in compliance with applicable VA regulations and directives and the Prompt Payment Act.

OLCS Programming Enhancement Planned

Task	Target Date
Implement programming enhancements based on customer feedback.	Ongoing

Document Management System (DMS). The FSC implemented an imaging system, referred to as DMS, in May 1994. DMS allows the FSC to provide a paperless work environment, reduce physical storage needs, and process high volumes of documents. Documents are stored both magnetically and on optical platters and can be retrieved in seconds. Backups are stored offsite.

Initially, DMS was used to process commercial payments and inquiries. Subsequently, the FSC's use of DMS has been expanded to include other functions such as vendorizing requests, federal accounts, preparation of the SF-224 report, storing grant and schedule documents for other government agency (OGA) customers, and OLCS. Additionally, the DMS has shown potential in storing and retrieving finance records, payroll and personnel folder data, contract files, and legal documents.

VA's Franchise Fund Board of Directors approved the FSC's 2005 business plan, which further refined the FSC's plan to offer DMS as a product line. The FSC currently provides storage and retrieval services via the Intranet to VA customers and provides the same types of services to OGAs via the Internet.

Planned DMS Expansion and Support

Tasks	Target Dates
Add new OGA and VA customers.	FY 2006 FY 2010
Provide program support for DMS.	FY 2006 FY 2010

Performance Summaries by Departmental Objective

The following sections of the report describe VA's accomplishments associated with each of the objectives identified in the Department's strategic plan. This information complements and provides additional detail beyond the summaries of performance associated with each strategic goal (refer to the Performance Overview on pages 16-39).

For each objective, we include the following:

- **Bar charts** that show:
  - FY 2005 actual level of performance.
  - FY 2005 performance target.
  - Preliminary FY 2006 performance target (final FY 2006 targets will be shown in VA's FY 2007 Congressional budget justifications).
  - Long-range strategic target.
  - Up to 5 years of historical data.
- **Impact statements** describing the impact on the veteran of the 2005 performance result.
- A list of any **major management challenges** identified by VA's Office of Inspector General or the Government Accountability Office that have an impact on this objective.
- A description of **program evaluations** that have been completed or are ongoing.
- A list of any related **Program Assessment Rating Tool** reviews conducted.
- Any **new policies and procedures** that have been or are being implemented to improve VA's ability to achieve the strategic objective.
- Any **other important performance results** in support of the strategic objective.

Taken together, the performance summaries at both the strategic goal and objective levels provide a comprehensive picture of VA's achievements in support of its mission.

Finally, in 2005 there were six measures for which performance results were significantly below expectations and as a consequence, had a significant impact on program performance. For each of these measures, we have provided explanations of why the shortfall occurred and descriptions of resolution strategies being employed to improve performance. Please see the Performance Shortfalls table beginning on page 60 for this information. In the measures tables beginning on page 173, these results are color-coded in red.

Measures where the target was not met but the result did not significantly impact program performance do not appear in the Performance Shortfalls table. These results are color-coded in yellow in the measures tables.

Please note: In this report, with the exception of table and chart titles, references to years (e.g., 2002, 2003) are fiscal years unless stated otherwise.

Strategic Goal One

Restoration and Improved Quality of Life for Disabled Veterans

Strategic Objective 1.1

Specialized Health Care Services

Maximize the physical, mental, and social functioning of veterans with disabilities and be recognized as a leader in the provision of specialized health care services.

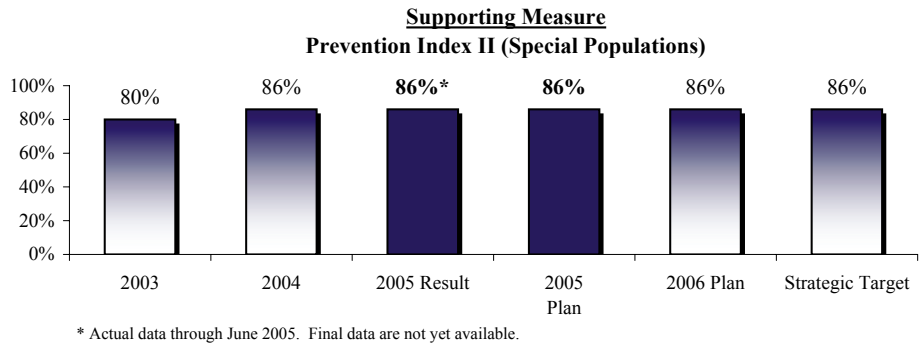
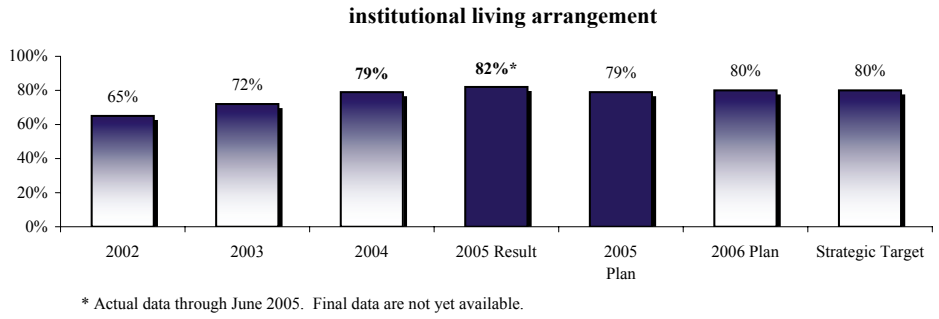
Making a Difference for the Veteran

A veteran playing wheelchair softball

25th National Veterans Wheelchair Games

More than 500 disabled veterans, including veterans of current conflicts in Iraq and Afghanistan, gathered in Minneapolis to compete in the largest annual wheelchair sports event in the world, the 25th National Veterans Wheelchair Games. The Wheelchair Games, presented by VA and the Paralyzed Veterans of America (PVA), were open to all U.S. military veterans with spinal cord injuries, neurological conditions, amputations, or other mobility impairments. Sports are important in the therapy used to treat many disabilities. For many injured veterans, the Wheelchair Games provide their first exposure to wheelchair athletics. The Minneapolis VA Medical Center and the PVA Minnesota Chapter hosted the 2005 Games. Veterans competed in track and field, swimming, basketball, weightlifting, softball, air guns, quad-rugby, 9-ball, bowling, table tennis, archery, hand cycling, a motorized rally, wheelchair slalom, and power soccer. Trap shooting, golf, and a power wheelchair relay were exhibition events. A special first-time wheelchair sports demonstration was held at the Mall of America in Bloomington, Minnesota.

Performance Trends and Impact of FY 2005 Results

Performance Trend	FY 2005 Impact
	Meeting the 2005 performance target has resulted in improved health of America's veterans with special needs, including those with disabilities. This index is an average of nationally recognized primary prevention and early detection interventions for nine diseases or health factors that significantly determine health outcomes.
	The 2005 performance result of 82 percent exceeded the target of 79 percent to place veterans in the least restrictive setting that improves their mental and social well-being and restores their ability to begin functioning independently. The extent to which VA maintains a high placement rate of veterans to such settings enhances their quality of life.

Related Information

Major Management Challenges

The following major management challenges have been identified for this strategic objective:

OIG

- Part-Time Physician Time and Attendance (see page 206 for more details)
- Staffing Guidelines (see page 206 for more details)
- Quality Management (see page 207 for more details)
- Long-Term Health Care (see page 207 for more details)
- Security and Safety (see page 208 for more details)

GAO

- Access to Acute Care, Long-term Care, and Specialized Health Care Services (see page 218 for more details)
- Patient Safety Financial Management Control (see page 219 for more details)
- Resources and Workload Management Financial Management Control (see page 222 for more details)

Program Evaluations

A contract has been awarded to begin a program evaluation of the services for severely mentally ill patients. Four patient populations have been defined for study: schizophrenia, bi-polar, post-traumatic stress disorder, and major depressive disorder. These patients represent high-volume, high-cost patients. Patient-centered outcomes have been developed for each of the patient populations along a continuum of care from diagnosis and assessment, treatment, and chronic disease management through rehabilitation. In addition to the evaluation of outcomes for each diagnosis group, research questions will address other aspects of mental health treatment. These will include such areas as variations in availability of services, receipt of care for non-mental health diagnoses, barriers to access for care, and comparison of services and outcomes for non-VA patients. The study will take approximately 2 years to complete.

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Medical Care program during 2003, which resulted in a rating of "Adequate." Please see Summary Table 3 on page 57 for more information.

New Policies and Procedures

A new directive was issued for *Physical Medicine and Rehabilitation Outcomes for Stroke, Traumatic Brain Injury, and Lower-Extremity Amputation Patients* that does the following:

- Provides a mechanism for the recording and tracking of medical rehabilitation outcomes for stroke patients and the special patient populations of traumatic brain injury (TBI) and lower-extremity amputations.
- Utilizes Functional Status Outcomes Database to measure and track rehabilitative outcomes in all new stroke, lower-extremity amputations, and TBI.
- Ensures that a functional assessment is administered to determine rehabilitation needs following the onset of the impairment.
- Creates a database for the development of a new Supportive Indicator entitled: *Percent of Applicable Inpatients with a Comprehensive Integrated Inpatient Rehabilitation Program (CIIRP) Admission.*

A new directive was issued for *Polytrauma Rehabilitation Centers* that does the following:

- Establishes the policy for the four regionally established Polytrauma Rehabilitation Centers (PRC).
- Defines the role of the PRC in providing a full range of care to patients with a sustained and varied pattern of severe and disabling injuries including TBI, amputation, visual and hearing impairment, spinal cord injury, musculoskeletal injuries, wounds, and psychological trauma.

- Defines a seamless transition and facilitates communication among military treatment facilities, PRC, servicemembers, and family members.
- Defines the linkage to the larger VHA system of care.
- Defines a dedicated interdisciplinary core rehabilitation team and dedicated consultative services.
- Defines the responsibilities necessary to provide comprehensive rehabilitation services for individuals with complex cognitive, physical, and mental health conditions of severe and disabling trauma and to provide support to their families.

Other Important Results

Although data are not yet available, VHA has developed two new performance measures to enable VA to monitor the degree to which veterans returning from a combat zone with or without an injury or illness have access to a primary or specialty care appointment within 30 days of the desired date.

Strategic Objective 1.2

Decisions on Disability Compensation Claims

Provide timely and accurate decisions on disability compensation claims to improve the economic status and quality of life of service-disabled veterans.

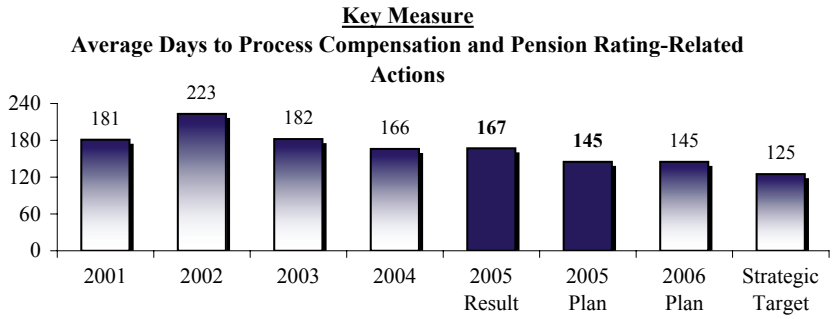
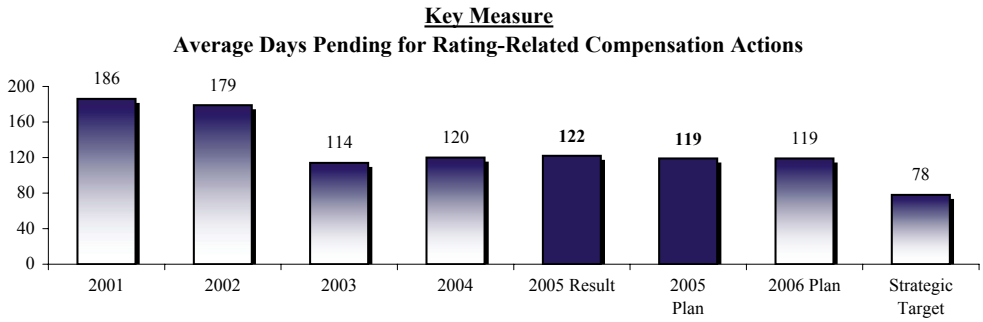
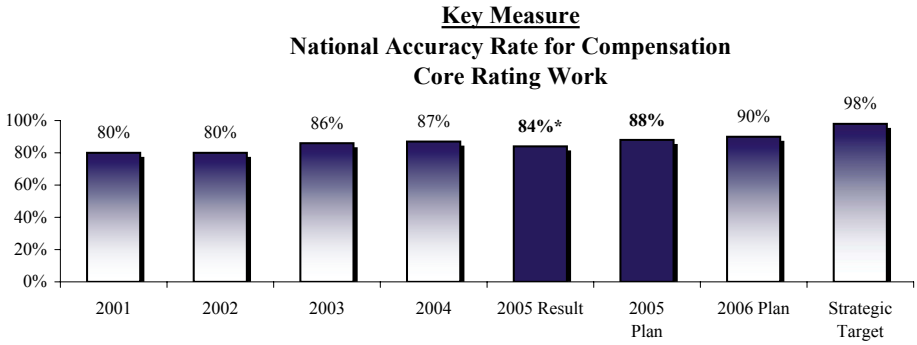
Making a Difference for the Veteran

Walter Reed Army Medical Center outreach

Just Doing Her Job

The wife of a New Orleans World War II veteran called it a "Christmas Miracle." New Orleans VA Regional Office decision review officer Marlene Pittari called it just doing her job. Pittari read a newspaper article about the couple's intention to publicly renew their wedding vows to show that love conquers all, including their financial and health problems. The wife's wedding ring had been stolen at gunpoint earlier in the year and financial difficulties arose after her husband's stroke in 2001. The article mentioned that the husband's military records had been lost in the fire at the federal records center in St. Louis years ago and that he was having trouble establishing service-connected disability with VA. After reading the article, Pittari found the veteran's case file which was pending review and got a rating started right away. On December 30, the VA Regional Office notified the veteran and his wife that he will receive monthly payments at the 100 percent disability rate as well as a sizeable retroactive payment.

Performance Trends and Impact of FY 2005 Results

Performance Trend	FY 2005 Impact
	On average, the veteran had to wait an additional day for a rating decision when compared to last year (167 vs. 166 days). While negligible, this processing time is too long, does not meet the needs of the veteran, and is significantly higher than the 145-day target. The continuing increase in the number of claims received did appreciably affect VA's ability to meet its 2005 target.
	Slightly above the 2005 target, this timeliness measure has remained fairly constant over the last several years. This has a direct positive impact on veterans because decisions were made faster this year compared to a few years ago.
 * Actual data through June 2005. Final data will be available in January 2006.	The veteran is entitled to an accurate decision on his or her compensation claim. While only 4 percentage points below the 2005 target, VA continues to strive to improve in this important area by providing enhanced training to help employees deal with increasingly complex compensation-related decisions.

Related Information

Major Management Challenges

The following major management challenges have been identified for this strategic objective:

OIG

- State Variances in VA Disability Compensation Payments (see page 202 for more details)
- Compensation and Pension Timeliness (see page 203 for more details)
- Compensation and Pension Program's Internal Controls (see page 204 for more details)
- Fugitive Felon Program (see page 205 for more details)

GAO

- Timeliness and Accuracy (see page 220 for more details)
- Consistency of Claims Decisions (see page 221 for more details)
- Staffing Level Justification (see page 221 for more details)
- Program Transformation and Modernization (see page 221 for more details)

Program Evaluations

The Veterans' Disability Benefits Commission, established under Public Law 108-136, is conducting a comprehensive evaluation and assessment of benefits provided under current federal laws to compensate veterans and their survivors for disability or death attributable to military service. The Commission will make recommendations concerning the appropriateness of such benefits under existing laws, the appropriateness of the level of such benefits, and the appropriate standards for determining whether a veteran's disability or death should be compensated. The Commission began the study in May 2005 and expects to issue its report within 15 months.

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Compensation program during 2002, which resulted in a rating of "Results Not Demonstrated." Please see Summary Table 3 on page 57 for more information.

New Policies and Procedures

The Veterans Claims Assistance Act of 2000 has significantly increased both the length and complexity of claims development. VA's notification and development duties increased, adding more steps to the claims process and lengthening the time it takes to develop and decide a claim.

VA expects increased workload due to pending requirements to expand outreach efforts. These requirements would involve additional efforts to identify and inform veterans who are not enrolled or registered with VA about their potential eligibility for benefits or services, including eligibility for medical and nursing care.

Two new benefits, Combat Related Special Compensation (CRSC) and Concurrent Retired and Disability Pay (CRDP), are expected to contribute to increased workload. CRSC is a benefit available from DoD for certain military retirees with qualifying combat or combat-like disabilities. It became effective July 1, 2003, and was expanded effective January 1, 2004. CRDP is another DoD program that permits partial to total restoration of retired pay previously waived to receive VA compensation.

Other Important Results

Despite the increased workload, the overall customer satisfaction rate for compensation has increased each year, from 52 percent in 2001 to 59 percent in 2004. In addition, the national accuracy rate for compensation authorization work, which increased from 69 percent in 2001 to 90 percent in 2004, remains steady at 91 percent through June 2005.

The Board of Veterans' Appeals (BVA) introduced a number of employee incentives and training programs to increase productivity while maintaining high decisional quality. BVA trains Veterans Law Judges and staff counsel to write clear, correct, and concise decisions and employs a quality review process that translates "lessons learned" into directed training through quarterly "Grand Rounds" training sessions. BVA has a full-time training coordinator who oversees training sessions on specific legal issues, writing skills, and other matters. Grand Rounds and other training keep the legal staff current with continuing changes in the law. The ultimate benefit to our Nation's veterans is improved decisional quality, reduced remands, and quicker resolution of appeals as manifested by a cycle time of 104 days -- 46 days faster than the target of 150 days.

Strategic Objective 1.3

Suitable Employment and Special Support

Provide all service-disabled veterans with the opportunity to become employable and obtain and maintain suitable employment, while providing special support to veterans with serious employment handicaps

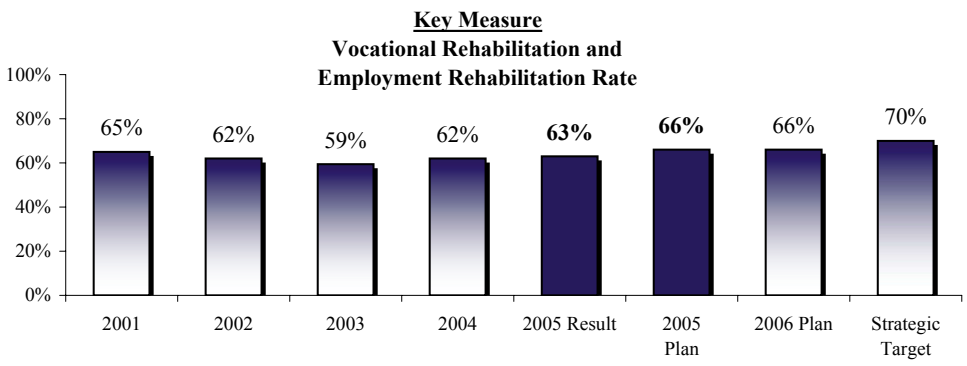
Making a Difference for the Veteran

A VR&E counselor from the Waco, Texas, VA Regional Office, meets with a veteran

VET IT Provides Bridge to New Careers

In June 2005, "VET IT," a VA effort to introduce disabled Iraqi and Enduring Freedom veterans to new careers and possible employment within the Department, became official with the signing of a memorandum of understanding between the VA Office of Information and Technology and Walter Reed Army Medical Center. The new program encourages young men and women -- most in their early to mid-twenties and severely injured in battle -- to start new careers. VET IT enables them to gain work experience and become familiar with VA as volunteers while awaiting their military disability rating and discharge. The volunteers are paired with VA mentors who guide them through work at skill levels determined by their interest, experience, and competency testing. Disabled servicemembers have joined VET IT as volunteers. Ten have been discharged from the military and hired by VA, and more hires are expected in the near future. VA IT mentors agree that these young veterans share an eagerness to restart their lives, a willingness to learn a new profession, dedication to the United States, and a strong, disciplined work ethic from their military service.

Performance Trend and Impact of FY 2005 Result

Performance Trend	FY 2005 Impact
	A primary goal of the VR&E program is to assist service-disabled veterans in becoming employable. The rehabilitation rate is the key indicator of the program's success as it illustrates the number of veterans successfully reentering the workforce following completion of the VR&E program. An increase in the rehabilitation rate means that a higher percentage of veterans are exiting the program successfully and have attained suitable employment or maximum independence in daily living. While slightly below the 2005 target, the rehabilitation rate has steadily increased since 2003.

Related Information

Major Management Challenges

Neither VA's Office of the Inspector General nor the Government Accountability Office identified any major management challenges related to this objective.

Program Evaluations

In May 2003 the Secretary of Veterans Affairs approved a charter to create a Vocational Rehabilitation and Employment (VR&E) Task Force. In March 2004 the VR&E Task Force completed its work and released its findings including more than 100 recommendations. The Task Force's recommendations largely focused on increasing efforts to aid veterans in finding suitable employment. A key recommendation was that VR&E adopt a 5-Track Employment Model to move veterans quickly into a program of services. Information on the implementation of some of the major recommendations is provided below.

Program Assessment Rating Tool (PART) Evaluation

The PART review of the VR&E program is scheduled for 2006.

New Policies and Procedures

In response to the VR&E Task Force's recommendations, several new policies and procedures were implemented in support of Objective 1.3 during 2005. These included:

- Established four pilot sites for the new Job Resource Labs. These self-service job resource labs will aid veterans in their job search process through the use of an on-line employment preparation and job-seeking tool.
- Increased training for VR&E officers and counselors, including training sessions on Corporate WINRS and the new Evaluation & Planning Standards of Practice.
- Introduced the Managerial Enhancement Program for VR&E counselors as a means of succession planning and developing future leaders.
- Continued focus on outreach efforts to veterans transitioning from military careers to civilian careers through the Transition Assistance Program (TAP) and Disabled Transition Assistance Program (DTAP). VR&E has issued a video and presentation materials to all regional offices so that DTAP presentations are standardized across the Nation.
- Signed various memoranda of understanding to develop partnerships with potential veteran employers. VR&E has signed agreements with the Council of State Administrators of Vocational Rehabilitation programs, United States Army Materiel Command, Home Depot, and Helmets to Hardhats.

Other Important Results

Performance results related to two VR&E performance measures, Accuracy of Decisions (Services) and Accuracy of Program Outcomes, have shown significant improvements over the past year. This is due to quality assurance reviews and site visits to regional offices, which have assisted VR&E officers and counselors in identifying best practices as well as areas needing more focused attention.

Strategic Objective 1.4

Improved Standard of Living for Eligible Survivors

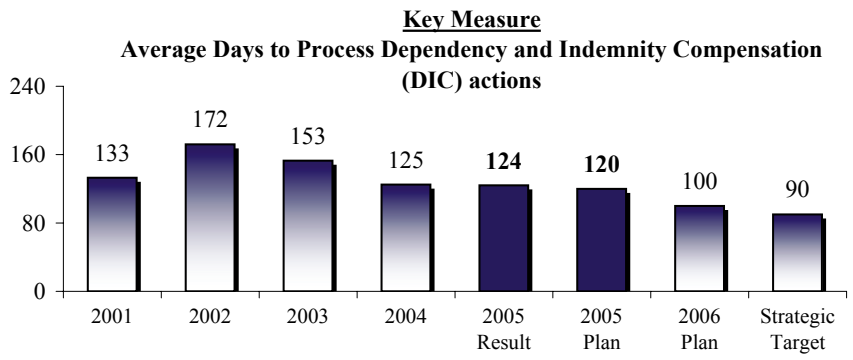
Improve the standard of living and income status of eligible survivors of service-disabled veterans through compensation, education, and insurance benefits.

Making a Difference for the Veteran

Going the Extra Mile

An article in a local newspaper spurred Manchester, New Hampshire VA Regional Office employees to go the "extra mile" for a veteran's surviving son. The article featured Stephen DiFabio, a star quarterback at a Derry, New Hampshire, high school. Stephen lost both of his parents to cancer, his father most recently. The article explained how Stephen used football to deal with the tragedy and mentioned that his father, Paul DiFabio, had been a Vietnam-era Navy veteran. Derwood Haskell, staff attorney for the Regional Counsel, brought it to the attention of Veterans Service Center (VCS) Manager Sandra Hill, asking if the young man might be entitled to benefits. Marie Brochu, VSC coach, contacted Stephen's guardian, an uncle in Salem, New Hampshire, and a claim for Dependency and Indemnity Compensation was filed. Once service records and other medical evidence were received, service connection for cause of death was established based on Mr. DiFabio's exposure to asbestos in service, and benefits were awarded to Stephen. Though Mr. DiFabio had not filed for disability benefits before his death, Manchester VA employees ensured that his son received benefits to which he is entitled as a surviving dependent.

Performance Trend and Impact of FY 2005 Result

Performance Trend	FY 2005 Impact
	The 2005 result was slightly above target for 2005 (124 average days vs. a target of 120 average days). However, the dramatic progress made since 2002 when actions took 172 days to process means that veterans' dependents are receiving payments more quickly.

Related Information

Major Management Challenges

The following major management challenges have been identified for this strategic objective:

OIG

- State Variances in VA Disability Compensation Payments (see page 202 for more details)
- Compensation and Pension Timeliness (see page 203 for more details)
- Compensation and Pension Program's Internal Controls (see page 204 for more details)
- Fugitive Felon Program (see page 205 for more details)

GAO

- Timeliness and Accuracy (see page 220 for more details)
- Consistency of Claims Decisions (see page 221 for more details)
- Staffing Level Justification (see page 221 for more details)
- Program Transformation and Modernization (see page 221 for more details)

Program Evaluations

The Veterans' Disability Benefits Commission, established under Public Law 108-136, is conducting a comprehensive evaluation and assessment of benefits provided under current federal laws to compensate veterans and their survivors for disability or death attributable to military service. The Commission will make recommendations concerning the appropriateness of such benefits under existing laws, the appropriateness of the level of such benefits, and the appropriate standards for determining whether a veteran's disability or death should be compensated. The Commission began the study in May 2005 and expects to issue its report within 15 months.

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Compensation program during 2002, which resulted in a rating of "Results Not Demonstrated." Please see Summary Table 3 on page 57 for more information.

New Policies and Procedures

The Veterans Claims Assistance Act of 2000 has significantly increased both the length and complexity of claims development. VA's notification and development duties increased, adding more steps to the claims process and lengthening the time it takes to develop and decide a claim.

Other Important Results

The total number of DIC claims completed during 2005 is 27,740, which is 2 percent more than the 27,191 completed in 2004.

Strategic Goal Two

Smooth Transition to Civilian Life

Strategic Objective 2.1

Reentry into Civilian Life

Ease the reentry of new veterans into civilian life by increasing awareness of, access to, and use of VA health care, benefits, and services.

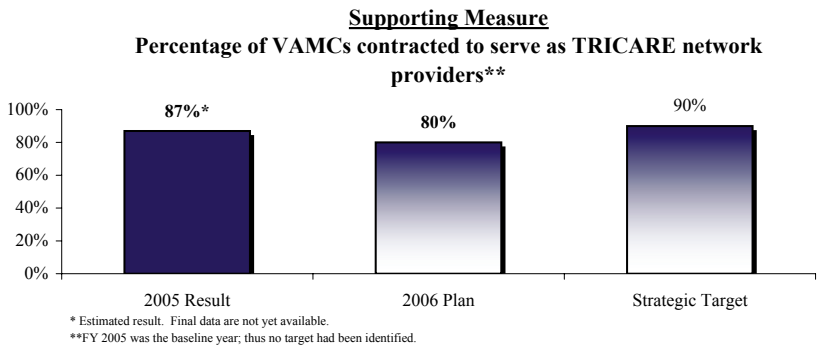
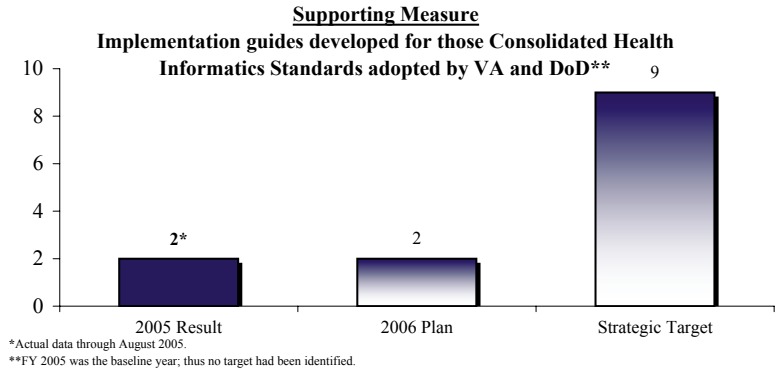
Making a Difference for the Veteran

Walter Reed Army Medical Center outreach

Seamless Transition Program

VA's Seamless Transition program sent social workers and benefits counselors to military hospitals across the Nation. Their job was to meet with recovering servicemembers, introduce them to VA benefits, help them file claims, and facilitate their transfer to VA medical facilities where they could be closer to their families. The program has made a huge difference, according to Brian Austin, assistant national service director with the Disabled American Veterans in Washington, DC, who works with wounded soldiers. He said the troops "are ecstatic and overwhelmed that someone is there to take care of them and help them submit their benefits packets."

Performance Trends and Impact of FY 2005 Results

Performance Trend	FY 2005 Impact
	The 87 percent result for 2005 means that more active duty patients are being transferred to VA prior to discharge. This not only facilitates servicemembers' transition to veteran status but also provides continuity of medical care during the discharge process.
	The development of two implementation guides benefits the transition of veterans to civilian life by implementing a uniform medical record for both DoD and VA, thus facilitating transfer of medical records between the two agencies.

Related Information

Major Management Challenges

The following major management challenges have been identified for this strategic objective:

GAO

- VA/DoD Efficiencies (see page 222 for more details)
- VA/DoD Information Sharing (see page 226 for more details)

Program Evaluations

No independent program evaluations have been conducted that specifically address this objective.

Program Assessment Rating Tool (PART) Evaluation

No PART evaluations have been completed that specifically address this objective.

New Policies and Procedures

VA expanded the scope of care at the four regional Traumatic Brain Injury (TBI) Lead Rehabilitation Centers (located in Minneapolis, Palo Alto, Richmond, and Tampa) to create Polytrauma Rehabilitation Centers (PRCs). The PRCs are designed to treat catastrophically injured veterans returning from Iraq and Afghanistan. Patients treated at these facilities may have serious TBI alone or in combination with amputation, blindness, or other visual impairment, complex orthopedic injuries, auditory and vestibular disorders, and mental health concerns. The PRCs will specialize in coordinating the multifaceted treatment of these complex-injury patients.

In January 2005 VA established a permanent Office of Seamless Transition (OST). The OST reports to the Principal Deputy Under Secretary for Health and is composed of representatives from VBA and VHA as well as two active duty Marine Corps officers. The OST coordinates all VA activities related to the provision of benefits and health care for seriously injured Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF) servicemembers transitioning directly from the military to VA facilities.
The OST works closely with DoD to ensure that these servicemembers are transitioned from the military to VA smoothly and efficiently. Uniformed Army officers are stationed at each of the four Polytrauma Rehabilitation Centers to serve as liaisons for active duty servicemembers receiving treatment at these sites. The OST is working with the military organizations providing support to injured servicemembers and their families such as Marine for Life, the Disabled Soldier Support System, and the Military Severely Injured Support Center.

Other Important Results

The Department's Vet Centers hired and trained a cadre of up to 50 new outreach workers from among the ranks of recently separated Global War on Terrorism (GWOT) veterans at targeted Vet Centers. Augmented Vet Center outreach is primarily for the purpose of providing information that facilitates the early provision of VA services to new returning veterans and their family members immediately upon their separation from the military. Due to the success of the initial GWOT veteran outreach program, the Under Secretary for Health authorized the hiring of additional OEF/OIF veteran outreach workers. The Vet Centers are now engaged in hiring 50 more GWOT veteran outreach workers to welcome home and inform their colleagues returning from Afghanistan and Iraq.

Strategic Objective 2.2

Decisions on Education Claims

Provide timely and accurate decisions on education claims and continue payments at appropriate levels to enhance veterans' and servicemembers' ability to achieve educational and career goals.

Making a Difference for the Veteran

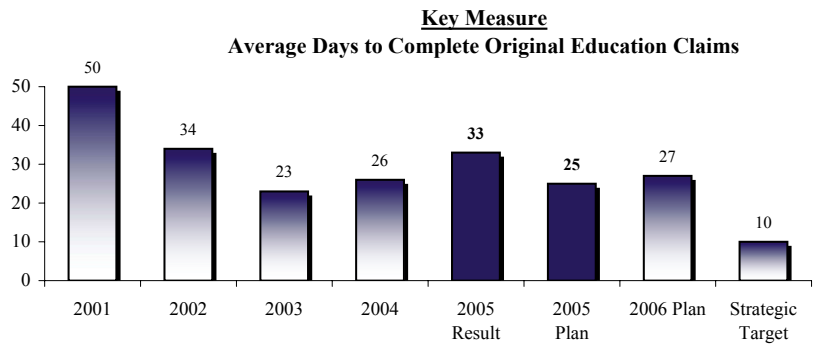
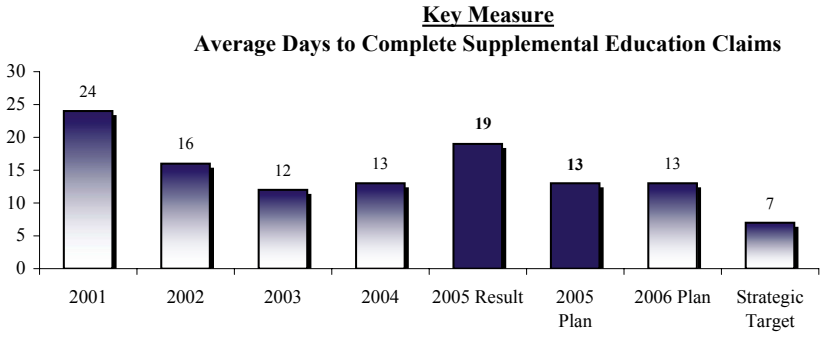
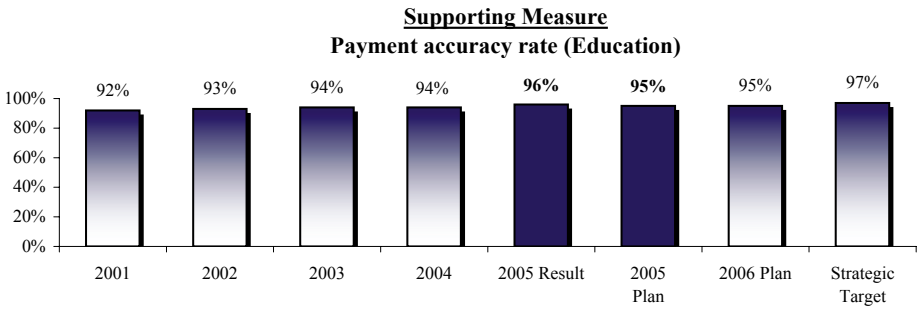
Graduation day

Helping in a Time of Need

Caring and timely help of VA staff at the Detroit VA Regional Office eased the ordeal of a veteran and her husband who had just lost their son in Iraq. The couple had just moved from Colorado to Detroit, and the veteran, accompanied by her husband, came to the regional office to discuss her VA benefits. The counselor discovered they were distraught after learning that their son had been killed in an accident while on active duty in Iraq. Asked why she had come to the meeting under such circumstances, the woman said she wanted to make sure she would not lose her education benefits in her move to Michigan.

Although the woman's records had not yet been transferred to Detroit, the VA counselor worked with a local VA outpatient clinic manager and the eligibility clerk and arranged counseling and support for the veteran and her husband. Her educational benefits were secured for the following semester, VA's actions eased the burden on the veteran and her husband.

Performance Trends and Impact of FY 2005 Results

Performance Trend	FY 2005 Impact
	The average number of days to process original claims increased 7 days during 2005. On average, beneficiaries waited these additional days to receive their initial award notification and payment. The importance of making timely payments to veterans for educational claims is critical to helping them meet their educational goals.
	The average number of days to process supplemental claims increased 6 days during 2005. On average, beneficiaries waited these additional days to receive their award notification and payment. The importance of making timely payments to veterans for educational claims is critical to helping them meet their educational goals.
	The payment accuracy rate for claims processing improved by more than 2 percentage points in 2005. This means more beneficiaries are receiving the correct payment for their educational assistance benefit award.

Related Information

Major Management Challenges

Neither VA's Office of the Inspector General nor the Government Accountability Office identified any major management challenges related to this objective.

Program Evaluations

No independent program evaluations have been conducted recently that specifically address this objective.

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Education program during 2003, which resulted in a rating of "Results Not Demonstrated." Please see Summary Table 3 on page 57 for more information.

New Policies and Procedures

During the next year, VA will work to develop a method to measure the percentage of Montgomery GI Bill participants who successfully completed an education or training program. In addition, the Education Service has been working with the National Association of State Approving Agencies to develop an outcome measure for the VA education assistance programs. VA will continue to develop the methodology to collect required data and determine targets.

Following the development of strong outcome measures, the necessary information will be available to develop and recommend changes to the educational assistance programs and thereby improve education benefits for veterans, reservists, servicemembers, and dependents.

Strategic Objective 2.3

Home Purchase and Retention

Improve the ability of veterans to purchase and retain a home by meeting or exceeding lending industry standards for quality, timeliness, and foreclosure avoidance.

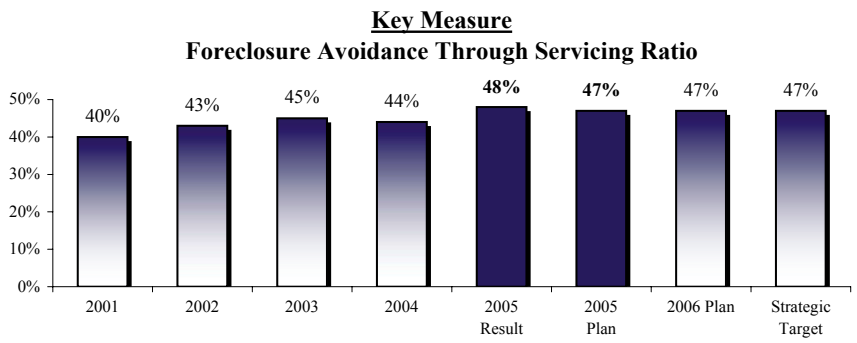
Making a Difference for the Veteran

VA helps veterans to buy and retain a home

Veteran Expresses Appreciation

From a veteran's letter to the Phoenix VA Regional Office: "I am writing to express my heartfelt thanks and the thanks of my entire family for your help in our time of need. In January 2001, I was diagnosed with cancer. After successful surgery to remove the cancer, I underwent intense radiation treatments; these, along with the surgery, left me unable to work. I was not released by my doctor to return to work for nearly six months. During this time, my family and I lived on my disability insurance and were unable to pay our mortgage. We would have lost our home if not for VA. I cannot adequately convey to you the feeling of relief that I received from the straightforward advice and the hopeful words that Mr. Bill Bertrand of the Phoenix Regional Office gave me during these dark times. The stress, worry, and sleepless nights were nearly unbearable before talking to Mr. Bertrand. I have no doubt that my rapid recovery is due in no small part to the stress load taken off my shoulders by VA. VA gave my loan to a different lender and put the payments that I could not make at the end of a new loan and dropped the interest a full point. It is true -- VA takes care of their veterans!"

Performance Trend and Impact of FY 2005 Result

Performance Trend	FY 2005 Impact
	This result, which measures the success of VA's intervention efforts to prevent foreclosure, means that veteran homeowners were in a better position to avoid foreclosures.

Related Information

Major Management Challenges

Neither VA's Office of the Inspector General nor the Government Accountability Office identified any major management challenges related to this objective.

Program Evaluations

No independent program evaluations have been conducted recently that specifically address this objective.

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Loan Guaranty program during 2004, which resulted in a rating of "Results Not Demonstrated." Please see Summary Table 3 on page 57 for more information.

New Policies and Procedures

VA will be implementing significant improvements in the management of defaults with emphasis on loan holders being compensated for foreclosure avoidance through loss mitigation.

Strategic Goal Three

Honoring, Serving, and Memorializing Veterans

Strategic Objective 3.1

Delivering Health Care

Provide high-quality, reliable, accessible, timely, and efficient health care that maximizes the health and functional status for all enrolled veterans, with special focus on veterans with service-connected conditions, those unable to defray the cost, and those statutorily eligible for care.

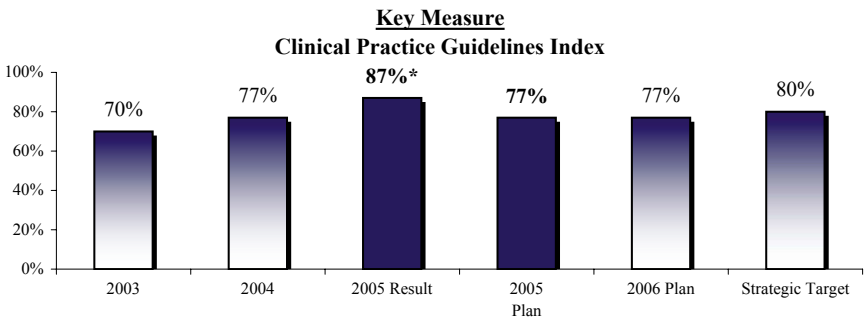
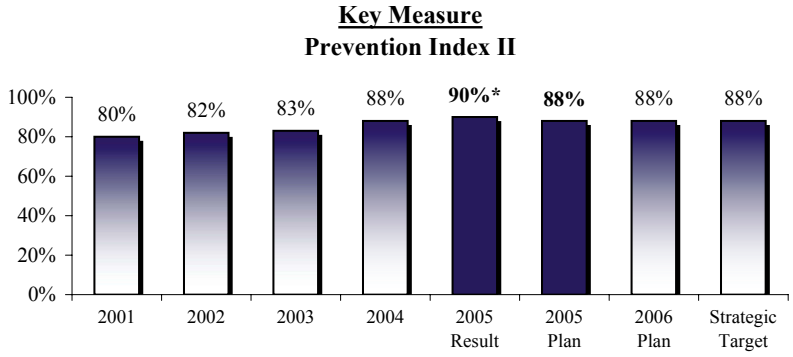
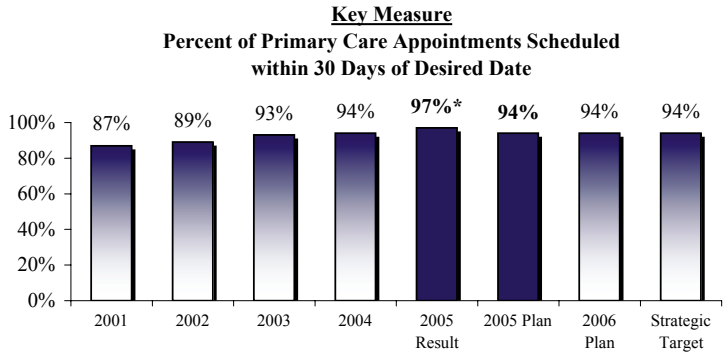
Making a Difference for the Veteran

A VA health care provider meeting with a patient

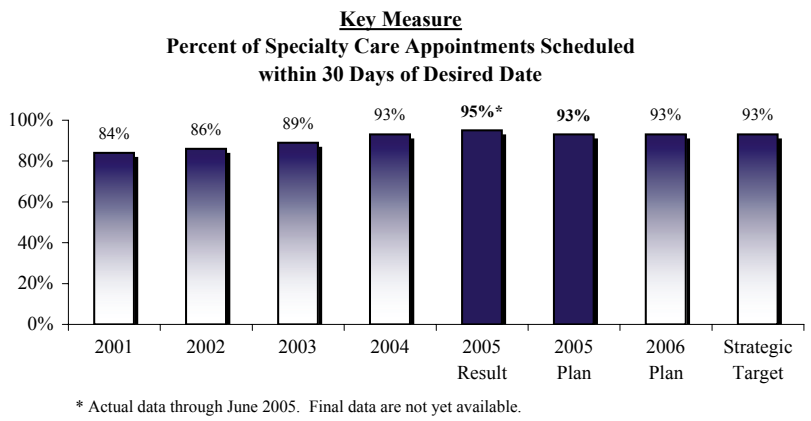
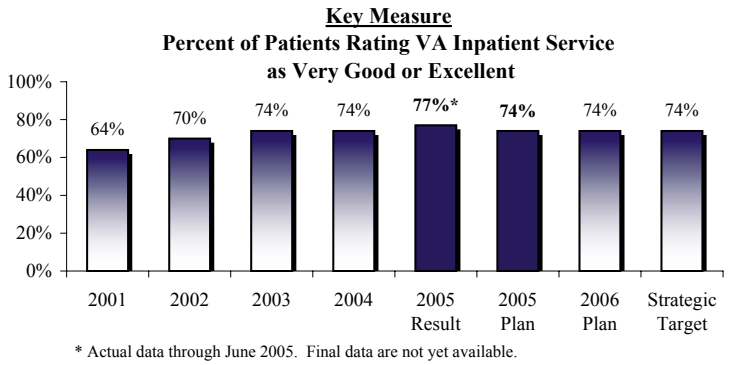
VA Health Care – "A Bright Star"

The prestigious Journal of the American Medical Association (JAMA) labels VA "a bright star" of health care safety. The glowing comments came in the May 18, 2005, edition of the Journal, which examined the progress – or, too often, lack of progress – among private-sector health care systems during the last 5 years on issues affecting patient safety. VA's health care system "quickly emerged as a bright star in the constellation of safety practice, with system-wide implementation of safe practices, training programs and the establishment of four patient-safety research centers," according to the Journal's editorial. The statement has much to back it. In December 2004, the Annals of Internal Medicine examined seven specific measurements of quality care for diabetes, and found VA ahead of its private-sector counterparts in all seven categories. That same month, the independent National Committee for Quality Assurance, which ranks health care plans according to 17 performance criteria, found VA out-performing America's best private sector hospitals in all 17.

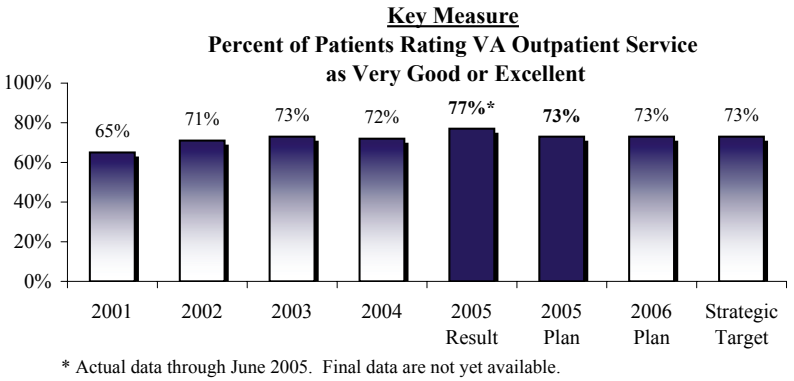
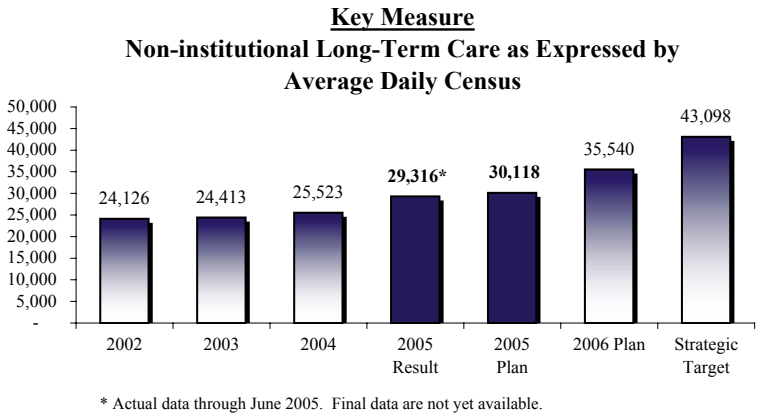
Performance Trends and Impact of FY 2005 Results

Performance Trend	FY 2005 Impact
 * Actual data through June 2005. Final data are not yet available.	The 2005 score of 87 percent significantly exceeded the target of 77 percent. The Clinical Practice Guidelines Index demonstrates the degree to which VHA provides evidence-based clinical interventions to veterans seeking care in VA. The measure covers elements of care that are known to have a positive impact on the health of our patients who suffer from commonly occurring acute and chronic illnesses. Providing these interventions has improved the overall health of these veterans.
 * Actual data through June 2005. Final data are not yet available.	The 2005 score of 90 percent exceeded the target of 88 percent. The Prevention Index II demonstrates the degree to which VHA provides evidence-based clinical interventions to veterans seeking preventive care in VA. The measure targets elements of preventive care that are known to have a positive impact on the health and well-being of our patients. Providing these interventions has improved the overall health of veterans by preventing conditions from developing.
 * Actual data through June 2005. Final data are not yet available.	The 2005 attainment of 97 percent exceeded the target of 94 percent. This measure assesses the degree to which primary care appointments are scheduled in a timely manner. It takes into account the timeline that the patient has identified as meeting his or her need. It serves as a measure of timeliness as well as responsiveness to the patient's stated needs. Providing timely care has improved the overall health of veterans by quickly treating existing conditions and preventing conditions from developing.

Performance Trends and Impact of FY 2005 Results

Performance Trend	FY 2005 Impact
	The 2005 attainment of 95 percent exceeded the target of 93 percent. This measure was designed to assess the degree to which specialty care appointments are scheduled in a timely manner. It takes into account the timeline that the patient has identified as meeting his or her need. It serves as a measure of timeliness as well as responsiveness to the patient's stated needs. Providing timely care has improved the overall health of veterans by quickly treating existing conditions and preventing conditions from developing.
	The 2005 achievement of 77 percent exceeded the target of 74 percent. VHA's continual assessment of patient satisfaction with inpatient treatment provides a valuable feedback mechanism on patient expectations and what dimensions of care concern veterans the most. This also enables VHA to identify its strengths and quickly address areas where patients are less satisfied.

Performance Trends and Impact of FY 2005 Results

Performance Trend	FY 2005 Impact
	The 2005 achievement of 77 percent exceeded the target of 73 percent. VHA's continual assessment of patient satisfaction with outpatient treatment provides a valuable feedback mechanism on patient expectations and what dimensions of care concern veterans the most. This enables VHA to identify its strengths and quickly address areas where patients are less satisfied.
	The 2005 attainment of 29,316 was below the target of 30,118. This measure quantifies the degree to which veterans have access to non-institutional care within VHA programs and/or contracted services. Non-institutional care has been deemed to be more desirable and cost efficient for those veterans who need this level of care. The measure drives both expansion of the variety of services and of geographic access, which benefits the veteran who then is able to live in the least restrictive setting possible.

Related Information

Major Management Challenges

The following major management challenges have been identified for this strategic objective:

OIG

- Part-Time Physician Time and Attendance (see page 206 for more details)
- Staffing Guidelines (see page 206 for more details)
- Quality Management (see page 207 for more details)
- Long-Term Health Care (see page 207 for more details)
- Security and Safety (see page 208 for more details)

GAO

- Access to Acute Care, Long-term Care, and Specialized Health Care Services (see page 218 for more details)
- Patient Safety Financial Management Control (see page 219 for more details)
- Resources and Workload Management Financial Management Control (see page 222 for more details)

Program Evaluations

An independent evaluation of VA's cardiac care program was completed in 2003. The study found that heart patients treated at VA hospitals have consistently higher mortality rates than patients of similar age and in roughly similar health who are treated at non-VA institutions. A larger proportion of the veterans die in the first month after suffering a heart attack, and a larger proportion of the survivors die over the next 3 years. The program evaluation also found that VA patients undergo cardiac catheterization—a key step in assessing the seriousness of a person's heart disease—less often than patients treated in non-VA hospitals. In addition, they have only about one-half the likelihood of undergoing angioplasty or bypass surgery, two procedures that can often extend life.

A blue ribbon panel of national experts was commissioned to oversee the quality improvements for VA's cardiac care program. Changes that have been implemented include stricter adherence to national clinical guidelines, hiring more cardiologists, upgrading catheterization lab equipment, reconfiguring access to cardiac care (including expansion of community services), providing reimbursements for emergency care provided in non-VA settings, and conducting additional clinical research to discover the causal effects of VA's higher mortality statistics. All VA hospitals with cardiac care programs have provided detailed plans on how they intend to improve the quality of care at their facilities. VA's Strategic Management Council is monitoring compliance with the national action plan.

In January 2005 VA initiated an independent evaluation of its oncology program. The program evaluation focuses on lung, colorectal, prostate, hematologic, and breast cancers. The results of the program evaluation will help VA determine how well it is meeting the oncology program goals and objectives and will provide a comparison of how VA is performing compared to the private sector.

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Medical Care Program during 2003, which resulted in a rating of "Adequate." Please see Summary Table 3 on page 57 for more information.

New Policies and Procedures

A new directive was issued for *Documentation of Kinesiotherapy Services in Department of Veterans Affairs (VA) Nursing Home Care Units* that does the following:

- Establishes policy for the documentation of Kinesiotherapy services including applicable treatment time and procedures within VA nursing home care units.
- Defines the interdisciplinary care process in short-term, goal-oriented rehabilitative care programs, formal restorative nursing programs, nursing home care units, and other long-term maintenance programs.

Other Important Results

- The 2005 attainment of 85 percent met the target for outpatient encounters that have electronic progress notes signed within 2 days.
- The 2005 achievement of 73 percent exceeded the target of 67 percent for patients who report being seen within 20 minutes of scheduled appointments at VA health care facilities.

Strategic Objective 3.2

Decisions on Pension Claims

Process pension claims in a timely and accurate manner to provide eligible veterans and their survivors a level of income that raises their standard of living and sense of dignity

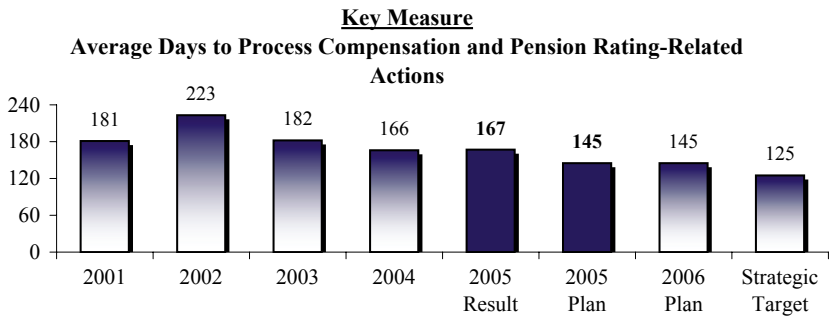
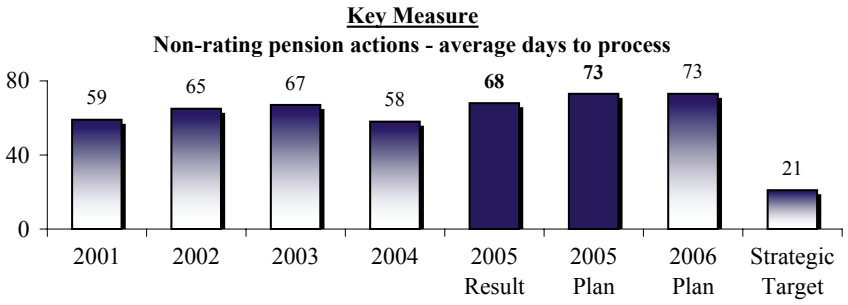
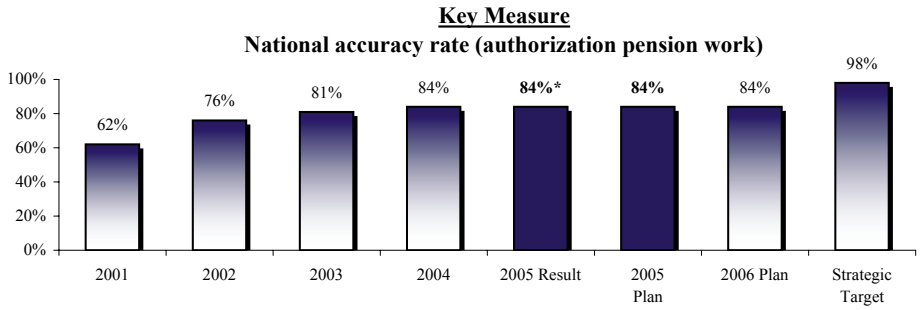
Making a Difference for the Veteran

VA honors veterans

Getting the Correct Benefit to a Deserving Beneficiary

With a little investigative work, employees at the Huntington, West Virginia, Regional Office helped the widow of a former prisoner of war (POW) who was about to lose her VA pension. Veterans Service Representative Suzanne Heckenbach was discussing a former POW veteran's claim with Paul Lowe, a senior rating specialist. As they talked, she mentioned the widow of another former POW, who was about to lose her nonservice-connected death pension because her Social Security benefits pushed her slightly over the VA income limit. They looked into her case and Lowe determined that, due to legislation passed after the veteran's death, his death could be considered service-connected. The widow was awarded Dependency and Indemnity Compensation nearly double that of her old pension rate.

Performance Trends and Impact of FY 2005 Results

Performance Trend	FY 2005 Impact
	On average, the veteran had to wait an additional day for a rating decision when compared to last year (167 vs. 166 days). While negligible, this processing time is too long, does not meet the needs of the veteran, and is significantly higher than the 145-day target. The continuing increase in the number of claims received did appreciably affect VA's ability to meet its 2005 target.
	In 2005 VA met its target by 5 days, thus providing more timely responses to those veterans who are either waiting for decisions on claims or are waiting for VA to make adjustments to their awards.
 * Actual data through June 2005. Final data will be available in January 2006.	The veteran is entitled to an accurate decision on his or her pension claim. VA continues to strive to improve in this important area by providing enhanced training to help employees properly make increasingly complex pension-related decisions.

Related Information

Major Management Challenges

The following major management challenges have been identified for this strategic objective:

OIG
- State Variances in VA Disability Compensation Payments (see page 202 for more details)
- Compensation and Pension Timeliness (see page 203 for more details)
- Compensation and Pension Program's Internal Controls (see page 204 for more details)
- Fugitive Felon Program (see page 205 for more details)

GAO
- Timeliness and Accuracy (see page 220 for more details)
- Consistency of Claims Decisions (see page 221 for more details)
- Staffing Level Justification (see page 221 for more details)
- Program Transformation and Modernization (see page 221 for more details)

Program Evaluations

An evaluation of the Pension program was completed by ORC Macro; Economic Systems, Incorporated; and the Hay Group in 2004. They recommended that the pension benefit payable to veterans' survivors be more consistent with the benefit provided by the U.S. Department of Agriculture's food assistance programs. VA is reviewing the proposal.

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Pension program during 2005. The rating has not yet been issued.

New Policies and Procedures

The Veterans Claims Assistance Act of 2000 has significantly increased both the length and complexity of claims development. VA's notification and development duties increased, adding more steps to the claims process and lengthening the time it takes to develop and decide a claim.

We expect increased workload due to pending requirements to expand outreach efforts. These requirements would involve additional efforts to identify and inform veterans who are not enrolled or registered with VA about their potential eligibility for benefits or services, including eligibility for medical and nursing care.

Other Important Results

Despite the increased workload, the overall customer satisfaction rate for pension has increased from 63 percent in 2001 to 66 percent in 2004.

Strategic Objective 3.3

Providing Insurance Service

Maintain a high level of service to insurance policyholders and their beneficiaries to enhance the financial security for veterans' families

Making a Difference for the Veteran

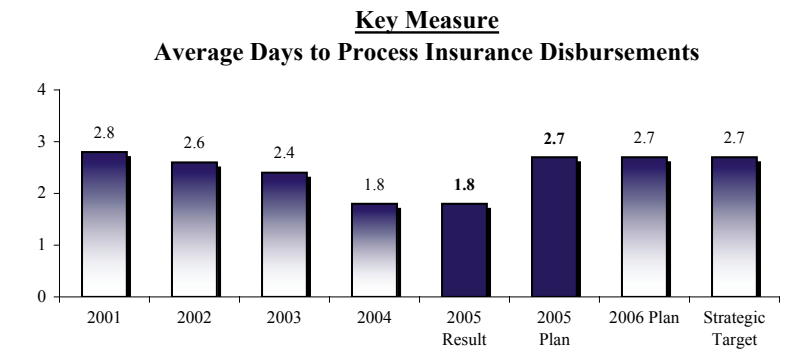
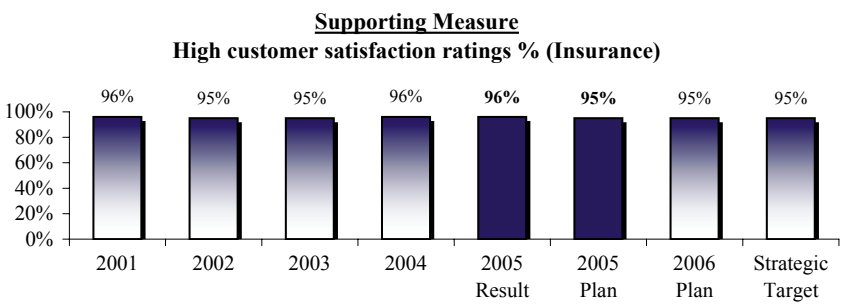
VA employees using the latest technologies to serve veterans

Insurance Services – Tops in Government

The VA Insurance Center, located in Philadelphia, Pennsylvania, administers six nationwide life insurance programs that provide $18.7 billion in insurance protection to 1.4 million veterans. The center annually processes 141,000 death awards, 36,000 loans and cash surrenders, 21,000 new life insurance applications, and 2 million premium collections, and handles more than 730,000 telephone calls. The center also supervises the Servicemembers' Group Life Insurance and Veterans' Group Life Insurance programs that provide over $1 trillion in coverage to 2.9 million servicemembers and veterans and 3 million spouses and children.

The Insurance Center received top honors for overall excellence in customer support from a group representing help desks, call centers, and other customer service operations in the government. The award came in 2004 from the Government Contract Center Community of Practice, which examined 32 entrants from federal, state, and local consumer assistance centers and Web portals in four categories. Winners were selected for their excellence in internal and external customer support. The operation requires 80 toll-free lines and about 100 employees. The center's "signature service" program means that insurance specialists are responsible for all aspects of the calls they receive including any issues that arise by letter.

Performance Trends and Impact of FY 2005 Results

Performance Trend	FY 2005 Impact
	By processing these disbursements in 1.8 days on average, VA ensures that death claim benefits, policy loans, or cash surrenders are paid in a timely manner so that veterans and their families receive cash proceeds when needed either at the time of the veteran's death or as a quick influx of cash in the form of a policy loan or cash surrender to the policyholder.
	Maintenance of high customer satisfaction levels with VA-provided life insurance services is an indicator that VA's efforts to honor and serve America's veterans and their beneficiaries are successful and that veterans and their families believe that VA is providing them with a high level of service.

Related Information

Major Management Challenges

Neither VA's Office of the Inspector General nor the Government Accountability Office identified any major management challenges related to this objective.

Program Evaluations

A program evaluation of the Insurance program was completed by ORC Macro; Economic Systems, Incorporated; the Hay Group; and Systems Flow, Incorporated in May 2001. While the evaluation concluded the program was effective in meeting its Congressional intent, there were several recommendations for improvements that have been implemented including the following:

- Servicemembers' Group Life Insurance (SGLI) dependent coverage is now available.
- Veterans' Group Life Insurance (VGLI) premium rates have been reduced, making them more comparable to commercial quotes.
- The "terminating age of 70" has been removed from the Veterans' Mortgage Life Insurance (VMLI) program.
- Measures have been taken to better publicize the SGLI conversion feature.

A number of recommendations have not yet been implemented. VA will continue to address the recommendations of the program evaluation. The program evaluation recommendations that were implemented have enhanced the financial security of veterans' families.

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Insurance program during 2005. The rating has not yet been issued.

New Policies and Procedures

VA's Paperless Processing initiative will allow VA to image the Loan and Surrender applications as soon as they are received and immediately create a loan or surrender workflow task for employees of the Policyholders Services. Additionally there will be new internal controls reports and tools for monitoring Loan and Surrender disbursements and accounting actions. These improvements will decrease the processing time of disbursements.

The Insurance Service's major training initiative, "Skills, Knowledge and Insurance Practices and Procedures Embedded in Systems," successfully implemented four new job aids that capture "best practices" for processing various work items. These improvements will result in more accurate processing with improved service to veterans and beneficiaries.

The Insurance Web site has several new enhancements including the VMLI premium calculator, frequently asked questions and facts, a bulletin board, and the VA life insurance handbook. All of these features provide visitors up-to-date information and improve veterans' access to insurance information.

Strategic Objective 3.4

Meeting Burial Needs

Ensure that the burial needs of veterans and eligible family members are met.

Making a Difference for the Veteran

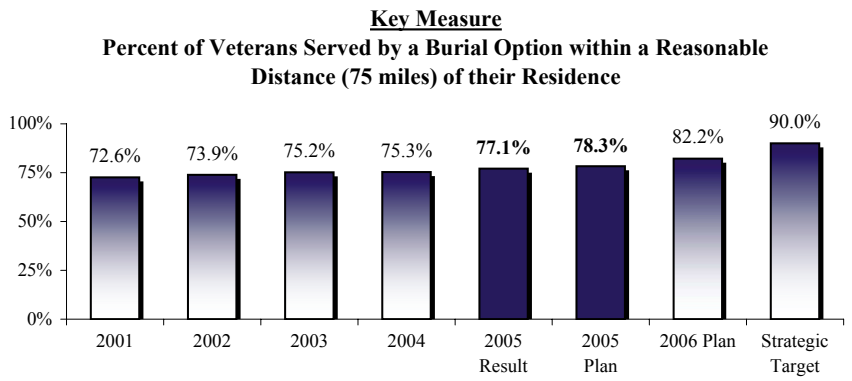
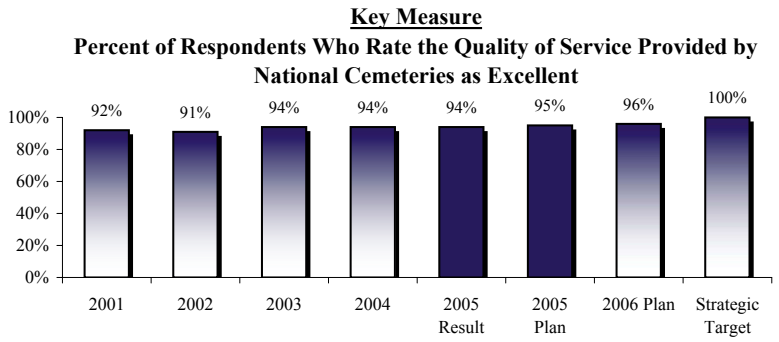
Fort Sam Houston National Cemetery

VA maintains 121 national cemeteries in 39 states and Puerto Rico, as well as 33 soldiers' lots and monument sites. More than 3 million Americans, including veterans of every war and conflict, from the Revolutionary War to the current war in Iraq, are buried in VA's national cemeteries.

VA also administers the State Cemetery Grants program, which provides aid to states to establish, expand, or improve state veterans cemeteries. The grants have helped establish, expand, or improve 61 state veterans cemeteries that performed more than 20,000 burials of veterans and eligible family members in 2005.

With the opening of the Idaho State Veterans Cemetery in 2005, there is now an operational national or state veterans cemetery in every state of the union as well as Puerto Rico and Guam.

Performance Trends and Impact of FY 2005 Results

Performance Trend	FY 2005 Impact
	By the end of 2005, more than 18 million veterans and their families had reasonable access to a burial option. One of the primary objectives of VA is to ensure that the burial needs of veterans and eligible family members are met. Having reasonable access is integral to realizing this objective.
	Cemetery service goals are set high consistent with the expectations of the families of individuals who are interred as well as other visitors. High-quality, courteous, and responsive service to veterans and their families is reflected in VA's 2005 satisfaction rating.

Related Information

Major Management Challenges

Neither VA's Office of the Inspector General nor the Government Accountability Office identified any major management challenges related to this objective.

Program Evaluations

The Veterans Millennium Health Care and Benefits Act, Public Law 106-117, directed VA to contract for an independent demographic study to identify those areas of the country where veterans will not have reasonable access to a burial option in a national or state veterans cemetery, and the number of additional cemeteries required through 2020. Volume 1: Future Burial Needs, published in May 2002, identified those areas having the greatest need for burial space for veterans. VA continues to use this report as a valuable tool for planning new national cemeteries.

In 2005 NCA initiated a joint effort with VBA and VA's Office of Policy, Planning, and Preparedness to begin a comprehensive program evaluation of the full array of burial benefits and services that VA provides to veterans and their

families. The program evaluation will assess, develop, and update program outcomes, goals, and objectives and compare actual program results with established goals.

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Burial program during 2002, which resulted in a rating of "Moderately Effective." Please see Summary Table 3 on page 57 for more information.

New Policies and Procedures

From 2005 through 2009, NCA will establish 11 new national cemeteries. The development of these cemeteries is consistent with current policy to locate national cemeteries in areas with the largest concentration of veterans. Each location will provide a burial option to at least 170,000 veterans not currently served.

In 2005 the National Cemetery of the Alleghenies began interment operations, providing service to veterans in the area of Pittsburgh, Pennsylvania. In 2006 new national cemeteries will begin providing service to veterans in the areas of Detroit, Michigan; Atlanta, Georgia; and South Florida. A new national cemetery to provide service to veterans in the area of Sacramento, California, will begin interment operations in 2007. These five new cemeteries will provide reasonable access to a burial option to 2 million veterans.

As directed by the National Cemetery Expansion Act of 2003, Public Law 108-109, action is underway to establish six new national cemeteries to serve veterans in the areas of Bakersfield, California; Birmingham, Alabama; Columbia/Greenville, South Carolina; Jacksonville, Florida; Sarasota, Florida; and Southeastern Pennsylvania. These cemeteries are expected to begin operations in 2009 and will provide service to about 1 million veterans.

Other Important Results

In 2005 VA continued to take actions necessary to establish new national cemeteries to provide service to veterans in the areas of greatest need. VA also completed construction projects to extend burial operations at four national cemeteries. Appropriate land acquisition is a key component to providing continued accessibility to burial options. For example, Fort Sam Houston Army Post transferred to VA approximately 170 acres of land contiguous to VA's Fort Sam Houston National Cemetery. This additional acreage will allow the cemetery to continue to provide reasonable access to a burial option to about 273,000 veterans and their families in the San Antonio, Texas, area.

In addition to building, operating, and maintaining national cemeteries, VA also administers the State Cemetery Grants program, which provides grants to states for up to 100 percent of the cost of establishing, expanding, or improving state veterans cemeteries. Increasing the availability of state veterans cemeteries is a means to provide a burial option to those veterans who may not have reasonable access to a national cemetery. In 2005, 61 operating state veterans cemeteries performed more than 20,000 interments of veterans and eligible family members, and grants were obligated to establish, expand, or improve state veterans cemeteries in 12 states.

In a report released in 2005, VA's national cemeteries received the highest rating ever achieved by a public or private organization in a nationwide customer satisfaction survey. The survey was the 2004 American Customer Satisfaction Index (ACSI). VA scored a rating of 95 out of a possible 100 points. This is two points higher than the last survey in 2001, when VA's national cemeteries also ranked number one in customer satisfaction. In addition on ACSI's index for "user trust," VA achieved a rating of 97 out of a possible 100 points. This indicates that respondents are exceptionally willing to say positive things about VA's national cemeteries.

Strategic Objective 3.5

Symbolic Expressions of Remembrance

Provide veterans and their families with timely and accurate symbolic expressions of remembrance.

Making a Difference for the Veteran

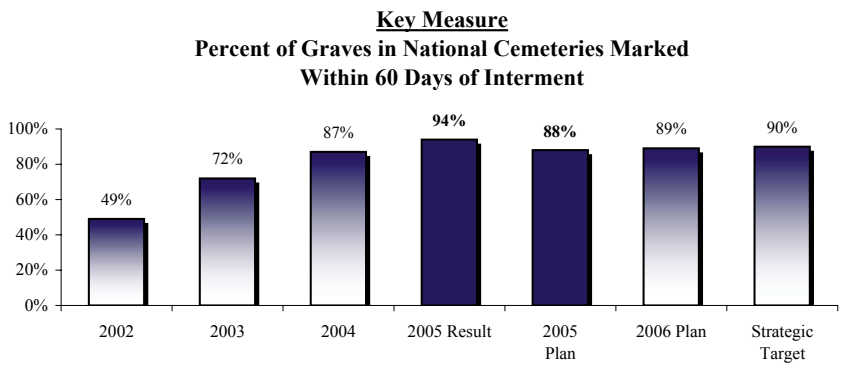
Presidential Memorial Certificate

Presidential Memorial Certificate

A Presidential Memorial Certificate is an engraved paper certificate, bearing the signature of the current President, to honor the memory of honorably discharged deceased veterans. Family members and loved ones may request a certificate, and more than one may be provided. Only proof of eligible service is required.

In 1962, President John F. Kennedy began the practice of issuing Presidential Memorial Certificates (PMCs) as a way for the President of the United States, on behalf of all Americans, to express appreciation for the service and sacrifice of honorably discharged deceased veterans. All subsequent Presidents have continued the program. Five million PMCs have been issued since the National Cemetery Administration became responsible for administration of the program in 1987.

Performance Trends and Impact of FY 2005 Results

Performance Trend	FY 2005 Impact
	The amount of time it takes to mark the grave after an interment is extremely important to veterans and their families. The headstone or marker is a lasting memorial that serves as a focal point not only for present-day survivors, but also for future generations. In addition, it may bring a sense of closure to the grieving process to see the grave marked. The 2005 achievement not only represents continued improvement, but also indicates that VA is serving veterans and their families well in this area.

Related Information

Major Management Challenges

Neither VA's Office of Inspector General nor the Government Accountability Office identified any major management challenges related to this objective.

Program Evaluations

In 2005 NCA initiated a joint effort with VBA and VA's Office of Policy, Planning, and Preparedness to begin a comprehensive program evaluation of the full array of burial benefits and services that VA provides to veterans and their families. The program evaluation will assess, develop, and update program outcomes, goals, and objectives and compare actual program results with established goals.

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Burial program during 2002, which resulted in a rating of "Moderately Effective." Please see Summary Table 3 on page 57 for more information.

New Policies and Procedures

VA has developed a new performance measure that will help ensure timely and accurate symbolic expressions of remembrance are provided for veterans who are not

buried in national cemeteries. NCA receives and processes applications to order headstones and markers for graves of such veterans. In 2005 (the baseline year), VA processed 13 percent of these applications within 20 days of receipt. VA's long-range performance goal is to process 90 percent of the applications within 20 days of receipt.

Other Important Results

VA furnishes headstones and markers for the graves of eligible persons in national, state, other public, and private cemeteries. VA also furnishes memorial headstones and markers bearing the inscription "In Memory of" to memorialize eligible veterans whose remains were not recovered or identified, were buried at sea, donated to science, or cremated and scattered. VA furnishes headstones and markers for national cemeteries administered by the Department of the Army and the Department of the Interior, as well as for state veterans cemeteries, and contracts for all columbaria niche inscriptions at Arlington National Cemetery. In 2005 VA processed more than 363,000 applications for headstones and markers for placement in national, state, other public, or private cemeteries. Since 1973 VA has furnished nearly 9 million headstones and markers for the graves of veterans and other eligible persons.

Headstones and markers must be replaced when either the government or the contractor makes errors in the inscription, or if the headstone or marker is damaged during installation. When headstones and markers must be replaced, it further delays the final portion of the interment process, the placing of the headstone or marker at the gravesite. NCA will continue to improve accuracy and operational processes in order to reduce the number of inaccurate or damaged headstones and markers delivered to the gravesite. In 2005, 96 percent of headstones and markers were delivered undamaged and correctly inscribed. In 2005 inscription data for 99 percent of headstones and markers ordered by national cemeteries were accurate and complete. VA will continue to focus on business process reengineering, including improving accuracy and operational processes, in order to reduce delays in marking graves caused by inaccurate or damaged headstones and markers.

In 2005 VA issued nearly 488,000 Presidential Memorial Certificates (PMCs), bearing the President's signature, to convey to the family of the veteran the gratitude of the Nation for the veteran's service. To convey this gratitude, it is essential that the certificate be accurately inscribed. The accuracy rate for PMCs provided by VA is consistently 98 percent or better.

Strategic Goal Four

Contributing to the Nation's Well-Being

Strategic Objective 4.1

Emergency Preparedness

Improve the Nation's preparedness for response to war, terrorism, national emergencies, and natural disasters by developing plans and taking actions to ensure continued service to veterans as well as support to national, state, and local emergency management and homeland security efforts.

Making a Difference for the Veteran

VA police officers and facility engineer work on the generator at the New Orleans VAMC after Hurricane Katrina. They were among the many employees who stayed behind to ensure the safe evacuation of the patients at the medical center and to try to limit the amount of damage to the facility from the hurricane.

Hurricane Season

During hurricane season, the Department of Health and Human Services (HHS) often requests VA health care staff from across the country to support health and medical needs. VA employees not only provide aid to states in need, but also to the many sister VA facilities in stricken areas.

In responding to Hurricane Katrina, the Department's emergency preparedness planning paid off, and VA took care of veterans in the stricken area. Within the three-state disaster area of Louisiana, Mississippi, and Alabama, there are approximately 1 million veterans of which 400,000 receive health care and 140,000 financial benefits. In the aftermath of Hurricane Katrina, VA lost two medical centers, one regional benefits office, five outpatient clinics, and one national cemetery.

In the immediate days after the hurricane, VA successfully evacuated nearly 800 people from the New Orleans VA Medical Center (VAMC): 252 patients by Air National Guard and 500 staff and family members by bus. All patients were treated at medical centers in the region. Not one

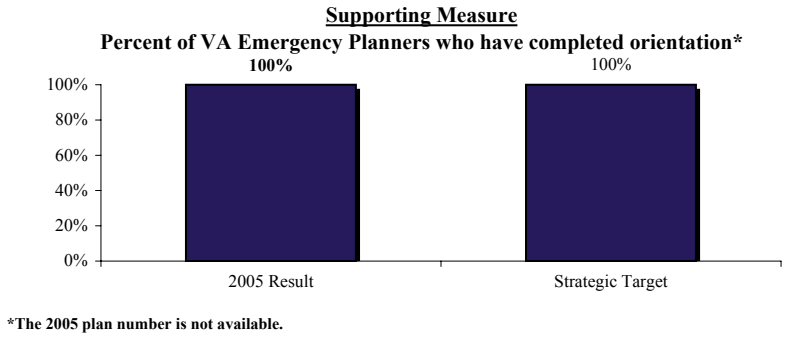
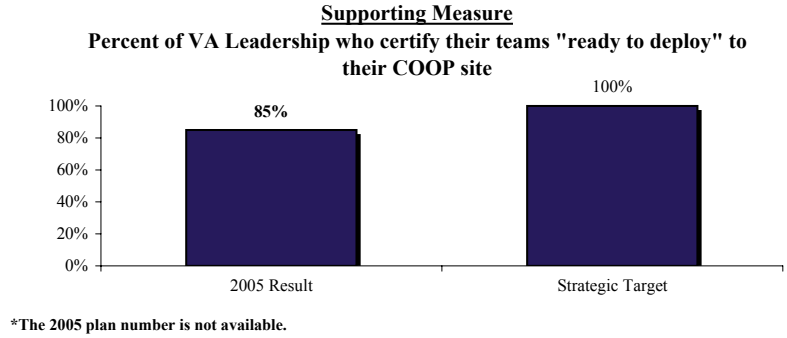
Hurricane Season, continued

life was lost in this evacuation. All patients in the Gulfport VAMC and 70 patients from the Biloxi VAMC were evacuated before the hurricane hit. VHA sent an initial deployment of 238 volunteers to the Gulf region to assist in caring for the displaced veterans and relieve affected employees. Eleven mobile clinics were sent to the affected area to provide continued care for veterans. VBA representatives were also deployed to shelters to reach out to veterans, offer assistance, and explain benefits.

In support of its National Response Plan partners, VA deployed 12 mental health professionals and provided space to house two 250-bed medical shelters being stood up by HHS at the Alexandria, Louisiana, VAMC. Under the National Disaster Medical System, 18 VA Federal Coordinating Centers were activated with 8 centers processing the majority of approximately 2,000 evacuees. VHA identified space in VA facilities that could be used as transitional housing for evacuees, while VBA provided the Federal Emergency Management Agency with an inventory of all VA-repossessed homes nationwide that might eventually be used to house evacuees. NCA assisted in drafting a mortuary plan to be used for mass burials and the procurement of body bags. VA also mobilized $1.3 million in critical pharmaceuticals and medical supplies to the State of Mississippi through VA's National Acquisition Center as well as provided large stocks of pharmaceuticals and medical supplies to VAMCs that received evacuees.

On October 3, 2005, the Senate by unanimous consent adopted a resolution of praise for the "employees and volunteers of the Department of Veterans Affairs, who risked life and limb to assist veterans, staff, and their respective families who were affected by Hurricane Katrina."

Performance Trends and Impact of FY 2005 Results

Performance Trend	FY 2005 Impact
	The 2005 achievement indicates that those in VA responsible for developing continuity of operations plans and guaranteeing VA will continue to provide essential functions understand their responsibilities for emergency preparedness planning and the directives governing such planning.
	The 2005 achievement indicates that the majority of VA's leadership knows the requirements for maintaining continuity of operations (COOP) and service to veterans and that their organizations have plans in place and are ready to relocate to an alternate site if necessary. As demonstrated by Hurricane Katrina in September 2005, continuity of operations is essential to veterans, their families, and the community at large.

Related Information

Major Management Challenges

The following major management challenges have been identified for this strategic objective:

OIG

- Security and Safety (see page 208 for more details)

GAO

- Prepare for Biological and Chemical Acts of Terrorism (see page 223 for more details)
- Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security: A High-Risk Area (see page 229 for more details)

Program Evaluations

VA completed a *Survey Assessment of VA Medical Centers' Emergency Preparedness*, which analyzed facility and staff preparedness including issues such as medical center back-

up utilities, lab, pharmacy, psychiatric services, security, administration, and internal medicine. Deliverables included an automated Web-based survey assessment tool, which provides for follow-up assessments at regular intervals. The study found that VA's strengths are in the areas of planning, establishing command and control structures, and having a strong surge capability to increase the capacity for beds, personnel, medications, and supplies. Areas needing improvement included coordination and administration, communication, logistics and resource management, and training. Among the recommendations were that VA strive for greater consistency in planning and full redundancy of critical systems at each VAMC. Also, VA should refine the survey, re-administer it to track progress, and compare it with the HHS survey of non-federal hospitals. VA is currently negotiating a contract to refine the online survey tool, develop a comparison document of VA and HHS survey data, and share the survey findings with DoD.

VA conducted a contract staffing analysis to assess the extent to which VA has sufficient personnel with the requisite skills and training who could be assembled to meet external emergency preparedness commitments while still maintaining essential services and operations during a catastrophic emergency. The contractor developed a comprehensive training framework and facility-specific guidelines for preparing occupant emergency plans. The analysis identified potential family support activities during an emergency situation. The contractor also conducted a comparative market analysis of occupant surveillance systems, reviewed the issuance of security clearances, and identified standards for the criteria used to determine the vulnerabilities associated with hiring or employing foreign nationals. VA's Strategic Management Council is considering an action plan outlining the necessary actions, timeline, and resource commitments to implement the recommendations.

VA also conducted an *Essential Paper Records Study*. The study assessed VA's ability to sufficiently safeguard and reconstitute essential paper records during and after a catastrophic event that disrupts the provision of benefits and services to veterans and their families. It also analyzed the process and procedures for maintaining, protecting, securing, and reconstituting paper records for business operations essential to each VA administration and certain headquarters functions. The study found that the greatest vulnerabilities relate to VA's overflow storage for paper records where the standard of care and protection was frequently found to be extremely low. VA has alerted facilities to the risks posed to these records, and Records Management program officials in Central Office are instituting abatement plans to deal with vulnerabilities.

Program Assessment Rating Tool (PART) Evaluation

No PART evaluations have been completed that specifically address this objective.

New Policies and Procedures

The Department has participated in major governmentwide exercises designed to respond to chemical and biological acts and has conducted internal continuity of operations exercises. The Department also established a new comprehensive emergency management program to address continuity of operations, as required by Federal Preparedness Circular 65.

Other Important Results

The National Institute of Building Sciences conducted physical vulnerability assessments to study mission-critical VA facilities and provided recommendations to mitigate identified vulnerabilities. As a follow-up, VA will conduct full assessments at sites where CARES major projects are planned and expand analytical capability of the Physical Security Database to better track progress in addressing identified vulnerabilities.

Strategic Objective 4.2

Medical Research and Development

Advance VA medical research and development programs that address veterans' needs, with an emphasis on service-connected injuries and illnesses, and contribute to the Nation's knowledge of disease and disability.

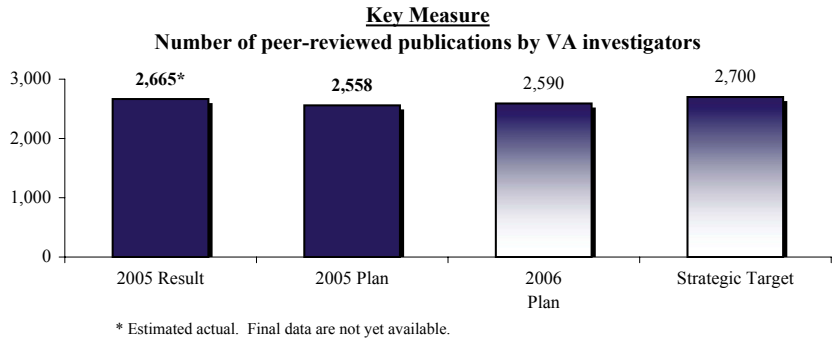
Making a Difference for the Veteran

Improving veterans health and well-being through research and development

Innovative Research on Behalf of Veterans

VA researchers William M. Grady, MD, and Kevin Volpp, MD, PhD, along with 58 scientists from 7 other federal agencies, received Presidential Early Career Awards for Scientists and Engineers from President Bush at the White House in June. These annual awards were established in 1996 to recognize top young scientists and engineers for their "innovative research, which is at the frontiers of science and technology," and their "exceptional potential to shape the future through intellectual and inspired leadership." Both VA recipients are part of VA's career development program. Grady, a gastroenterology researcher at the VA Puget Sound Healthcare System in Seattle, studies the mechanisms of colon cancer, which is a major cause of cancer-related deaths among VA's patient population. His lab focuses on how cancer cells in the colon become resistant to a specific growth factor, or protein, in the body that normally suppresses tumors. Grady is also an assistant professor at the University of Washington School of Medicine and an investigator at the Fred Hutchinson Cancer Research Center. Volpp is a staff physician and health services researcher at the Philadelphia VA Medical Center, and an assistant professor of medicine and healthcare systems at the Wharton School and School of Medicine of the University of Pennsylvania. His research concerns how economics affect the quality of health care. Among the issues he has studied are the influence of HMOs on cardiac outcomes, financial incentives to promote smoking cessation, and VA's role in reducing health care disparities.

Performance Trends and Impact of FY 2005 Results

Performance Trend	FY 2005 Impact
	VA's projected result for 2005 surpasses our goal of achieving 2,558 peer-reviewed publications that show VA as the affiliated institution of the first author. The result is a quantifiable representation of the degree to which research results are used to improve health care. In addition, our achievement is a quantitative indicator of the productivity of the overall research enterprise as well as the degree to which it benefits veterans and the Nation.

Related Information

Major Management Challenges

Neither VA's Office of Inspector General nor the Government Accountability Office identified any major management challenges related to this objective.

Program Evaluations

No independent program evaluations have been conducted that specifically address this objective.

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Medical Research and Development program during 2005. The rating has not yet been issued.

New Policies and Procedures

The following new policies and procedures were established in 2005:

- VA investigators and research offices have been informed that it is their responsibility to ensure that VA affiliation and support are acknowledged on all public reports and presentations including publications, media interviews, and other professional activities in which the results of research are formally presented. VA must be acknowledged first when: (1) the investigator has a five-eighths or more VA appointment; (2) work was funded primarily by VA resources, either directly or indirectly; or (3) the research was conducted primarily in VA facilities.
- VA established a mechanism to facilitate collaboration with private industry to conduct trials in key disease areas that impact the veteran population.

- VA is publicizing—via a Web site—clinical trials in which veterans can participate.
- VA standardized a process for registering clinical trials on ClinicalTrials.gov, a Web site that provides up-to-date information about federally and privately supported clinical research using human volunteers.
- VA's Program Office for Research Integrity Development & Education provided new training for the Human Research Protection Program (HRPP). The training included three 2-day HRPP courses on the basics of human research protection regulations, guidance, and implementation for individuals new to their human research protection responsibilities and a 2-day course on HRPP for research compliance officers.

Other Important Results

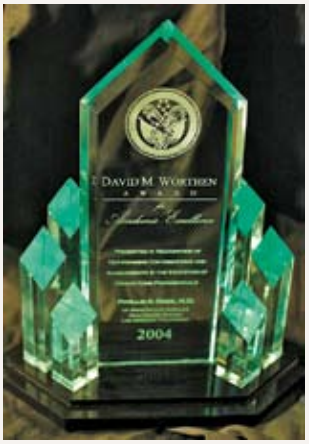
The VA Research Career Development program is designed to train and retain VA clinicians who will conduct research of high relevance to VA health care. In 2005 VA increased training opportunities for clinician-investigators. The number of clinician-investigators who remain with VA 3 years after the completion of their career development award period is a good indicator of the effectiveness of the program. The 2005 results (projected) show a 69 percent retention rate, exceeding the target of 63 percent.

Strategic Objective 4.3

Academic Partnerships

Sustain partnerships with the academic community that enhance the quality of care to veterans and provide high-quality educational experiences for health care trainees.

Making a Difference for the Veteran



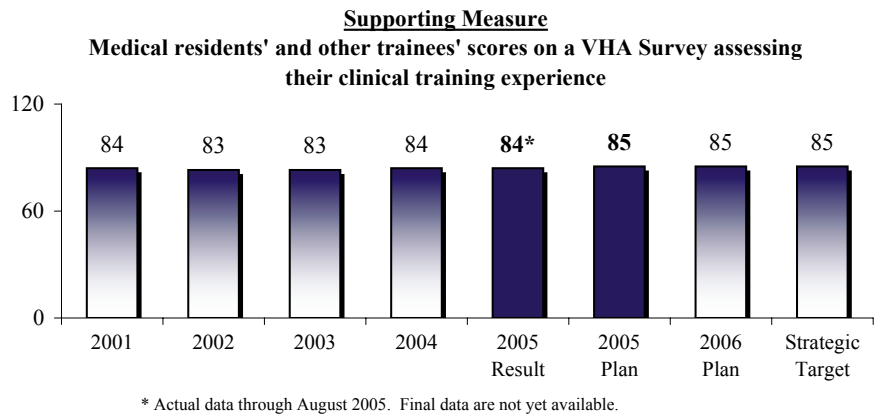
Worthen Award for academic excellence

Worthen Award for Academic Excellence

Phyllis A. Guze, M.D., Chair of the Medicine Department and Director of the Medical Care Line at VA Greater Los Angeles Healthcare System has been honored by VA as recipient of the David M. Worthen Award for Academic Excellence. Dr. Guze has made significant contributions to medical education and VA's mission in several key areas. She provided visionary leadership in developing curricula in both VA Ambulatory Care education and Women's Health, well before these were recognized national priorities. Dr. Guze also served as Dean of Education for the UCLA School of Medicine and created what would become models for mutually beneficial affiliations. In that role, she also was instrumental in overseeing the efforts of UCLA to modernize the undergraduate medical curriculum. Many of those innovations have endured and are being used as models by other schools of medicine. Dr. Guze has also made considerable contributions to the administration of medical education programs. She was a pioneer in recognizing issues such as power abuse and sexual harassment in physician residency programs and medical schools. Dr. Guze has served as mentor and role model for countless students, residents, fellows, and junior faculty. Through her contributions to medical education, ranging from individual mentorship to the strategic influence on the future of national medical education, Dr. Guze has exemplified the best achievements of VA's academic mission.

Dr. Guze was presented the prestigious award with a plaque at the VHA National Leadership Board meeting in March 2005. This is the highest award given by VHA to recognize outstanding achievements of national significance in health professions education.

Performance Trend and Impact of FY 2005 Result

Performance Trend	FY 2005 Impact
	VA's 2005 score of 84 nearly met the target score of 85. Since VA is the largest provider of health care training in the country, continued satisfaction of medical residents and other trainees indicates their training experiences are of high quality. This benefits VA in its ability to attract highly trained and qualified health care professionals, which results in high-quality health care for the veteran.

Related Information

Major Management Challenges

Neither VA's Office of Inspector General nor the Government Accountability Office identified any major management challenges related to this objective.

Program Evaluations

No independent program evaluations have been conducted that specifically address this objective.

Program Assessment Rating Tool (PART) Evaluation

The Administration conducted a PART evaluation of VA's Medical Care program during 2003. However, the evaluation did not specifically cover any aspects of the medical education program.

New Policies and Procedures

VA issued a new directive on educational affiliation agreements requiring such agreements to be in place before trainees in non-VA education programs receive clinical training at VA facilities and before trainees in VA-sponsored programs receive training at non-VA facilities. In the past, institutions sending trainees to VA facilities for fewer than 40 hours per year—or for observation only—were exempt from the requirement.

VA issued a new resident supervision handbook outlining procedural requirements pertaining to the supervision of residents and focusing on resident supervision from the educational perspective. The handbook reflects new standards for documentation of supervision in various settings.

Other Important Results

The fourth system-wide Learners' Perceptions Survey was conducted to provide information to support VHA's performance measure for its teaching mission. The survey provides a discrete measure of the quality of VA's teaching mission and identifies areas of excellence and opportunities for improvement in the clinical training experience. This effort will enhance the quality of care for VA patients. The reports include comparative results of the past 2 years' surveys by type of trainee as well as facility highlights to assist management in identifying areas for improvement.

The Annual Report on Residency Training programs, now in its third year online, was extensively updated in 2005 to increase ease of entry and facilitate VISN and VHA oversight of compliance with resident supervision policy.

Strategic Objective 4.4

Socioeconomic Well-Being of Veterans

Enhance the socioeconomic well-being of veterans, and thereby the Nation and local communities, through veterans' benefits; assistance programs for small, disadvantaged, and veteran-owned businesses; and other community initiatives.

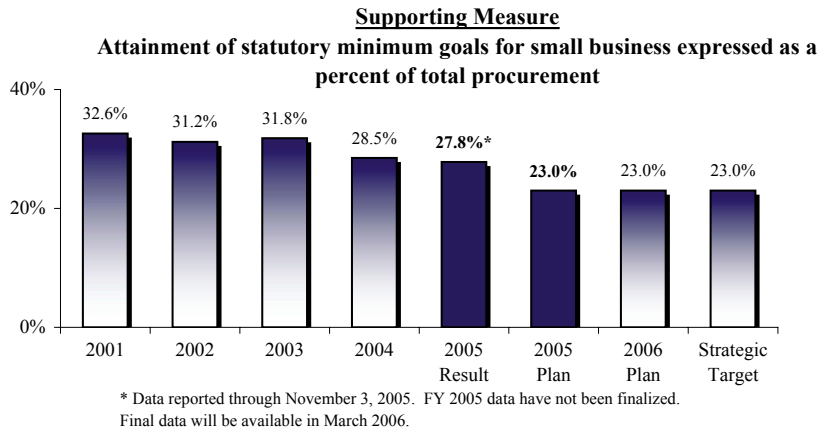
Making a Difference for the Veteran

VA reaches out to veteran-owned and service-disabled veteran-owned small businesses

Providing Opportunities for Small Business

VA was recently ranked among top government agencies based on business opportunities provided to diversity-owned businesses. Over 350,000 women and minority-owned businesses had the opportunity to vote in an online election conducted by DiversityBusiness.com. VA works hard to create and maintain opportunities for small businesses. Thorough market research is conducted to locate qualified small business concerns for large procurements, such as the recent prime vendor contract awards for medical and surgical products, which included awards to five small business concerns. Contract bundling reviews ensure consolidation does not occur at the expense of the small business community. Alternative acquisition strategies increase contract opportunities for small businesses, with a special emphasis on service-disabled veteran-owned small business firms. VA is working to be the leader in contracting with service-disabled veteran-owned businesses.

Performance Trend and Impact of FY 2005 Result

Performance Trend	FY 2005 Impact
	As part of its work on behalf of all veterans, VA provides economic opportunities to veteran-owned small business and service-disabled veteran-owned small business firms through its procurement of goods and services. During the latter portion of 2005, VA senior leadership strengthened its focus on these small business goals during Monthly Performance Reviews. As a result of this heightened emphasis, we expect our performance on this measure to improve in 2006.

Related Information

Major Management Challenges

Neither VA's Office of Inspector General nor the Government Accountability Office identified any major management challenges related to this objective.

Program Evaluations

No independent program evaluations have been conducted that specifically address this objective.

Program Assessment Rating Tool (PART) Evaluation

No PART evaluations have been completed that specifically address this objective.

New Policies and Procedures

In October 2004 the President issued Executive Order 13360, *Providing Opportunities for Service-Disabled Veteran Businesses to Increase Their Federal Contracting and Subcontracting*. In February 2005 VA senior leadership approved an aggressive strategy to increase contracting opportunities for such businesses. VA's implementation strategy and those of other departments and agencies are posted for public review at http://www.vetbiz.gov/fpp/fpp.htm.

VA strategies include the following:

- Reserving VA contracts exclusively for service-disabled veteran-owned small businesses.
- Encouraging and facilitating participation by service-disabled veteran-owned small businesses in competitions for award of VA contracts.
- Training VA personnel on applicable law and policies relating to participation of service-disabled veteran-owned small businesses in federal contracting.

Strategic Objective 4.5

Maintaining National Cemeteries as Shrines

Ensure that national cemeteries are maintained as shrines dedicated to preserving our Nation's history, nurturing patriotism, and honoring the service and sacrifice veterans have made.

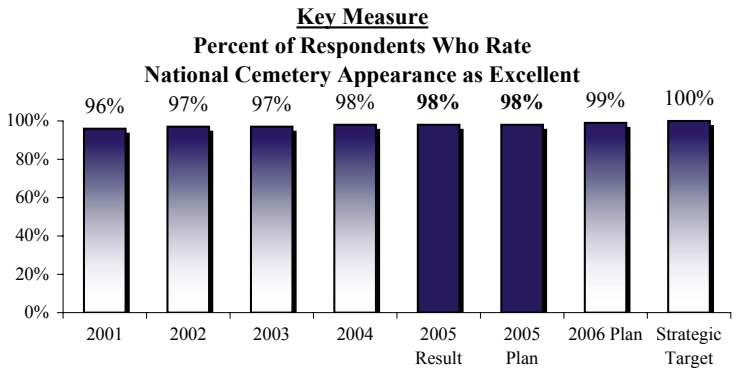
Making a Difference for the Veteran

The Soldiers' Monument at Dayton National Cemetery

Memorials Inventory Project

VA has just completed a more than 2-year effort to catalog every memorial on its grounds. Since national cemeteries were established in 1862, they have become the sites of memorials erected to recall distinctive heroics, group burials, and related commemorations. These memorials range from modest blocks of stone, sundials, and tablets affixed to boulders to more sophisticated obelisks and single soldiers on granite pedestals. The Memorials Inventory Project, based on the national Save Outdoor Sculpture inventory project, used volunteers to document, measure, and photograph monuments and memorials on National Cemetery Administration (NCA) grounds. In all, 372 volunteers worked on the project and documented more than 1,000 different memorial objects found at VA national cemeteries. The project raised awareness about national cemeteries, their history, and the soldiers and sailors interred in these national shrines. VA will share information on its sculpture monuments with the public through the Smithsonian Museum's art inventory database. NCA will also create a searchable online database so that information and photographs of all its memorials will be available to the public.

Performance Trend and Impact of FY 2005 Result

Performance Trend	FY 2005 Impact
	National cemeteries carry expectations of appearance that set them apart from private cemeteries. Our Nation is committed to create and maintain these sites as national shrines. The 2005 score reflects VA's commitment to maintain the appearance of national cemeteries as national shrines so that bereaved family members are comforted when they come to the cemetery for the interment, or later to visit the grave(s) of their loved one(s). Our Nation's veterans have earned the appreciation and respect not only of their friends and families, but also of the entire country and our allies.

Related Information

Major Management Challenges

Neither VA's Office of Inspector General nor the Government Accountability Office identified any major management challenges related to this objective.

Program Evaluations

The Veterans Millennium Health Care and Benefits Act, Public Law 106-117, directed VA to contract for an independent study to look at various issues related to the National Shrine Commitment and its focus on cemetery appearance. Volume 3: Cemetery Standards of Appearance was published in March 2002. This report served as a planning tool and reference guide in the task of reviewing and refining VA's operational standards and measures.

In August 2002, Volume 2: National Shrine Commitment was completed. This report identified the one-time repairs needed to ensure a dignified and respectful setting appropriate for each national cemetery. VA is using the information in this report to address repair and maintenance needs at national cemeteries.

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Burial program during 2002, which resulted in a rating of "Moderately Effective." Please see Summary Table 3 on page 57 for more information.

New Policies and Procedures

Using the recommendations in the Volume 3 report mentioned above and building on previous efforts, VA has established standards and measures by which NCA can determine the effectiveness and efficiency of its operations. These standards and measures identify performance expectations in key operational processes including interments, grounds maintenance, and headstones and markers.

NCA has established an Organizational Assessment and Improvement Program to identify and prioritize improvement opportunities and to enhance program accountability by

providing managers and staff at all levels with one NCA "scorecard." As part of the program, assessment teams conduct site visits to all national cemeteries on a rotating basis to validate performance reporting.

In order to ensure a high-performing, well-trained workforce, VA established the National Cemetery Administration Training Center. Initially focused on training cemetery directors and assistant directors, the new facility will eventually expand its classes to train supervisors, equipment operators, grounds keepers, cemetery representatives, and other employees. As 11 new national cemeteries become operational, the center's efforts will help ensure consistency in operations throughout the national cemetery system as well as a high-performing workforce and well-trained staff for key positions. In 2005 the first class of cemetery director interns graduated. They were assigned to leadership positions at national cemeteries throughout the country.

NCA is partnering with the National Center for Preservation Technology and Training (NCPTT), an office of the National Park Service (NPS), to conduct a materials conservation and treatment analysis of government-issued marble veteran headstones issued from the 1870s through 1973. Second to VA, NPS has the largest number of national cemeteries, including Gettysburg National Cemetery, under its jurisdiction. Through a 2-year interagency agreement, NCPTT will identify alternatives for cleaning historic headstones based upon criteria such as cost effectiveness and environmentally and historic-resource friendly chemicals.

In 2004 NCA launched a Web-based (Internet) Nationwide Gravesite Locator (NGL) system. The system contains more than 3 million records of veterans and dependents buried in VA's 121 cemeteries since the Civil War. It also has records of some burials in state veterans cemeteries and burials in Arlington National Cemetery from 1999 to the present. Making it easier to identify burial locations may bring more visitors to the honored resting places that VA considers national shrines and historical treasures.

Other Important Results

The willingness to recommend the national cemetery to veteran families during their time of need is an expression of loyalty toward that national cemetery. In 2005, 98 percent of survey respondents (family members and funeral directors who have recently received services from a national cemetery) indicated they would recommend the national cemetery to veteran families during their time of need.

To ensure the appearance of national cemeteries meets the standards our Nation expects of its national shrines, VA performed a wide variety of grounds management functions including raising, realigning, and cleaning headstones to ensure uniform height and spacing and to improve appearance. The rows of pristine, white headstones that are set at the proper height and correct alignment provide the vista that is the hallmark of many VA national cemeteries. In 2005 VA collected data that showed that 70 percent of headstones and/or markers in national cemeteries are at the proper height and alignment; 72 percent of headstones, markers, and niche covers are clean and free of debris or objectionable accumulations; and 84 percent of gravesites in national cemeteries had grades that were level and blended with adjacent grade levels. In 2005 National Shrine Commitment projects were initiated at 13 national cemeteries. These projects will raise, realign, and clean more than 110,000 headstones and markers and renovate gravesites in nearly 100 acres. While attending to these highly visible aspects of our national shrines, VA also maintained roads, drives, parking lots, and walks; painted buildings, fences, and gates; and repaired roofs, walls, and irrigation and electrical systems.

VA continued its partnerships with various civic organizations that provide volunteers and other participants to assist in maintaining the appearance of national cemeteries. For example, an interagency agreement with the Bureau of Prisons provides for the use of selected prisoners to perform work at national cemeteries. Under a joint venture with VHA, national cemeteries provide therapeutic work opportunities to veterans receiving treatment in the Compensated Work Therapy/Veterans Industries program. The national cemeteries are provided a supplemental workforce while giving veterans the opportunity to work for pay, regain lost work habits, and learn new work skills.

NCA is working with VA's Office of the General Counsel (OGC) and an outside patent counsel to obtain patents for NCA "technology." VA has applied for patents for NCA's combined mower/trimmer invention and for the swiveling hearse carrier. NCA is also working with OGC to develop a licensing strategy for the potential transfer of technologies to private sector entities.

Enabling Goal

Applying Sound Business Principles

Enabling Objective E-1

Development and Retention of a Competent Workforce

Recruit, develop, and retain a competent, committed, and diverse workforce that provides high-quality service to veterans and their families.

Making a Difference for the Veteran

Bringing together the best possible workforce to serve veterans

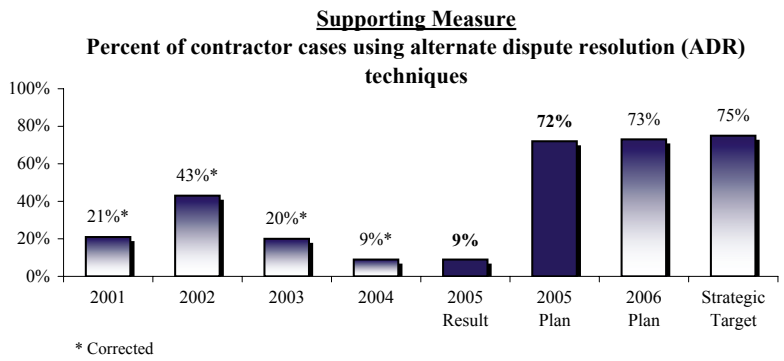
VA Nurses Make a Difference in Veterans' Lives

VA has one of the largest nursing staffs of any health care system in the world. Numbering more than 59,000 nationwide, the VA nursing team – composed of registered nurses, licensed practical nurses, vocational nurses, and nursing assistants – provides comprehensive, complex, and compassionate care to the Nation's veterans, helping them not only to prevent disease and maintain or regain health, but also learn to live with disabilities or even prepare for their final moment with dignity and respect.

Helping Patients Stay Connected

Heart transplant patients stay connected thanks to the nurses at the Richmond VA Medical Center. During patient visits, the nursing staff watched their transplant patients form lasting bonds with one another. The only opportunity the patients had to visit each other was when they returned to the medical center for their scheduled follow-up heart biopsies. Many of the veterans, who live hundreds of miles apart, enjoyed the support and friendship of their fellow transplant patients. The nursing team recognized their patients needed a method to communicate after their visits to the medical center. The nurses created a Web site designed specifically for transplant patients receiving their follow-up care at the Richmond VA Medical Center. The site includes educational information related to organ transplantation and a secure chat room for the patients to reconnect. The nurses continue to receive positive feedback from the patients about their new ability to stay connected.

Performance Trend and Impact of FY 2005 Result

Performance Trend	FY 2005 Impact
	VA's efforts to increase use of ADR in contract matters is designed to benefit veterans because ADR saves time and money when compared to the formal contract appeals process. Money saved can then be devoted to the care of the veteran. The 2005 result implies that desired cost savings are not being realized and that more needs to be done to promote the use of ADR. To this end, VA is developing strategies to promote increased use of ADR.

Related Information

Major Management Challenges

The following major management challenges have been identified for this strategic objective:

GAO

- Strategic Human Capital Management: A High-Risk Area (see page 229 for more details)

Program Evaluations

No independent program evaluations have been conducted that specifically address this objective.

Program Assessment Rating Tool (PART) Evaluation

No PART evaluations have been completed that specifically address this objective.

New Policies and Procedures

The Equal Employment Opportunity Commission (EEOC) issued Management Directive 715 (MD-715), requiring each federal agency to submit an EEO Program Status Report by January 31 of each year. This report replaces both the Affirmative Employment Program Report and the Persons with Disabilities Program Report. The new report tracks agencies' progress in establishing and managing equal employment opportunity programs.

VA took an early lead in the implementation of MD-715 by helping EEOC define program requirements and develop instructions. VA also worked closely with EEOC to refine reporting requirements. VA automated the process by developing reports-generating software, which was demonstrated to and shared with other federal agencies.

Enabling Objective E-2

Outreach and Communications

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.

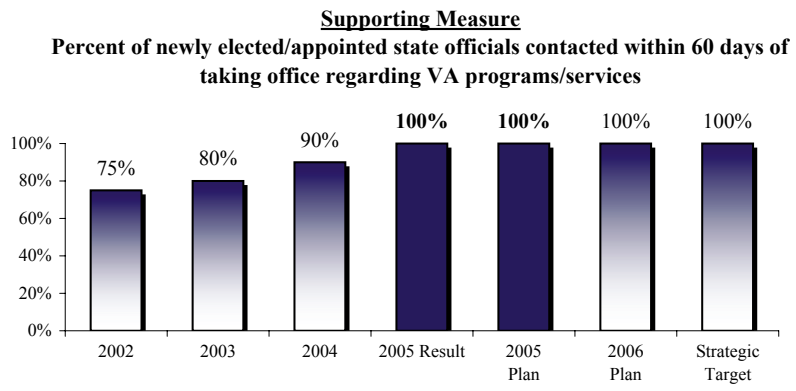
Making a Difference for the Veteran

Department of Veterans Affairs television studio

Affirming the Commitment

Affirming the Commitment, a national initiative launched in June by the Veterans Health Administration (VHA), has received two prestigious video awards. The launch included a compelling video that profiles several veterans and their families as well as VA employees who share inspirational stories. It won an Award of Excellence in the 2005 Videographer Awards Competition, an international awards program directed by communications professionals to honor talented individuals and companies in the video production field. The Award of Excellence, the highest level, is given to projects written, produced, and filmed in an exceptional manner. The video also won a bronze-level award in the National Omni Award competition with an overall score of 8.2 on a 10-point scale. The Omni Award is evaluated by a panel of judges from some of the top production companies in the world and recognizes the top video and broadcast productions. Affirming the Commitment is designed to help employees gain a better understanding and appreciation of veterans and their military experience. Although it is a VHA initiative, the program's basic elements of care, compassion, and appreciation are applicable throughout the Department.

Performance Trend and Impact of FY 2005 Result

Performance Trend	FY 2005 Impact
	In 2005 VA contacted all newly elected or appointed state officials (i.e., primarily governors and/or state veterans affairs directors) within 60 days of their election or appointment to inform them as to whom to contact in VA with questions on veteran-related issues such as: • Impacts on state resources regarding National Guard servicemen and women serving in Operation Iraqi Freedom and Operation Enduring Freedom. • Veterans' benefits available from the federal government to veterans in their state. • Understanding the federal/state relationship involved with state veterans homes and state veterans cemeteries. • Statistics on veteran population and VA expenditures in their state to assist them with planning. This outreach is beneficial to the veteran because the better the elected representatives understand VA and veterans' issues in general, the better the veteran will be served.

Related Information

Major Management Challenges

Neither VA's Office of Inspector General nor the Government Accountability Office identified any major management challenges related to this objective.

Program Evaluations

No independent program evaluations have been conducted that specifically address this objective.

Program Assessment Rating Tool (PART) Evaluation

No PART evaluations have been completed that specifically address this objective.

New Policies and Procedures

VA is in the process of developing a new strategic plan for 2006-2011, which will be issued in February 2006. Changes in VA's goals and objectives reflecting the priorities of the new Secretary are possible. If such changes are made, VA will communicate them to all employees as well as the larger communities of veterans and stakeholders.

Enabling Objective E-3

Reliable and Secure Information Technology

Implement a One VA 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.

Making a Difference for the Veteran

Information Technology Working for Veterans

VA's Office of Information and Technology (OIT) manages the Department's information technology (IT) programs and provides oversight of associated resources using an integrated IT management process to provide premier service to veterans. By planning IT initiatives collaboratively throughout the Department, under the auspices of One VA, the best mix of business solutions and expenditure efficiencies are achieved for the Department.

The IT integrated management process ensures the most efficient use of VA resources. The process provides the Chief Information Officer and the Enterprise Information Board (an executive-level IT program oversight committee) the means to accurately track the cost, schedule, and performance goals of all projects within VA's IT portfolio and is tightly coupled to the One VA enterprise architecture management process.

OIT oversees all privacy efforts within the Department, protects the privacy of veterans' and employees' personal information, and ensures that current and future privacy laws and regulations are applied consistently. That veterans trust that VA will protect their privacy is crucial to the success of VA's mission. These efforts result in better service to the veterans.

FY 2005 Performance Results

Supporting Performance Measure
The number of business lines transformed to achieve a secure veteran-centric delivery process that would enable veterans and their families to register and update information, submit claims or inquiries, and obtain status
Performance Results
Transformation of business lines is a multi-year effort. As such, VA did not expect to transform any business lines in 2005. Although no business lines were completely transformed in 2005, VA made significant progress in this area as described below: • Established an office dedicated to executing the E-Gov program. This office is implementing 16 E-Gov Initiatives and transforming 5 E-Gov lines of business to comply with the governmentwide E-Gov architecture. This effort will provide veterans with electronic access to VA services conveniently and efficiently, as well as create operating synergies and reduce costs. • Developed version 4.0 of the Enterprise Architecture, which establishes the framework under which all IT projects will support the One VA strategy. Version 4.0 received a passing score from OMB. • Completed planning and development of a shared data schema and exchange architecture with DoD that enables enhanced access to more timely and accurate military service personnel data, thus expediting a veteran's access to VA benefits. For example, DD-214 separation data are now available to VA in 3 days versus the previous 90 days, which expedites VA outreach and provides much more timely information upon which enrollment and eligibility decisions can be made. Two key programs supporting the One VA business line transformation are as follows: • Aggressively executing the Contact Management program, which will provide a single portal for veterans and their families to access and update personal information and obtain status. • Establishing detailed requirements for the Registration and Eligibility program that will provide a single point of registration and eligibility for veterans, thus eliminating the multiple instances of registration that exist today.

Related Information

Major Management Challenges

The following major management challenges have been identified for this strategic objective:

OIG

- Financial Management Control (see page 213 for more details)
- Data Validity (see page 214 for more details)
- Information Security (see page 217 for more details)
- Information Systems Development Financial Management Control (see page 217 for more details)

GAO

- Financial Management Weaknesses: Information Systems Security and Financial Management System Integration (see page 224 for more details)
- Enterprise Architecture Documentation (see page 225 for more details)
- Performance Measures (OIT) (see page 225 for more details)
- Protecting The Federal Government's Information Systems and the Nation's Critical Infrastructures: A High-Risk Area (see page 227 for more details)
- Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security: A High-Risk Area (see page 229 for more details)

Program Evaluations

No independent program evaluations have been conducted that specifically address this objective.

Program Assessment Rating Tool (PART) Evaluation

No PART evaluations have been completed that specifically address this objective.

New Policies and Procedures

In an effort to improve project planning and monitor execution, VA successfully began the process of implementing Earned Value Management (EVM) on VA's entire major IT program. EVM is a set of business practices and processes used to measure actual project performance, which may be used to forecast completion schedule and cost variance. All work is planned, budgeted, and scheduled in time-phased ''planned value'' increments constituting a cost and schedule measurement baseline. EVM is widely considered an industry best practice, and it is mandated by the President's Management Agenda and OMB. VA is using the Telecommunications Modernization Project (TMP) to move from loosely federated independent networks to a single, high performance wide-area data network capable of supporting enterprise-wide applications. TMP will offer service level agreements for performance and reliability at every service delivery node on the network. E-Authentication, an E-Gov initiative, will positively impact the veteran by allowing the application for benefits through the Internet.

Other Important Results

As of August 31, 2005, VA certified and accredited all operational information technology systems. All known risks have been assessed, and system owners are now working on mitigating those risks. OIT provided VA field facilities with a vulnerability scanner and automated patch installation system to minimize risk to the VA network and deployed the Host Intrusion Prevention System, which blocked thousands of infection attempts across the VA network. OIT provided analytical incident support through a functional Security Operations Center, which was a significant factor in successfully mitigating the impact of several major computer viruses and worms infecting VA systems and networks in 2005. Through the security training program, VA increased the number of Certified Information System Security Professionals from 82 to 102 and the number of Certified Security Practitioners from 405 to 735. Additionally, 798 VA security and privacy professionals obtained advanced training at VA's annual cyber security conference.

Recognizing that standardization of project management guidelines and procedures is critical to the success of the One VA IT enterprise, VA aggressively implemented a training program that provides a clear understanding of the processes and knowledge areas common to all projects. Individuals completing the seven-course curriculum receive a master's certificate in project management and VA project manager certification. VA's training and certification program has been recognized as a model for agencies throughout the federal government.

VA's information security program, designed to protect the confidentiality, integrity, and availability of veterans' private information, provides assurance that cost-effective cyber security controls are in place to protect automated information systems from financial fraud, waste, and abuse. Within the Department, all employees, volunteers, and contractors completed annual privacy training as required by the Health Information Portability and Accountability Act (HIPAA) and VA policy. VA achieved HIPAA Security Rule compliance after extensive review of VA regulations, operations, and policy. VA conducted several employee focus groups and veteran feedback sessions to better understand employee and veteran privacy concerns. In addition VA conducted a privacy risk assessment in December 2004 and has scheduled quarterly risk assessments for 2006 to ensure that VA discovers and mitigates any privacy risks.

The One VA Enterprise Program Management Office initiative is charged with developing a standard set of portfolio and project management policies, processes, procedures, tools, and training and certification requirements across the Department. The program ensures a greater probability of achieving consistent, repeatable project results in support of VA's mission and goals.

Enabling Objective E-4

Sound Business Principles

Improve the overall governance and performance of VA by applying sound business principles; ensuring accountability; enhancing our management of resources through improved capital asset management, acquisition, and competitive sourcing; and linking strategic planning, budgeting, and performance planning.

Making a Difference for the Veteran

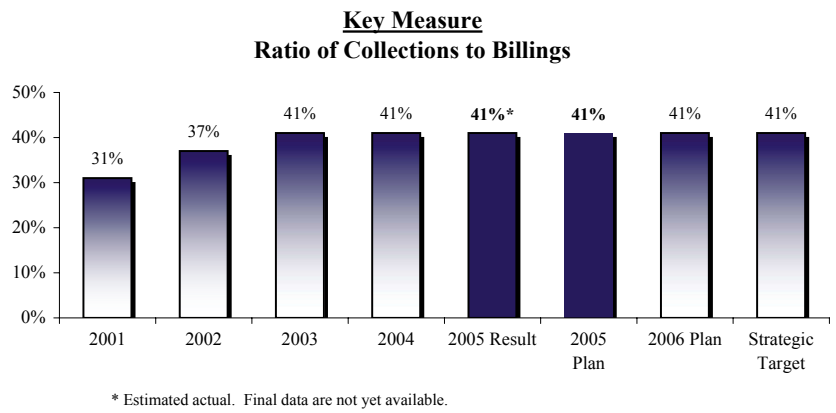
Effective Management of Assets

With more than 5,600 owned buildings, 1,000 operating leases, $1 billion in medical and non-medical equipment, and approximately 32,000 acres of land, VA has a vast capital asset portfolio. VA's first asset management plan, released in December 2004, describes VA's capital assets and how VA plans to manage them. With release of the plan, VA is now one of two federal agencies to score above a "red" on the President's scorecard for "real property asset management." The asset management plan is the blueprint for achieving VA's objective to effectively manage assets and provide a safe and appropriate environment for the delivery of health care, benefits, and memorial services to the Nation's veterans. The plan describes VA's capital asset management philosophy and addresses the requirements set forth by the President's federal real property initiative.

VA Negotiates Lower Prices for Medical Supplies and Pharmaceuticals

As the Nation's largest integrated health care system, VA uses consolidated national contracts to negotiate rock-bottom prices on medical supplies ranging from bandages and pharmaceuticals to the latest in computerized prosthetic legs and iBOT wheelchairs. Veterans enrolled for VA health care are eligible to receive a 30-day supply of pharmaceuticals for a $7 co-payment. Last year VA provided 176 of the latest computerized C-legs for veterans who suffered above-the-knee amputations. VA purchased the C-legs for the average price of $36,000 each. The legs, produced by Minneapolis-based Otto Bock Healthcare, can cost up to $45,000 on the open market. Approximately 3,500 U.S. residents are using C-legs, including 68 soldiers wounded in Afghanistan and Iraq.

Performance Trend and Impact of FY 2005 Result

Performance Trend	FY 2005 Impact
	The 2005 projected result of a 41 percent ratio of collections to billings meets the target. This measure is commonly used in the private sector. VA's results appear comparatively lower than the private sector standard because VA cannot collect from Medicare, but must include 100 percent of charges to assert claims to the resulting Medicare supplemental carriers. By maximizing collections, more budget dollars can be allocated for improving the quality of care of veterans.

Related Information

Major Management Challenges

The following major management challenges have been identified for this strategic objective:

OIG

- Federal Supply Schedule Contracts (see page 208 for more details)
- Contracting for Health Care Services (see page 209 for more details)
- Management of VHA Major Construction Contracts (see page 209 for more details)
- Vocational Rehabilitation and Employment Contracts (see page 210 for more details)
- Contracting and Acquisition Support for Major System Development Initiatives (see page 211 for more details)
- Government Purchase Card Activities (see page 212 for more details)
- Inventory Management (see page 212 for more details)
- Financial Management Control (see page 213 for more details)
- Data Validity (see page 214 for more details)
- Workers' Compensation Program (see page 214 for more details)
- Federal Energy Management Cost (see page 215 for more details)
- Medical Care Collections Fund (see page 216 for more details)

GAO

- VA/DoD Efficiencies (see page 222 for more details)
- Financial Management Weaknesses: Information Systems Security and Financial Management System Integration (see page 224 for more details)
- VA/DoD Information Sharing (see page 226 for more details)
- Federal Real Property: A High-Risk Area (see page 228 for more details)
- Management of Interagency Contracting: A High-Risk Area (see page 230 for more details)

Program Evaluations

No independent program evaluations have been conducted that specifically address this objective.

Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Medical Care program during 2003, which resulted in a rating of "Adequate." The Administration also conducted a PART evaluation of VA's General Administration program during 2004, which resulted in a rating of "Moderately Effective." Please see Summary Table 3 on page 57 for more information.

New Policies and Procedures

A standardized set of security policies and procedures templates, entitled "Facility Security Plan," were developed to assist facilities in implementing activities mandated for compliance with the HIPAA Security Rule. The policies cover the management, operational, and technical controls established by the National Institute of Standards and Technology for implementing an organizational-wide security framework.

The Office of the General Counsel (OGC) is partnering with VHA to improve the timeliness of medical reviews of medical malpractice tort claims. This should have a positive impact on the ability of OGC to resolve claims at the administrative level with greater accuracy. VA is requesting an increased delegation of settlement authority from the Department of Justice for settlement of tort claims, which will enhance OGC's capability to settle claims administratively.

Until such time as VA obtains legislative relief from the competitive sourcing prohibition of title 38, VA has moved forward employing a management analysis/business process reengineering initiative. The results of this analysis will be integrated into VA's workforce planning process. Pilots have begun with functional management teams studying the food services and laundry functions.

The Medical Materiel Management Work Group helped facilitate the joint purchasing of non-drug medical supplies and equipment. A plan was developed and implemented at the beginning of the year to track and monitor progress. A total of 23 DoD radiology contracts were modified so that VA could add unique VA terms to the contracts. DoD provided VA with copies of the contracts and pricing; by the end of the third quarter, 100 combined non-drug purchases were made totaling $47 million.

Following the full deployment of VA's Capital Asset Management System (CAMS) and the appointment of VISN Capital Asset Managers, the Office of Asset Enterprise Management provided training sessions covering federal real property policies and VA's capital asset management approach. Hands-on training focused on how to monitor asset performance and how to complete Web-based business case analysis applications (OMB Exhibit 300) in CAMS. The business case analysis applications are used to prioritize VA capital investments in meeting VA's strategic goals.

The Assistant Secretary for Management has delegated enhanced-use leasing authority to the Under Secretary for Health and, in some instances, to the capital asset manager assigned to a specific project. The delegation and training transfers full responsibility for the development, solicitation, and execution of enhanced-use lease transactions. It also streamlines and enhances the efficiency of pending and future enhanced-use lease projects.

VA awarded four indefinite delivery/indefinite quantity contracts to obtain a full range of expert developmental and transaction management support from service-disabled veteran-owned businesses on enhanced-use lease projects. The contract provides a sound and usable approach for effective, market-driven management of VA's capital investments. It standardizes and streamlines the Department's implementation of its enhanced-use lease authority and the CARES process.

Public Law 108-422 established the Capital Asset Fund (CAF) for VA in the Treasury of the United States. The revolving fund law grants the Secretary the authority to transfer, sell, or exchange real property to an appropriate party and deposit the funds into the CAF. Funds may be used for other disposals, minor medical projects with estimated costs of less than $7 million, or for historically designated projects.

The goal of the CAF is to redirect funds currently spent on underutilized real property and reinvest them in additional health care services for veterans.

Quarterly Monthly Performance Review Reporting

Capital asset performance is now being reported quarterly at the Department's monthly performance review meetings. Reports will focus on Departmental performance in relation to Federal Real Property Council and Department of Energy measures. Performance exceptions will be highlighted for possible best practices or corrective actions.

Other Important Results

The VHA Chief Business Office wrote a white paper describing the benefits of electronic financial transactions for both the health plan and the health care provider communities. The white paper was used in discussions with industry policymakers and VHA business partners. The objective is to promote adoption of electronic financial transactions in the health care community.

Assessment of Data Quality

VA's ability to accomplish its mission is dependent on the quality of its data. Each day, VA employees use data to make decisions that affect America's veterans. In delivering medical care, processing benefits, and providing burial services, data accuracy and reliability are paramount.

Each program office has initiated specific actions to improve data quality to better support business planning and day-to-day decisionmaking. In addition, the Office of the Inspector General (OIG) has conducted audits to determine the accuracy of our data. We consider OIG reviews to be independent and objective. The following discussion describes in detail the actions each VA administration has taken to improve its data quality.

Veterans Health Administration

VHA has focused on data reliability, accuracy, and consistency for the past several years. The principles of data quality are integral to VHA's efforts to provide excellence in health care. In 2001 the Under Secretary for Health commissioned a high-level, cross-cutting task force on data quality and standardization whose membership includes the chief officer from VHA's Office of Quality and Performance, the Assistant Deputy Under Secretary for Health, and officials from the Chief Network Office and the Office of Information. This task force has focused on strategic planning to provide consistent definitions of clinical and business data for more effective clinical and organizational decision support. The members seek collaboration with other parties including DoD, Indian Health Service, private sector health care providers, and standards organizations.

VHA's commitment to quality data was confirmed by the results of an OIG audit of the validity of data collection of the quality measures that VHA tracks – Clinical Practice Guidelines Index and Prevention Index II. The report acknowledged a high degree of accuracy. The OIG made no recommendations. VHA continuously monitors data accuracy to ensure these high standards are maintained.

VHA has long been recognized as a leader in documenting credentials and privileges of VA health care professionals. In 2001 VHA implemented a new electronic data bank, VetPro. This database dramatically improved VHA's ability to ensure timely and appropriate credentialing of health care professionals. VetPro promotes and demonstrates to other federal and private agencies the value of a secure, easily accessible, valid data bank of health professionals' credentials. In 2004 VHA and DoD launched a study into the merits of integrating DoD's system for credentialing and privileging, Centralized Credentials and Quality Assurance System, with VHA VetPro. The study resulted in recommendations favoring continued collaboration with a goal of accomplishing future integration.

VetPro improves the process of credentialing and privileging by:

- Establishing a secure, accessible, valid electronic database.
- Ensuring appropriate credentials for clinical roles of practitioners.
- Allowing verification of practitioners' track records.

The VHA Data Consortium addresses organizational issues and basic data quality assumptions. The consortium works collaboratively to improve information reliability and customer access for the purposes of quality measurement, planning, policy analyses, and financial management. The ongoing initiatives and strategies address data quality infrastructure, training and education, personnel issues, policy guidance, and data systems.

The VHA data quality coordinator and data quality workgroups provide guidance on data quality policies and practices. Several initiatives support the integrity and data quality of coding including:

- Development of strategies and standard approaches to help field staff understand the data content and

meaning of specific data elements in VHA databases.

- Participation in VHA's data standardization activities that involve the standardization of VHA's clinical and administrative data in support of critical activities including VA's Health Data Repository program and the Clinical and Health Data Repository data sharing and interoperability project (a collaborative effort between VA and DoD).
- Development of coding resources for field facilities, including negotiating the purchase of QuadraMed products to support coding and billing. QuadraMed is providing its Veterans Health Information Systems and Technology Architecture (VistA)-integrated encoder and bill scrubbing software products and training to all VA medical centers. The use of these products is mandatory at all VA sites. The software products and services enable the hospitals to more efficiently manage their revenue cycle.
- Completion of VistA software revisions to accommodate the requirements of the Health Insurance Portability and Accountability Act for use of code sets involving health-care claims.

To support the need for guidance in medical coding, VHA established the Health Information Management (HIM) Coding Council, comprised of credentialed expert coders with support from VHA HIM Central Office staff to provide research and response to coding questions within 24 hours. The council has completed an update to the national coding handbook, which provides expert guidance to field facilities. Additional initiatives include:

- *"Close Encounters"* and *"Data Quality Highlights*" newsletters for field staff guidance and information.
- Ongoing, periodic training programs on such topics as national standard code set updates and refresher training in specific areas such as orthopedic coding.
- Standardization of electronic encounter forms including documentation templates.

The Patient Financial Services System (PFSS) project is the pilot implementation of a commercial billing and accounts receivable system in VHA. This project is designed to incorporate business process improvements and commercial information systems that are proven in the private sector. The project will introduce commercial business practices and technology into VA through a VISN pilot project comprised of VA best practices and commercial best practices. The objectives of the pilot are to implement a commercial product and study a) the effects on collections, b) improvements to the business process, and c) information systems in a single test environment. Ultimately, the long-term strategy is to develop a scalable solution, which includes both a commercial solution and VA applications that can be implemented in all networks.

VHA completed the implementation of a national Master Patient Index (MPI). The MPI provides the ability to view patient clinical and administrative data from various VA medical facilities via the remote data view functionality within the Computerized Patient Record System. The MPI provides the mechanism for linking patient information from multiple clinical, administrative, and financial records across VHA health care facilities, enabling an enterprise-wide view of individual and aggregate patient information. The Federal Health Information Exchange (FHIE) effort utilizes the MPI via a secure framework in order to share patient data from DoD for separated servicemembers from active duty, reserves, and the National Guard. This project facilitates the sharing of clinical information including medications, discharge summaries, and laboratory data with our providers as those active duty members transition to VA care.

VHA is examining its current health information processing environment to plan how to best implement improvements over the next 5 years. As part of this process, VHA is assessing:

- What a high-performance automated health system needs to provide.
- What the ideal health and information system would look like.
- What the advantages and disadvantages of our current system are.
- How best to use a phased approach for moving from the current to the ideal environment.

Currently VHA is enhancing the VistA platform by completing the Decision Support System and implementing VistA Imaging. Given funding availability, mid/long-term efforts will include development of a comprehensive health database that will be timely and universally accessible across the full continuum of care settings. This platform will provide the basis for enhancements to eligibility/enrollment processing packages leading to attainment of One VA goals, the reengineering of the VistA Scheduling Package, and enhancements/improvements to the billing and fee basis systems.

VHA established a data standardization program to implement a common language for all VHA providers and facilities. The program enables sharing of commensurate data among VHA, DoD, and other health care providers. The availability of commensurate data will increase patient safety by ensuring that all clinical decisions are based on the patient's complete medical record; reduce costs and minimize the likelihood that duplicate tests and procedures will be performed; and improve data quality, aggregation, and reporting by ensuring the consistent interpretation of data across all VHA facilities.

VHA's HealtheVet-VistA project is focused on replacing the existing VistA legacy health care information system by rehosting, enhancing, and/or reengineering current health information applications on a modern robust technology platform. This effort will enrich the functionality currently available, benefiting veterans, clinical care providers, and the general public by expanding the availability and use of health care information. When fully implemented, HealtheVet-VistA will provide veterans access to their personal health record through the MyHealtheVet component and make these data available to the veterans' health care providers, enabling the veterans and health care providers to access and share the health record, access trusted health information, and access key supportive services including prescription drugs and appointments. HealtheVet-VistA will provide the transition to a veteran-centered health care system that will establish longitudinal electronic health records and track veteran visit history including their problems, orders, results, and treatments, and documentation across all visits enabling VA clinical care providers to have immediate access to critical information regardless of which facility the veteran visited.

Veterans Benefits Administration

VBA continues to focus on data reliability and validity in all facets of its operations from claims processing to FTE hiring patterns. Whether data are collected and housed in legacy systems or a data warehouse environment, the output must be accurate and consistent to be effective. Managing the accuracy of these data requires an ongoing commitment to data quality methods and strategies across all business lines. In 2005 VBA again invested resources in support of this commitment.

The Office of Performance Analysis and Integrity (PA&I) reports directly to the Under Secretary for Benefits. PA&I assesses data for completeness, validity, consistency, timeliness, accuracy, and appropriateness of use as indicators. These data are extracted from VBA's systems of record (e.g., Benefits Delivery Network) and are imported into an enterprise data warehouse. All reports are developed using business rules provided by the respective VBA business lines.

Prior to release, each report is subject to a validation process to ensure accuracy and adherence to the business rules. Specific data validation reviews are conducted throughout the year, and data anomalies are routinely investigated and brought to resolution. VBA's ongoing efforts to maintain data accuracy include reviews of definitions and the associated data related to those definitions. Below are several of the projects and approaches used by the business lines and PA&I as part of VBA's data quality practices.

- VBA continues to use an online application, which allows all field offices to download timely and consistent information useful to the operations of that office. The data warehouse integrates the ability to convert large quantities of select information into a spreadsheet format for further analysis.

- The Gulf War Veteran Information System affords trend data on population growth for policy purposes, including those dealing with post-traumatic stress disorder and amyotrophic lateral sclerosis.

- The Inventory Management System (IMS) allows employees, coaches, and Veterans Service Center managers to be proactive in workload management through timely and accurate access to integrated information. In order to continually improve IMS, VBA regularly reviews the system for accuracy. One recent review focused on the Evidence Receipt Time. VBA is in the process of modifying the system to gather the necessary data to accurately reflect this processing cycle time.

- The Fiduciary-Beneficiary System (FBS) provides Fiduciary program personnel and their managers with a database and diary system for the records of incompetent beneficiaries. It also generates field examination requests and accounting due letters as well

as maintains workload and timeliness data. Through a series of standard listings and reports, as well as specialized query requests to the database, it allows for systematic workload and inventory management. FBS can generate monthly random samples of claims for local review, and the completed work products for the prior month are used to select cases for national review. This random sample approach allows managers and field staff to review claims systematically, saving both time and resources. A review of the methodology used in calculating the completed and pending cases in this system determined that all data and reports were complete and valid.

- Corporate WINRS is a comprehensive case management system used to maintain complete case histories, generate forms and letters, control payments, and assist in scheduling and tracking appointments for the Vocational Rehabilitation and Employment (VR&E) program. VR&E Intranet reports are continuously refined for regional offices and Central Office to monitor and track this workload data. These reports and other data received from Central Office are released to the regional offices and provide a mechanism to validate the information for accuracy and discrepancies.

- The Insurance Payment System ensures all manual transactions that result in disbursement (e.g., death award, loan, cash surrender) and all changes to bank data used for direct deposit are second-party verified by an independent staff. This system maintains daily counts of receipts and disbursements by the Insurance fund. Each year random system payments are sampled for accuracy and quarterly reports are reviewed to resolve questionable conditions, such as payments to two veterans at the same address.

- Since the mid-1990's, VBA has developed a comprehensive program of customer satisfaction surveys for all of its major business lines. Surveys provide feedback on all aspects of the compensation and pension claims process, education benefits, VA home loans, transactions related to insurance policyholders, and the VR&E program. These surveys produce statistically valid performance data at the national and local regional office levels. The surveys are professionally designed to measure all aspects of the business process as experienced by the veteran or family member. Through extensive use of focus groups, cognitive labs, piloting, and pre-testing, the surveys are thoroughly tested and modified, and continue to be improved. These annual mail surveys follow the industry standard for pre-notification and follow-up reminders, resulting in high response rates. Capturing these comparable data within each business line facilitates trend analyses. PA&I conducts special analyses showing key drivers of customer satisfaction and comparisons of performance among regional offices to continue the focus on service improvements.

In addition, PA&I conducts workload and performance reviews on a regular basis. This information is reported at the Deputy Secretary's monthly performance reviews where data are discussed for accuracy and consistency.

National Cemetery Administration

Experience and recent historical data show that about 80 percent of those interred in national cemeteries resided within 75 miles of the cemetery at the time of death. From this experience, NCA considers eligible veterans to have reasonable access if a burial option (whether for casketed or cremated remains) is available within 75 miles of the veteran's place of residence. NCA determines the percent of veterans served by existing national and state veterans cemeteries within a reasonable distance of their residence by analyzing census data on the veteran population. Arlington National Cemetery, operated by the Department of the Army, and Andrew Johnson National Cemetery and Andersonville National Cemetery, operated by the Department of the Interior, are included in this analysis. For 2001 and 2002, actual performance was based on the VetPop2000 model using updated 1990 census data. Since 2003, actual performance and the target levels of performance have been based on a revised VetPop2000 model using 2000 census data. Projected openings of new national or state veterans cemeteries and changes in the service delivery status of existing cemeteries are also considered in determining the veteran population served. (Multiple counts of the same veteran population are avoided in cases of service-area overlap.) In 1999 the OIG performed an audit assessing the accuracy of the data used for this measure. Audit results showed that NCA personnel generally made sound decisions and accurate calculations in determining the percent of veterans served by a burial

option. Data were revalidated in the 2002 report entitled Volume 1: Future Burial Needs, prepared by an independent contractor as required by the Veterans Millennium Health Care and Benefits Act, P.L. 106-117.

NCA collects data monthly on the timeliness of marking graves through field station input to the Burial Operations Support System. After reviewing the data for general conformance with previous report periods, headquarters staff validates any irregularities through contact with the reporting station.

Since 2001 NCA has used an annual nationwide mail survey to measure the quality of service provided by national cemeteries as well as the appearance of national cemeteries. The survey provides statistically valid performance information at the national and regional (Memorial Service Network) levels and at the cemetery level for cemeteries having at least 400 interments per year. The survey collects data annually from family members and funeral directors who recently received services from a national cemetery. To ensure sensitivity to the grieving process, NCA allows a minimum of 3 months after an interment before including a respondent in the sample population. VA headquarters staff oversees the data collection process and provides an annual report at the national level.

NCA has established an Organizational Assessment and Improvement Program to identify and prioritize improvement opportunities and to enhance program accountability by providing managers and staff at all levels with one NCA "scorecard." As part of the program, assessment teams conduct site visits to all national cemeteries on a rotating basis to validate performance reporting.

Office of Inspector General (OIG) Performance Audits

The OIG made an assessment of the Department's data quality in the Major Management Challenges section of this report. See page 214 for more details.

Veterans Benefits Administration Quality Assurance Program (Millennium Act)

VBA maintains a quality assurance program independent of the field stations responsible for processing claims and delivering benefits. The following information about our programs — including compensation and pension, education, vocational rehabilitation and employment, housing, and insurance — is provided in accordance with title 38, section 7734.

Cases Reviewed and Employees Assigned by Program		
	Cases Reviewed	Employees Assigned
Compensation and Pension	17,001	23
Education	1,578	4
Vocational Rehabilitation and Employment	4,180	5
Loan Guaranty (Housing)	8,664	3
Insurance	11,040	4

Summary of Findings and Trends – Compensation and Pension (C&P)

Accuracy reviews are accomplished through an outcome-based system, the Systematic Technical Accuracy Review (STAR). STAR reports are based on the month that a case was completed, not when reviewed. Cases are to be submitted for review no later than the end of the following month.

Reviews of rating-related work and authorization-related products have a specific focus:

- The benefit entitlement review ensures all issues were addressed, claims assistance was provided (under the Veterans Claims Assistance Act), and the resulting decision was correct, including effective dates.
- The decision documentation/notification review ensures adequate and correct decision documentation and proper decision notification.

Results for C&P rating and authorization reviews for the 12-month period ending June 30, 2005, are as follows:

	Rating Reviews		Authorization Reviews	
	Reviewed	Accuracy	Reviewed	Accuracy
Benefit Entitlement	6,728	85%	6,231	90%
Decision Documentation & Notification	6,728	89%	6,231	88%

The third type of review pertains to fiduciary work. The fiduciary review for 2005 was based on 4,042 cases with an accuracy rate of 85 percent. Most of the errors were found in the area of protection. "Protection" includes oversight of the fiduciary/beneficiary arrangement, analysis of accounting, adequacy of protective measures for the residual estate, and any measures taken to ensure that VA funds are used for the welfare and needs of the beneficiary and recognized dependents. If any of the individual components is in error, the entire case is in error.

Actions Taken to Improve Quality – Compensation and Pension

Regional offices are required to certify, on a quarterly basis, the corrective actions taken for errors documented by STAR. Reports on the corrective actions are submitted to VBA Headquarters, where they are reviewed to determine the adequacy of such actions. Reliability of the reports is monitored during cyclical management site visits. Beginning in FY 2004, formal quality improvement plans were required from all regional offices with rating benefit entitlement accuracy below 80 percent.

Feedback on quality is provided to the field offices for training purposes. The STAR team uses a philosophy of consistency in review and a policy of assigning a dedicated STAR reviewer to specific field stations. Common STAR error findings are used for discussions and training during scheduled site visits and as agenda items for quarterly fiduciary program teleconference calls.

Training remains a priority and is conducted using a variety of mediums including satellite broadcasts, training letters, and computer-assisted training. C&P Training and STAR staffs collaborate on training based on error trend analysis. Particular effort is made to ensure high-quality centralized training for new Veterans Service Representatives (VSRs) and Rating Veterans Service Representatives (RVSRs).

VBA implemented national individual performance review plans with standardized review categories, sample size, and performance standards for all VSRs and RVSRs.

VBA continues to work closely with VHA to improve the quality of examination requests and reports. Efforts include measuring request and report accuracy, developing training materials such as videotapes and satellite broadcasts, and sponsoring quality improvement training sessions for key medical center and regional office staff. The STAR staff, out-based/hospital liaison RVSRs, and C&P Examination program employees perform examination quality reviews.

VBA also initiated a program for out-basing RVSRs to selected VA medical centers to facilitate the examination process. Currently, there are 20 participating locations. These RVSRs spend a part of their workday reviewing the examination reports for quality as a part of a national review, which is the official performance measure for quality in this area. National individual performance review plans have been piloted for these positions.

Summary of Findings and Trends – Education

Education Service reviewed 1,578 cases during 2005. Of these cases, there were 55 decisions with payment errors and 181 with service errors (note: some cases had more than 1 service error). Eligibility and entitlement determinations constituted approximately 0.5 percent of the service errors, while development and due process notification errors were 2.7 and 16.0 percent, respectively. From 2004 to 2005, payment accuracy improved from 94 percent to 96 percent.

Actions Taken to Improve Quality – Education

As in previous years, the 2005 quarterly quality results identified error trends and causes that became topics for refresher training in regional processing offices. In addition, annual appraisal and assistance visits provide recommendations for improving specific quality areas.

The Education Service is continuing to develop standardized training and certification for employees. The project is expected to have a significant impact in raising quality scores and maintaining them at high levels as the initiative is fully implemented over the next few years.

Summary of Findings and Trends – Vocational Rehabilitation and Employment (VR&E)

For 2005 VR&E completed quality assurance (QA) reviews on 4,180 cases. The reviews were conducted over a 12-month period, with each regional office having been reviewed twice during the fiscal year. The goal was to review at least 76 cases from each regional office.

Accuracy Elements	Target Score 2005	Actual Score 2005
Accuracy of Entitlement Determinations	96%	97%
Accuracy of Evaluation, Planning, and Rehabilitation Services	87%	87%
Accuracy of Fiscal Decisions	94%	87%
Accuracy of Outcome Decisions	90%	97%

In addition to review of cases from each regional office, the QA & Field Survey Team conducts site visits of regional offices. There are at least 12 offices surveyed within each fiscal year.

Actions Taken to Improve Quality – Vocational Rehabilitation and Employment

The VR&E accuracy scores met or exceeded the target scores for FY 2005 except for one element. These scores are attributed to the following initiatives implemented over the last 3 years:

- Local QA reviews continue to be implemented in all regional offices. Each regional office conducts a review of 10 percent of its caseload each year. This ensures consistency in the QA review process and office procedures.
- The QA Reconsideration Review Board continues to provide resolutions on any station's request for reconsideration of decisions made during a review. This auxiliary review process clarifies implementation of VR&E policies and regulatory guidelines.
- The QA review results for national and local reviews have been made available through an Intranet Web site. These data enable regional offices to assess individual quality and to identify training needs.

Summary of Findings and Trends – Loan Guaranty (Housing)

The Loan Guaranty housing program reviewed 8,664 cases under its statistical quality control program during 2005. The defect rate equaled 1.6 percent, with the current national accuracy index being 98.4 percent. This is an improvement of a 0.2 percentage point from 2004.

The housing quality assurance program includes elements beyond the review of cases. The VBA Lender Monitoring Unit performed 48 on-site audits and 46 in-house audits of lenders participating in VA's home loan program.

The Portfolio Loan Oversight Unit (PLOU) conducts two types of reviews: in-house and on-site. PLOU reviewed billing invoices and completed 31,377 performance reviews from the portfolio services contractor, Countrywide Home Loans.

Detailed analyses on 2,077 portfolio loans (regarding loan amortization) were conducted during 2005.

Loan Guaranty staff conducted nine on-site reviews of regional loan centers and two on-site reviews of the San Juan Regional Loan Center, identifying 84 commendable items, 23 best practices, 60 closed action items, 32 open action items, and 66 suggestions.

On-site performance reviews are generally conducted in cooperation with VA's oversight review team, whose members include: Loan Guaranty Service (Loan Management); the Indianapolis regional office-based branch of Loan Management (PLOU); the Office of Inspector General (Financial Audit Division); the Office of Business Oversight (Management Quality Assurance Service and Systems Quality Assurance Service); and the Office of Resource Management (Finance and Administrative Services).

In 2005 the reviews by Loan Management/PLOU recovered excessive contractor charges in the amount of $473,170. PLOU identified additional amounts relating to real estate tax penalties on GI loan property conveyances by some $469,000 as of the end of 2005, and also identified or recovered taxes and penalties of approximately $98,000. Additionally, PLOU identified almost $3.1 million in unwarranted costs resulting from delays or errors by the prior servicing contractor. Actions are being initiated to recover these monies.

VA audits of lenders during 2005 amounted to approximately $1,728,000 in liability avoidance with 48 indemnifications.

Actions Taken to Improve Quality – Loan Guaranty (Housing)

The Loan Guaranty Service disseminates the results of statistical quality control (SQC) reviews to field offices on a monthly basis. The Service prepares and releases trend reports that identify negative trends and action items found during surveys. The reports are published to assist field personnel in identifying frequent problems facing loan guaranty management. Additionally, summaries of best practices employed by individual field stations are distributed to all field stations with loan guaranty activity.

National training is provided to enhance the quality of service provided to veterans and to increase lender compliance with VA policies. Lenders who significantly fail to comply with policies are either required to enter into indemnification agreements with VA or immediately repay the agency for its losses.

VA awarded a property management services contract to Ocwen Federal Bank of West Palm Beach, Florida, in August 2003. Under this contract, Ocwen manages and sells all VA-acquired properties as a result of foreclosure or termination of GI and portfolio loans. These assets are currently worth over a billion dollars. VA began transitioning properties to Ocwen in early December 2003. Loan Guaranty established the Property Management Oversight Unit (PMOU) in 2004 to monitor the management and marketing of the properties by Ocwen. The PMOU monitors Ocwen's performance by inspecting properties nationwide to ensure compliance with the contract requirements and performs on-site case reviews at Ocwen's operations center on a quarterly basis. The PMOU is also responsible for reviewing and certifying all payments made to Ocwen, including reimbursement of out-of-pocket expenses on VA properties as well as the service provider fee due when the property is sold. This requires quality assurance checks to ensure that Ocwen is entitled to the claimed reimbursement.

Summary of Findings and Trends – Insurance

The Insurance program's principal quality assurance tool is the SQC review. It assesses the ongoing quality and timeliness of work products by reviewing a random sample of completed or pending work products. These work products are generally grouped into two broad categories based on the operating divisions in which they are performed – Policyholders Services or Insurance Claims Divisions.

Policyholders Services, whose work products deal with the maintenance of active insurance policies, had an overall accuracy rate of 97.7 percent for 2005. Work products included correspondence, applications, disbursements, record maintenance, refunds, and telephone inquiries. Insurance Claims is responsible for the payment of death and disability awards, the issuance of new coverage, and the processing of beneficiary designations. The accuracy

rate for Insurance Claims work products was 98.7 percent. Work products included death claims, awards maintenance, beneficiary and option changes, disability claims, and medical applications. In total, 98.2 percent of all 2005 insurance work products were accurate.

Over 97 percent of the work measured in Policyholders Services and in Insurance Claims was within accepted timeliness standards. In all, 97.2 percent of 2005 insurance work products were timely.

The insurance quality assurance program also includes internal control reviews and individual employee performance reviews. The internal control staff reviews 100 percent of all employee-prepared disbursements and also reviews insurance operations for fraud through a variety of reports. Reports are generated daily and identify death claims based on specific criteria that indicate possible fraud. Primary end products processed by employees in the operating divisions are evaluated based on the elements identified in the Individual Employee Performance Requirements. As a result of these controls, insurance disbursements are 98.1 percent accurate.

Actions Taken to Improve Quality – Insurance

The Insurance Service uses SQC and employee performance review programs to measure quality and timeliness on an overall and individual basis. Both programs are valuable as training tools because they identify trends and problem areas. When a reviewer finds an error or discrepancy during a review, he or she prepares an exception sheet that clearly describes how the item was processed incorrectly. The noted item is then reviewed with the person who incorrectly processed the form.

SQC reviews are based on random samples of key work products and evaluate how well these work products are processed in terms of both quality and timeliness. Exceptions are brought to the attention of the insurance operations division chiefs, unit supervisors, and employees who worked the case.

VBA's Insurance Service evaluates the SQC programs periodically to determine if they are functioning as intended. The Insurance Service is currently examining error and discrepancy classifications and sample sizes.

Individual performance reviews are conducted monthly. The performance levels – critical and non-critical elements – are identified in the Individual Employee Performance Requirements. These reviews are based on a random sampling of the primary end products turned out by employees in the operating divisions. Those items found to have errors are returned to the employee for correction. At the end of the month, supervisors inform employees of their error rates and timeliness percentages as compared to acceptable standards.

The Insurance program has successfully implemented a dozen job aids under the initiative called "Skills, Knowledge and Insurance Practices and Procedures Embedded in Systems." In 2005 three new job aids were under development. This program captures "best practices" for processing various work items and makes them available on each employee's desktop. It is expected that the job aids will further reduce error rates and improve timeliness.

In addition to the actions above, the Internal Control Staff records and returns work with any errors detected while conducting reviews. The records are continuously analyzed, and corrective training and other steps are taken to reduce/eliminate such errors.

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Key Measures

Data Table

Key Performance Measure Sorted by Strategic Objective	Definition	Data Source
Objective 1.2 **Compensation: National accuracy rate (core rating work)**	Processing accuracy for claims that normally require a disability or death determination. Review criteria include: addressing all issues, Veterans Claims Assistance Act (VCAA)-compliant development, correct decision, correct effective date, and correct payment date if applicable. Accuracy rate is determined by dividing the total number of cases with no errors in any of these categories by the number of cases reviewed.	Findings from C&P Service Systematic Technical Accuracy Review (STAR) are entered in an Intranet database maintained by the Philadelphia LAN Integration Team and downloaded monthly to the PA&I information storage database.
Objective 1.2 **Compensation and Pension: Rating-related actions - average days to process**	The average elapsed time (in days) it takes to complete claims is measured from the date the claim is received by VA to the date the decision is made. Includes the End Products (EP): Original Compensation, with 1-7 issues (EP110); Original Compensation, 8 or more issues (EP010); Original Service Connected Death Claim (EP140); Reopened Compensation Claims (EP020); Review Examination (EP310); Hospitalization Adjustment (EP320); Original Disability Pension (EP180); and Reopened Pension (EP120). The measure is calculated by dividing the total number of days recorded from receipt to completion by the total number of cases completed.	Data source is the Benefits Delivery Network (BDN). The data are manually input by VBA employees during the claims process. Results are extracted from BDN by VA managers. VBA's C&P Service owns the data and is therefore responsible for validation of data accuracy.
Objective 1.2 **Compensation: Rating-related actions - average days pending**	The measure is calculated by counting the number of days for all pending claims from the date each claim is received through the current reporting date. The total number of days is divided by the total number of pending claims. Compensation-Rating includes End Products: 110, 010, 020, 140, 310, and 320.	The source of data for this measure is the Benefits Delivery Network (BDN).

	Frequency	Data Limitations	Data Verification and Measure Validation
	Case reviews are conducted daily. The review results are tabulated monthly and on a 12-month rolling basis.	None	**Verification:** C&P STAR quality reviews by individual reviewers are routinely validated by C&P managers as part of individual performance. Additionally, when a Regional Office disagrees with an error call, it is reviewed as part of a formal process requiring the concurrence of the service director. **Validation:** This measure assesses the quality of claims processing and assists VBA management in identifying improvement opportunities and training needs.
	Data are collected daily as awards are processed. Results are tabulated at the end of the month and annually.	None	**Verification:** Data are analyzed weekly and results are recorded quarterly by VBA's Central Office-based Compensation and Pension Service, which performs quality and consistency reviews on cases from the Regional Offices with the highest rates of questionable practices. **Validation:** This measure's focus is improved service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.
	The element is a snapshot of the age of the inventory at the end of each processing day.	None	**Verification:** Data are analyzed weekly and results are recorded quarterly by VBA's Central Office-based Compensation and Pension Service, which performs quality and consistency reviews on cases from the Regional Offices with the highest rates of questionable practices. **Validation:** This measure's focus is improved service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.

Key Performance Measure Sorted by Strategic Objective	Definition	Data Source	
Objective 1.3 Vocational Rehabilitation and Employment Rehabilitation rate	The number of veterans who acquire and maintain suitable employment and leave the program, divided by the total number leaving the program. For those veterans with disabilities that make employment unfeasible, Vocational Rehabilitation and Employment (VR&E) seeks to assist them on becoming independent in their daily living.	VR&E management reports	
Objective 1.4 Compensation: Average days to process - DIC actions	The average length of time it takes to process a DIC claim (EP140) from the date of receipt of claim in VA until the date of completion.	Benefits Delivery Network (BDN)	
Objective 2.2 Average days to complete original and supplemental education claims	Elapsed time, in days, from receipt of a claim in the regional processing office to closure of the case by issuing a decision. Original claims are those for first-time use of this benefit. Any subsequent school enrollment is considered a supplemental claim.	Education claims processing timeliness is measured by using data captured automatically through VBA's Benefits Delivery Network. This information is reported through VBA's data warehouse using the Distribution of Operational Resources (DOOR) system.	

	Frequency	Data Limitations	Data Verification and Measure Validation
	Quality Assurance Reviews evaluate the accuracy and reliability of data and are conducted twice a month.	None	**Verification:** Quality assurance (QA) reviews are completed by each station and VR&E Service. The QA program was set up to review samples of cases for accuracy and to provide scoring at the RO level. The VR&E Service reviews 76 cases per station each year and all field stations conduct local QA Reviews on 10 percent of their caseload. **Validation:** The primary goal of the VR&E program is to assist service-disabled veterans in becoming employable. The rehabilitation rate is the key indicator of the program's success in meeting this goal, as it illustrates the number of veterans successfully reentering the workforce following completion of their VR&E program.
	Data are collected daily as awards are processed. Results are tabulated at the end of the month and annually.	None	**Verification:** Data are analyzed weekly and results are recorded quarterly by VBA's Central Office-based Compensation and Pension Service, which performs quality and consistency reviews on cases from the Regional Offices with the highest rates of questionable practices. **Validation:** This measure's focus is improved service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.
	Monthly	None	**Verification:** The Education Service staff in VA Central Office confirms reported data through ongoing quality assurance reviews conducted on a statistically valid sample of cases. Dates of claims are reviewed in the sample cases to ensure they are reported accurately. Each year, Central Office staff reviews a sample of cases from each of the four RPOs. Samples are selected randomly from a database of all quarterly end products. The results are valid at the 95 percent confidence level. **Validation:** Timeliness is directly related to the volume of work received, the resources available to handle the incoming work, and the efficiency with which the work can be completed, and is thus the best quantifying measure for education processing.

Key Performance Measure Sorted by Strategic Objective	Definition	Data Source	
Objective 2.3 **Foreclosure avoidance through servicing (FATS) ratio**	The FATS ratio measures the effectiveness of VA supplemental servicing of defaulted guaranteed loans. The ratio measures the extent to which foreclosures would have been greater had VA not pursued alternatives to foreclosure.	Data are extracted from the Loan Service and Claims (LS&C) System. This system is used to manage defaults and foreclosures of VA-guaranteed loans.	
Objective 3.1 **Percent of patients rating VA health care service as very good or excellent: Inpatient and Outpatient**	Data are gathered for these measures via a VA survey that is applied to a representative sample of inpatients and a sample of outpatients. The denominator is the total number of patients sampled who answered the question, "Overall, how would you rate your quality of care?" The numerator is the number of patients who respond 'very good' or 'excellent.'	Survey of Health Experiences of Patients	
Objective 3.1 **Percent of primary care appointments scheduled within 30 days of desired date.**	This measure tracks the time between when the primary care appointment request is made (entered into the computer) and the date for which the appointment is actually scheduled. The percent is calculated using the numerator, which is those scheduled within 30 days of desired date (includes both new and established patient experiences), and the denominator, which is all appointments in primary care clinics posted in the scheduling software during the review period.	VistA scheduling software	

	Frequency	Data Limitations	Data Verification and Measure Validation
	Data are collected on a monthly basis.	There are five components that make up the FATS ratio. The four involving financial transactions are auditable. The fifth component, successful interventions, is based on employee interpretation of established criteria.	**Verification:** Data for the FATS ratio are validated on a monthly basis by Regional Loan Center (RLC) field review of all components of the ratio, followed by Central Office review of a percentage of successful interventions. **Validation:** The primary goal of Loan Guaranty Service is to assist veterans in obtaining home ownership. The FATS ratio measures VA's ability to assist veterans in maintaining home ownership during periods of personal financial strain.
	Surveys are conducted as follows: Inpatient - Semi-annually Outpatient - Quarterly.	None	**Verification:** Routine statistical analyses are performed to evaluate the data quality, survey methodology, and sampling processes. Responses to questions are routinely analyzed to determine which areas of VA's health care delivery system should be focused upon in order to positively impact the quality of health care delivered by VA. **Validation:** Satisfaction surveys are the most effective way to determine patient expectations and provide a focused critique on areas for improvement.
	Monthly	None	**Verification:** The VistA scheduling software requires minimal interpretation from an employee to ensure accuracy of data collected. **Validation:** Provides a reliable measure of timeliness of access to care as well as responsiveness to the patient's stated needs.

Key Performance Measure Sorted by Strategic Objective	Definition	Data Source	
Objective 3.1 **Percent of specialty care appointments scheduled within 30 days of desired date.**	This measure tracks the number of days between when the specialty appointment request is made (entered into the computer) and the date for which the appointment is actually scheduled. This includes both new and established specialty care patients. The percent is calculated using the numerator, which is all appointments scheduled within 30 days of desired date and the denominator, which is all appointments posted in the scheduling software during the review period in selected high volume/key specialty clinics.	VistA scheduling software	
Objective 3.1 **Clinical Practice Guidelines Index**	The Clinical Practice Guidelines Index is a composite measure comprised of the evidence and outcomes-based measures for high-prevalence and high-risk diseases that have significant impact on overall health status. The indicators within the Index are comprised of several clinical practice guidelines in the areas of ischemic heart disease, hypertension, diabetes mellitus, major depressive disorder, schizophrenia, and tobacco use cessation. The percent compliance is an average of the separate indicators.	VHA biostatisticians design and obtain a statistically valid random sample of medical records for review. The findings of the review are used to calculate the index scores.	
Objective 3.1 **Prevention Index II**	The Prevention Index is an average of nationally recognized primary prevention and early detection interventions for nine diseases or health factors that significantly determine health outcomes. The nine diseases or health factors include: rate of immunizations for Influenza and Pneumococcal pneumonia; screening for tobacco consumption, alcohol abuse, breast cancer, cervical cancer, colorectal cancer, and cholesterol levels; and prostate cancer education. Each disease has an indicator. Each indicator's numerator is the number of patients in the random sample who actually received the intervention they were eligible to receive. The denominator is the number of patients in the random sample who were eligible to receive the intervention.	VHA biostatisticians design and obtain a statistically valid random sample of medical records for review. The findings of the review are used to calculate the index scores.	

	Frequency	Data Limitations	Data Verification and Measure Validation
	Monthly	None	**Verification:** The VistA scheduling software requires minimal interpretation from an employee to ensure accuracy of data collected. **Validation:** Provides a reliable measure of timeliness of access to care as well as responsiveness to the patient's stated needs.
	Data are reported quarterly with a cumulative average determined annually.	None	**Verification:** Review is performed by an external contractor to ensure accuracy of findings. In addition, the reliability of the collected data is evaluated using accepted statistical methods along with inter-rater reliability assessments that are performed each quarter. **Validation:** The CPGI demonstrates the degree to which VHA provides evidence-based clinical interventions to veterans seeking care in VA. The measure targets elements of care that are known to have a positive impact on the health of our patients who suffer from commonly occurring acute and chronic illnesses.
	Data are reported quarterly with a cumulative average determined annually.	None	**Verification:** Review is performed by an external contractor to ensure accuracy of findings. In addition, the reliability of the collected data is evaluated using accepted statistical methods along with inter-rater reliability assessments that are performed each quarter. **Validation:** The Prevention Index II demonstrates the degree to which VHA provides evidence-based clinical interventions to veterans seeking preventive care in VA. The measure targets elements of preventive care that are known to have a positive impact on the health and well-being of our patients.

Key Performance Measure Sorted by Strategic Objective	Definition	Data Source	
Objective 3.1 Increase non-institutional long-term care as expressed by average daily census	The number is the Average Daily Census (ADC) of veterans enrolled in Home and Community-Based Care programs (e.g., Home-Based Primary Care, Contract Home Health Care, Adult Day Health Care (VA and Contract), and Homemaker/Home Health Aide Services).	The ADC data are obtained from VHA workload reporting databases designed to capture both VHA-provided care and VHA-paid (fee-based or contracted) care.	
Objective 3.2 Compensation and Pension: Rating-related actions - average days to process	The average elapsed time (in days) it takes to complete claims is measured from the date the claim is received by VA to the date the decision is made. Includes the End Products (EP): Original Compensation, with 1-7 issues (EP110); Original Compensation, 8 or more issues (EP010); Original Service Connected Death Claim (EP140); Reopened Compensation Claims (EP020); Review Examination (EP310); Hospitalization Adjustment (EP320); Original Disability Pension (EP180); and Reopened Pension (EP120). The measure is calculated by dividing the total number of days recorded from receipt to completion by the total number of cases completed.	Data source is the Benefits Delivery Network (BDN). The data are manually input by VBA employees during the claims process. Results are extracted from BDN by VA managers. VBA's C&P Service owns the data and is therefore responsible for validation of data accuracy.	
Objective 3.2 Pension: Non-rating actions - average days to process	The average elapsed time (in days) it takes to complete claims is measured from the date the claim is received by VA to the date the decision is made. Pension Non-Rating includes: Disability and Death Dependency (EP130); Income, Estate and Election Issues (EP150); IVM Match Cases - DIC (EP154); EVR Referrals (EP155); and Original Death Pension (EP190). The measure is calculated by dividing the total number of days recorded from receipt to completion by the total number of cases completed.	The source of data for this measure is the Benefits Delivery Network (BDN). The data are manually input by VBA employees during the claims process. Results are extracted from BDN by VA managers. VBA's C&P Service owns the data and is therefore responsible for validation of data accuracy.	

	Frequency	Data Limitations	Data Verification and Measure Validation
	Quarterly	None	**Verification:** VHA data quality/accuracy standards are applied and data undergo audits and ongoing verification to ensure accuracy. This is critical as data are used for budgeting, workload planning, etc. **Validation:** The measure captures the expansion of access to non-institutional care within VHA programs and/or contracted services. Non-institutional care is deemed to be more desirable and cost efficient for those veterans that are appropriate for this level of care. The measure drives both expansion of the variety of services and expansion of geographic access.
	Data are collected daily as awards are processed. Results are tabulated at the end of the month and annually.	None	**Verification:** Data are analyzed weekly and results are recorded quarterly by VBA's Central Office-based Compensation and Pension Service, which performs quality and consistency reviews on cases from the Regional Offices with the highest rates of questionable practices. **Validation:** This measure's focus is improved service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.
	Data are collected daily as awards are processed. Results are tabulated at the end of the month and annually.	None	**Verification:** Data are analyzed weekly and results are recorded quarterly by VBA's Central Office-based Compensation and Pension Service, which performs quality and consistency reviews on cases from the Regional Offices with the highest rates of questionable practices. **Validation:** This measure's focus is improved service delivery to claimants. Additionally, it ensures that claimants receive the benefits to which they are entitled in a consistent and timely manner.

Key Performance Measure Sorted by Strategic Objective	Definition	Data Source	
Objective 3.2 **Pension: National accuracy rate (authorization work)**	Processing accuracy for claims that normally require determinations and verifications of income as well as dependency and relationship matters. Review criteria include: all Pension authorization work such as correct decision, correct effective date, and correct payment date when applicable. It also includes Veterans Claims Assistance Act (VCAA)-compliant development. Accuracy rate is determined by dividing the total number of cases with no errors in any one category by the number of cases reviewed.	Findings from C&P Service Systematic Technical Accuracy Review (STAR) are entered in an Intranet database maintained by the Philadelphia LAN Integration Team and downloaded monthly to the PA&I information storage database.	
Objective 3.3 **Average days to process insurance disbursements**	Insurance disbursements are death claims paid to beneficiaries, policy loans, and cash surrenders requested by policyholders. Average processing days are a weighted composite for all three types of disbursements based on the number of end products and timeliness for each category. Processing time begins when the veteran's application or beneficiary's fully completed claim is received and ends when the internal controls staff approves the disbursement. The average processing days for death claims is multiplied by the number of death claims processed. The same calculation is done for loans and cash surrenders. The sum of these calculations is divided by the sum of death claims, loans, and cash surrenders processed to arrive at the weighted average processing days for disbursements.	Data on processing time are collected and stored through the Statistical Quality Control (SQC) Program and the Distribution of Operational Resources (DOOR) system.	
Objective 3.4 **Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence**	The measure is the number of veterans served by a burial option divided by the total number of veterans, expressed as a percentage. A burial option is defined as a first family member interment option (whether for casketed remains or cremated remains, either in-ground or in columbaria) in a national or state veterans cemetery that is available within 75 miles of the veteran's place of residence.	For 2001 and 2002, the number of veterans and the number of veterans served were extracted from the VetPop2000 model using updated 1990 census data. Since 2003, the number of veterans and the number of veterans served were extracted from a revised VetPop2000 model using 2000 census data.	

	Frequency	Data Limitations	Data Verification and Measure Validation
	Case reviews are conducted daily. The review results are tabulated monthly and annually.	None	**Verification:** C&P STAR quality reviews by individual reviewers are routinely validated by C&P managers as part of individual performance. Additionally, when a Regional Office disagrees with an error call, it is reviewed as part of a formal process requiring the concurrence of the service director. **Validation:** This measure assesses the quality of claims processing and assists VBA management in identifying improvement opportunities and training needs.
	Monthly	None	**Verification:** The Insurance Service periodically evaluates the SQC Program to determine if it is being properly implemented. The composite weighted average processing days measure is calculated by the Insurance Service and is subject to periodic data verification reviews. Timeliness information is considered to be valid for management of operations. **Validation:** The sole purpose of life insurance is to provide a measure of financial security to the beneficiaries of veterans. The timeliness of disbursements is the primary reflection of this purpose. It provides a clear indication of the ability to process the workload in a quality, timely manner.
	Recalculated annually or as required by the availability of updated veteran population census data. Projected openings of new national or state veterans cemeteries and changes in the service delivery status of existing cemeteries also determine the veteran population served.	Provides performance data at specific points in time as veteran demographics change.	**Verification:** In 1999, the OIG performed an audit assessing the accuracy of the data used for this measure. Data were revalidated in the 2002 report entitled Volume 1: Future Burial Needs, prepared by an independent contractor as required by the Veterans Millennium Health Care and Benefits Act, P.L. 106-117. **Validation:** Reasonable access to a burial option means that a first interment option (whether for casketed remains or cremated remains, either in-ground or in columbaria) in a national or state veterans cemetery is available within 75 miles of the veteran's place of residence. VA established a 75-mile service area standard because NCA data show that more than 80 percent of persons interred in national cemeteries resided within 75 miles of the cemetery at the time of death.

Key Performance Measure Sorted by Strategic Objective	Definition	Data Source	
Objective 3.4 **Percent of respondents who rate the quality of service provided by the national cemeteries as excellent**	The number of survey respondents who agree or strongly agree that the quality of service received from national cemetery staff is excellent divided by the total number of survey respondents, expressed as a percentage.	NCA's Survey of Satisfaction with National Cemeteries. The survey collects data from family members and funeral directors who have recently received services from a national cemetery.	
Objective 3.5 **Percent of graves in national cemeteries marked within 60 days of interment**	The number of graves in national cemeteries for which a marker has been set at the grave or the reverse inscription completed within 60 days of the interment divided by the number of interments, expressed as a percentage.	NCA'S Burial Operations Support System (BOSS) as input by field stations.	
Objective 4.2 **Number of peer-reviewed publications by VA investigators**	The number of peer-reviewed publications by VA investigators that show VA listed as the affiliated institution as determined by a PubMed search.	Annual search of PubMed listed articles by Office of Research and Development	

	Frequency	Data Limitations	Data Verification and Measure Validation
	Annually	The mail-out survey provides statistically valid performance data at the national and MSN levels and at the cemetery level for cemeteries having at least 400 interments per year.	**Verification:** VA Headquarters staff oversees the data collection process and provides an annual report at the national level that describes the sampling plan and survey methodology. In addition, MSN and cemetery level data reports are provided to NCA management. **Validation:** NCA strives to provide high-quality, courteous, and responsive service in all of its contacts with veterans and their families and friends. These contacts include scheduling the committal service, arranging for and conducting interments, and providing information about the cemetery and the location of specific graves.
	Monthly	None	**Verification:** VA Headquarters staff oversees the data collection process to validate its accuracy and integrity. Monthly and fiscal-year-to-date reports are provided at the national, MSN, and cemetery levels. **Validation:** The headstone or marker is a lasting memorial that serves as a focal point not only for present-day survivors but also for future generations. In addition, it may bring a sense of closure to the grieving process to see the grave marked. The amount of time it takes to mark the grave after an interment is important to veterans and their family members.
	Annually	None	**Verification:** PubMed is a nationally published databank for published research and is external to VA. VA search will be conducted by R&D but is easily verified by external review for accuracy and completeness. **Validation:** Translation of research results to health care is a complex process that usually involves publication of significant findings in peer-reviewed scientific journals. Successful publication reflects effectiveness in determining which investigators/projects to fund, successful management of the research project itself, and effective communication of these results and their significance to scientific reviewers and journal editorial boards. Hence, publication rates reflect on the success of the entire research enterprise and serve as one quantitative indicator of the productivity of the overall research enterprise.

Key Performance Measure Sorted by Strategic Objective	Definition	Data Source	
Objective 4.5 **Percent of respondents who rate national cemetery appearance as excellent**	The number of survey respondents who agree or strongly agree that the overall appearance of the national cemetery is excellent divided by the total number of survey respondents, expressed as a percentage.	NCA's Survey of Satisfaction with National Cemeteries. The survey collects data from family members and funeral directors who have recently received services from a national cemetery.	
Objective E-4 **Ratio of collections to billings**	The collections to billings ratio is a calculation based on the total cumulative fiscal year collections divided by the total cumulative fiscal year billings. VA cannot collect from Medicare; however, 100 percent of the charges must be included to assert claims to Medicare supplemental carriers. The resulting ratio is comparatively lower than the private sector standard.	The collections and billed data are extracted from VA's National Data Base in the Allocation Resource Center (ARC).	

	Frequency	Data Limitations	Data Verification and Measure Validation
	Annually	The mail-out survey provides statistically valid performance data at the national and MSN levels and at the cemetery level for cemeteries having at least 400 interments per year.	**Verification:** VA Headquarters staff oversees the data collection process and provides an annual report at the national level that describes the sampling plan and survey methodology. In addition, MSN and cemetery level data reports are provided to NCA management. **Validation:** NCA will continue to maintain the appearance of national cemeteries as national shrines so that bereaved family members are comforted when they come to the cemetery for the interment, or later to visit the grave(s) of their loved one(s). Our Nation's veterans have earned the appreciation and respect not only of their friends and families, but also of the entire country and our allies. National cemeteries are enduring testimonials to that appreciation and should be places to which veterans and their families are drawn for dignified burials and lasting memorials.
	Quarterly	None	**Verification:** The data are routinely verified by both program personnel and ARC for accuracy. **Validation:** This measure provides an effective way to evaluate how well the collection system works in relation to the amount billed and is a commonly used measure in the private sector.

Performance Measures Tables

The following tables display our key and supporting measures both by strategic goal and objective (see Table 1), and by organization and program (see Table 2). For each measure, we show available trend data for 5 years. The actual result is designated as follows:

- Target was met or exceeded (green or G).
- Target was not met, but the deviation did not significantly affect program performance (yellow or Y).
- Target was not met, and the difference significantly affected program performance (red or R).

For each "red" measure, we provide a brief explanation of why there was a significant deviation between the actual and planned performance level and briefly identify the steps being taken to ensure goal achievement in the future. (Please see the Performance Shortfalls table beginning on page 60 for this information.)

For those measures where 2005 results are partial or estimated, we will publish final data in the FY 2007 Congressional Budget and/or the FY 2006 Performance and Accountability Report.

The table showing measures by organization and program includes the total amount of resources (FTE and obligations) for each program. The GPRA program activity structure is somewhat different from the program activity structure shown in the program and financing (P&F) schedules of the President's budget. However, all of the P&F schedules have been aligned with one or more of our programs to ensure all VA program activities are covered. The program costs (obligations) represent the estimated total resources available for each of the programs, regardless of which organizational element has operational control of the resources. The performance measures and associated data for each major program apply to the entire group of schedules listed for that program.

VA uses the balanced measures concept to monitor program and organizational performance. We examine and regularly monitor several different types of measures to provide a more comprehensive and balanced view of how well we are performing. Taken together, the measures demonstrate the balanced view of performance we use to assess how well we are doing in meeting our strategic goals, objectives, and performance targets.

VA continues working to ensure the quality and integrity of our data. The Key Measures Data Table starting on page 154 provides the definition, data source, frequency of collection, any data limitations, and data verification and measure validation for each of VA's 24 key measures. The Assessment of Data Quality beginning on page 143 provides an overall view of how our programs verify and validate data for all of the measures. Definitions for the key as well as supporting measures are located in Part IV beginning on page 311.

Table 1 - FY 2005 Performance Measures by Strategic Goal and Objective

(Key Measures are in bold)
(G = Green; Y = Yellow; R = Red)

Performance Measures	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Strategic Goal 1: Restore the capability of veterans with disabilities to the greatest extent possible and improve the quality of their lives and that of their families.							
Objective 1.1: Maximize the physical, mental, and social functioning of veterans with disabilities and be recognized as a leader in the provision of specialized health care services.							
Prevention Index II (Special Populations) (thru Jun)	N/A	N/A	80%	86%	* 86% G	86%	86%
Percent of veterans who were discharged from a Domiciliary Care for Homeless Veterans (DCHV) Program, or HCHV Community-based Contract Residential Care Program to an independent or a secured institutional living arrangement (thru Jun)	N/A	65%	72%	79%	* 82% G	79%	80%
Objective 1.2: Provide timely and accurate decisions on disability compensation claims to improve the economic status and quality of life of service-disabled veterans.							
National accuracy rate (core rating work) % (Compensation) (thru Jun)	**80%**	**80%**	**86%**	**87%**	*** 84% Y**	**88%**	**98%**
Compensation & Pension rating-related actions - average days to process	**181**	**223**	**182**	**166**	**167 R**	**145**	**125**
Rating-related compensation actions - average days pending	**186**	**179**	**114**	**120**	**122 Y**	**119**	**78**
Overall satisfaction (Compensation) (1) results not available until 2nd quarter of FY 2006	52%	55%	58%	59%	(1) TBD	55%	90%
Non-rating compensation actions - average days to process	55	57	49	50	59 G	66	17
Non-rating compensation actions - average days pending	98	93	95	94	98 G	105	47
National accuracy rate (Compensation authorization work) (thru Jun)	69%	83%	88%	90%	* 91% Y	92%	98%
Average number of days to initiate development of remands at the Appeals Management Center (thru Jul) (1) new measure in FY 2006 budget; target not available until end of FY 2006	N/A	N/A	N/A	N/A	28	(1) N/A	15
Percent of veterans in receipt of compensation whose total income exceeds that of like circumstanced veterans (Comp)	N/A	N/A	N/A	** TBD	** TBD	** TBD	50%

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Table 1 - FY 2005 Performance Measures by Strategic Goal and Objective
(Key Measures are in bold)
(G = Green; Y = Yellow; R = Red)

Performance Measures	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Percent of compensation recipients who were kept informed of the full range of available benefits (1) customer satisfaction results not available until 2nd quarter of FY 2006	39%	40%	42%	43%	(1) TBD	TBD	60%
Percent of compensation recipients who perceive that VA compensation redresses the effect of service-connected disability in diminishing the quality of life	N/A	N/A	N/A	** TBD	** TBD	** TBD	70%
National accuracy rate (fiduciary work) % (Compensation & Pension) (thru Jun)	68%	84%	77%	81%	* 85% Y	88%	98%
Telephone activities - abandoned call rate (Compensation & Pension)	6%	9%	9%	7%	8% Y	3%	3%
Telephone activities - blocked call rate (Compensation & Pension)	3%	7%	3%	2%	3% Y	2%	2%
Fiduciary Activities - Initial Appt. & Fiduciary - Beneficiary Exams (completed) (%) (Compensation & Pension)	13%	9%	11%	12%	11% Y	6%	4%
Fiduciary Activities - Initial Appt. & Fiduciary - Beneficiary Exams (pending) (%) (Compensation & Pension)	N/A	16%	20%	14%	12% Y	8%	4%
Deficiency-free decision rate	86.7%	87.6%	89.0%	93.0%	89.0% Y	93.0%	95.0%
Appeals resolution time (Days) (Joint measure with C&P) (BVA)	595	731	633	529	622 R	500	365
BVA Cycle Time (Days) (1) Includes veterans service organization time	(1) 182	86	135	98	104 G	150	120
Appeals decided per Veterans Law Judge	561	321	604	691	621 G	592	668
Cost per case	$1,401	$2,702	$1,493	$1,302	$1,453 G	$1,546	$1,689

** Pending results of the new Veterans' Disability Benefits Commission that began in May 2005. Results are expected 15 months thereafter.

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Table 1 - FY 2005 Performance Measures by Strategic Goal and Objective
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Performance Measures	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Objective 1.3: Provide all service-disabled veterans with the opportunity to become employable and obtain and maintain suitable employment, while providing special support to veterans with serious employment handicaps.							
Rehabilitation rate (VR&E)	**65%**	**62%**	**59%**	**62%**	**63% Y**	**66%**	**70%**
Speed of entitlement decisions in average days (VR&E)	62	65	63	57	62 G	62	60
Accuracy of decisions (Services) % (VR&E)	79%	81%	82%	86%	87% Y	88%	96%
Customer satisfaction (Survey) (VR&E) (1) Customer satisfaction results not available until 3rd quarter of FY 2006	76%	77%	N/A	79%	(1) TBD	81%	92%
Accuracy of program outcome % (VR&E)	N/A	81%	81%	94%	97% G	90%	95%
Measures Under Development							
Common Measures							
Percent of participants employed first quarter after program exit (VR&E)	N/A	N/A	N/A	N/A	TBD	TBD	TBD
Percent of participants still employed three quarters after program exit (VR&E)	N/A	N/A	N/A	N/A	TBD	TBD	TBD
Percent change in earnings from pre-application to post-program employment (VR&E)	N/A	N/A	N/A	N/A	TBD	TBD	TBD
Average cost of placing participant in employment (VR&E)	N/A	N/A	N/A	N/A	TBD	TBD	TBD
Objective 1.4: Improve the standard of living and income status of eligible survivors of service-disabled veterans through compensation, education, and insurance benefits.							
Average days to process - DIC actions	**133**	**172**	**153**	**125**	**124 Y**	**120**	**90**
Percent of DIC recipients above the poverty level (Comp)	N/A	N/A	N/A	99%	** TBD	** TBD	100%
Percent of DIC recipients who are satisfied that the VA recognized their sacrifice (Comp)	N/A	N/A	N/A	80%	** TBD	** TBD	90%

** Pending results of the new Veterans' Disability Benefits Commission that began in May 2005. Results are expected 15 months thereafter.

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Table 1 - FY 2005 Performance Measures by Strategic Goal and Objective

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Performance Measures	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Strategic Goal 2: Ensure a smooth transition for veterans from active military service to civilian life.							
Objective 2.1: Ease the reentry of new veterans into civilian life by increasing awareness of, access to, and use of VA health care, benefits, and services.							
Out of all original claims filed within the first year of release from active duty, the percentage filed at a BDD site prior to a service member's discharge (Comp) (1) new measure in FY 2006 budget; data/target not available until end of FY 2006	N/A	N/A	N/A	N/A	(1) N/A	N/A	65%
Percentage of VAMCs contracted to serve as TRICARE network providers	N/A	N/A	N/A	N/A	* 87%	Baseline	90%
Implementation guides developed for those Consolidated Health Informatics Standards adopted by VA and DoD (thru Aug)	N/A	N/A	N/A	N/A	* 2	Baseline	9
Objective 2.2: Provide timely and accurate decisions on education claims and continue payments at appropriate levels to enhance veterans' and servicemembers' ability to achieve educational and career goals.							
Average days to complete original education claims	**50**	**34**	**23**	**26**	**33 R**	**25**	**10**
Average days to complete supplemental education claims	**24**	**16**	**12**	**13**	**19 R**	**13**	**7**
Montgomery GI Bill usage rate %: All program participants (Education) (1) Corrected	58%	56%	58%	(1) 65%	* 66% G	61%	70%
Montgomery GI Bill usage rate %: Veterans who have passed their 10-year eligibility period (Education) (1) Corrected	N/A	N/A	66%	(1) 71%	* 71% G	67%	70%
Percent of Montgomery GI Bill participants who successfully completed an education or training program (1) Measure under development (Education)	N/A	N/A	N/A	N/A	(1) N/A	N/A	TBD
Percentage of beneficiaries that believe their VA educational assistance has been either very helpful or helpful in the attainment of their educational or vocational goal (1) Measure under development (Education)	N/A	N/A	N/A	N/A	(1) N/A	N/A	TBD
Customer satisfaction-high ratings (Education) (1) Customer satisfaction results not available until 3rd quarter of FY 2006	86%	87%	89%	85%	(1) TBD	89%	95%
Telephone Activities - Blocked call rate (Education)	45%	26%	13%	20%	38% R	22%	10%

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Table 1 - FY 2005 Performance Measures by Strategic Goal and Objective
(Key Measures are in bold)
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Performance Measures	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Telephone Activities - Abandoned call rate (Education)	13%	11%	7%	10%	17% Y	9%	5%
Payment accuracy rate (Education)	92%	93%	94%	94%	96% G	95%	97%

Objective 2.3: Improve the ability of veterans to purchase and retain a home by meeting or exceeding lending industry standards for quality, timeliness, and foreclosure avoidance.

Foreclosure avoidance through servicing (FATS) ratio (Housing)	**40%**	**43%**	**45%**	**44%**	**48% G**	**47%**	**47%**
Statistical quality index % (Housing)	96%	97%	98%	98%	98% G	97%	98%
Veterans satisfaction % (1) Customer survey not conducted in 2005 (2) Customer survey not conducted in 2004 (Housing)	94%	94%	95%	(2) N/A	(1) N/A	96%	95%
Home Purchase - Percent of active duty personnel and veterans that could not have purchased a home without VA assistance (1) Measure under development	N/A	N/A	N/A	N/A	(1) N/A	N/A	TBD

Strategic Goal 3: Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation.

Objective 3.1: Provide high-quality, reliable, accessible, timely, and efficient health care that maximizes the health and functional status for all enrolled veterans, with special focus on veterans with service-connected conditions, those unable to defray the cost, and those statutorily eligible for care.

Percent of patients rating VA health care service as very good or excellent:							
Inpatient (thru Jun)	**64%**	**70%**	**74%**	**74%**	*** 77% G**	**74%**	**74%**
Outpatient (thru Jun)	**65%**	**71%**	**73%**	**72%**	*** 77% G**	**73%**	**73%**
Percent of primary care appointments scheduled within 30 days of desired date (VHA) **(thru Jun)**	**87%**	**89%**	**93%**	**94%**	*** 97% G**	**94%**	**94%**
Percent of specialty care appointments scheduled within 30 days of desired date, **(1) results as of 9/30, (2) reflects cum. for year, (3) henceforth, eight clinical areas now included instead of five (VHA)** **(thru Jun)**	**(1) 84%**	**(1) 86%**	**(2) 89%**	**(3) 93%**	*** 95% G**	**93%**	**93%**
Clinical Practice Guidelines Index (VHA) **(thru Jun)**	**N/A**	**Baseline**	**70%**	**77%**	*** 87% G**	**77%**	**80%**
Prevention Index II (VHA) **(thru Jun)**	**80%**	**82%**	**83%**	**88%**	*** 90% G**	**88%**	**88%**

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Table 1 - FY 2005 Performance Measures by Strategic Goal and Objective
(Key Measures are in bold)
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Performance Measures	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Increase non-institutional long-term care as expressed by average daily census (VHA) (thru Jun)	**N/A**	**24,126**	**24,413**	**25,523**	*** 29,316 Y**	**30,118**	**43,098**
Percent of veterans returning from a combat zone who respond "yes completely" to survey questions regarding how well they perceive that their VA provider listened to them and if they had trust and confidence in their VA provider (VHA)	N/A	N/A	N/A	N/A	Baseline	Baseline	72%
Percent of appointments for specialty health care services scheduled within 30 days of desired date for veterans and service members returning from a combat zone (VHA)	N/A	N/A	N/A	N/A	Baseline	Baseline	90%
Percent of appointments for primary care scheduled within 30 days of desired date for veterans and service members returning from a combat zone (VHA)	N/A	N/A	N/A	N/A	Baseline	Baseline	94%
Percent of patients who report being seen within 20 minutes of scheduled appointments at VA health care facilities (VHA) (thru Jun)	63%	65%	67%	69%	* 73% G	67%	90%
Percent of outpatient encounters that have electronic progress notes signed within 2 days (VHA) (thru Jun)	N/A	N/A	N/A	84%	* 85% G	85%	87%

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Table 1 - FY 2005 Performance Measures by Strategic Goal and Objective
(Key Measures are in bold)
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Objective 3.2: Process pension claims in a timely and accurate manner to provide eligible veterans and their survivors a level of income that raises their standard of living and sense of dignity.

Performance Measures	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Compensation & Pension rating-related actions - average days to process	**181**	**223**	**182**	**166**	**167 R**	**145**	**125**
Non-rating pension actions - average days to process	**59**	**65**	**67**	**58**	**68 G**	**73**	**21**
National accuracy rate (authorization pension work) % (thru Jun)	**62%**	**76%**	**81%**	**84%**	*** 84% G**	**84%**	**98%**
National accuracy rate (core rating-related pension work) (thru Jun)	78%	80%	91%	93%	* 91% Y	93%	98%
Rating-related pension actions - average days pending	129	100	98	77	**83 R**	69	65
Overall satisfaction rate % (Pension) (1) customer satisfaction results not available until 2nd quarter of FY 2006	63%	65%	66%	66%	(1) TBD	65%	90%
Non-rating pension actions - average days pending	124	90	61	102	111 R	73	38
Percent of pension recipients who were informed of the full range of available benefits (1) Customer satisfaction results not available until 2nd quarter of FY 2006	40%	38%	39%	40%	(1) TBD	40%	60%
Percent of pension recipients who said their claim was very or somewhat fair (1) Customer satisfaction results not available until 2nd quarter of FY 2006	63%	65%	62%	64%	(1) TBD	53%	75%
National accuracy rate (fiduciary work) % (Compensation & Pension) (thru Jun)	68%	84%	77%	81%	* 85% Y	88%	98%
Telephone activities - abandoned call rate (Compensation & Pension)	6%	9%	9%	7%	8% Y	3%	3%
Telephone activities - blocked call rate (Compensation & Pension)	3%	7%	3%	2%	3% Y	2%	2%

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Table 1 - FY 2005 Performance Measures by Strategic Goal and Objective
(Key Measures are in bold)
(G = Green; Y = Yellow; R = Red)

Performance Measures	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Fiduciary Activities - Initial Appt. & Fiduciary - Beneficiary Exams (completed) (%) (Compensation & Pension)	13%	9%	11%	12%	11% Y	6%	4%
Fiduciary Activities - Initial Appt. & Fiduciary - Beneficiary Exams (pending) (%) (Compensation & Pension)	N/A	16%	20%	14%	12% Y	8%	4%

Objective 3.3: Maintain a high level of service to insurance policy holders and their beneficiaries to enhance the financial security for veterans' families.

Average days to process insurance disbursements	**2.8**	**2.6**	**2.4**	**1.8**	**1.8 G**	**2.7**	**2.7**
High customer ratings % (Insurance)	96%	95%	95%	96%	96% G	95%	95%
Low customer ratings % (Insurance)	2%	3%	3%	2%	2% G	2%	2%
Percentage of blocked calls (Insurance)	3%	1%	0%	1%	0% G	2%	1%
Average hold time in seconds (Insurance)	17	18	17	17	11 G	20	20

Objective 3.4: Ensure that the burial needs of veterans and eligible family members are met.

Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence (NCA)	**72.6%**	**73.9%**	**75.2%**	**75.3%**	**77.1% Y**	**78.3%**	**90.0%**
Percent of respondents who rate the quality of service provided by the national cemeteries as excellent (NCA)	**92%**	**91%**	**94%**	**94%**	**94% Y**	**95%**	**100%**
Average number of days to process a claim for reimbursement of burial expenses (Data tracked by VBA)	40	48	42	48	57 R	42	21
National Accuracy Rate for burial claims processed (Data tracked by VBA) (thru Jun)	72%	85%	92%	94%	* 93% Y	96%	98%

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Performance Measures	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Percent of funeral directors who respond that national cemeteries confirm the scheduling of the committal service within 2 hours (NCA)	75%	73%	73%	73%	73% Y	75%	93%
Cumulative number of kiosks installed at national and state veterans cemeteries (NCA)	33	42	50	60	69 G	68	108

Objective 3.5: Provide veterans and their families with timely and accurate symbolic expressions of remembrance.

Percent of graves in national cemeteries marked within 60 days of interment (NCA)	**N/A**	**49%**	**72%**	**87%**	**94% G**	**88%**	**90%**
Percent of applications for headstones and markers for the graves of veterans who are not buried in national cemeteries processed within 20 days (NCA)	N/A	N/A	N/A	N/A	13%	Baseline	90%
Percent of headstones and markers ordered by national cemeteries for which inscription data are accurate and complete (NCA)	N/A	N/A	N/A	98%	99% G	98%	99%
Percent of headstones and markers that are undamaged and correctly inscribed (NCA)	97%	96%	97%	97%	96% Y	98%	98%

Strategic Goal 4: Contribute to the public health, emergency management, socioeconomic well-being, and history of the Nation.

Objective 4.1: Improve the Nation's preparedness for response to war, terrorism, national emergencies, and natural disasters by developing plans and taking actions to ensure continued service to veterans as well as support to national, state, and local emergency management and homeland security efforts.

Percent of Emergency Planners who have completed orientation (OPPP)	N/A	N/A	N/A	N/A	100%	N/A	100%
Percent of Under Secretaries, Assistant Secretaries, and other key officials who self-certify their teams "ready to deploy" to their COOP site (OPPP)	N/A	N/A	N/A	N/A	85%	N/A	100%

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Table 1 - FY 2005 Performance Measures by Strategic Goal and Objective
(Key Measures are in bold)
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Performance Measures	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Objective 4.2: Advance VA medical research and development programs that address veterans' needs, with an emphasis on service-connected injuries and illnesses, and contribute to the Nation's knowledge of disease and disability.							
Number of peer-reviewed publications by VA investigators	**N/A**	**N/A**	**N/A**	**N/A**	*** 2,665 G**	**(1) 2,558**	**2,700**
Percentage of clinicians who remain in the VA health care system for at least three years after completion of their career development award period (VHA)	N/A	N/A	N/A	N/A	* 69% G	(1) 63%	70%
Number of discovery disclosures by VA investigators (VHA)	N/A	N/A	N/A	N/A	* 164 Y	(1) 188	217

(1) Original baseline year. Number can now be provided due to a refinement in data analysis.

Objective 4.3: Sustain partnerships with the academic community that enhance the quality of care to veterans and provide high quality educational experiences for health care trainees.							
Medical residents' and other trainees' scores on a VHA Survey assessing their clinical training experience (thru Aug)	84	83	83	84	* 84 Y	85	85
Percent of admission notes by residents that have a note from attending physician within one day of admission (VHA) :							
Medicine (thru Jun)	N/A	N/A	N/A	N/A	* 94%	Baseline	95%
Psychiatry (thru Jun)	N/A	N/A	N/A	N/A	* 94%	Baseline	95%
Surgery (thru Jun)	N/A	N/A	N/A	N/A	* 72%	Baseline	95%

Objective 4.4: Enhance the socioeconomic well-being of veterans, and thereby the Nation and local communities, through veterans' benefits; assistance programs for small, disadvantaged, and veteran-owned businesses; and other community initiatives.							
Attainment of statutory minimum goals for small business expressed as a percent of total procurement (OSDBU) (thru 11/03/2005 -- FY 2005 data have not been finalized)	32.6%	31.2%	31.8%	28.5%	* 27.8% G	23%	23%

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Table 1 - FY 2005 Performance Measures by Strategic Goal and Objective
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Objective 4.5: Ensure that national cemeteries are maintained as shrines dedicated to preserving our Nation's history, nurturing patriotism, and honoring the service and sacrifice veterans have made.

Performance Measures	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Percent of respondents who rate national cemetery appearance as excellent (NCA)	**96%**	**97%**	**97%**	**98%**	**98% G**	**98%**	**100%**
Percent of respondents who would recommend the national cemetery to veteran families during their time of need (NCA)	97%	98%	97%	97%	98% G	98%	100%
Percent of headstones and/or markers in national cemeteries that are at the proper height and alignment (NCA)	N/A	N/A	N/A	64%	70% G	65%	90%
Percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations (NCA)	N/A	N/A	N/A	76%	72% Y	78%	90%
Percent of gravesites that have grades that are level and blend with adjacent grade levels (NCA)	N/A	N/A	N/A	79%	84% G	80%	95%

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.

Objective E-1: Recruit, develop, and retain a competent, committed, and diverse workforce that provides high quality service to veterans and their families.

Percent of cases using alternate dispute resolution (ADR) techniques (BCA) (1) Corrected	(1) 21%	(1) 43%	(1) 20%	(1) 9%	9% R	72%	75%

Objective E-2: Improve communications with veterans, employees, and stakeholders about the Department's mission, goals, and current performance as well as benefits and services VA provides.

Percent of newly elected/appointed state officials contacted within 60 days of taking office regarding VA programs/services (OPIA)	N/A	75%	80%	90%	100% G	100%	100%
Percent of VA employees who indicate they understand VA's strategic goals (OPPP) (1) No employee survey was conducted	N/A	65%	75%	75%	(1) No data available	80%	90%

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Table 1 - FY 2005 Performance Measures by Strategic Goal and Objective
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Objective E-3: Implement a *One VA* 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.

Performance Measures	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Number of business lines transformed to achieve a secure veteran-centric delivery process that would enable veterans and their families to register and update information, submit claims or inquiries, and obtain status (IT)	N/A	N/A	N/A	0	0	0	8

Objective E-4: Improve the overall governance and performance of VA by applying sound business principles; ensuring accountability; enhancing our management of resources through improved capital asset management, acquisition, and competitive sourcing; and linking strategic planning, budgeting, and performance planning.

Ratio of collections to billings (expressed as a percentage) (VHA)	**31%**	**37%**	**41%**	**41%**	*** 41% G**	**41%**	**41%**
Dollar value of 1st party and 3rd party collections: (VHA)							
1st Party ($ in millions) (thru Aug)	$231	$486	$685	$742	* $709 Y	$860	$1,030
3rd Party ($ in millions) (thru Aug)	$540	$690	$804	$960	* $965 Y	$1,018	$1,643
Documented increases in the use of joint procurement contracts (VHA)	N/A	N/A	N/A	N/A	Baseline	Baseline	$200M
Cost - Obligations per unique patient user (VHA)	N/A	$4,928	$5,202	$5,562	$5,726 G	$5,762	TBD
Efficiency - Average number of appointments per year per FTE (1) Corrected (thru Aug) (VHA)	N/A	2,719	2,856	(1) 2,413	* 2,524 Y	2,553	TBD
Percentage of tort claims settled administratively (OGC)	83.4%	86.0%	86.0%	89.0%	88.4% Y	89.0%	90.0%
Percentage of planned business process reengineering studies of non-core, commercial, competitive functions initiated (per annum) (OPPP)	N/A	N/A	N/A	N/A	22% G	12%	12%
Percent increase of EDI usage over base year of 1997 (OM)	178%	235%	320%	884%	1384% G	900%	1000%
Number of audit qualifications identified in the auditor's opinion on VA's Consolidated Financial Statements (OM)	0	0	0	0	0 G	0	0

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Table 1 - FY 2005 Performance Measures by Strategic Goal and Objective
(Key Measures are in bold)
(G = Green; Y = Yellow; R = Red)

Performance Measures	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Number of material weaknesses identified during the Annual Financial Statement Audit or Identified by Management (OM)	12	6	5	4	4 R	2	0
Decrease underutilized space as compared to overall space to 30% or less (29,507,611 Baseline) (OAEM)	N/A	N/A	N/A	Baseline	2%	TBD	30%
Increase Annual Percent Condition Index from 2005 baseline (OAEM)	N/A	N/A	N/A	N/A	Baseline	Baseline	TBD
Decrease Non Mission Dependent assets from 2005 baseline (OAEM)	N/A	N/A	N/A	N/A	Baseline	Baseline	TBD
Decrease operating and maintenance costs adjusting for inflation from 2004 ($11,386,528,347 Baseline) (OAEM)	N/A	N/A	N/A	Baseline	$758,867,828	TBD	TBD
Number of indictments, arrests, convictions, administrative sanctions, and pretrial diversions: (OIG)	1,655	1,621	1,894	1,917 ***	3,098 G	2,004	2,500
Number of Arrests	401	452	624	642 ***	593	645	820
Number of Indictments	376	357	349	397	336	400	470
Number of Convictions	337	331	417	332	327	335	395
Number of Administrative Sanctions	541	481	484	522	1,803	600	780
Number of Pretrial Diversions	N/A	N/A	20	24	39	24	35
Number of Reports issued:	136	169	(1) 182	(2) 223	(3) 224 G	198	236
Combined Assessment Reviews (CAPs) - -Total	26	33	42	52	65	60	76
VHA CAPs	22	21	34	40	48	48	57
VBA CAPs	4	12	8	12	17	12	19
Audit Reports	26	26	24	24	37	30	40
Pre-and Post-Award Contract Reviews	48	60	65	105	85	64	70
Healthcare Inspection Reports	22	37	24	26	23	29	35
Administrative Investigations	14	12	21	11	11	15	15
Value of monetary benefits ($ in millions) from:	$4,189	$878	$157	(4) $3,228 ***	(4) $21,863 G	$924	$970
IG Investigations	$52	$85	$64	$320 ***	$408	$67	$70
IG audits	$4,095	$730	$8	$2,104	$20,332	$792	$825
IG contract reviews	$42	$62	$82	$661	$1,121	$65	$75

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Table 1 - FY 2005 Performance Measures by Strategic Goal and Objective
(Key Measures are in bold)
(G = Green; Y = Yellow; R = Red)

Performance Measures	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Customer Satisfaction:							
CAP Reviews	N/A	4.4	4.1	4.5	4.5 Y	4.6	5.0
Investigations	4.8	4.8	4.9	4.9	4.9 Y	5.0	5.0
Audit	4.2	4.3	4.2	4.6	4.5 Y	4.7	5.0
Contract Reviews	4.7	4.9	4.5	4.6	4.6 Y	4.7	5.0
Healthcare Inspections	4.2	4.7	4.4	4.4	4.7 G	4.5	5.0

(1) Includes 5 CAP summary reports that are not counted in the CAP total and 1 joint review with DoD.
(2) Includes 3 CAP summary reports that are not counted in the CAP total and 2 joint reviews completed by OIG Offices of Investigation, Audit, and Healthcare Inspection.
(3) Includes 2 CAP summary reports that are not counted in the CAP total and 1 joint review completed by the OIG Offices of Investigation and Audit.
(4) This figure includes monetary benefits produced by the OIG Office of Healthcare Inspections and OIG Hotline Division. The nature of the activity of these offices does not generally result in monetary benefits significant for separate performance reporting.

*** Corrected

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Table 2 - FY 2005 Performance Measures by Program

(Key Measures are in bold)
(G = Green; Y = Yellow; R = Red)

Veterans Health Administration

Medical Care

P&F ID Codes: 36-0160-0-1-703; 36-0152-0-1-703; 36-0162-0-1-703; 36-5358-0-1-703 36-8180-0-7-705; 36-4014-0-3-705

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Resources							
FTE	183,602	184,209	187,049	194,055	200,779	197,362	
Medical care costs ($ in millions)	$22,553	$24,368	$27,654	$30,772	$31,668	$33,082	
Performance Measures							
Percent of patients rating VA health care service as very good or excellent:							
Inpatient (thru Jun)	**64%**	**70%**	**74%**	**74%**	*** 77% G**	**74%**	**74%**
Outpatient (thru Jun)	**65%**	**71%**	**73%**	**72%**	*** 77% G**	**73%**	**73%**
Percent of primary care appointments scheduled within 30 days of desired date (thru Jun)	**87%**	**89%**	**93%**	**94%**	*** 97% G**	**94%**	**94%**
Percent of specialty care appointments scheduled within 30 days of desired date (1) results as of 9/30, (2) reflects cum. for year, (3) henceforth, eight clinical areas now included instead of five (thru Jun)	**(1) 84%**	**(1) 86%**	**(2) 89%**	**(3) 93%**	*** 95% G**	**93%**	**93%**
Clinical Practice Guidelines Index (thru Jun)	**N/A**	**Baseline**	**70%**	**77%**	*** 87% G**	**77%**	**80%**
Prevention Index II (thru Jun)	**80%**	**82%**	**83%**	**88%**	*** 90% G**	**88%**	**88%**
Ratio of collections to billings (expressed as a percentage)	**31%**	**37%**	**41%**	**41%**	*** 41% G**	**41%**	**41%**
Percent of patients who report being seen within 20 minutes of scheduled appointments at VA health care facilities (thru Jun)	63%	65%	67%	69%	* 73% G	67%	90%
Percent of veterans returning from a combat zone who respond "yes completely" to survey questions regarding how well they perceive that their VA provider listened to them and if they had trust and confidence in their VA provider	N/A	N/A	N/A	N/A	Baseline	Baseline	72%
Percent of outpatient encounters that have electronic progress notes signed within 2 days (thru Jun)	N/A	N/A	N/A	84%	* 85% G	85%	87%
Dollar value of 1st party and 3rd party collections:							
1st Party ($ in millions) (thru Aug)	$231	$486	$685	$742	* $709 Y	$860	$1,030
3rd Party ($ in millions) (thru Aug)	$540	$690	$804	$960	* $965 Y	$1,018	$1,643
Cost - Obligations per unique patient user	N/A	$4,928	$5,202	$5,562	$5,726 G	$5,762	TBD

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Table 2 - FY 2005 Performance Measures by Program
(Key Measures are in bold)
(G = Green; Y = Yellow; R = Red)

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Efficiency - Average number of appointments per year per FTE (1) Corrected (thru Aug)	N/A	2,719	2,856	(1) 2,413	* 2,524 Y	2,553	TBD
Percentage of VAMCs contracted to serve as TRICARE network providers	N/A	N/A	N/A	N/A	* 87%	Baseline	90%
Documented increases in the use of joint procurement contracts	N/A	N/A	N/A	N/A	Baseline	Baseline	$200M
Implementation guides developed for those Consolidated Health Informatics Standards adopted by VA and DoD (thru Aug)	N/A	N/A	N/A	N/A	* 2	Baseline	9

Special Emphasis Programs

Non-institutional long-term care as expressed by average daily census (thru Jun)	**N/A**	**24,126**	**24,413**	**25,523**	*** 29,316 Y**	**30,118**	**43,098**
Prevention Index II (Special Populations) (thru Jun)	N/A	N/A	80%	86%	* 86% G	86%	86%
Percent of veterans who were discharged from a Domiciliary Care for Homeless Veterans (DCHV) Program, or HCHV Community-based Contract Residential Care Program to an independent or a secured institutional living arrangement (thru Jun)	N/A	65%	72%	79%	* 82% G	79%	80%
Percent of appointments for specialty health care services scheduled within 30 days of desired date for veterans and service members returning from a combat zone	N/A	N/A	N/A	N/A	Baseline	Baseline	90%
Percent of appointments for primary care scheduled within 30 days of desired date for veterans and service members returning from a combat zone	N/A	N/A	N/A	N/A	Baseline	Baseline	94%
Medical residents' and other trainees' scores on a VHA Survey assessing their clinical training experience (thru Aug)	84	83	83	84	* 84 Y	85	85
Percent of admission notes by residents that have a note from attending physician within one day of admission:							
Medicine (thru Jun)	N/A	N/A	N/A	N/A	* 94%	Baseline	95%
Psychiatry (thru Jun)	N/A	N/A	N/A	N/A	* 94%	Baseline	95%
Surgery (thru Jun)	N/A	N/A	N/A	N/A	* 72%	Baseline	95%

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Table 2 - FY 2005 Performance Measures by Program

(Key Measures are in bold)
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P&F ID Codes: 36-0161-0-1-703; 36-4026-0-3-703;

Medical Research

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Resources							
FTE	3,019	6,470	6,575	6,798	3,206	6,202	
Research cost ($ in millions)	$877	$964	$1,022	$1,067	$851	$1,033	
Performance Measures							
Number of peer-reviewed publications by VA investigators	**N/A**	**N/A**	**N/A**	**N/A**	*** 2,665 G**	**(1) 2,558**	**2,700**
Percentage of clinicians who remain in the VA health care system for at least three years after completion of their career development award period	N/A	N/A	N/A	N/A	* 69% G	(1) 63%	70%
Number of discovery disclosures by VA investigators	N/A	N/A	N/A	N/A	* 164 Y	(1) 188	217

(1) Original baseline year. Number can now be provided due to a refinement in data analysis.

Veterans Benefits Administration

Compensation

P&F ID Code: 36-0102-0-1-701 36-0134-0-1-701

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Resources							
FTE	8,035	6,985	7,346	7,568	7,538	7,515	
Benefits cost ($ in millions)	$20,255	$22,453	$24,822	$26,472	$28,768	$29,039	
Administrative cost ($ in millions)	$564	$603	$728	$789	$834	$853	
Performance Measures							
National accuracy rate (core rating work) % (Compensation) **(thru Jun)**	**80%**	**80%**	**86%**	**87%**	*** 84% Y**	**88%**	**98%**
Compensation & Pension rating-related actions - average days to process	**181**	**223**	**182**	**166**	**167 R**	**145**	**125**
Rating-related compensation actions - average days pending	**186**	**179**	**114**	**120**	**122 Y**	**119**	**78**
Average days to process - DIC actions	**133**	**172**	**153**	**125**	**124 Y**	**120**	**90**
Overall satisfaction (Compensation) (1) results not available until 2nd quarter of FY 2006	52%	55%	58%	59%	(1) TBD	55%	90%
Non-rating compensation actions - average days to process	55	57	49	50	59 G	66	17

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Table 2 - FY 2005 Performance Measures by Program
(Key Measures are in bold)
(G = Green; Y = Yellow; R = Red)

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Non-rating compensation actions - average days pending	98	93	95	94	98 G	105	47
National accuracy rate (Compensation authorization work) (thru Jun)	69%	83%	88%	90%	* 91% Y	92%	98%
Out of all original claims filed within the first year of release from active duty, the percentage filed at a BDD site prior to a service member's discharge (Comp) (1) new measure in FY 2006 budget; data/target not available until end of FY 2006	N/A	N/A	N/A	N/A	(1) N/A	N/A	65%
Average number of days to initiate development of remands at the Appeals Management Center (thru Jul) (1) new measure in FY 2006 budget; target not available until end of FY 2006	N/A	N/A	N/A	N/A	28	(1) N/A	15
Percent of veterans in receipt of compensation whose total income exceeds that of like circumstanced veterans (Comp)	N/A	N/A	N/A	** TBD	** TBD	** TBD	50%
Percent of compensation recipients who were kept informed of the full range of available benefits (1) customer satisfaction results not available until 2nd quarter of FY 2006	39%	40%	42%	43%	(1) TBD	TBD	60%
Percent of compensation recipients who perceive that VA compensation redresses the effect of service-connected disability in diminishing the quality of life	N/A	N/A	N/A	** TBD	** TBD	** TBD	70%
Percent of DIC recipients above the poverty level (Comp)	N/A	N/A	N/A	99%	** TBD	** TBD	100%
Percent of DIC recipients who are satisfied that the VA recognized their sacrifice (Comp)	N/A	N/A	N/A	80%	** TBD	** TBD	90%
National accuracy rate (fiduciary work) % (Compensation & Pension) (thru Jun)	68%	84%	77%	81%	* 85% Y	88%	98%
Telephone activities - abandoned call rate (Compensation & Pension)	6%	9%	9%	7%	8% Y	3%	3%

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Table 2 - FY 2005 Performance Measures by Program

(Key Measures are in bold)
(G = Green; Y = Yellow; R = Red)

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Telephone activities - blocked call rate (Compensation & Pension)	3%	7%	3%	2%	3% Y	2%	2%
Fiduciary Activities - Initial Appt. & Fiduciary - Beneficiary Exams (completed) (%) (Compensation & Pension)	13%	9%	11%	12%	11% Y	6%	4%
Fiduciary Activities - Initial Appt. & Fiduciary - Beneficiary Exams (pending) (%) (Compensation & Pension)	N/A	16%	20%	14%	12% Y	8%	4%

** Pending results of the new Veterans' Disability Benefits Commission that began in May 2005. Results are expected 15 months thereafter.

Pension P&F ID Codes: 36-0154-0-1-701; 36-0143-0-1-701

Resources						
FTE	N/A	1,791	1,827	1,535	1,539	1,444
Benefits cost ($ in millions)	$3,018	$3,168	$3,226	$3,342	$3,408	$3,408
Administrative cost ($ in millions)	$142	$155	$152	$153	$165	$148

Performance Measures

Compensation & Pension rating-related actions - average days to process	**181**	**223**	**182**	**166**	**167 R**	**145**	**125**
National accuracy rate (authorization pension work) % **(thru Jun)**	**62%**	**76%**	**81%**	**84%**	*** 84% G**	**84%**	**98%**
Non-rating pension actions - average days to process	**59**	**65**	**67**	**58**	**68 G**	**73**	**21**
National accuracy rate (core rating-related pension work) (thru Jun)	78%	80%	91%	93%	* 91% Y	93%	98%
Rating-related pension actions - average days pending	129	100	98	77	83 R	69	65

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Table 2 - FY 2005 Performance Measures by Program
(Key Measures are in bold)
(G = Green; Y = Yellow; R = Red)

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Overall satisfaction rate % (Pension) (1) customer satisfaction results not available until 2nd quarter of FY 2006	63%	65%	66%	66%	(1) TBD	65%	90%
Non-rating pension actions - average days pending	124	90	61	102	111 R	73	38
National accuracy rate (fiduciary work) % (Compensation & Pension) (thru Jun)	68%	84%	77%	81%	* 85% Y	88%	98%
Telephone activities - abandoned call rate (Compensation & Pension)	6%	9%	9%	7%	8% Y	3%	3%
Telephone activities - blocked call rate (Compensation & Pension)	3%	7%	3%	2%	3% Y	2%	2%
Fiduciary Activities - Initial Appt. & Fiduciary - Beneficiary Exams (completed) (%) (Compensation & Pension)	13%	9%	11%	12%	11% Y	6%	4%
Fiduciary Activities - Initial Appt. & Fiduciary - Beneficiary Exams (pending) (%) (Compensation & Pension)	N/A	16%	20%	14%	12% Y	8%	4%
Percent of pension recipients who were informed of the full range of available benefits (1) Customer satisfaction results not available until 2nd quarter of FY 2006	40%	38%	39%	40%	(1) TBD	40%	60%
Percent of pension recipients who said their claim was very or somewhat fair (1) Customer satisfaction results not available until 2nd quarter of FY 2006	63%	65%	62%	64%	(1) TBD	53%	75%

The indicators below are the component end-products for the measure on average days to complete rating-related actions. We do not establish separate performance goals for these indicators. For a detailed discussion of rating-related actions timeliness, see the narrative on pages 85-86.

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	Claims Completed in FY 2005
Average days to process rating - related actions	**181**	**223**	**182**	**166**	**167**	763,464
Initial disability compensation	219	256	207	186	185	197,554
Initial death compensation/DIC	133	172	153	125	124	27,740
Reopened compensation	197	242	193	178	179	431,031
Initial disability pension	130	123	93	94	98	31,888
Reopened pension	126	128	101	101	103	50,289
Reviews, future exams	119	127	95	87	95	17,682
Reviews, hospital	91	74	54	54	55	7,280

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Table 2 - FY 2005 Performance Measures by Program

(Key Measures are in bold)
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P&F ID Codes: 36-0133--0-1-702 36-0133-0-7-702 36-8133-0-7-702 36-0137-0-1-702

Education	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Resources							
FTE	852	864	866	841	851	888	
Benefits cost ($ in millions)	$1,425	$1,756	$2,120	$2,417	$3,329	$2,787	
Administrative costs ($ in millions)	$64	$75	$69	$78	$84	$101	
Performance Measures							
Average days to complete original education claims	**50**	**34**	**23**	**26**	**33 R**	**25**	**10**
Average days to complete supplemental education claims	**24**	**16**	**12**	**13**	**19 R**	**13**	**7**
Montgomery GI Bill usage rate %: All program participants (1) Corrected	58%	56%	58%	(1) 65%	* 66% G	61%	70%
Montgomery GI Bill usage rate %: Veterans who have passed their 10-year eligibility period (1) Corrected	N/A	N/A	66%	(1) 71%	* 71% G	67%	70%
Percent of Montgomery GI Bill participants who successfully completed an education or training program (1) Measure under development	N/A	N/A	N/A	N/A	(1) N/A	N/A	TBD
Percentage of beneficiaries that believe their VA educational assistance has been either very helpful or helpful in the attainment of their educational or vocational goal (1) Measure under development	N/A	N/A	N/A	N/A	(1) N/A	N/A	TBD
Customer satisfaction-high ratings (1) Customer satisfaction results not available until 3rd quarter of FY 2006	86%	87%	89%	85%	(1) TBD	89%	95%
Telephone Activities - Blocked call rate	45%	26%	13%	20%	38% R	22%	10%
Telephone Activities - Abandoned call rate	13%	11%	7%	10%	17% Y	9%	5%
Payment accuracy rate	92%	93%	94%	94%	96% G	95%	97%

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Table 2 - FY 2005 Performance Measures by Program

(Key Measures are in bold)
(G = Green; Y = Yellow; R = Red)

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Vocational Rehabilitation and Employment			P&F ID Codes:	36-0135-0-1-702; 36-0140-0-1-702		36-0132-0-1-702	
Resources							
FTE	1,061	1,057	1,091	1,105	1,114	1,102	
Benefits cost ($ in millions)	$427	$487	$515	$552	$552	$590	
Administrative costs ($ in millions)	$109	$119	$116	$124	$137	$149	
Performance Measures							
Rehabilitation rate (VR&E)	**65%**	**62%**	**59%**	**62%**	**63% Y**	**66%**	**70%**
Speed of entitlement decisions in average days (VR&E)	62	65	63	57	62 G	62	60
Accuracy of decisions (Services) % (VR&E)	79%	81%	82%	86%	87% Y	88%	96%
Customer satisfaction (Survey) (VR&E) (1) Customer satisfaction results not available until 3rd quarter of FY 2006	76%	77%	N/A	79%	(1) TBD	81%	92%
Accuracy of program outcome % (VR&E)	N/A	81%	81%	94%	97% G	90%	95%
Measures Under Development							
Common Measures							
Percent of participants employed first quarter after program exit (VR&E)	N/A	N/A	N/A	N/A	TBD	TBD	TBD
Percent of participants still employed three quarters after program exit (VR&E)	N/A	N/A	N/A	N/A	TBD	TBD	TBD
Percent change in earnings from pre-application to post-program employment (VR&E)	N/A	N/A	N/A	N/A	TBD	TBD	TBD
Average cost of placing participant in employment (VR&E)	N/A	N/A	N/A	N/A	TBD	TBD	TBD

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Table 2 - FY 2005 Performance Measures by Program

(Key Measures are in bold)
(G = Green; Y = Yellow; R = Red)

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Housing		P&F ID Codes: 36-0128-0-1-704 36-4130-0-3-704		36-1119-0-1-704; 36-4127-0-3-704		36-4025-0-3-704 36-4129-0-3-704	
Resources							
FTE	1,759	1,718	1,404	1,256	1,048	1,281	
Benefits cost ($ in millions)	$520	$849	$1,351	$235	$1,927	$1,952	
Administrative costs ($ in millions)	$162	$168	$169	$158	$153	$156	
Performance Measures							
Foreclosure avoidance through servicing (FATS) ratio	**40%**	**43%**	**45%**	**44%**	**48% G**	**47%**	**47%**
Statistical quality index %	96%	97%	98%	98%	98% G	97%	98%
Veterans satisfaction % (1) Customer survey not conducted in 2005 (2) Customer survey not conducted in 2004	94%	94%	95%	(2) N/A	(1) N/A	96%	95%
Home Purchase - Percent of active duty personnel and veterans that could not have purchased a home without VA assistance (1) Measure under development	N/A	N/A	N/A	N/A	(1) N/A	N/A	TBD

Insurance		P&F ID Codes: 36-4010-0-3-701 36-8150-0-7-701		36-0120-0-1-701; 36-4009-0-3-701; 36-8455-0-8-701;		36-4012-0-3-701; 36-8132-0-7-701; 36-0141-0-1-701	
Resources							
FTE	507	479	493	490	488	513	
Benefits cost ($ in millions)	$2,534	$2,709	$2,655	$2,539	$2,573	$2,626	
Administrative costs ($ in millions)	$41	$40	$40	$42	$41	$45	
Performance Measures							
Average days to process insurance disbursements	**2.8**	**2.6**	**2.4**	**1.8**	**1.8 G**	**2.7**	**2.7**
High customer ratings %	96%	95%	95%	96%	96% G	95%	95%
Low customer ratings %	2%	3%	3%	2%	2% G	2%	2%
Percentage of blocked calls	3%	1%	0%	1%	0% G	2%	1%
Average hold time in seconds	17	18	17	17	11 G	20	20

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Table 2 - FY 2005 Performance Measures by Program

(Key Measures are in bold)
(G = Green; Y = Yellow; R = Red)

National Cemetery Administration

P&F ID Codes: 36-0129-0-1-705; 36-0139-0-1-701

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Resources							
FTE	1,385	1,633	1,655	1,492	1,519	1,553	
Benefits cost ($ in millions)	$111	$135	$143	$153	$153	$169	
Administrative cost ($ in millions):							
Operating costs	$116	$137	$143	$156	$159	$162	
State cemetery grants	$24	$41	$26	$34	$36	$36	
Capital construction	$33	$61	$36	$63	$68	$146	

Performance Measures

Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence	**72.6%**	**73.9%**	**75.2%**	**75.3%**	**77.1% Y**	**78.3%**	**90.0%**
Percent of respondents who rate the quality of service provided by the national cemeteries as excellent	**92%**	**91%**	**94%**	**94%**	**94% Y**	**95%**	**100%**
Percent of graves in national cemeteries marked within 60 days of interment	**N/A**	**49%**	**72%**	**87%**	**94% G**	**88%**	**90%**
Percent of respondents who rate national cemetery appearance as excellent	**96%**	**97%**	**97%**	**98%**	**98% G**	**98%**	**100%**
Average number of days to process a claim for reimbursement of burial expenses (Data tracked by VBA)	40	48	42	48	57 R	42	21
National Accuracy Rate for burial claims processed (Data tracked by VBA) (thru Jun)	72%	85%	92%	94%	* 93% Y	96%	98%
Percent of funeral directors who respond that national cemeteries confirm the scheduling of the committal service within 2 hours (NCA)	75%	73%	73%	73%	73% Y	75%	93%
Cumulative number of kiosks installed at national and state veterans cemeteries (NCA)	33	42	50	60	69 G	68	108

* These are partial or estimated actual data; final data will be published in the FY 2007 Congressional Budget and/or the FY 2006 Performance and Accountability Report.

Table 2 - FY 2005 Performance Measures by Program
(Key Measures are in bold)
(G = Green; Y = Yellow; R = Red)

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Percent of applications for headstones and markers for the graves of veterans who are not buried in national cemeteries processed within 20 days	N/A	N/A	N/A	N/A	13%	Baseline	90%
Percent of headstones and markers ordered by national cemeteries for which inscription data are accurate and complete	N/A	N/A	N/A	98%	99% G	98%	99%
Percent of headstones and markers that are undamaged and correctly inscribed	97%	96%	97%	97%	96% Y	98%	98%
Percent of respondents who would recommend the national cemetery to veteran families during their time of need	97%	98%	97%	97%	98% G	98%	100%
Percent of headstones and/or markers in national cemeteries that are at the proper height and alignment	N/A	N/A	N/A	64%	70% G	65%	90%
Percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations	N/A	N/A	N/A	76%	72% Y	78%	90%
Percent of gravesites that have grades that are level and blend with adjacent grade levels	N/A	N/A	N/A	79%	84% G	80%	95%

Board of Veterans' Appeals

P&F ID Code: 36-0151-0-1-705

Resources						
FTE	455	448	451	440	434	440
Administrative cost ($ in millions)	$44	$47	$47	$50	$50	$51

Performance Measures

Deficiency-free decision rate	86.7%	87.6%	89.0%	93.0%	89.0% Y	93.0%	95.0%
Appeals resolution time (Days) (Joint measure with C&P) (BVA)	595	731	633	529	622 R	500	365
BVA Cycle Time (Days) (1) Includes veterans service organization time	(1) 182	86	135	98	104 G	150	120
Appeals decided per Veterans Law Judge	561	321	604	691	621 G	592	668
Cost per case	$1,401	$2,702	$1,493	$1,302	$1,453 G	$1,546	$1,689

* These are partial or estimated actual data; final data will be published in the FY 2007 Congressional Budget and/or the FY 2006 Performance and Accountability Report.

Table 2 - FY 2005 Performance Measures by Program

(Key Measures are in bold)
(G = Green; Y = Yellow; R = Red)

Departmental Management

P&F ID Code: 36-0151-0-1-705; 36-4537-0-4-705; 36-4539-0-4-705

Resources	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
FTE	2,674	2,825	2,597	2,697	3,167	3,088	
Administrative costs ($ in millions)	$449	$515	$617	$717	$762	$905	

Performance Measures

Attainment of statutory minimum goals for small business expressed as a percent of total procurement (OSDBU) (thru 11/03/2005 -- FY 2005 data have not been finalized)	32.6%	31.2%	31.8%	28.5%	* 27.8% G	23%	23%
Percent of newly elected/appointed state officials contacted within 60 days of taking office regarding VA programs/services (OPIA)	N/A	75%	80%	90%	100% G	100%	100%
Percent of VA employees who indicate they understand VA's strategic goals (OPPP) (1) No employee survey was conducted	N/A	65%	75%	75%	(1) No data available	80%	90%
Percent of Emergency Planners who have completed orientation (OPPP)	N/A	N/A	N/A	N/A	100%	N/A	100%
Percent of Under Secretaries, Assistant Secretaries, and other key officials who self-certify their teams "ready to deploy" to their COOP site (OPPP)	N/A	N/A	N/A	N/A	85%	N/A	100%
Percent of cases using alternate dispute resolution (ADR) techniques (BCA) (1) Corrected	(1) 21%	(1) 43%	(1) 20%	(1) 9%	9% R	72%	75%
Percentage of tort claims settled administratively (OGC)	83.4%	86.0%	86.0%	89.0%	88.4% Y	89.0%	90.0%
Percent increase of EDI usage over base year of 1997 (OM)	178%	235%	320%	884%	1384% G	900%	1000%
Number of business lines transformed to achieve a secure veteran-centric delivery process that would enable veterans and their families to register and update information, submit claims or inquiries, and obtain status (IT)	N/A	N/A	N/A	0	0	0	8
Number of audit qualifications identified in the auditor's opinion on VA's Consolidated Financial Statements (OM)	0	0	0	0	0 G	0	0

* These are partial or estimated actual data; final data will be published in the FY 2007 Congressional Budget and/or the FY 2006 Performance and Accountability Report.

Table 2 - FY 2005 Performance Measures by Program
(Key Measures are in bold)
(G = Green; Y = Yellow; R = Red)

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Percentage of planned business process reengineering studies of non-core, commercial, competitive functions initiated (per annum) (OPPP)	N/A	N/A	N/A	N/A	22% G	12%	12%
Number of material weaknesses identified during the Annual Financial Statement Audit or Identified by Management (OM)	12	6	5	4	4 R	2	0
Decrease underutilized space as compared to overall space to 30% or less (29,507,611 Baseline) (OAEM)	N/A	N/A	N/A	Baseline	2%	TBD	30%
Increase Annual Percent Condition Index from 2005 baseline (OAEM)	N/A	N/A	N/A	N/A	Baseline	Baseline	TBD
Decrease Non Mission Dependent assets from 2005 baseline (OAEM)	N/A	N/A	N/A	N/A	Baseline	Baseline	TBD
Decrease operating and maintenance costs adjusting for inflation from 2004 ($11,386,528,347 Baseline) (OAEM)	N/A	N/A	N/A	Baseline	$758,867,828	TBD	TBD

Office of Inspector General

P&F ID Code: 36-0170-0-1-705

Resources						
FTE	370	393	399	435	453	468
Administrative cost ($ in millions)	$49	$56	$58	$66	$70	$75

Performance Measures

Number of indictments, arrests, convictions, administrative sanctions, and pretrial diversions:	1,655	1,621	1,894	1,917 ***	3,098 G	2,004	2,500
Number of Arrests	401	452	624	642 ***	593	645	820
Number of Indictments	376	357	349	397	336	400	470
Number of Convictions	337	331	417	332	327	335	395
Number of Administrative Sanctions	541	481	484	522	1,803	600	780
Number of Pretrial Diversions	N/A	N/A	20	24	39	24	35
Number of Reports issued:	136	169	(1) 182	(2) 223	(3) 224 G	198	236
Combined Assessment Reviews (CAPs) -- Total	26	33	42	52	65	60	76
VHA CAPs	22	21	34	40	48	48	57
VBA CAPs	4	12	8	12	17	12	19
Audit Reports	26	26	24	24	37	30	40
Pre-and Post-Award Contract Reviews	48	60	65	105	85	64	70
Healthcare Inspection Reports	22	37	24	26	23	29	35
Administrative Investigations	14	12	21	11	11	15	15

* These are partial or estimated actual data; final data will be published in the FY 2007 Congressional Budget and/or the FY 2006 Performance and Accountability Report.

Table 2 - FY 2005 Performance Measures by Program
(Key Measures are in bold)
(G = Green; Y = Yellow; R = Red)

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005 Result	FY 2005 Plan	Strategic Target
Value of monetary benefits ($ in millions) from:	$4,189	$878	$157	(4) $3,228 ***	(4) $21,863 G	$924	$970
IG Investigations	$52	$85	$64	$320 ***	$408	$67	$70
IG audits	$4,095	$730	$8	$2,104	$20,332	$792	$825
IG contract reviews	$42	$62	$82	$661	$1,121	$65	$75
Customer Satisfaction:							
CAP Reviews	N/A	4.4	4.1	4.5	4.5 Y	4.6	5.0
Investigations	4.8	4.8	4.9	4.9	4.9 Y	5.0	5.0
Audit	4.2	4.3	4.2	4.6	4.5 Y	4.7	5.0
Contract Reviews	4.7	4.9	4.5	4.6	4.6 Y	4.7	5.0
Healthcare Inspections	4.2	4.7	4.4	4.4	4.7 G	4.5	5.0

(1) Includes 5 CAP summary reports that are not counted in the CAP total and 1 joint review with DoD.
(2) Includes 3 CAP summary reports that are not counted in the CAP total and 2 joint reviews completed by OIG Offices of Investigation, Audit, and Healthcare Inspection.
(3) Includes 2 CAP summary reports that are not counted in the CAP total and 1 joint review completed by the OIG Offices of Investigation and Audit.
(4) This figure includes monetary benefits produced by the OIG Office of Healthcare Inspections and OIG Hotline Division. The nature of the activity of these offices does not generally result in monetary benefits significant for separate performance reporting.

*** Corrected

* These are partial or estimated actual data; final data will be published in the FY 2007 Congressional Budget and/or the FY 2006 Performance and Accountability Report.

Dropped Performance Measures

*Veterans Health Administration**	FY 2001	FY 2002	FY 2003	FY 2004 Final	FY 2004 Plan
Average waiting time for next available appointment in primary care clinics (in days)	37.5	37	25	7	34
Average waiting time for next available appointment in specialty clinics (in days)	N/A	N/A	45	8	30
Percent of all patients evaluated for the risk factors for hepatitis C)	51%	85%	95%	98%	90%
Percent of all patients tested for hepatitis C subsequent to a positive hepatitis C risk factor screening	48%	62%	84%	97%	85%
Percent of clinical software patches installed on time:					
CPRS	67%	70%	96%	98%	72%
BCMA	82%	85%	94%	97%	87%
Imaging	57%	60%	88%	92%	62%
Acute Bed Days of Care (BDOC)/1000	895	900	1,000	1,000	1,000
Outpatient visits/1000:					
Med/Surg	2.4	2.4	2.4	2.4	2.4
Mental Health	8.1	8.1	8.1	8.1	8.1
Percent of VA medical centers that provide electronic access to health information provided by DoD on separated service persons	N/A	0%	100%	100%	100%
Quality - The percentage of diabetic patients taking the HbA1c blood test in the past year	N/A	93%	94%	95%	93%
Average waiting time for new patients seeking primary care clinic appointments (in days)	N/A	N/A	42	36	30
Average waiting time for patients seeking a new specialty clinic appointment (in days)	N/A	N/A	45	37	30
Sustain 2002 level of partnering opportunities with: Veterans Service Organizations; other Federal Agencies; non-profit foundations, e.g., American Heart Association, American Cancer Society; and private industry, e.g., pharmaceutical companies	139	139	139	139	139

* Most of these measures had met or exceeded targets for several consecutive years indicating sustainable achievement. Other measures were replaced with measures that more accurately targeted areas VA identified as needing improvement.

*Veterans Benefits Administration***	FY 2001	FY 2002	FY 2003	FY 2004 Final	FY 2004 Plan
National accuracy rate (authorization work) (Compensation & Pension)	65%	80%	88%	91%	87%
Overall satisfaction (Compensation & Pension)	56%	58%	59%	61%	70%
National accuracy rate (core rating work) (Compensation & Pension)	89%	81%	86%	87%	90%

** These measures are now tracked separately for compensation and for pension.

Major Management Challenges – Summary

The Department's Office of Inspector General, an independent entity, evaluates VA's programs and operations. The OIG-identified Major Management Challenges for 2005 are summarized below by strategic goal together with VA's responses. For further details on OIG-identified Major Management Challenges, please see www.va.gov/budget/report/MMC_Complete.pdf.

Major Management Challenges - OIG

OIG SUMMARY TABLE

Major Findings & Recommendations	Responses
Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans	
OIG#2 - Benefits Processing Area Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #2A - State Variances in VA Disability Compensation Programs	
• In May 2005, we issued the report on state variances in VA disability compensation payments. Our analysis showed that some disabilities are inherently more susceptible to variations in rating determinations. This is attributed to a combination of factors, including a disability rating schedule based on a 60-year-old model and some diagnostic conditions that lend themselves to more subjective decision-making. • Data showed that the variance in 100 percent post-traumatic stress disorder (PTSD) cases is a primary factor contributing to the variances in average annual compensation payments by state. We concluded that 25 percent of the 2,100 PTSD claims reviewed had insufficient verification of claimed service-related stressors. VBA's quality review program did not detect the problems we found in PTSD cases. • We made eight recommendations to VBA including that it conduct a scientifically sound study of influences on compensation payments and develop methods and data to monitor and address variances. • VBA is in the process of addressing the eight unimplemented recommendations identified in our report. VBA is reviewing the same 2,100 PTSD claims used in our May 2005 report. VBA has referred cases from the first stage of their review to regional offices for additional development and corrective actions.	• VBA is in the process of addressing the recommendations identified by the OIG by taking the following actions: ➢ We are currently reviewing the same 2,100 PTSD cases reviewed by the OIG reviewed to obtain a better understanding of the deficiencies found by the OIG so that additional training and guidance can be provided to staff. ➢ In 2006, VBA will begin reviewing specific cases during site visits to identify the disability evaluations most prone to inconsistency. ➢ VBA will also analyze rating and claims data on an ongoing basis to identify any unusual patterns or variance by regional office or diagnostic code for further review. • VA's Office of Policy has initiated a contract with the Institute for Defense Analysis to conduct a scientific study in response to the OIG's recommendation.

Major Management Challenges - OIG

OIG Summary Table

Major Findings & Recommendations	Responses
Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans, continued	
OIG#2 - Benefits Processing Area, continued Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #2B - Compensation and Pension Timeliness	
• Although VA had made some progress in addressing its claims processing backlog, its efforts have been impeded by a variety of issues to include the complexity of claims, a court decision, and the war on terrorism. • VBA reported 418,000 total claims pending in June 2003, then the backlog increased to 469,000 as of June 2004, and then to over 504,000 by the end of September 2005. When examining just the rating related claims pending, VBA reported 253,000 for September 2003, an increase to 321,000 as of September 2004, and a total of over 346,000 by the end of September 2005. • VA credits improvements in reducing backlogs from the original peak to the reforms recommended by the Secretary's Claims Processing Task Force report of October 2001. • As of August 2005, VBA reported all approved task force recommendations have been implemented. • In light of VBA's assertion that all VA Task Force recommendations were implemented, we will initiate a review to determine why pending claims have increased in the past 2 years and to measure the relevancy of VA Task Force recommendations to the increase in pending claims, or if new barriers to timely claims processing exist. • While the number of claims pending rating decisions has increased, Compensation and Pension (C&P) rating actions that averaged 189 days for completion in January 2004 are averaging 167 days as of September 2005, demonstrating improvement in the timeliness of claims processing.	• Progress in achieving timeliness and inventory goals is significantly affected by the increasing numbers of claims being received and the increased complexity of those claims. • The number of veterans filing initial disability compensation claims and claims for increased benefits has increased every year since 2000. • Complexity is a factor, particularly because of evolving legal interpretations of requirements issued by the Court of Appeals for Veterans Claims such as the ruling that required decisions on issues not claimed by the veteran but which are "reasonably raised by the medical evidence of record" ("inferred issues"). • The Veterans Claims Assistance Act, passed in November 2000, increased VA's notification and development duties considerably, adding more steps to the claims process and lengthening the time it takes to develop and decide a claim and also requiring that VA review the claims at more points in the decision process. • In addition to the increased volume and complexity of claims, the number of conditions for which veterans claim entitlement to disability compensation continues to increase.

Major Management Challenges - OIG

OIG Summary Table

Major Findings & Recommendations	Responses
Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans, continued	
OIG #2 - Benefits Processing Area, continued Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #2C - Compensation and Pension Program's Internal Controls	
• In 1999, the Under Secretary for Benefits asked the OIG for assistance to help identify internal control weaknesses that might facilitate, or result in, fraud in VBA's C&P program. • In our July 2000 follow-up report, we identified that 16 of the 18 previously reported categories of vulnerability remained present at VA's largest VA regional office (VARO). After over 5 years, 2 of 26 recommendations remain unimplemented. • In 2005 C&P internal controls continue to be identified as a weakness during OIG Combined Assessment Program (CAP) reviews at VAROs. Specifically, physical security controls over sensitive records needed improvement at 10 of 16 facilities. • Since VBA points to VETSNET as an important step in strengthening internal controls, the OIG Office of Audit will be evaluating VETSNET design, development, and project management to determine if the application met design specifications, achieved project milestones, and improved accuracy of benefit payments.	• The two recommendations not fully implemented are tied to implementation of the VETSNET Award application. VETSNET is a combination of applications being deployed to replace the current Benefits Delivery Network. • The first recommendation is related to systemic controls over adjudication of employee claims at the employing VARO. At the present time, VETSNET Award is being tested in two facilities that do not share employee-veteran jurisdiction. The projected completion date for testing is December 2005. • The second recommendation requires the use of an automated third-person authorization control to monitor payments greater than $25,000. VBA provided further support for closing the recommendation based on the interim C&P large-payment review process instituted in 2001. This process continues to be reviewed during C&P Service site visits and is also validated through the OIG CAP review process. VETSNET Award implementation is slated for December 2006. • Regarding weaknesses identified by OIG CAP reviews, the C&P Service reviews OIG findings prior to all site visits and follows up to determine if the CAP review findings have been corrected. VAROs are required to provide an implementation plan for the noted action items within 60 days from the date of the report.

Major Management Challenges - OIG

OIG Summary Table

Major Findings & Recommendations	Responses
Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans, continued	
OIG #2 - Benefits Processing Area, continued Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #2D - Fugitive Felon Program	
• Public Law 107-103, The Veterans Education and Benefits Expansion Act of 2001, enacted December 27, 2001, prohibits veterans who are fugitive felons, or their dependents, from receiving specified veterans benefits. • As of May 2005, more than 6.9 million warrant files have been matched to more than 11 million records contained in VA benefit system files. The records match resulted in 17,469 referrals to various law enforcement agencies and led to the apprehension of 872 fugitive felons, including the arrest of 58 VA employees. In addition, 13,509 fugitive felons identified in these matches have been referred to VA for benefit suspension resulting in the creation of $79 million identified for recovery and an estimated cost avoidance of $174.5 million. • As of June 2005, VHA received over 7,800 referrals from the VA OIG. VHA's handbook outlining procedures for the Fugitive Felon program was approved in December 2004, and we now expect full implementation by VHA. We view the Fugitive Felon program as fully implemented in VBA and agree it is no longer a major management challenge there, but our assessment of implementation in VHA continues.	• VBA continues to work closely with the OIG in implementing the Fugitive Felon program. • VHA provided copies of the VHA Fugitive Felon Program Handbook published in January 2005 to network directors and also provided copies of fugitive felon listings at the end of June 2005. Networks are now validating warrants.
Strategic Goal #2: Smooth Transition to Civilian Life	
The OIG did not identify Major Management Challenges related to this goal.	

Major Management Challenges - OIG

OIG Summary Table

Major Findings & Recommendations	Responses
Strategic Goal #3: Honoring, Serving, and Memorializing Veterans	
OIG #1 - Health Care Delivery Area Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #1A - Part-Time Physician Time and Attendance	
• Our April 2003 report identified VA physicians who were not present during their scheduled tours of duty, were not providing VA the services obligated by their employment agreement, or were "moonlighting" on VA time. • Over 2 years later, 5 of 12 recommendations from our 2003 report to improve physician timekeeping remain unimplemented. • OIG CAP reviews have assessed physician time and attendance issues at about 70 facilities nationwide and identified deficiencies at over 30.	• VHA Directive 2003-1, *Time and Attendance for Part-time Physicians*, reiterates existing human resources policy and suggests methods of documenting time and attendance and the proper roles for part-time physicians. • Elimination of core hours for those part-time physicians on alternative work schedules was agreed upon by all relevant organizational elements. The new policy is documented in revisions to three VA handbooks. These revised policies are expected to be released nationally in October 2005. • A period of 60 to 90 days will be needed after the issuance of the policies to allow installation and debugging of the software and completion of necessary training.
OIG #1B - Staffing Guidelines	
• The absence of staffing standards for physicians and nurses continues to impair VHA's ability to adequately manage medical resources. Public Law 107-135, Department of Veterans Affairs Health Care Program Enhancement Act of 2001, enacted on January 23, 2002, requires VA to establish a policy to ensure that staffing for physicians and nurses at VA medical facilities is adequate to provide veterans appropriate, high-quality care and services. • After over 2 years, four of five recommendations relating to physician staffing remain unimplemented from our April 2003 part-time physician time and attendance report. • Our August 2004 evaluation of nurse staffing found that managers could have managed their resources better in providing patient care if VHA had developed and implemented consistent staffing methodologies, standards, and data systems. Currently, 11 of 14 recommendations for improvement remain unimplemented. • The OIG continues to work with VHA to review their proposed policy due to concerns over compliance with the intent of Public Law 107-135, particularly with respect to national standards for nurse staffing; the length of time VHA projects to establish a complete set of staffing standards; and questions over the need to develop new data systems versus using existing data resources, such as Decision Support System in a consistent manner.	• VA has developed a proposed policy to meet the requirement of Public Law 107-135. The policy relates staffing levels and staff mix to patient outcomes and other performance measures. Under this proposed policy, all VHA facilities would be required to develop a written staffing plan for each distinct unit of patient care or health services. • Currently there are no information management systems available that would support nationwide standardized staffing plans for health care providers in varied care settings. However, the workload and patient outcome indicators in the staffing plans required under this directive and other related systems will be used to provide the basis for aggregate reviews at the local, network, and national levels. • It is anticipated that systems for the collection and analysis of this information will be developed in phases over a 4-year period and that they will be in place by September 30, 2009.

Major Management Challenges - OIG

OIG Summary Table

Major Findings & Recommendations	Responses
Strategic Goal #3: Honoring, Serving, and Memorializing Veterans, continued	
OIG #1 - Health Care Delivery Area, continued Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #1C - Quality Management	
• While we found improvements in Quality Management (QM) programs, our July 2004 summary report found that facility managers need to strengthen QM programs through increased attention to the disclosure of adverse events, the utilization management program, the patient complaints program, and medical record documentation reviews. • Currently, of the report's six recommendations, the one to establish a national policy for disclosing adverse events to patients remains unimplemented. • In 2005 we reported QM deficiencies at six VA medical centers (VAMCs). We continued to identify problems with disclosure of adverse events, data collection, trending and analyses, and the patient complaints program.	• A new national policy on communication of adverse events will be issued in the first quarter of 2006. Within 6 months of its issuance, each facility will issue its own policy based on the national directive.
OIG #1D - Long-Term Health Care	
• We completed reviews in December 2002, involving VHA's Community Nursing Home (CNH) program; in December 2003, involving Homemaker/Home Health Aide (H/HHA) program; and in May 2004, involving VHA's Community Residential Care (CRC) program. We identified issues warranting VHA's attention in all three reviews. • We made recommendations to clarify and strengthen the VHA CNH oversight process and to reduce the risk of adverse incidents for veterans in CNHs. After almost 3 years, 3 of 11 recommendations for improvement still remain unimplemented. • We found VHA's H/HHA program also needed improvements. We inspected the program at 17 VA medical facilities and found that 14 percent of the patients receiving program services in our sample did not meet clinical eligibility requirements. After almost 2 years, two of four recommendations for improvement remain unimplemented. • In our May 2004 CRC report, we found VAMC inspection teams did not consistently inspect their CRC homes. Currently, 4 of 11 recommendations for improvement remain unimplemented.	• VHA has continued its implementation of actions outlined in the revised VHA Handbook 1143.2, *"Community Nursing Home (CNH) Oversight,"* published in June 2004, which addresses the majority of OIG recommendations concerning the community nursing home program. • VHA implemented a Geriatrics and Extended Care referral instrument and reporting system to monitor appropriate placements in its H/HHA services and other long-term care programs. This monitoring of the appropriateness of placements helps provide assurance that resources for those most in need of H/HHA services are used efficiently. • VA implemented 7 of the 11 recommendations with the publication of the CRC Handbook on March 7, 2005. The remaining initiatives require regulatory changes, which are presently being drafted.

Major Management Challenges - OIG

OIG Summary Table

Major Findings & Recommendations	Responses
Strategic Goal #3: Honoring, Serving, and Memorializing Veterans, continued	
OIG #1 - Health Care Delivery Area, continued Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #1E - Security and Safety	
• In March 2002, the OIG issued a series of recommendations to improve overall security, inventory, and internal controls over biological, chemical, or radioactive agents at VHA facilities. • VHA and the Office of Security and Law Enforcement have completed numerous actions, such as issuing research, clinical, and security publications, and constructing a biosecurity training Web site. In addition, VHA provided a certification that all VA medical facilities are in compliance with the policies. We will close the report after VHA develops procedures to forward requests for research articles to facility Freedom of Information Act Officers. • In a review requested by the Environmental Protection Agency (EPA), we found in our March 2004 report varying degrees of effort in conducting water system assessments and security reviews. No VHA facility reported that it coordinated efforts with EPA. Currently one of three recommendations to improve security of water systems on VHA properties remains unimplemented.	• VA expects to publish the revised VHA Handbook 1200.6 by the first quarter of 2006. It details procedures to forward requests for research articles to facility Freedom of Information Act officers. • VHA anticipates issuing a directive based upon the latest guidance from EPA and the Department of Homeland Security to address the remaining recommendation concerning improving the security of water systems on VHA properties by the end of the first quarter of 2006.
Strategic Goal #4: Contributing to the Nation's Well-Being	
The OIG did not identify Major Management Challenges related to this goal.	
Enabling Goal: Applying Sound Business Principles	
OIG #3 - Procurement Area Access the complete narrative for this challenge by clicking here: http://www.va.gov/budget/report)	
OIG #3A - Federal Supply Schedule Contracts	
• Preaward and postaward reviews of Federal Supply Schedule (FSS) proposals and contracts continue to show that VA is at risk of paying excessive prices for goods and services unless VA strengthens contract development and administration. During the first half of 2005, preaward reviews of 15 FSS and cost-per-test offers resulted in recommendations that VA contracting officers negotiate reduced prices totaling over $1 billion. • Postaward reviews conducted in the first half of 2005 resulted in cost recoveries associated with contractor overcharges of about $2.3 million.	• VA contracting officers are actively pursuing the OIG preaward audit recommendations and seeking better discounts, terms, and conditions than originally offered. • Additional training has been provided to the contracting staff to reinforce the intent of the FSS program to seek "equal to or better than" the most favored (non-federal, comparable) customer pricing during the negotiating process. • For postaward reviews conducted within the first 6 months of 2005, contracting staff has pursued the overcharges identified by the OIG.

Major Management Challenges - OIG

OIG Summary Table

Major Findings & Recommendations	Responses
Enabling Goal: Applying Sound Business Principles, continued	
OIG #3 - Procurement Area, continued Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #3B - Contracting for Health Care Services	
• Our February 2005 summary report of VHA sole-source contracts discussed issues that we identified during preaward reviews of proposals, postaward reviews, and reviews conducted as part of the OIG's Combined Assessment Program. The report addressed general contracting issues including poor acquisition planning, contracting practices that interfered with the contracting officers' ability to fulfill their responsibilities, and contract terms and conditions that did not protect VA's interest; contract pricing issues that resulted in VA overpaying for services; and legal issues, including conflict of interest violations, improper personal services contracts, terms and conditions that were inherently governmental, and contracts that were outside the scope of § 8153 authority. For example, in 2003 the VHA Resource Sharing Office reported that 99 contracts valued at $500,000 or more were awarded. Only 3 of the 99 were referred for a preaward review. • The Under Secretary for Health concurred with the report's findings and recommendations to improve VHA's award and administration of these contracts. Currently, 32 of 35 recommendations remain open.	• VA Directive 1663, Health Care Resources Contracting Buying, is expected to be published and released no later than during the first quarter of 2006.
OIG #3C - Management of Major VHA Construction Contracts	
• Our February 2005 report identified that VHA needed to improve the construction contract award and administration process to ensure price reasonableness, prevent excessive prices, and deter or avoid fraud, waste, abuse, and mismanagement. We reviewed over 30 major construction contracts and identified a risk for excessive prices involving projects valued at $133.6 million. Currently 3 of 17 recommendations remain open.	• Fourteen of the OIG's 17 recommendations were closed by the OIG as a result of actions VHA has taken to strengthen the construction contract process. • The OIG final report was forwarded to all Office of Facilities Management (FM) staff, and it, along with the recommendations, were discussed in a mandatory national conference call in May 2005. • Several FM directives and manuals have been revised with expected publication and issue in the first quarter of 2006.

Major Management Challenges - OIG

OIG Summary Table

Major Findings & Recommendations	Responses
Enabling Goal: Applying Sound Business Principles, continued	
OIG #3 - Procurement Area, continued Access the complete narrative for this challenge by clicking here: http://www.va.gov/budget/report)	
OIG #3D - Vocational Rehabilitation and Employment Contracts	
• Our February 2005 report found that VA had awarded over 240 VBA Vocational Rehabilitation and Employment contracts to support veterans' access to evaluations, rehabilitation, training, and employment services. Based on contracting vulnerabilities identified, we concluded that VA was at risk of paying excessive prices for services on these contracts. Prices for similar services from the same contractors on prior contracts varied significantly. Base year price increases ranged from 23 to 314 percent. • Voluntary price reductions received from 25 contractors showed that contracting costs could be reduced by as much as 15 percent, which would reduce VA's $45 million in expenditures by $6.8 million over the 5-year term of existing contracts. Currently five of seven recommendations remain open.	• Of the five open recommendations, two items are pending issuance of a directive. • To address the OIG action item on determining price reasonableness, VR&E staff is conducting market research prior to making option renewal determinations. This information will be used to establish base-year prices and annual increases of VR&E contracts. • The remaining two action items relate to internal and management controls. Contractor performance is assessed and quality assurance reviews are performed quarterly to validate that corrective actions have been taken on identified deficiencies.

Major Management Challenges - OIG

OIG Summary Table

Major Findings & Recommendations	Responses
Enabling Goal: Applying Sound Business Principles, continued	
OIG #3 - Procurement Area, continued Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #3E – Contracting & Acquisition Support for Major System Development Initiatives	
• OIG completed reviews of two major VA system development initiatives in late 2004 and in 2005. • Our August 2004 CoreFLS System review concluded VA did not adequately contract for or monitor the CoreFLS project or protect the Government's interests. We identified systemic inadequacies in the contracting processes and serious weaknesses in contract development. We made 66 recommendations in the report. Twenty-nine of them relate directly to issues identified as major management challenges. Fourteen of these 29 recommendations remain open. • In our March 2005 report, we identified that VA's E-Travel initiative duplicates the General Services Administration's (GSA) efforts to provide E-Travel service options that all Federal agencies must use. We made recommendations to the Assistant Secretary for Management to initiate timely actions to migrate to one of GSA's approved E-Travel options, which could save $7.4 million over the next 10 years. Although all 10 report recommendations remain open, we expect to close the report recommendations in the near future since the Department has taken most of the actions needed to meet the intent of our recommendations or is making significant progress toward implementing the open recommendations. • Our findings showed that both of these projects lacked adequate control, risk management, and senior management oversight because acquisition activities were expedited, while key management and system development controls were omitted or weakened by actions associated with the accelerated pace.	• In April 2005 the Chief Information Officer sent a memorandum to the OIG requesting that the remaining recommendations regarding previous plans for implementation of a new integrated financial management system be closed since the Department was still evaluating what course of action would be most prudent for development and implementation of this type of system. VA has now initiated a 4-year remediation program to eliminate the existing material weakness—Lack of an Integrated Financial Management System. This new program will be referred to as VA's Financial and Logistics Integrated Technology Enterprise (FLITE)—the goal of which is to correct financial and logistics deficiencies throughout the Department. For FY 2006 and 2007, the work associated with FLITE will be primarily "functional" in nature, that is, oriented on planning and the standardization of financial and logistics processes and data. This effort will be led by the Assistant Secretary for Management and will be very labor intensive involving both contractors and Government personnel. During those fiscal years, a detailed review and analysis of software options will also occur and will include "pilot programs" as needed. • In January 2005, VA selected Electronic Data Systems (EDS) from GSA's e-Travel Service (eTS) master contract to provide eTS to VA. Shortly after awarding the task order, VA conducted testing to review the functionality of FedTraveler.com to ensure all items in the "request for quotes" were met. A gap analysis document was provided to EDS, listing all items found deficient by VA. All items are required to be completed before VA will implement FedTraveler.com.

Major Management Challenges - OIG

OIG Summary Table

Major Findings & Recommendations	Responses
Enabling Goal: Applying Sound Business Principles, continued	
OIG #3 - Procurement Area, continued Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #3F - Government Purchase Card Activities	
• In our April 2004 report, we identified additional opportunities to ensure that purchase cards are used properly. Of the eight recommendations, the one to develop and implement procedures and checklists for approving officials to use in monitoring cardholders' use of cards remains unimplemented. • During 2005, OIG CAP reviews continue to show that VA needs to improve controls for the effective administration of the Government purchase card program.	• In 2005 VA's Office of Business Oversight began using data mining techniques to identify potentially questionable purchase card transactions. Transactions identified as questionable, using criteria approved by the OIG, have been provided to station agency/organization program coordinators for research and validation. • Four desk guides for the purchase card program have been signed and placed on the VHA CFO Web site. A VHA handbook issued in June 2005, updates and clarifies procedures for the use of the government purchase card for VHA facilities and program offices. • The last VHA desk guide will be distributed to the field in the first quarter of 2006.
OIG #3G - Inventory Management	
• OIG reviews of inventory management practices have identified significant management challenges involving various supply categories and excessive expenditures of hundreds of millions of dollars. • Our August 2004 Bay Pines/CoreFLS report concluded that in spite of repeated notices by VHA of the need for an efficient inventory management program, the VAMC did not fully or adequately implement VA's Generic Inventory Program (GIP) to manage inventories. • During 2005, OIG CAP reviews continue to identify systemic problems with inventory management caused by inaccurate information, lack of expertise needed to use VA's Generic Inventory Program (GIP), and failure to use the system at some supply points in medical centers. Management of supply inventories was deficient at 36 of 38 facilities tested.	• The Office of Acquisition and Materiel Management has developed a national item file that will force standardized identification for supplies and ensure that all items are accounted for in perpetual inventory accounts; sponsored materiel management seminars that promote the use of and include technical training for GIP; and transferred the supply, processing, and distribution (SPD) program to VHA providing for more authority in managing the SPD program. • In February 2004, VA created the Office of Business Oversight to conduct oversight and monitoring of financial, capital asset management, acquisition, and logistics activities across the Department. • The VHA Chief Logistics Officer continues to monitor inventory issues. To date, all inventories have been certified as implemented. Inventories are being monitored to ensure continued use of GIP, lower levels of inactive and long supply stock, and overall lower dollar value of inventory. • Actions currently underway to address the recommendations include: creation of standardized business processes for inventory management, creation of a national report server, IFCAP/GIP programming changes, separate performance measures for recurring stock vs. just-in-case stock, rewrite of VHA Handbook 1761.2, Inventory Management, and GIP continuing education.

Major Management Challenges - OIG

OIG Summary Table

Major Findings & Recommendations	Responses
Enabling Goal: Applying Sound Business Principles, continued	
OIG #4 – Financial Management Area Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #4A - Financial Management Control	
• Annual consolidated financial statements (CFS) audit work continues to report the lack of an integrated financial management system as a VA material weakness. • As a result, CFS work in VA requires significant manual compilations and labor-intensive processes for the preparation of auditable reports and increases the risk of materially misstating financial information. • VA believed that CoreFLS would resolve OIG concerns. Operational testing of CoreFLS began in October 2003 at three VA facilities, with implementation at further sites to be phased in, and full implementation scheduled for March 2006. After our August 2004 Bay Pines/CoreFLS report was issued, VA discontinued implementation of CoreFLS and the test sites resumed operation within VA's existing financial management system in early 2005. Three financial management and control recommendations remain unimplemented. • VA is now evaluating how it will proceed with the deployment of a functioning financial management system. In looking at VA's program response and based on OIG experience with the CoreFLS review, we view the Office of Finance's plan to develop a Web-based single system that will improve the accessibility of financial data, provide ad-hoc reports, and secure access within an integrated computer environment in 2006 as a positive interim step towards correcting the material weakness; but this interim step also represents a formidable major management challenge.	• The Office of Finance is implementing a remediation plan that creates a dual path to substantially reduce material audit weaknesses associated with the lack of an integrated financial management system (refer to page 209 for further information). • The first path focuses on improving the quality and timeliness of VA's financial data by developing a single and centralized Web-based data repository of information that is currently maintained in several different legacy systems. • The second path will reduce the significant manual compilation and labor-intensive processes for the preparation of VA's consolidated financial statements and other standardized automated accounting reports by producing them from a single database using standardized formats; thus decreasing the risk of materially misstating financial information, strengthening reporting controls, automating the collection and consolidation of accounting data, and reducing the lead time required to produce reports. • The remediation plan should reduce the material weaknesses and make VA's financial management system substantially compliant with the Federal Financial Management Improvement Act. • As it pertains to the three open management and control recommendations, the Office of Business Oversight continues to review expenditures made to the CoreFLS vendors and review all travel expenditures submitted by the vendor. The issue of discounts for Phase IV work and/or award fee will be considered within the context of the OIG's continuing investigation of this matter.

Major Management Challenges - OIG

OIG Summary Table

Major Findings & Recommendations	Responses
Enabling Goal: Applying Sound Business Principles, continued	
OIG #4 - Financial Management Area, continued Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #4B - Data Validity	
• The Government Performance and Results Act (GPRA) requires agencies to develop measurable performance goals and report results against those goals. Successful implementation requires that information be accurate and complete. • Our July 2005 report indicated outpatient scheduling procedures need to be improved to ensure accurate reporting of veterans' waiting times and facility waiting lists. Of the 505 appointments, only 330 appointments (65 percent) were scheduled with 30 days of the desired date—well below the VHA goal of 90 percent and the medical facilities directors' reported accomplishment of 81 percent. Even though the report was just issued in July 2005, VHA has already completed action on one of eight recommendations. • Until the remaining key measures are reviewed, this issue will remain a major management challenge. While we plan to review a key performance reporting measure annually, VA staff should do a thorough review of the remaining issues and provide the OIG assurance that data validity problems do not exist or have been corrected.	• VA continues to review and take steps to ensure the validity, not only of key performance measures, but of all workload and performance data. • For further information on the Department's efforts to improve its data quality, refer to the "Assessment of Data Quality" section on page 145.
OIG #4C - Workers' Compensation Program	
• VA continues to suffer significant risk for Workers' Compensation Program (WCP) abuse, fraud, and unnecessary costs from inadequate case management and fraud detection. • Our August 2004 report found that ineffective case management and program fraud resulted in potential unnecessary/inappropriate costs to VA totaling $43 million annually. These costs represent potential lifetime compensation payments to claimants totaling $696 million. Additionally, an estimated $113 million in avoidable past compensation payments were made that are not recoverable. • While the Department has begun to take action, only 1 of 15 recommendations is fully implemented.	• VA has implemented significant initiatives to address OIG findings and recommendations. • A Workers' Compensation Strategic Planning Committee was formed in October 2004 and a strategic plan was approved in February 2005 consisting of five strategic goals: case management; return to work; education; partnerships; and identify and reduce fraud, waste, and abuse. The committee meets monthly to review progress toward meeting the goals. • Four of the 15 identified items have already been completed and substantial progress has been achieved on the remaining items.

Major Management Challenges - OIG

OIG Summary Table

Major Findings & Recommendations	Responses
Enabling Goal: Applying Sound Business Principles, continued	
OIG #4 - Financial Management Area, continued Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #4D – Federal Energy Management Cost	
• Our March 2005 report found that VA needed to strengthen compliance with Federal energy management policies and improve the reliability of data. We estimated VA could better use $12.9 million annually.	• The Office of Asset Enterprise Management (OAEM) in the Office of Management assumed leadership of VA's energy conservation program in March 2003 and issued a new energy policy directive and handbook in July 2003. • The directive and handbook direct each VA administration to audit 10 percent of its facilities each year, train acquisition and energy management staff, and designate energy managers for each region. • By the first quarter of 2006, OAEM will revise the 2003 policy directive and handbook to reflect the new requirements for federal agencies regarding an annual reduction in energy consumption. • NCA designated an office to serve as the energy liaison with the Department and coordinate NCA's energy program in conjunction with NCA subject matter experts. • VHA has an energy coordinator responsible for the implementation of energy initiatives throughout the Administration. VHA has been working with OAEM to develop a comprehensive energy policy. • VBA designated an energy management official and energy liaisons to serve on VA's Energy Team. The team serves as the point of contact for data collection, analysis, and reporting of VBA energy conservation efforts.

Major Management Challenges - OIG

OIG Summary Table

Major Findings & Recommendations	Responses
Enabling Goal: Applying Sound Business Principles, continued	
OIG #4 - Financial Management Area, continued Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #4E – Medical Care Collections Fund	
• In our December 2004 report, we evaluated the appropriateness of Medical Care Collections Fund (MCCF) first party billings and collections for certain veterans receiving C&P benefits. We found that 89 percent of the veteran cases reviewed had debts referred inappropriately to VA's Debt Management Center because of inaccurate eligibility information regarding the veteran's C&P status in the Veterans Health Information Systems and Technology Architecture system. Currently, two of four recommendations remain unimplemented. • In 2005 OIG CAP reviews examining MCCF activities found deficiencies at 19 of 21 facilities tested.	• During the October 2004 Chief Business Office (CBO) nationwide conference call, guidance was provided instructing field staff to follow up with VBA when new awards are made to determine the effective date of the award. Additionally, during the February 2005 nationwide conference call, the CBO provided specific guidance to field facilities recommending that the Diagnostic Measures First Party follow-up report be run monthly. • The Health Eligibility Center (HEC) staff continues to place a priority on resolving the C&P status changes that require manual resolution. • The combination of continued priority processing of the review file cases and improved automated processing of VBA updates will effectively address the OIG recommendation. • With regards to fee billing, the VHA CBO established a field committee comprised of both field and Central Office staff to identify best practices associated with capturing potentially billable cases and develop automation to support that process. • VBA will continue working cooperatively with VHA to improve and enhance data and information exchange. • During 2005 the Office of Business Oversight (OBO) increased reviews of revenue operations, performing reviews of nine VA medical facilities. OBO also assisted VHA in reducing outstanding third party accounts receivable by performing an analysis of the outstanding receivable balances.

Major Management Challenges - OIG

OIG Summary Table

Major Findings & Recommendations	Responses
Enabling Goal: Applying Sound Business Principles, continued	
OIG #5 – Information Management Security and Systems Area Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
OIG #5A - Information Security	
• In our March 2005 report, we identified significant information security vulnerabilities that place VA at considerable risk of denial of service attacks, disruption of mission-critical systems, fraudulent benefits payments, fraudulent receipt of health care benefits, unauthorized access to sensitive data, and improper disclosure of sensitive data. All 16 recommendations for improvement remain unimplemented. • OIG CAP reviews conducted from October 2003 through August 2005 continue to identify information security weaknesses. We have reported security weaknesses and vulnerabilities at 45 of 60 VA health care facilities and 11 of 21 VA regional offices where security issues were reviewed.	• VA is recommending closure of two recommendations contained in the OIG's March 2005 audit report and several issues contained in other recommendations for which corrective action has been implemented. VA is taking significant corrective actions in the following critical areas: certification and accreditation, patch management and vulnerability assessment, technology to protect the VA wired network from wireless devices, intrusion detection, external connections, configuration management, physical security, electronic transmission of sensitive data, and critical infrastructure protection. • It is anticipated that VA's implementation of Federal Information Processing Standards Publication 201 (FIPS 201) requirements will correct concerns about background checks and contract employees as presented in the OIG report. However, this issue has not been finalized by OMB.
OIG #5B - Information Systems Development	
• From April 2004 through March 2005, we issued 42 reports and management letters that cited the need to improve information security, application controls in financial systems, and general controls over access to the VA data centers and operations. • Our August 2004 report on Bay Pines/CoreFLS indicated that the deployment of CoreFLS encountered multiple system development problems. In fact, CoreFLS was deployed at the Bay Pines facility without resolving numerous OIG-reported risks, including inadequate training and concerns about not using a parallel processing system during deployment. Currently, there are eight recommendations that remain unimplemented. • In March 2005, we also reported on VA's implementation of the Zegato Electronic E-Travel Service, disclosing that VA's initial efforts to test and implement the service failed to meet VA's requirements and user needs, and project managers were not effectively managing its implementation. While VA has completed many actions, all 10 recommendations remain open.	• In April 2005 the Chief Information Officer sent a memorandum to the OIG requesting that the remaining recommendations regarding previous plans for implementation of a new integrated financial management system be closed since the Department was still evaluating what course of action would be most prudent for development and implementation of this type of system. VA has now initiated a 4-year remediation program to eliminate the existing material weakness—Lack of an Integrated Financial Management System. This new program will be referred to as VA's Financial and Logistics Integrated Technology Enterprise (FLITE)—the goal of which is to correct financial and logistics deficiencies throughout the Department. • In January 2005 VA selected Electronic Data Systems (EDS) from GSA's e-Travel Service (eTS) master contract to provide eTS to VA. Shortly after awarding the task order, VA conducted testing to review the functionality of FedTraveler.com to ensure all items in the "request for quotes" were met. A gap analysis document was provided to EDS, listing all items found deficient by VA. All items are required to be completed before VA will implement FedTraveler.com.

For further details on OIG-identified Major Management Challenges, please see www.va.gov/budget/report/MMC_Complete.pdf.

The U.S. Government Accountability Office (GAO) evaluates VA's programs and operations. The GAO-identified Major Management Challenges for 2005 are summarized below by strategic goal together with VA's responses. For further details on GAO-identified Major Management Challenges, please see www.va.gov/budget/report/MMC_Complete.pdf.

Major Management Challenges - GAO

GAO Summary Table

Major Findings & Recommendations	Responses
Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans	
GAO #1 - Ensure Access to Quality Health Care Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
GAO #1A - Access to Acute Care, Long-term Care, and Specialized Health Care Services	
• VA needs to strategically plan how best to use its resources and funding to provide equitable access to veterans needing acute care services, while also providing a growing elderly veteran population with institutional and non-institutional long-term care services. • VA also faces challenges in making blind rehabilitation and mental health care services, including those for post-traumatic stress disorder, more widely available to its enrolled veteran population.	• VA continues implementing and refining Advanced Clinic Access, a patient-centered, scientifically based set of redesign principles and tools that enable staff to examine their processes and redesign them. • VA added a network-level performance measure on access to home and community-based care services. • VA continues to monitor multiple workload and other descriptive measures of long-term care programs. Data on unique veterans, visits, census, and eligibility priority groups are now routinely collected and analyzed. • VA continues expanding access to specialty post-traumatic stress disorder (PTSD) care. Thirty-one new or expanded PTSD programs were funded in 2005, including eight new PTSD clinical teams, two new day hospitals, and three new women's programs, in addition to several new Military Sexual Trauma programs. • Thirty-four Returning Veterans Outreach, Education and Care programs are being established in areas where there are high numbers of returning veterans. These programs will provide preventive health training and associated psychosocial supports to returning veterans as well as identify those in need of treatment for specific mental disorders. • VA continues to improve its capacity to make blind rehabilitation services more widely available and to ensure that program data are managed efficiently. Monthly statistical reports on waiting times are being submitted to and monitored by VHA's Blind Rehabilitation Service (BRS). • A directive specifying procedures for processing applications to BRS programs and how to calculate the wait times for admission to inpatient Blind Rehabilitation Centers is expected to be published by the end of the first quarter of 2006.

Major Management Challenges - GAO

GAO Summary Table

Major Findings & Recommendations	Responses
Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans, continued	
GAO #1 - Ensure Access to Quality Health Care, continued Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
GAO #1B - Patient Safety	
• VA should conduct more thorough screening of the personal and professional backgrounds of health care providers to minimize the chance of patients receiving care from providers who may be incompetent or who may intentionally harm them. • VA needs to strengthen its human subject protections program by addressing continuing weaknesses in the program.	• VA is implementing primary source verification of all licenses, registrations, and certification and expanding the credentialing process for all licensed, registered, and certified health care personnel. • During 2005 VA achieved full compliance in credentialing all physician assistants and advanced practice registered nurses using VetPro. VetPro is VA's Web-based credentialing data bank. Software modifications have been made to VetPro to allow it to serve as a verifying tool for all VHA existing state licenses and national certificates, and staff have been trained in its use. • VA has taken steps to strengthen its human research protection programs including staff training, conference calls, and research program accreditation by the National Committee for Quality Assurance. In 2005, 48 VA facilities were accredited, with the goal of having all facilities accredited by the end of 2006.

Major Management Challenges - GAO

GAO Summary Table

Major Findings & Recommendations	Responses
Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans, continued	
GAO #4 - Improving Veterans' Disability Program: A High-Risk Area Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
GAO #4A - Timeliness and Accuracy	
• VA faces continuing challenges in improving its veterans' disability program. Although some progress has been made, VA is still far from meeting its timeliness goal.	• Progress in achieving timeliness and inventory goals is significantly affected by the increasing numbers of claims being received and the increased complexity of those claims. • The number of veterans filing initial disability compensation claims and claims for increased benefits has increased every year since 2000. • Complexity is a factor, particularly because of evolving legal interpretations of requirements issued by the Court of Appeals for Veterans Claims such as the ruling that required decisions on issues not claimed by the veteran but which are "reasonably raised by the medical evidence of record" ("inferred issues"). • The Veterans Claims Assistance Act, passed in November 2000, increased VA's notification and development duties considerably, adding more steps to the claims process and lengthening the time it takes to develop and decide a claim and also requiring that VA review the claims at more points in the decision process. • In addition to the increased volume and complexity of claims, the number of conditions for which veterans claim entitlement to disability compensation continues to increase. • VA continues to use the national Systematic Technical Accuracy Review (STAR) process to gauge accuracy of claims processing. National training efforts use STAR error trend analyses, and regional office-specific training is offered during site visits.

Major Management Challenges - GAO

GAO Summary Table

Major Findings & Recommendations	Responses
Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans, continued	
GAO #4 - Improving Veterans' Disability Program: A High-Risk Area, continued Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
GAO #4B - Consistency of Claims Decisions	
• VA needs to address concerns about possible inconsistencies in disability claims decisions made by its 57 regional offices and better report and use the data on the accuracy of its decisions.	• VA concurred with the recommendations GAO outlined in the November 2004 report, *Veterans Benefits: VA Needs Plan for Assessing Consistency of Decisions*. • VA is examining data and data sources, including data collected from the Rating Board Automation (RBA 2000) system, for development of ongoing systemic reviews for possible inconsistencies. VA developed a detailed plan to identify inconsistencies in decision-making. • In March 2005, a working group of subject-matter experts identified elements needed to measure specific rating criteria for given medical conditions. • Every 2 to 3 years, VA will conduct a thorough review on each of the identified disability areas that pose consistency challenges.
GAO #4C - Staffing Level Justification	
• VA needs to provide more transparency in its justification for staffing levels in the disability compensation and pension program and use better staff attrition data and analysis in its workforce planning.	• VA's planning documents will include more detailed information on areas that impact incoming and completed workload.
GAO #4D - Program Transformation and Modernization	
• VA, along with the Social Security Administration, should seek both management and legislative solutions to transform their programs so that they are in line with the current state of science, medicine, technology, and labor market conditions.	• Congress passed legislation in 2003 to create a commission (the Veterans' Disability Benefits Commission) to study the appropriateness of VA disability and death benefit programs and to provide recommendations for change to Congress and the President. The Commission held its first meeting in May 2005, and has 15 months to issue its final report to Congress.

Major Management Challenges - GAO

GAO Summary Table

Major Findings & Recommendations	Responses
Strategic Goal #2: Smooth Transition to Civilian Life	
GAO #2 - Manage Resources and Workload to Enhance Health Care Delivery Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
GAO #2A - Resources and Workload Management	
• VA confronts an accelerating need to manage resources and workload by finding more efficient ways to meet veterans' increasing demand for health care. • VA must continually assess the demand for its services so that it can adequately plan for the number of eligible veterans seeking care.	• VA continues to address ways to better allocate comparable resources for comparable workload through ongoing review and analysis of the Veterans Equitable Resource Allocation (VERA) system. • VA also uses the VA Enrollee Health Care Projection Model to assess future demand and resource needs. VA uses this actuarial-based model to analyze various health care policies, and projections serve as a foundation for VA's health care budget request. To ensure the accuracy of the model, the methodology is continually assessed and refined, and the data sources are regularly updated.
GAO #2B – VA/DoD Efficiencies	
• VA and the Department of Defense (DoD) need to find additional efficiencies through increased sharing of resources and joint purchasing of drugs and medical supplies.	• VA and DoD are working to find additional systemic efficiencies through the increased sharing of resources for the joint purchasing of drugs, non-drug medical supplies, equipment, and services. • The DoD/VA Joint Executive Council (JEC) meets quarterly to identify and explore opportunities for sharing health care resources and business systems. The highest levels of DoD and VA leadership are represented on the JEC, including the Under Secretary of Defense for Personnel and Readiness and the Deputy Secretary of Veterans Affairs. • As of July 2005 there were 84 joint national contracts for pharmaceuticals, with 11 more contracts pending and 19 contracts being proposed for review. • Modifications were completed to all DoD radiology contracts allowing VA to order diagnostic imaging services using these contract vehicles. In the third quarter of 2005, DoD and VA issued 100 joint contract orders for non-drug purchases totaling $47 million. • A plan that includes monitoring and tracking of DoD/VA joint purchases of non-drug medical supplies and equipment was developed and implemented. • DoD and VA have begun working with industry to develop standards for uniform nomenclature and identification of medical and surgical products.

Major Management Challenges - GAO

GAO Summary Table

Major Findings & Recommendations	Responses
Strategic Goal #3: Honoring, Serving, and Memorializing Veterans	
The GAO did not identify Major Management Challenges related to this goal.	
Strategic Goal #4: Contributing to the Nation's Well-Being	
GAO #3 - Prepare for Biological and Chemical Acts of Terrorism Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
• VA has taken a number of steps to help ensure that its facilities and staff are prepared to respond to emergency situations, including biological and chemical acts of terrorism.	• VA completed procurement of 143 pharmaceutical caches located at VA medical centers and continues its decontamination training and procurement program. • VA participated in major governmentwide exercises designed to address response to chemical and biological acts, and has conducted internal Continuity of Operations exercises. • VA published a new Comprehensive Emergency Management program to address continuity of operations, as required by Federal Preparedness Circular 65. • VA also conducted the *Survey Assessment of VA Medical Centers' Emergency Preparedness*. This assessment analyzed data relating to both facility and staff preparedness. • VA completed a manpower analysis of the Department's ability to assign adequate numbers of personnel with requisite skills and training to meet external emergency preparedness commitments without negatively impacting VA's core service delivery and operations during a catastrophic event.

Major Management Challenges - GAO

GAO Summary Table

Major Findings & Recommendations	Responses
Enabling Goal: Applying Sound Business Principles	
GAO #5 - Developing Sound Departmentwide Management Strategies to Build a High Performing Organization Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
GAO #5A - Financial Management Weaknesses: Information Systems Security and Financial Management System Integration	
• Inadequate information security controls continue to place VA's sensitive financial and veteran medical information at risk of inadvertent or deliberate misuse or fraudulent use. • The lack of an integrated financial management system impedes VA's ability to prepare, process, and analyze financial information to support the timely preparation of its financial statements. These material internal control weaknesses also contribute to VA's lack of substantial compliance with federal financial management systems requirements under the Federal Financial Management Improvement Act of 1996.	• VA is taking corrective actions in the following areas of information security: ➢ Certification and Accreditation ➢ Intrusion Detection ➢ Configuration Management • VA is implementing a remediation plan that creates a dual path to substantially reduce the material audit weaknesses associated with the lack of an integrated financial management system. • The first path focuses on improving the quality and timeliness of VA's financial data by developing a single and centralized Web-based data repository of information that is currently maintained in several different legacy systems. • The second path will reduce the significant manual compilation and labor-intensive processes for the preparation of VA's consolidated financial statements and other standardized automated accounting reports by producing them from a single database using standardized formats, thus decreasing the risk of materially misstating financial information, strengthening reporting controls, automating the collection and consolidation of accounting data, and reducing the lead time required to produce reports. • The remediation plan should reduce the material weaknesses and make VA's financial management system substantially compliant with the Federal Financial Management Improvement Act.

Major Management Challenges - GAO

GAO Summary Table

Major Findings & Recommendations	Responses
Enabling Goal: Applying Sound Business Principles, continued	
GAO #5 - Developing Sound Departmentwide Management Strategies to Build a High Performing Organization, continued Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
GAO #5B - Enterprise Architecture Documentation	
• Key documentation critical to effectively implementing and managing the architecture needs to be finalized, and policies and guidance for ensuring sound management of VA's investment portfolio need to be completed.	• VA completed development of Enterprise Architecture (EA) Version 4.0. The final draft was submitted to OMB in May 2005. This incorporates graphic representation of VA business processes, as well as implementation of both sharable service components and technical "pattern" solutions as prescribed within the OMB System Reference Model and Technical Reference Model. • VA completed OMB's EA "Completion and Use Plan" and a self assessment of OMB's EA Capability Maturity Model (CMM). VA submitted these plans to OMB in May 2005. They detail VA's recent EA accomplishments and planned EA improvements through May 2007. VA received a score of 3.0, a substantial improvement in its CMM score. • Within EA Version 4.0, substantial progress has been made toward EA influencing the capital investment process and the project milestone review process. The full EA Version 4.0 Web portal was provided to GAO in July 2005.
GAO #5C - Performance Measures	
• VA also faces the challenge of establishing performance measures that show how well its IT initiatives support veterans' benefits programs.	• In health care, VA received national recognition as a result of groundbreaking achievements in the areas of technology-dependent bar coding, computerized records, and telemedicine. • VA is working with DoD to improve information sharing and significantly expedite the transfer of medical records and other information to VA. • VA put more than 3 million interment records, dating back to the Civil War, on its National Cemetery Administration Web site. Through the use of information technology, the Nationwide Gravesite Locator allows a user to find a veteran's gravesite quickly and easily using only the name of the deceased veteran.

Major Management Challenges - GAO

GAO Summary Table

Major Findings & Recommendations	Responses
Enabling Goal: Applying Sound Business Principles, continued	
GAO #5 - Developing Sound Departmentwide Management Strategies to Build a High Performing Organization, continued Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
GAO #5D – VA/DoD Information Sharing	
• VA is proceeding with efforts to share electronic health information for veterans and active-duty servicemembers, but faces the challenge of clearly defining its strategy and technological approach to realize this exchange of information.	• VA and DoD have made significant progress toward implementing a strategy to achieve interoperability of health information. This strategy is known as the VA/DoD Joint Electronic Health Records Interoperability plan. The Departments are working to achieve interoperability between data repositories. • Since May 2002, DoD has transmitted military health record data on over 3 million unique and separated servicemembers. The data are stored in a secure shared repository and are available for viewing by VA clinicians. As of the third quarter of 2005, over 1 million of those patients had presented to VA for care. In addition, in October 2004, VA and DoD first implemented the Bidirectional Health Information Exchange (BHIE). BHIE now supports the bidirectional exchange of outpatient pharmacy, laboratory results, text-based radiology results, and allergy information. BHIE is presently installed at all VA facilities; VA is working closely with DoD to conduct additional installations at locations where shared patients present for care. To support this exchange of information, VA and DoD have also entered into a memorandum of understanding (sponsored by both the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and the privacy programs of both of the departments) that outlines the specific authorities to share information under applicable privacy regulatory requirements. • Efforts are underway to provide VA access to claimants' personnel information found in the Defense Integrated Military Human Resources System through the DoD/Defense Manpower Data Center interface when it is fielded in late 2005. • VA has already interfaced with the imaged Official Military Personnel Files for the Army, Navy, and Marine Corps via the VA Personnel Information Exchange System and the Defense Personnel Records Image Retrieval System. The result is early identification of recently discharged DoD servicemembers. In just 3 days, VA can verify the honorable discharge status of the servicemember as contrasted with 90 days without the shared information system.

Major Management Challenges - GAO

GAO Summary Table

Major Findings & Recommendations	Responses
Enabling Goal: Applying Sound Business Principles, continued	
GAO #6 - Protecting the Federal Government's Information Systems and the National's Critical Infrastructures: A High-Risk Area Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
• This area continues as a governmentwide high-risk area. • Additional federal agency and governmentwide efforts are needed to establish effective information security programs that are consistent with the Federal Information Security Management Act of 2002 (FISMA), including allocating sufficient agency resources and monitoring policy and control effectiveness. • Federal cyber critical infrastructure protection actions should also include developing policy and guidance, improving analysis and warning capabilities, enhancing trusted relationships, promoting productive information sharing, and identifying R&D requirements. *(**Note:** GAO feedback here is not VA-specific.)*	In accordance with FISMA, VA has established an agency-wide information security program that establishes the following: • Policies, procedures, and guidelines that reduce risk to an acceptable level, ensure that security is addressed throughout the life cycle of each Department information system, and ensure compliance with applicable statutes and executive branch directives. • Security plans for the Department's information systems. • An on-line, Departmentwide cyber security awareness module, which is updated annually and used as a means to satisfy the requirement for annual security awareness training. • Periodic testing and evaluation of the effectiveness of the Department's information security program and a process for planning, implementing, evaluating, and documenting remedial action to address information security deficiencies. • Procedures for detecting, reporting, and responding to security incidents. • Plans and procedures to ensure continuity of operations through a national incident response capability. • Departmentwide and local contingency planning initiatives.

Major Management Challenges - GAO

GAO Summary Table

Major Findings & Recommendations	Responses
Enabling Goal: Applying Sound Business Principles, continued	
GAO #7 - Federal Real Property: A High-Risk Area Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
• Federal real property continues as a governmentwide high-risk area. • Efforts to address the problems have been initiated including a Presidential Executive Order on real property reform and OMB's development of guiding principles for real property asset management. • GAO continues to believe that there is a need for a comprehensive, integrated transformation strategy for real property. *(**Note:** GAO feedback here is not VA-specific.)*	• In June 2004 VA produced its first 5-year capital plan (FY 2004-2009), a systematic and comprehensive framework for managing the Department's portfolio of more than 5,500 buildings and approximately 32,000 acres of land. • VA's asset management plan, approved by OMB in December 2004, serves as a companion document to the 5-year capital plan and provides information on the following: ➢ The Department's capital budget. ➢ The VA capital asset management philosophy. ➢ A description of VA's capital portfolio goals. ➢ A description of the important elements found in the business case (OMB Exhibit 300). ➢ Illustration of the actions being taken by VA to improve the formulation and operational management of its portfolio. ➢ A description of VA's sustainment model. ➢ A description of the valuation mechanism used at VA. ➢ A description of the human capital strategies employed, including the policies developed to govern asset management at VA. • VA has also taken the following actions over the past several years: ➢ Created the Office of Asset Enterprise Management (OAEM) to promote capital programming strategies. ➢ Created the Office of Business Oversight within the Office of Management, combining multiple functions into a single office and also streamlining field operations. ➢ Established Capital Asset Managers at the regional level. ➢ Established CARES and CARES Re-Use process designed to identify VA infrastructure needs for the 21st century.

Major Management Challenges - GAO

GAO Summary Table

Major Findings & Recommendations	Responses
Enabling Goal: Applying Sound Business Principles, continued	
GAO #8 - Strategic Human Capital Management: A High-Risk Area Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
• Strategic human capital management continues as a governmentwide high-risk area. • Agencies—working with the Congress and OPM—must do the following: ➢ Assess future workforce needs, especially in light of long-term fiscal challenges. ➢ Determine ways to make maximum use of available authorities to recruit, hire, develop, and retain key talent to meet their needs. ➢ Build a business case to request additional authorities as appropriate. ➢ Reform performance management systems to better link organizational and individual results. (***Note:*** *GAO feedback here is not VA-specific.)*	• VA implemented a Web-based workforce and succession planning process at all levels of the Department. Each organizational plan identifies strategies, challenges, mission-critical occupations, and action plans to address gaps. • VA developed revised qualification standards for 21 occupations covering over 18,000 employees; we are collaborating with our labor organizations, as required by law, over implementation. • VA negotiated a mid-term contract change with the American Federation of Government Employees. This change would implement a five-tier performance appraisal system in place of the current pass/fail system, strengthen managers' ability to reward through pay for performance, and ensure individual employee performance standards are more closely aligned with organizational goals.
GAO #9 - Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security: A High-Risk Area Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
• This is a new governmentwide high-risk area for 2005. • Strategies should be developed to address the following: ➢ Information-sharing challenges, including establishing clear goals, objectives, and expectations for participants in information-sharing efforts. ➢ Consolidating, standardizing, and enhancing federal structures, policies, and capabilities for the analysis and dissemination of information, where appropriate. ➢ Assessing the need for public policy tools to encourage private-sector participation. (***Note:*** *GAO feedback here is not VA-specific.)*	• Memoranda of understanding have been established between VA, the Bureau of Indian Affairs, DoD, and the Department of Health and Human Services to improve information exchange and sharing arrangements. • VA's large medical centers have entered into a number of cooperative agreements with local community first responder organizations. • VA is planning for the next generation of telecommunications services that will more closely adhere to national standards-based programs. • VA actively participated in drafting the National Response Plan (NRP) and interacts regularly with the NRP lead agencies. • VA maintains a full time presence at the Homeland Security Operations Center. • VA completed installation of the Disaster Management Interoperability Service in its two primary readiness operations centers.

Major Management Challenges - GAO

GAO Summary Table

Major Findings & Recommendations	Responses
Enabling Goal: Applying Sound Business Principles, continued	
GAO #10 - Management of Interagency Contracting: A High-Risk Area Access the complete narrative for this challenge by clicking here: (http://www.va.gov/budget/report)	
• This is a new governmentwide high-risk area for 2005. • Specific and targeted approaches are needed to address interagency contracting risks. • Roles and responsibilities for managing interagency contracts need clarification. • Agencies need to adopt and implement policies and processes that balance customer service with the need to comply with requirements. (***Note**: GAO feedback here is not VA-specific.)*	• VA has a long-standing internal requirement for review and approval of all proposed interagency agreements in a non-codified section of the VA Acquisition Regulation. • VA has also issued guidance to contracting officers on the use of interagency agreements.

For further details on GAO-identified Major Management Challenges, please see www.va.gov/budget/MMC_Complete.pdf.

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.

Tim S. McClain

Tim S. McClain

Consolidated Financial Statements

DEPARTMENT OF VETERANS AFFAIRS
CONSOLIDATED BALANCE SHEETS (DOLLARS IN MILLIONS)
AS OF SEPTEMBER 30,

	2005	2004
ASSETS		
INTRAGOVERNMENTAL		
Fund Balance with Treasury (Note 3)	$ 17,087	$ 16,741
Investments (Note 5)	13,286	13,643
Accounts Receivable, Net (Note 6)	72	132
Other Assets	40	122
TOTAL INTRAGOVERNMENTAL ASSETS	**30,485**	**30,638**
PUBLIC		
Investments (Note 5)	178	184
Accounts Receivable, Net (Note 6)	920	887
Loans Receivable, Net (Note 7)	2,320	2,954
Cash (Note 4)	87	68
Inventories (Note 8)	76	69
General Property, Plant and Equipment, Net (Note 9)	11,232	11,215
Other Assets	46	56
TOTAL PUBLIC ASSETS	**14,859**	**15,433**
TOTAL ASSETS	**$ 45,344**	**$ 46,071**
LIABILITIES		
INTRAGOVERNMENTAL		
Accounts Payable	$ 66	$ 72
Debt	2,193	2,618
Other Liabilities (Note 13)	2,619	2,134
TOTAL INTRAGOVERNMENTAL LIABILITIES	**4,878**	**4,824**
PUBLIC		
Accounts Payable	570	3,003
Liabilities for Loan Guarantees (Note 7)	3,465	4,740
Federal Employee and Veterans Benefits Liability (Note 11)	1,124,376	926,553
Environmental and Disposal Liabilities (Note 12)	376	339
Insurance Liabilities (Note 15)	12,014	12,291
Other Liabilities (Note 13)	7,077	7,047
TOTAL PUBLIC LIABILITIES	**1,147,878**	**953,973**
TOTAL LIABILITIES	**1,152,756**	**958,797**
NET POSITION		
Unexpended Appropriations	2,306	2,642
Cumulative Results of Operations	(1,109,718)	(915,368)
TOTAL NET POSITION	**(1,107,412)**	**(912,726)**
TOTAL LIABILITIES AND NET POSITION	**$ 45,344**	**$ 46,071**

The accompanying Notes are an integral part of these financial statements.

DEPARTMENT OF VETERANS AFFAIRS
CONSOLIDATED STATEMENTS OF NET COST (DOLLARS IN MILLIONS)
FOR THE YEARS ENDED SEPTEMBER 30,

	2005	2004
NET PROGRAM COSTS (NOTE 18)		
Medical Care	$ 28,399	$ 25,396
Medical Education	542	1,111
Medical Research	659	898
Compensation	29,596	27,306
Pension	3,627	3,526
Education	2,202	2,037
Vocational Rehabilitation and Employment	700	676
Loan Guaranty	(1,432)	1,141
Insurance	148	63
Burial	332	332
NET PROGRAM COSTS BEFORE CHANGES IN VETERANS BENEFITS ACTUARIAL LIABILITIES	**64,773**	**62,486**
Compensation	197,300	(30,100)
Burial	500	100
SUBTOTAL	197,800	(30,000)
NET NON-PROGRAM COSTS	859	781
NET COST OF OPERATIONS (NOTE 18)	**$ 263,432**	**$ 33,267**

The accompanying Notes are an integral part of these financial statements.

DEPARTMENT OF VETERANS AFFAIRS
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2005
(DOLLARS IN MILLIONS)

	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances	$ (915,368)	$ 2,642
Budgetary Financing Sources		
Appropriations Received	-	69,589
Other Adjustments	-	(282)
Appropriations Used	69,659	(69,659)
Transfers-in	-	16
Nonexchange Revenue	7	-
Donations	27	-
Other Financing Sources		
Donations of Property	15	-
Transfers-out	(1,371)	-
Imputed Financing	1,323	-
Other	(578)	-
Total Financing Sources	**69,082**	**(336)**
Net Cost of Operations	(263,432)	-
Ending Balances	**$ (1,109,718)**	**$ 2,306**

DEPARTMENT OF VETERANS AFFAIRS
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2004
(DOLLARS IN MILLIONS)

	Cumulative Results of Operations	Unexpended Appropriations
Beginning Balances	$ (945,494)	$ 4,233
Budgetary Financing Sources		
Appropriations Received	-	62,179
Other Adjustments	-	(460)
Appropriations Used	63,325	(63,325)
Transfers-in	-	15
Nonexchange Revenue	5	-
Donations	28	-
Other Financing Sources		
Donations of Property	14	-
Transfers-out	(880)	-
Imputed Financing	1,252	-
Other	(351)	-
Total Financing Sources	**63,393**	**(1,591)**
Net Cost of Operations	(33,267)	-
Ending Balances	**$ (915,368)**	**$ 2,642**

The accompanying Notes are an integral part of these financial statements.

DEPARTMENT OF VETERANS AFFAIRS
COMBINED STATEMENT OF BUDGETARY RESOURCES (NOTE 19) (DOLLARS IN MILLIONS)
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgetary	Credit Financing
Budgetary Resources		
Budget Authority	$ 72,532	$ 1,824
Unobligated Balance at the Beginning of the Period	15,667	4,476
Net Transfers-Prior Year Balance	(155)	-
Spending Authority from Offsetting Collections	5,250	4,422
Adjustments	(328)	(2,248)
Total Budgetary Resources	**$ 92,966**	**$ 8,474**
Status of Budgetary Resources		
Obligations Incurred	$ 76,831	$ 2,767
Unobligated Balance Available	13,570	5
Unobligated Balance Not Yet Available	2,565	5,702
Total Status of Budgetary Resources	**$ 92,966**	**$ 8,474**
Outlays		
Obligations Incurred	$ 76,831	$ 2,767
Less Spending Authority from Offsetting Collections and Adjustments	(5,262)	(4,422)
Obligated Balance, Net Beginning of Period	10,034	93
Less Obligated Balance, Net End of Period	(8,230)	(77)
Outlays	73,373	(1,639)
Less Offsetting Receipts	(2,784)	-
Net Outlays	**$ 70,589**	**$ (1,639)**

DEPARTMENT OF VETERANS AFFAIRS
COMBINED STATEMENT OF BUDGETARY RESOURCES (NOTE 19) (DOLLARS IN MILLIONS)
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Budgetary	Credit Financing
Budgetary Resources		
Budget Authority	$ 64,987	$ 1,169
Unobligated Balance at the Beginning of the Period	16,208	6,150
Net Transfers-Prior Year Balance	(116)	-
Spending Authority from Offsetting Collections	4,955	2,944
Adjustments	(386)	(1,347)
Total Budgetary Resources	**$ 85,648**	**$ 8,916**
Status of Budgetary Resources		
Obligations Incurred	$ 69,981	$ 4,440
Unobligated Balance Available	13,232	1
Unobligated Balance Not Yet Available	2,435	4,475
Total Status of Budgetary Resources	**$ 85,648**	**$ 8,916**
Outlays		
Obligations Incurred	$ 69,981	$ 4,440
Less Spending Authority from Offsetting Collections and Adjustments	(4,955)	(2,944)
Obligated Balance, Net Beginning of Period	8,945	76
Less Obligated Balance, Net End of Period	(10,034)	(93)
Outlays	63,937	1,479
Less Offsetting Receipts	(2,668)	-
Net Outlays	**$ 61,269**	**$ 1,479**

The accompanying Notes are an integral part of these financial statements.

DEPARTMENT OF VETERANS AFFAIRS
CONSOLIDATED STATEMENTS OF FINANCING (NOTE 20)
FOR THE YEARS ENDED SEPTEMBER 30,
(DOLLARS IN MILLIONS)

	2005	2004
Resources Used to Finance Activities		
Obligations Incurred	$ 79,598	$ 74,421
Less Spending Authority from Offsetting Collections and Adjustments	(9,684)	(7,899)
Obligations Net of Offsetting Collections and Adjustments	69,914	66,522
Less Offsetting Receipts	(2,784)	(2,668)
Net Obligations	67,130	63,854
Donations of Property	15	14
Transfers-out	(1,945)	(1,227)
Imputed Financing	1,323	1,252
Other Financing Sources	4	3
Total Resources Used to Finance Activities	**66,527**	**63,896**
Resources That Do Not Fund Net Cost of Operations		
Change in Amount of Goods, Services and Benefits Ordered But Not Yet Provided	(690)	(452)
Resources that Finance the Acquisition of Assets	(3,843)	(5,398)
Resources that Fund Expenses Recognized in Prior Periods	(2,326)	(441)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations	4,555	3,065
Other	(4)	(3)
Total Resources That Do Not Fund Net Costs of Operations	(2,308)	(3,229)
Total Resources Used to Finance the Net Cost of Operations	**64,219**	**60,667**
Costs That Do Not Require Resources in the Current Period		
Increase in Annual Leave Liability	46	75
Increase in Environmental and Disposal Liability	35	(37)
Reestimates of Credit Subsidy Expense	(437)	2,148
Increase in Exchange Revenue Receivable from the Public	(548)	(295)
Increase in Veterans Benefits Actuarial Liability	197,800	(30,000)
Depreciation and Amortization	1,289	465
Bad Debts Related to Uncollectible Non-Credit Reform Receivables	420	328
Loss on Disposition of Assets	119	99
Other	489	(183)
Total Costs That Do Not Require Resources in the Current Period	**199,213**	**(27,400)**
Net Cost of Operations	**$ 263,432**	**$ 33,267**

The accompanying Notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

For the Years Ended September 30, 2005 and 2004 (dollars in millions, unless otherwise noted).

1. Summary of Significant Accounting Policies

Basis of Presentation

The Department of Veterans Affairs' (VA) consolidated financial statements report all activities of VA components, including the Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), National Cemetery Administration (NCA), and staff organizations. The consolidated financial statements meet the requirements of the Chief Financial Officers Act (CFO) of 1990 and the Government Management Reform Act (GMRA) of 1994. The consolidated financial statements differ from the financial reports used to monitor and control budgetary resources, but are prepared from the same books and records. The statements should be read with the understanding that VA is a component unit of the U.S. Government. VA fiscal year (FY) 2005 and FY 2004 financial statements are presented in conformity with the Office of Management and Budget's (OMB) Circular A-136, Financial Reporting Requirements.

Reporting Entity

The mission of VA is to provide medical care, benefits, social support, and lasting memorials to veterans, their dependents, and beneficiaries [(38 U.S.C. Section 301(b) 1997)].

The Department is organized under the Secretary of VA. The Secretary's office includes a Deputy Secretary and has direct lines of authority over the Under Secretary for Health, the Under Secretary for Benefits, and the Under Secretary for Memorial Affairs. Additionally, six Assistant Secretaries, an Inspector General, a General Counsel, and the chairmen of the Board of Contract Appeals and the Board of Veterans' Appeals support the Secretary.

Budgets and Budgetary Accounting

Budgetary accounting measures appropriation and consumption of budget/spending authority or other budgetary resources, and facilitates compliance with legal constraints and controls over the use of federal funds. Under budgetary reporting principles, budgetary resources are consumed at the time of the purchase. Assets and liabilities that do not consume budgetary resources are not reported, and only those liabilities for which valid obligations have been established are considered to consume budgetary resources.

Basis of Accounting

The accompanying consolidated financial statements have been prepared in accordance with Federal Accounting Standards Advisory Board (FASAB) standards. The Comptroller General of the United States, the Secretary of the Treasury, and the Director of the OMB sponsor FASAB, which determines federal accounting concepts and standards.

Revenues and Other Financing Sources

Exchange revenues are recognized when earned to the extent the revenue is payable to VA from other federal agencies or the public as a result of costs incurred or services performed on its behalf. Revenue is recognized at the point the service is rendered. Imputed financing sources consist of imputed revenue for expenses relating to legal claims paid by Treasury's Judgment Fund and post-retirement benefits for VA employees. Non-exchange revenue, e.g., donations, is recognized when received, and related receivables are recognized when measurable and legally collectible, as are refunds and related offsets.

Accounting for Intragovernmental Activities

VA, as a department of the federal government, interacts with and is dependent upon the financial activities of the federal government as a whole. Therefore, these consolidated financial statements do not reflect the results of all financial decisions applicable to VA as though the Department were a stand-alone entity.

In order to prepare reliable financial statements, transactions occurring among VA components must be eliminated. All significant intra-entity transactions were eliminated from VA's consolidated financial statements.

Fund Balance with Treasury

The Department of the Treasury (Treasury) performs cash management activities for all federal government agencies. The Fund Balance with Treasury represents the right of VA to draw on the Treasury for allowable expenditures. Trust fund balances consist primarily of amounts related to the Post-Vietnam Educational Assistance Trust Fund, the National Service Life Insurance (NSLI) Fund, the United States Government Life Insurance (USGLI) Fund, the Veterans Special Life Insurance (VSLI) Fund, General Post Fund, and the National Cemetery Gift Fund. The use of these funds is restricted.

Cash

Cash consists of Canteen Service and Loan Guaranty Program amounts held in commercial banks, cash held by non-federal trusts as well as Agent Cashier advances at VA field stations. Treasury processes all other cash receipts and disbursements. Amounts relating to the Loan Guaranty Program represent deposits with trustees for offsets against loan loss claims related to sold loan portfolios. Funds held by non-federal trusts are restricted and may be used only in accordance with the terms of the trust agreements.

Investments

Investments are reported at cost and are redeemable at any time for their original purchase price. Insurance program investments, which comprise most of VA's investments, are in non-marketable Treasury special bonds and certificates. Interest rates for Treasury special securities are based on average market yields for comparable Treasury issues. Special bonds, which mature during various years through the year 2020, are generally held to maturity unless needed to finance insurance claims and dividends. Other program investments are in securities issued by Treasury, with the exception of Insurance Program holdings in stock received from Prudential as a result of its demutualization and the Loan Guaranty Program investments in trust certificates issued by the American Housing Trusts.

Allowances are recorded to reflect estimated losses of principal as a result of the subordinated position in American Housing Trust certificates I through V. The estimated allowance computations are based upon discounted cash flow analysis. Although VA continues to use the income from these subordinated certificates to cover the immediate cash requirements of the federal guarantee on loans sold under American Housing Trust certificates VI through XI and the Veterans Mortgage Trust program, the income is reimbursed to VA and is not used to pay the amount of the realized losses on guaranteed loan sales.

Accounts Receivable

Intragovernmental accounts receivable consists of amounts due from other federal government agencies. No allowances for losses are required.

Public accounts receivable consists mainly of amounts due for veterans' health care and amounts due for compensation, pension, and readjustment benefit overpayments. Allowances are based on prior experience. For FY 2005, contractual adjustments were 54 percent, and bad debt allowances for medical-related receivables were 9 percent. For FY 2004, contractual adjustments were 52 percent and bad debt allowances for medical-related receivables were 9 percent. Educational–related receivables bad debt allowances were 45 percent for FY 2005 and 44 percent for

FY 2004. Compensation and pension benefits overpayment-related bad debt receivables were 73 percent for FY 2005 and 72 percent for FY 2004.

VA is required by Public Law 96-466 to charge interest and administrative costs on benefits debts similar to charges levied on other debts owed the federal government. In a July 1992 decision, the then-VA Deputy Secretary decided that VA would not charge interest on compensation and pension debts. This decision continues to be VA policy.

Loans Receivable

Loans Receivable are recorded as funds are disbursed. For loans obligated prior to October 1, 1991, loan principal and interest receivable amounts are reduced by an allowance for estimated uncollectible amounts. The allowance is estimated based on past experience and an analysis of outstanding balances. For loans obligated after September 30, 1991, an allowance equal to the subsidy costs associated with these loans reduces the loans receivable. This reduction is due to the interest rate differential between the loans and borrowing from Treasury, the estimated delinquencies and defaults, net of recoveries, offsets from fees, and other estimated cash flows.

Inventories

Inventories consist of items such as precious metals held for sale and Canteen Service retail store stock and are valued at cost. VA follows the purchase method of accounting for operating supplies, medical supplies, and pharmaceutical supplies in the hands of end users. The purchase method provides that these items be expensed when purchased. VA defines an end user as a VA medical center, regional office, or cemetery.

Property, Plant, and Equipment

The majority of the general property, plant, and equipment is used to provide medical care to veterans and is valued at cost, including transfers from other federal agencies. Major additions, replacements, and alterations are capitalized, whereas routine maintenance is expensed when incurred. Construction costs are capitalized as Construction in Progress until completion, and then transferred to the appropriate property account. Other includes items classified including leasehold improvements and structures not classified as buildings. Individual items are capitalized if the useful life is 2 years or more and the unit price is $100,000 or greater. Buildings are depreciated on a straight-line basis over estimated useful lives of 25 to 40 years. Equipment is also depreciated on a straight-line basis over its useful life, usually 5 to 20 years. There are no restrictions on the use or convertibility of general property, plant, and equipment. All VA heritage assets are multi-use facilities and are classified as general property, plant, and equipment.

Other Assets

Other assets consist of advance payments. Public advance payments are primarily to hospitals and medical schools under house staff contracts, grantees, beneficiaries, and employees on official travel. Intragovernmental advance payments are primarily to the General Services Administration (GSA) for rent and Government Printing Office (GPO) for supplies, printing, and equipment.

Accounts Payable

Intragovernmental accounts payable consists of amounts owed to other federal government agencies. The remaining accounts payable consist of amounts due to the public.

Loan Guarantees

For direct loan obligations and loan guaranty commitments made after 1991, the resulting direct loans are reported net of an allowance for subsidy costs at present value, and loan guarantee liabilities are reported at present value. The present value of the subsidy costs associated with direct loans and loan guarantees is recognized as a cost in the year the direct or guaranteed loan is disbursed. Pre-1992 direct loans and loan guarantees are reported under the allowance for loss method. The nominal amount of the direct loan is reduced by an allowance for uncollectible amounts, and the liability for loan guarantees is the amount VA estimated will most likely require a future cash outflow to pay defaulted claims. Interest is accrued on VA-owned loans by computing interest on a loan-by-loan basis at the end of the month and recording the amount owed as an accrual.

The guaranteed loan sales liability represents the present value of the estimated cash flows to be paid by VA as a result of the guarantee. VA guarantees that the principal and interest payment due on a loan will be paid by the 15th of each month. If the payment is not made, VA allows the loan servicer to receive funds from a cash reserve account for the amount of the deficiency. VA guarantees the loans against losses at foreclosure. Although VA will not buy back the loan, VA will pay the loan loss and foreclosure expenses.

Debt

All intragovernmental debt is due to Treasury and is primarily related to borrowing by the Loan Guaranty Program. The interest rates ranged from 2.94 to 4.72 percent in FY 2005 and from 1.29 to 5.24 percent in FY 2004. VA's financial activities interact with and are dependent upon those of the federal government as a whole.

Insurance Liabilities

Actuarial reserve liabilities for VA's insurance programs are based on mortality and interest rate assumptions at the time of issue. These assumptions vary by fund, type of policy, and type of benefit. The interest rate assumptions range from 2.25 to 5.0 percent for both the FY 2005 and FY 2004 calculations.

Annual Leave

The accrued annual leave balance is adjusted at the end of the fiscal year to reflect current pay rates for leave that has been earned but not taken. Sick and other types of non-vested leave are expensed as taken. To the extent appropriations are not available to fund annual leave earned but not used, funding will be obtained from future financing sources.

Workers' Compensation Liability

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. Claims incurred for benefits for VA employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by VA.

Workers' compensation is comprised of two components: (1) the accrued liability which represents money owed by VA to DOL for claims paid by DOL on behalf of VA through the current fiscal year, and (2) the actuarial liability for compensation cases to be paid beyond the current year.

Future workers' compensation estimates are generated from an application of actuarial procedures developed by DOL to estimate the liability for FECA benefits. The liability for future workers' compensation benefits includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases and for potential cases related to injuries incurred but not reported. The liability is determined by utilizing historical benefit payment patterns related to a particular period to estimate the ultimate payments related to that period.

Pension, Other Retirement Benefits, and Other Post-Employment Benefits

Each employing federal agency is required to recognize its share of the cost and imputed financing of providing pension and post-retirement health benefits and life insurance to its employees. Factors used in the calculation of these pensions and post-retirement health and life insurance benefit expenses are provided by the Office of Personnel Management (OPM) to each agency.

VA's employees are covered under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) to which VA makes contributions according to plan requirements. CSRS and FERS are multi-employer plans. VA does not maintain or report information about the assets of the plans, nor does it report actuarial data for the accumulated plan benefits. That reporting is the responsibility of OPM.

Veterans Benefits Liability

VA provides compensation benefits to veterans who are disabled by military service-related causes. Benefits are also provided to deceased veterans' beneficiaries. These benefits are provided in recognition of a veteran's military service. The liability for future compensation payments is reported on

VA's balance sheet at the present value of expected future payments, and is developed on an actuarial basis. Various assumptions in the actuarial model, such as the number of veterans and dependents receiving payments, discount rates, cost of living adjustments, and life expectancy, impact the amount of the liability.

Litigation

VA is a party in various administrative proceedings, legal actions, and claims brought against it. In the opinion of VA management and legal counsel, the ultimate resolutions of these proceedings, actions, and claims will not materially affect the financial position or results of VA operations.

Non-Federal Trusts

VA has entered into enhanced-use leases to maximize use of underutilized VA property. In seven of these enhanced-use leases, the assets and liabilities were transferred to a non-federal trust. In FY 2005, the assets, liabilities, and results of operations of these seven trusts are consolidated in VA's consolidated financial statements.

Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

2. Non-Entity Assets

Entity and Non-Entity assets have been combined on the face of the balance sheet. Non-Entity assets relate primarily to patient funds.

Non-Entity Assets as of September 30,	**2005**	**2004**
Fund Balance with Treasury	$ 47	$ 47
Intragovernmental Accounts Receivable	1	1
Public Accounts Receivable	13	11
Total Non-Entity Assets	$ 61	$ 59

3. Fund Balance With Treasury

Fund Balance with Treasury as of September 30,	2005	2004
Entity Assets		
Trust Funds	$ 86	$ 86
Revolving Funds	6,499	5,661
Appropriated Funds	10,288	10,917
Special Funds	158	156
Other Fund Types	9	(126)
Total Entity Assets	$ 17,040	$ 16,694
Non-Entity Assets		
Other Fund Types	47	47
Total Non-Entity Assets	47	47
Total Entity and Non-Entity Assets	$ 17,087	$ 16,741
Reconciliation of VA General Ledger Balances with Treasury		
Entity VA General Ledger	$ 17,504	$ 17,159
Reconciled Differences	(410)	(433)
Unreconciled Differences	(7)	15
Fund Balance with Treasury	$ 17,087	$ 16,741
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	$ 4,356	$ 3,558
Unavailable	6,326	4,943
Obligated Balance not yet Disbursed	6,349	8,319
Deposit/Clearing Account Balances	56	(79)
Fund Balance with Treasury	$ 17,087	$ 16,741

4. Cash

Cash as of September 30,	2005	2004
Canteen Service	$ 1	$ 3
Agent Cashier Advance	4	19
Loan Guaranty Program	35	4
Funds Held by Non-Federal Trusts *	47	42
Total Cash	$ 87	$ 68

* Funds held by non-federal trusts are restricted and may be used only in accordance with the terms of the trust agreements.

5. Investments

Investment Securities as of September 30,	Interest Range	2005	2004
Intragovernmental Securities			
Special Bonds	3.25-9.25%	$ 12,993	$ 13,329
Treasury Notes *	1.875-4.25%	65	67
Treasury Bills	1.381-3.828%	26	30
Subtotal		13,084	13,426
Accrued Interest		202	217
Total Intragovernmental Securities		$ 13,286	$ 13,643
Other Securities			
Prudential Stock (Insurance)		$ -	$ 6
Trust Certificates (Loan Guaranty)		178	178
Total Other Securities		$ 178	$ 184

*The investment in Treasury Notes includes unamortized premiums of $0.1 both as of September 30, 2005 and as of September 30, 2004. Premiums and discounts are amortized on a straight-line basis over the life of the investments.

Offset for Losses on Investments as of September 30,	2005	2004
Investment in Subordinate Certificates at Time of Sale	$ 424	$ 424
Cumulative Reductions	(241)	(238)
Subtotal	183	186
Allocation of Loss Provision	(5)	(8)
Trust Certificates (Loan Guaranty)	$ 178	$ 178

6. Accounts Receivable, Net

Accounts Receivable, Net as of September 30,	2005	2004
Intragovernmental Accounts Receivable	$ 72	$ 132
Public Accounts Receivable, Gross	$ 1,964	$ 2,088
Allowance for Loss Provision	(1,044)	(1,201)
Net Public Accounts Receivable	$ 920	$ 887

7. Direct Loans and Loan Guarantees

Direct loan obligations and loan guarantee commitments made after 1991, and the resulting direct loans or loan guarantees, are governed by the Federal Credit Reform Act of 1990. The Act provides that the present value of the subsidy costs associated with direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed. Direct loans are reported net of an allowance for subsidy costs at present value, and loan guarantee liabilities are reported at present value. Pre-1992 direct loans and loan guarantees are reported under the allowance for loss method. The nominal amount of the direct loan is reduced by an allowance for uncollectible amounts, and the liability for loan guarantees is the amount VA estimates will most likely require a future cash outflow to pay defaulted claims.

Interest is accrued on VA-owned loans by computing interest on a loan-by-loan basis at the end of the month and recording the amount owed as an accrual.

The recorded value of loans receivable, net, and the value of assets related to direct loans are not the same as the proceeds that VA would expect to receive from selling its loans. VA operates the following direct loan and loan guaranty programs:

- Vocational Rehabilitation and Employment
- Education
- Insurance
- Loan Guaranty

Under the Loan Guaranty Program, a loan may be made to an eligible veteran by an approved private sector mortgage lender. VA guarantees payment of a fixed percentage of the loan indebtedness to the holder of such a loan, up to a maximum dollar amount, in the event of default by the veteran borrower. Occasionally, a delinquency is reported to VA and neither a realistic alternative to foreclosure is offered by the loan holder nor is VA in a position to supplementally service the loan. In such cases, VA determines, through an economic analysis, whether VA will authorize the holder to convey the property securing the loan (foreclosure) or pay the loan guarantee amount to the holder.

Direct Loans

Loans receivable related to direct loans represent the net value of assets related to acquired pre-1992 and post-1991 direct loans. For pre-1992 loans, VA employs the allowance for loss method in which the assets are offset by an allowance for loan losses (estimated uncollectible loans). For post-1991 loans, the assets are offset by an allowance for subsidy costs at present value. An analysis of loans receivable and the nature and amounts of the subsidy costs associated with the direct loans are provided in the tables that follow:

Loans Receivable and Related Foreclosed Property From Direct Loans

as of September 30, 2005	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Loans
Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method)	$ 60	$ 5	$ -	$ -	$ 65
Direct Loans Obligated after 1991	956	23	(27)	33	985
Insurance Policy Loans	674	16	-	-	690
Total Loans Receivable and Related Foreclosed Property from Direct Loans, Net					$ 1,740

Loans Receivable and Related Foreclosed Property From Direct Loans

as of September 30, 2004	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Loans
Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method)	$ 82	$ 7	$ -	$ -	$ 89
Direct Loans Obligated after 1991	1,051	29	(166)	93	1,007
Insurance Policy Loans	716	17	-	-	733
Total Loans Receivable and Related Foreclosed Property from Direct Loans, Net					$ 1,829

Direct Loans Disbursed

The total amount of new direct loans disbursed for the years ended September 30, 2005, and 2004, was $192 and $123, respectively.

Provision for Losses on Pre-1992 Loans

The present value of the cost VA will bear as loans already guaranteed default is an element of the mortgage loan benefit that VA provides to veterans. This cost is reflected in the financial statements as an offset to the value of certain related assets.

The provision for losses on vendee loans is based upon historical loan foreclosure results applied to the average loss on defaulted loans. The calculation is also based on the use of the average interest rate of U.S. interest-bearing debt as a discount rate on the assumption that VA's outstanding guaranteed loans will default over a 12-year period. For FY 2005, VA determined that these vendee loans have sufficient equity due to real estate appreciation and buy-down of principal, to minimize or eliminate any potential loss to VA. The components of the provision are as follows:

Provision for Loss as of September 30,	2005	2004
Offsets Against Foreclosed Property Held for Sale	58	10
Total Provision for Loss	$ 58	$ 10

Subsidy Expense for Post-1991 Direct Loans

Pursuant to the Credit Reform Act, all direct loans established after September 30, 1991, will be subsidized. The subsidy expense for direct loans is as shown:

Direct Loan Subsidy Expense for the years ended September 30,	2005	2004
Interest Differential	$ (33)	$ (6)
Defaults*	5	3
Fees**	(3)	-
Other***	21	4
Subtotal	(10)	1
Interest Rate Reestimates	(31)	473
Technical Reestimates	(49)	922
Total Direct Loans	$ (90)	$ 1,396

* Includes approximately $50 thousand in defaults and other expenses for the Vocational Rehabilitation Program in both FY 2005 and 2004.
** "Fees" expense for direct loans includes estimated down payments and other fees collected when homes are sold with vendee financing.
*** The "Other" expense for direct loans includes the estimated loss of scheduled principal and interest when vendee loans are sold.

Subsidy Rates for Direct Loans by Component

The subsidy rates disclosed below pertain only to the current year cohorts. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes reestimates.

Subsidy rates for direct loans	
Interest Differential	(21.11%)
Defaults	2.75%
Fees	(1.88%)
Other	14.01%

Allowance for Subsidy for Direct Loans (Post-1991)

VA reports the allowance for subsidy for direct loans, subject to Credit Reform requirements. For these loans, the allowance for subsidy represents the present value of the estimated net cash flows to be paid by VA as a result of a disbursed direct loan. VA disburses a direct loan and receives an allowance for subsidy along with borrowing from Treasury. For FY 2005 OMB instructed VA to use a combination of the balances approach re-estimates (1992-2000 cohorts) and traditional re-estimates (2001-2004 cohorts) to be included in the FY 2006 President's Budget. The change of methodology for cohorts 2001-2004 required a $74.4 increase to the re-estimates initially calculated using only the balances approach re-estimates. For FY 2005, the subsidy rate for October through September is (5.12%) for Veterans Housing Direct and (7.75%) for Native American Direct. In FY 2004, the subsidy rate for October through December was (11.16%) and the subsidy rate for January through September was (2.48%). The allowance for subsidy as of September 30, 2005 and 2004 is $27 and $166, respectively.

Schedule for Reconciling Subsidy Cost Allowance Balances

Beginning Balance, Changes and Ending Balance	FY 2005	FY 2004
Beginning balance of the allowance	$ 166	$ (1,136)
Subsidy expense for direct loans disbursed during the reporting years by component:		
Interest subsidy costs	(33)	(6)
Default costs (net of recoveries)	5	3
Fees and other collections	(3)	-
Other subsidy costs	21	4
Total of the above subsidy expense components	(10)	1
Adjustments:		
Fees received	3	1
Foreclosed property acquired	(31)	(21)
Loans written off	(5)	(9)
Subsidy allowance amortization	(16)	(65)
Ending balance of the allowance before reestimates	107	(1,229)
Subsidy reestimates by component		
Interest rate reestimate	(31)	473
Technical/default reestimate	(49)	922
Total of the above reestimate components	(80)	1,395
Ending balance of the allowance	$ 27	$ 166

Loan Guarantees

Loans receivable related to loan guarantees represent the net value of assets related to pre-1992 and post-1991 defaulted guaranteed loans and non-defaulted guaranteed loans. For pre-1992 loans, VA employs the allowance for loss method in which the assets are offset by an allowance for loan losses (estimated uncollectible loans). An analysis of loans receivable, loan guarantees, the liability for loan guarantees, and the nature and amounts of the subsidy costs associated with loan guarantees are provided in the tables that follow:

Loans Receivable and Related Foreclosed Property from Loan Guarantees as of September 30,

2005	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Loans
Defaulted Guaranteed Loans Pre-1992 Guarantees	102	1	(94)	18	27
Defaulted Guaranteed Loans Post-1991	-	-	-	553	553
Total Loans Receivable and Related Foreclosed Property from Loan Guarantees					$ 580

Loans Receivable and Related Foreclosed Property from Loan Guarantees as of September 30,

2004	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Loans
Defaulted Guaranteed Loans Pre-1992 Guarantees	129	1	(121)	45	54
Defaulted Guaranteed Loans Post-1991	-	-	-	1,071	1,071
Total Loans Receivable and Related Foreclosed Property from Loan Guarantees					$ 1,125

Total Loans Receivable and Related Foreclosed Property, Net for the years ended September 30,

	2005	2004
Total Direct Loans	$ 1,740	$ 1,829
Total Guaranteed Loans	580	1,125
Total Loans Receivable and Related Foreclosed Property, Net	$ 2,320	$ 2,954

Foreclosed Property

Prior to the foreclosure of property secured by a VA loan, VA obtains an independent appraisal of the property. This appraisal is reviewed by VA staff to make a determination of the fair market value. To determine the net value of the property, VA expenses such as costs for acquisition, management, and disposition of the property, as well as estimated losses on property resale, are subtracted from the estimated fair market value. As of September 30, 2005 and 2004, the estimated number of residential properties in VA's inventory was 7,288 and 15,539, respectively. For FY 2005 and FY 2004, the average holding period from the date properties were conveyed to VA until the properties were sold was estimated to be 14.1 months and 10.1 months, respectively. The number of properties for which foreclosure proceedings are in process is estimated to be 6,567 and 10,355 as of September 30, 2005, and 2004, respectively.

Guaranteed Loans as of September 30,		**2005**		**2004**
Guaranteed Loans Outstanding:				
Outstanding Principal Guaranteed Loans, Face Value	$	202,073	$	207,374
Amount of Outstanding Guarantee		62,114		64,683
New Guaranteed Loans Disbursed:				
Outstanding Principal Guaranteed Loans, Face Value	$	24,901	$	44,130
Amount of Outstanding Guarantee		6,808		12,643
Liabilities for Loan Guarantees Post 1991 (Present Value)	$	3,465	$	4,740

Guaranty Commitments

As of September 30, 2005, VA had outstanding commitments to guarantee loans that will originate in FY 2006. The number and amount of commitments could not be determined, as VA has granted authority to various lenders to originate VA loans that meet established criteria without prior VA approval. Nearly 99 percent of VA's guaranteed loans originate under this authority.

Subsidy Expense for Post-1991 Loan Guarantees

Pursuant to the Credit Reform Act, guaranteed loans closed after September 30, 1991, will be subsidized. The subsidy expense for loan guarantees related to the Loan Guaranty Program is as shown:

Guaranteed Loan Subsidy Expenses for the years ended September 30,

	2005	2004
Defaults	$ 343	$ 652
Fees*	(417)	(470)
Subtotal	(74)	182
Interest Rate Reestimates	(421)	(241)
Technical Reestimates	(1,025)	(542)
Total Guaranteed Loan Subsidy Expense**	$ (1,520)	$ (601)

* The "Fees" expense includes estimated up-front fees collected when the loans are guaranteed and the present value of estimated annual fees from loan assumptions.
** A negative subsidy rate indicates cash inflows from interest and fees are greater than disbursements.

Loan Sale-Guaranteed Loan Subsidy Expense for the years ended September 30,

	2005	2004
Defaults	$ -	$ 19
Other	-	(2)
Subtotal	-	17
Interest Rate Reestimates	(25)	102
Technical Reestimates	(42)	80
Total Loan Sale-Guaranteed Subsidy Expense	$ (67)	$ 199

Total Subsidy Expense for the years ended September 30,

	2005	2004
Total Direct Loans	$ (90)	$ 1,396
Total Guaranteed Loans	(1,520)	(601)
Total Sale Loans	(67)	199
Total Subsidy Expense	$ (1,677)	$ 994

Subsidy Rates for Loan Guarantees by Component

The subsidy rates disclosed below pertain only to the current year cohorts. These rates cannot be applied to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loan guarantees reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes reestimates.

Subsidy Rates for Loan Guarantees	
Defaults	(1.52%)
Fees	(1.85%)

Loan Sales

VA continues to have vendee loan sales to reduce the administrative burden of servicing vendee loans. During the period FY 1992 through FY 2005, the total loans sold amounted to $13.8 billion. Under the sale of vendee loans, certificates are issued pursuant to the Pooling and Servicing Agreement (the Agreement) among VA, the Master Servicer, and the Trustee. On the closing date of the certificates, VA transfers its entire interest in the related loans to the Trustee for the benefit of the related certificate holders pursuant to the Agreement. Under the Agreement, the Trust will issue certificates backed by mortgage loans and installment contracts. The Trust owns the mortgage loans and other property described in the offering and the Trust makes elections to treat certain of its assets as one or more Real Estate Mortgage Investment Conduits (REMIC) for U.S. federal income tax purposes. The certificates represent interests in the assets of the Trust and are paid from the Trust's assets. The certificates are issued as part of a designated series that may include one or more classes. VA guarantees that the investor will receive full and timely distributions of the principal and interest on the certificates and that guaranty is backed by the full faith and credit of the federal government.

VA may terminate the Trust, causing the early retirement of certificates, by purchasing all of the Trust's assets on any distribution date on or after the distribution date on which the current aggregate principal balance of all principal certificates is less than 1 percent of the original aggregate principal balance, or if VA determines that the Trust's REMIC status has been lost or a substantial risk exists that such status will be lost. In the event of termination, the certificate holder will be entitled to receive payment for the full principal balance of the certificates plus any accrued interest and unpaid interest through the related distribution date.

The Agreement requires the mortgage loans to be serviced generally in compliance with Fannie Mae and Freddie Mac standards and consistent with prudent residential mortgage loan servicing standards generally accepted in the servicing industry. For mortgage loans sold during FY 2005, servicing was performed by Countrywide Home Loans, Inc. (Master Servicer). The Master Servicer is responsible for the performance of all of the servicing functions under the Agreement. The Master Servicer is entitled to be compensated by receiving (1) a service fee of 0.2075 percent per annum payable monthly and calculated by multiplying the interest payment received by a fraction, the numerator of which is 0.2075 percent and the denominator of which is the mortgage interest rate on such loan; (2) earnings on investment of funds in the certificate account; and (3) all incidental fees and other charges paid by the borrowers and a portion of the liquidation proceeds in connection with the liquidated loans.

VA did not complete any sales during FY 2005, and only one transaction was completed in FY 2004. The FY 2004 sale totaled $298. The components of the vendee sales are summarized in the tables below:

Loan Sales **Years ended September 30,**	**2005**	**2004**
Loans Receivable Sold	$ -	$ 298
Net Proceeds From Sale	(2)*	308
Loss (Gain) on Receivables Sold	$ (2)	$ (10)

* Misc. Proceeds from the Old Reserve Account

Outstanding Balance of Loan Sale Guarantees

All loans sold under the American Housing Trust (AHT VI through AHT XI) and the Vendee Mortgage (VMT 92-1 through 03-1) programs carry a full government guarantee. The outstanding balance for guaranteed loans sold is summarized in the table below:

Guaranteed Loans Sold **as of September 30,**	**2005**	**2004**
Outstanding Balance Guaranteed Loans Sold, Start of Year	$ 4,188	$ 5,569
Sold to the Public	-	298
Payments, Repayments, and Terminations	(1,176)	(1,679)
Outstanding Balance Guaranteed Loans Sold, End of Year	$ 3,012	$ 4,188

Liability for Loan Sale Guarantees (Post-1991)

VA reports the liability on the guarantee of loans sold under the Vendee Mortgage Trust and American Housing Trust programs, subject to Credit Reform requirements. For these loans, the guaranteed loan sale liability represents the present value of the estimated net cash flows to be paid by VA as a result of the guarantee. These sales contain two types of guarantees for which VA pays net cash flow. VA guarantees that the principal and interest payment due on a loan sold will be paid by the 15th of each month. If not paid by the borrower, VA allows the loan servicer to take funds from cash reserve accounts for the deficient amount. VA also guarantees the loan against loss at foreclosure. VA will not buy back the loans but will pay off the loan loss and foreclosure expenses. The subsidy rate for FY 2005 is 3.69 percent. For FY 2004 the subsidy rate was 5.65 percent. The liability for loan sale guarantees as of September 30, 2005, and 2004, is $188 and $255, respectively.

Schedule for Reconciling Loan Sale Guarantee Liability Balances

Beginning Balance, Changes and Ending Balance	FY 2005	FY 2004
Beginning balance of the liability	$ 255	$ 77
Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
Default costs (net of recoveries)	-	19
Other subsidy costs	-	(2)
Total of the above subsidy expense components	-	17
Adjustments:		
Claim payments to lenders	(10)	(36)
Interest accumulation on the liability balance	8	6
Other	2	9
Ending balance of the liability before reestimates	255	73
Subsidy reestimates by component		
Interest rate reestimate	(25)	102
Technical/default reestimate	(42)	80
Total of the above reestimate components	(67)	182
Ending balance of the liability	$ 188	$ 255

Liability for Loan Guarantees (Post-1991)

VA reports the liability on the guarantee of loans, subject to Credit Reform requirements. For these loans, the guaranteed loan liability represents the present value of the estimated net cash flows to be paid by VA as a result of a defaulted loan guarantee. VA guarantees the loan against loss at foreclosure for which VA pays net cash flow up to a legally specified maximum based on the value of individual loans. VA will pay the lender the guarantee and foreclosure expenses. If an agreement can be made with the veteran, VA may acquire the loan by refunding the lender for the loan. The FY 2005 and FY 2004 subsidy rates are (0.32) percent and 0.52 percent, respectively. The liability for loan guarantees as of September 30, 2005, and 2004, is $3,277 and $4,485, respectively.

Schedule for Reconciling Loan Guarantee Liability Balances

Beginning Balance, Changes and Ending Balance	FY 2005	FY 2004
Beginning balance of the liability	$ 4,485	$ 4,679
Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
Default costs (net of recoveries)	343	652
Fees and other collections	(417)	(469)
Total of the above subsidy expense components	(74)	183
Adjustments:		
Fees received	411	482
Foreclosed property and loans acquired	23	67
Claim payments to lenders	(340)	(406)
Interest accumulation on the liability balance	218	263
Ending balance of the liability before reestimates	4,723	5,268
Subsidy reestimates by component		
Interest rate reestimate	(421)	(241)
Technical/default reestimate	(1,025)	(542)
Total of the above reestimate components	(1,446)	(783)
Ending balance of the liability	$ 3,277	$ 4,485

Administrative Expense

Administrative expense on direct and guaranteed loans for each of the years ended September 30, 2005 and 2004 was $154.

8. Inventories

Inventories as of September 30,	2005	2004
Held for Current Sale	$ 66	$ 65
Other	10	4
Total Inventories	$ 76	$ 69

9. General Property, Plant and Equipment

Depreciation and amortization expense totaled $812 and $805 in FY 2005 and FY 2004, respectively.

General Property, Plant and Equipment as of September 30, 2005

	Cost	Accumulated Depreciation	Net Book Value
Land and Improvements	$ 323	$ (17)	$ 306
Buildings	15,457	(7,523)	7,934
Equipment	3,174	(1,889)	1,285
Other	1,923	(1,160)	763
Work in Progress	944	-	944
Total Property, Plant, and Equipment	$ 21,821	$ (10,589)	$ 11,232

Hurricane damage to the Gulfport VAMC resulted in a $19 reduction in the Net Book Value of Property Plant and Equipment.

General Property, Plant and Equipment as of September 30, 2004

	Cost	Accumulated Depreciation	Net Book Value
Land and Improvements	$ 303	$ (13)	$ 290
Buildings	14,915	(7,045)	7,870
Equipment	3,128	(1,884)	1,244
Other	1,974	(1,101)	873
Work in Progress	938	-	938
Total Property, Plant, and Equipment	$ 21,258	$ (10,043)	$ 11,215

10. Liabilities Not Covered By Budgetary Resources

The total amount of VA liabilities not covered by budgetary resources was $1,127.5 billion and $929.5 billion as of September 30, 2005, and 2004, respectively, as shown in the following table.

Components of Unfunded Liabilities as of September 30,

	2005	2004
Workers' Compensation*	$ 2,133	$ 2,112
Annual Leave	1,216	1,173
Judgment Fund	522	501
Environmental and Disposal	376	339
Accounts Payable – Canceled Appropriations	6	6
Veterans Compensation and Burial	1,122,600	924,800
Insurance	666	568
Total	$ 1,127,519	$ 929,499

The actuarial estimate for workers' compensation provided by DOL was computed using interest rates of 4.53 percent for FY 2005 and 4.88 percent for FY 2004.

11. Federal Employee and Veterans Benefits

Federal Employee Benefits

Imputed Expenses-Employee Benefits years ended September 30,

	2005	2004
Civil Service Retirement System	$ 356	$ 366
Federal Employees Health Benefits	874	788
Federal Employees Group Life Insurance	2	2
Total Imputed Expenses-Employee Benefits	$ 1,232	$ 1,156

Veterans Benefits

Certain veterans who die or are disabled from military service-related causes, as well as their dependents, receive compensation benefits. Also, veterans are provided with burial flags, headstones/markers, and grave liners for burial in a VA national cemetery or are provided a plot allowance for burial in a private cemetery. These benefits are provided in recognition of a veteran's military service and are recorded as a liability on the balance sheet.

Federal Employee and Veterans Benefits Liabilities as of September 30,	**2005**	**2004**
FECA	$ 1,776	$ 1,753
Compensation	1,118,800	921,500
Burial	3,800	3,300
Total Federal Employee and Veterans Benefits Liabilities	$ 1,124,376	$ 926,553

VA provides certain veterans and/or their dependents with pension benefits, based on annual eligibility reviews, if the veteran died or was disabled from nonservice-related causes. The actuarial present value of the future liability for pension benefits is a non-exchange transaction and is not required to be recorded on the balance sheet. The projected amount of future payments for pension benefits (presented for informational purposes only) as of September 30, 2005 and 2004 was $96.8 billion and $102.2 billion, respectively.

Assumptions Used to Calculate the Veterans Benefits Liability

Several significant actuarial assumptions were used in the valuation of compensation, pension, and burial benefits to calculate the present value of the liability. A liability was recognized for the projected benefit payments to: (1) those beneficiaries, including veterans and survivors, currently receiving benefit payments; (2) current veterans who will in the future become beneficiaries of the compensation and pension programs; and (3) a proportional share of those in active military service as of the valuation date who will become veterans in the future. Future benefits payments to survivors of those veterans in classes (1), (2), and (3) are also incorporated into the projection.

All future benefits were discounted. Discount rates were based on rates for securities issued by Treasury on September 30, 2005, ranging from 4.11 to 4.74 percent, and on September 30, 2004, ranging from 2 to 5.23 percent. Beginning in FY 2004, the discount rates used were based on U.S. Treasury's spot rates rather than corresponding constant maturity rate, which were used in previous years. Benefit payments were assumed to occur at the midpoint of the fiscal year.

All calculations were performed separately by attained age for the Compensation and Pension programs, while the Burial liability was calculated on an aggregate basis.

Life expectancies of beneficiaries collecting benefits from the Compensation and Pension programs were based upon studies of mortality experience of those beneficiaries between 2002 and 2005. Life expectancies of veterans not yet collecting these benefits used in the calculation of the liability for future beneficiaries are based on mortality derived from the 2002 U.S. Life Table. Applying mortality improvements at a rate that varies by age of between 0.85 and 1.00 percent per annum brought both sets of mortality rates forward. In addition, rates of benefit termination of beneficiaries due to reasons other than mortality are also reflected.

The amount of benefits by beneficiary category and age were based on current amounts being paid, future cost of living adjustments (COLAs) to determine the average benefits per veteran for each future time period, and changes in other factors that affect benefits. A COLA of 4.1 percent was applied for FY 2006. For fiscal years after 2006, COLAs have been determined from OMB's estimates

prepared in conjunction with the Administration's annual budget. Expected changes in benefits due to other reasons were also reflected.

Expected benefit payments have been explicitly modeled for the next 75 years. This period is the same as that used by the Office of the Chief Actuary of the Social Security Administration (SSA). However, unlike Social Security, (1) estimates of expected benefit payments after this 75-year period were incorporated in the liability based on extrapolations reflecting expected aggregate experience by beneficiary category between the years 70 and 75 and (2) SSA uses an open population model, while the C&P projections only reflect benefits associated with military service through September 30, 2005.

12. Environmental and Disposal Liabilities

VA had unfunded environmental and disposal liabilities in the amount of $376 and $339 as of September 30, 2005, and 2004, respectively. The majority of the unfunded liabilities involve asbestos removal, lead abatement, replacement of underground oil and gasoline tanks, decommissioning of waste incinerators, and decontamination of equipment prior to disposal.

While some facilities have applied prevailing state regulations that are more stringent than federal guidelines, the Occupational Safety and Health Administration and Environmental Protection Agency regulations are the legal base behind the majority of VA's environmental and disposal liabilities. Estimated liabilities for these projects are based on known contamination that exists today and have been computed by the facility engineering staff based on similar projects already completed, or by independent contractors providing work estimates.

13. Other Liabilities

Other liabilities are liabilities not reported elsewhere. They consist of Funded and Unfunded Liabilities. Funded liabilities are generally considered to be current liabilities. Unfunded liabilities are generally considered to be non-current liabilities.

Other Intragovernmental Funded Liabilities as of September 30,	**2005**	**2004**
Deposit and Clearing Account Liabilities	$ 8	$ (61)
Accrued Expenses - Federal	123	149
Deferred Revenue	166	283
Resources Payable to Treasury	299	350
Custodial Liabilities*	1,631	1,022
General Fund Receipts Liability	32	29
Accrued VA Contributions for Employee Benefits	3	3
Total Other Intragovernmental Funded Liabilities	$ 2,262	$ 1,775

* The Custodial Liabilities Accounts include subsidy reestimates for loans made after September 30, 1991, which are subject to the provisions of the Credit Reform Act of 1990. The liability provision for future losses on credit reform guaranteed loans is comprised of a funded subsidy for each loan guaranteed at the rate equal to the amount of the present value of estimated loss to the government for the cohorts of loans. The subsidy amount for each cohort is reestimated annually to ensure amounts reflect the actual losses on guaranteed loans. Based on the reestimated amounts, additional subsidy funds are provided for or excess funds are returned.

Other Intragovernmental Unfunded Liabilities as of September 30,

	2005	2004
Accrued FECA Liability	$ 357	$ 359
Total Other Intragovernmental Unfunded Liabilities	$ 357	$ 359

Other Public Funded Liabilities as of September 30,

	2005	2004
Accrued Funded Annual Leave	$ 11	$ 11
Accrued Expenses	2,466	2,482
Accrued Salaries and Benefits	548	583
Contract Holdbacks	11	12
Deferred Revenue	1	1
Unredeemed Coupons	1	1
Deposit and Clearing Account Liability	47	46
Unearned Premiums	102	111
Insurance Dividends Left on Deposit and Related Interest Payable*	1,725	1,677
Dividend Payable to Policyholders	203	225
Amounts due to non-federal trusts	-	1
Capital Lease Liability	31	30
Total Other Public Funded Liabilities	$ 5,146	$ 5,180

* Interest earned on dividends left on deposit is paid annually to insurance policyholders on the policy anniversary dates.

Other Public Unfunded Liabilities as of September 30,

	2005	2004
Annual Leave*	$ 1,216	$ 1,172
Accounts Payable from Cancelled Appropriation	6	6
Amounts due to non-federal trust	187	188
Judgment Fund-Unfunded**	522	501
Total Other Public Unfunded Liabilities	$ 1,931	$ 1,867

* Annual leave is accrued when earned and is adjusted at the end of the fiscal year to reflect current pay rates of cumulative leave earned but not taken. Sick and other types of leave are expensed as taken.
** The Judgment Fund liability amount represents the estimate for future payments on legal cases that will be paid by the Treasury Judgment Fund on behalf of VA.

14. Leases

VA has both capital and operating leases. The capital lease liability is $31 and $30 as of September 30, 2005 and 2004, respectively. Real property leases reflect those that VA has committed to as of September 30, 2005. Due to the number of equipment operating leases and the decentralization of records, the future commitment for equipment operating leases is projected assuming annual increases between 4.2 and 4.4 percent. VA's FY 2005 operating lease costs were $248 for real property rentals and $85 for equipment rentals. The FY 2004 operating lease costs consisted of $243 for real property rentals and $79 for equipment rental. The following chart represents VA's operating lease commitments or costs for the next 5 years.

Leases:

YEAR	REAL PROPERTY	PERCENTAGE	EQUIPMENT
2006	$ 245	4.4	$ 89
2007	225	4.2	93
2008	214	4.2	97
2009	198	4.2	101
2010	188	4.2	105

15. Insurance Programs

Through VA, the United States Government administers five life insurance programs and the Veterans' Mortgage Life Insurance program for certain totally disabled veterans. VA supervises the Servicemembers' Group Life Insurance (SGLI) and the Veterans' Group Life Insurance (VGLI) programs, which provide life insurance coverage to members of the uniformed armed services, reservists, and post-Vietnam veterans. United States Code, Title 38, requires that the Life Insurance programs invest in Treasury securities.

Administered Programs

The United States Government Life Insurance (USGLI) program was the government's first venture into life insurance. During World War I, the U.S. provided Marine Insurance to protect the interests of ship owners and merchants who were providing supplies to the allies in Europe. USGLI was the natural outgrowth of this Marine Insurance. The program was established to meet the needs of World War I veterans, but remained open to servicemembers and veterans with service before October 8, 1940. The government became a self-insurer because private insurance companies were unwilling to assume the unpredictable risks associated with war. By establishing this program, Congress intended to avoid the financial burden imposed on the government by the pension programs that were established after previous wars. The government became the largest life insurer in the United States with the coverage provided by this program.

The National Service Life Insurance (NSLI) program covers policyholders who served during World War II. The program opened October 8, 1940, when it became clear that large-scale military inductions were imminent. Over 22 million policies were issued under the NSLI program. The majority of policies VA administers directly are NSLI policies. This program remained open until April 25, 1951, when two new programs were established for Korean War servicemembers and veterans.

The Veterans' Special Life Insurance (VSLI) program was established in 1951 to meet the insurance needs of veterans who served during the Korean Conflict, and the post-Korean period through January 1, 1957. During this period, all servicemembers on active duty were covered for $10 thousand, at no cost, under a program known as Servicemen's Indemnity. They remained covered for 120 days after their discharge. The VSLI program allowed these newly discharged servicemembers to apply for $10 thousand of contract term insurance. Application had to be made during the 120-day period during which they remained covered by Servicemen's Indemnity. It was during this period that representatives of the commercial insurance industry began a major lobbying effort to get the government out of the insurance business because the programs were viewed as competition. As a result, the VSLI program was closed to new issues at the end of 1956, and coverage for individuals in the uniformed services was terminated. Approximately 800,000 VSLI policies were issued between 1951 and 1957.

In addition to VSLI coverage, which was provided to healthy veterans, the Insurance Act of 1951 also established the Service-Disabled Veterans Insurance (S-DVI) program for veterans with service-connected disabilities. S-DVI is open to veterans separated from the service on or after April 25, 1951, who receive a service-connected disability rating. New policies are still being issued under this program.

In 1964, Congress enacted legislation providing for a limited reopening of NSLI and VSLI, and the Veterans' Reopened Insurance (VRI) program was established. Beginning May 1, 1965, veterans who had been eligible to obtain insurance between October 8, 1940, and January 1, 1957, could once again apply for government life insurance. They had 1 year to apply for this "reopened" insurance, which was available only to disabled veterans. Approximately 228,000 VRI policies were issued. No term insurance policies were issued in this program.

The Veterans' Mortgage Life Insurance (VMLI) program began in 1971, and is designed to provide financial protection to cover eligible veterans' home mortgages in the event of death. VMLI is issued to those severely disabled veterans who have received grants for specially adapted housing from VA. These grants are issued to veterans whose movement is substantially impaired because of their disability. The maximum amount of VMLI allowed an eligible veteran is $90 thousand. The insurance is payable if the veteran dies before the mortgage is paid off and is payable only to the mortgage lender.

Supervised Insurance Programs

The Servicemembers' Group Life Insurance (SGLI) program was established in 1965 for Vietnam-era servicemembers. SGLI is supervised by VA and is administered by the Office of Servicemembers' Group Life Insurance (OSGLI) under terms of a group insurance contract. This program provides low-cost term insurance protection to servicemembers.

In 1974, the Veterans' Group Life Insurance (VGLI) program became available. VGLI, like SGLI, is supervised by VA, but is administered by the OSGLI. VGLI provides for the conversion of SGLI coverage to lifetime term insurance protection after a servicemember's separation from service.

Public Insurance Carriers

VA supervises the administration of the SGLI and VGLI programs. Prudential Insurance Company of America (Prudential) provides insurance coverage directly for the SGLI and VGLI programs. VA has entered into a group policy with Prudential whereby Prudential and its reinsurers provide service members and veterans coverage in multiples of $10 thousand up to a maximum of $250 thousand. The basic SGLI coverage is provided to those members on active duty in the Army, Navy, Air Force, Marine Corps, Coast Guard, commissioned members of the Public Health Service and the National Oceanic and Atmospheric Administration. The Ready Reserve is also insured by SGLI, and includes reservists and members of the National Guard who are assigned to a unit or position in which they may be required to perform active duty or active duty for training. The VGLI coverage is comprised of separated and retired active duty members and reservists covered under Basic SGLI.

The Veterans' Opportunities Act of 2001 extended life insurance coverage to spouses and children of members insured under the SGLI program, effective November 1, 2001. For a spouse, up to $100 thousand of coverage can be purchased in increments of $10 thousand, not to exceed the

amount of the servicemember's coverage. Each dependent child of every active duty servicemember or reservist insured under SGLI is automatically insured for $10 thousand free of charge.

Premiums for the SGLI and VGLI programs are set by mutual agreement between VA and Prudential. SGLI premiums for active duty personnel and their spouses are deducted from the servicemember's pay by the Armed Services components through the Department of Defense (DoD). DoD, through the Defense Finance and Accounting Service (DFAS), remits collected premiums to VA, which are then transmitted to Prudential. Prudential records the premiums and maintains investments in their accounting records separate and independent from the VA reporting entity. VA monitors Prudential's insurance reserve balances to determine their adequacy and may increase or decrease the amounts retained by Prudential for contingency purposes. The reserves for the contingent liabilities are recorded in Prudential's accounting records and are not reflected in the VA reporting entity, because the risk of loss on these programs is assumed by Prudential and its reinsurers through the terms and conditions of the group policy.

Effective January 1, 1970, the Secretary of Veterans Affairs determined the costs that are traceable to the extra hazards of duty in the uniformed services, on the basis of the excess mortality incurred by members and former members of the uniformed armed services insured under SGLI, above what their mortality would have been under peacetime conditions. The Secretary is authorized to make adjustments regarding contributions from pay appropriations as may be indicated from actual experience.

Reserve Liabilities

The insurance reserves for administered programs are reported as liabilities covered by budgetary resources, while part of the S-DVI and Veterans Insurance and Indemnities (VI&I) reserves are reported as liabilities not covered by budgetary resources. Reserves for SGLI and VGLI are maintained in Prudential's financial records since the risk of loss is assumed by Prudential. Actuarial reserve liabilities for the administered life insurance programs are based on the mortality and interest assumptions at time of issue. These assumptions vary by fund, type of policy, and type of benefit. The interest assumptions range from 2.25 to 5 percent. The mortality assumptions include the American Experience Table, the 1941 Commissioners Standard Ordinary (CSO) Table, the 1958 CSO Basic Table, and the 1980 CSO Basic Table.

Insurance Liability (Reserve) Balances

Insurance Liability (Reserve) Balances As of September 30, 2005

Program	Insurance Death Benefits	Death Benefit Annuities	Disability Income & Waiver	Reserve Totals
NSLI	$9,031	$156	$126	$9,313
USGLI	26	4	-	30
VSLI	1,535	10	28	1,573
S-DVI	313	2	329	644
VRI	359	2	4	365
VI&I	89	-	-	89
Subtotal	$11,353	$174	$487	$12,014
Less Liability not Covered by Budgetary Resources				(666)
Liability Covered by Budgetary Resources				$11,348

Insurance Liability (Reserve) Balances As of September 30, 2004

Program	Insurance Death Benefits	Death Benefit Annuities	Disability Income & Waiver	Reserve Totals
NSLI	$9,372	$170	$145	$9,687
USGLI	30	5	-	35
VSLI	1,512	11	31	1,554
S-DVI	305	2	237	544
VRI	379	2	5	386
VI&I	85	-	-	85
Subtotal	$11,683	$190	$418	$12,291
Less Liability not Covered by Budgetary Resources				(568)
Liability Covered by Budgetary Resources				$11,723

Insurance In-Force

The amount of insurance in-force is the total face amount of life insurance coverage provided by each administered and supervised program as of the end of the fiscal year. It includes any paid-up additional coverage provided under these policies. Prudential and its reinsurers provided coverage to 5,964,000 and 5,946,231 insured for a face value of $1,137.4 billion and $737.9 billion as of September 30, 2005, and 2004, respectively. The face value of the insurance provided by Prudential and its reinsurers represents 98.4 percent and 97.5 percent of the total insurance in-force as of September 30, 2005, and 2004, respectively. The number of policies represents the number of active policies remaining in the program as of the end of each fiscal year.

	2005 Policies	2004 Policies	2005 Face Value	2004 Face Value
Supervised Programs				
SGLI Active Duty	1,530,000	1,545,000	$612,000	$371,135
SGLI Ready Reservists	826,500	783,500	325,650	176,493
SGLI Post Separation	126,000	120,000	35,428	28,351
SGLI Family - Spouse	988,000	990,000	96,956	97,198
SGLI Family - Children	2,076,000	2,100,000	20,760	21,000
VGLI	417,500	407,731	46,600	43,767
Total Supervised	5,964,000	5,946,231	$1,137,394	$737,944
Administered Programs				
NSLI	1,202,065	1,300,404	$13,198	$14,013
VSLI	206,501	213,545	2,490	2,525
S-DVI	175,200	165,651	1,728	1,614
VRI	52,881	57,757	488	523
USGLI	9,034	10,390	28	33
VMLI	2,514	2,625	167	170
Total Administered	1,648,195	1,750,372	$18,099	$18,878
Total Supervised and Administered Programs	7,612,195	7,696,603	$1,155,493	$756,822

Policy Dividends

The Secretary of VA determines annually the excess funds available for dividend payment. Dividends are based on an actuarial analysis of the individual programs at the end of the preceding calendar year. Dividends are declared on a calendar year basis and paid on policy anniversary dates. Policyholders can elect to: (1) receive a cash payment; (2) prepay premiums; (3) repay loans; (4) purchase paid-up insurance; or (5) deposit the amount in an interest-bearing account. A provision for dividends is charged to operations, and an insurance dividend is established when gains to operations are realized in excess of those essential to maintain solvency of the insurance programs. Policy dividends for fiscal years 2005 and 2004 were $439 and $497, respectively.

Sale of Prudential Stock

On December 18, 2001, Prudential completed its conversion from a mutual company to a stock company. As policyholder of the SGLI and VGLI programs, VA received 369,177 shares of Prudential stock. VA liquidated these shares in six sales over a 3-year period, which started in 2003. In 2005, VA liquidated the remaining 123,177 shares in two sales. In March 61,500 shares were sold and 61,177 shares were sold in September. Total proceeds over the 3-year period of $17.3 were deposited into the SGLI Contingency Reserve, which is held for VA by Prudential in an interest-bearing account. This guarantees that the monies will be used for the benefit of the service members and veterans who are the intended recipients of these life insurance programs.

16. Contingencies

VA is a party in various administrative proceedings, legal actions, and tort claims arising from various sources including: disputes with contractors, challenges to compensation and education award decisions, loan guaranty indemnity debt cases, and allegations of medical malpractice. Certain legal matters to which VA may be a named party are administered and, in some instances, litigated by the Department of Justice. Generally, amounts (more than $2.5 thousand for Federal Tort Claims Act cases) to be paid under any decision, settlement, or award are funded from the Judgment Fund, which is maintained by Treasury. Of the amounts paid from the Judgment Fund, malpractice cases claimed 69 percent in FY 2005 and 85 percent in FY 2004. Contract dispute payments for FY 2005 and FY 2004 were $18.8 and $9.4, respectively. The "No Fear" payments for FY 2005 were $1.1 and $1.4 for FY 2004.

VA uses accepted actuarial methods to estimate the liability resulting from medical malpractice and other tort claim exposure. VA discounted future estimated payments using U.S. Treasury spot rates as of September 30, 2005 and 2004. Had these payments not been discounted, the associated liability would have been an additional $62 and $41, respectively.

VA has recorded a liability for pending legal claims that are estimated to be paid by the Judgment Fund. This liability is established for all pending claims whether reimbursement is required or not. This liability was $522 for FY 2005 and $501 for FY 2004. There were 13 contract and personnel law cases with claimed amounts totaling $62.1 where there was at least a reasonable possibility that a loss may occur. VA is also required to record an operating expense and imputed financing source for the Judgment Fund's pending claims and settlements. Judgment Fund accounting is shown below:

Judgment Fund For the Years Ended September 30,	**2005**	**2004**
Fiscal Year Settlement Payments	$ 110	$ 108
Less Contract Dispute and "No Fear" Payments	(20)	(11)
Imputed Financing-Paid by Other Entities	90	97
Increase (Decrease) in Liability for Claims	(21)	(27)
Operating Expense (Revenue)	$ 69	$ 70

It is the opinion of VA's management that resolution of pending legal actions as of September 30, 2005 will not materially affect VA's operations or financial position when consideration is given to the availability of the Judgment Fund appropriation to pay some court-settled legal cases. Fiscal year 2005 settlement payments were $90.

The amount of unobligated and obligated authority relating to appropriations cancelled on September 30, 2005 and 2004 was $25.1 and $16.9, respectively. Any payments due that may arise relating to cancelled appropriations will be paid out of the current year's appropriations in accordance with the provisions of the Expired Funds Control Act of 1990.

VA provides medical care to veterans on an "as available" basis, subject to the limits of the annual appropriations. In accordance with 38 CFR 17.36 (c), VA's Secretary makes an annual enrollment decision that defines the veterans, by priority, who will be treated for that fiscal year subject to change based on funds appropriated, estimated collections, usage, the severity index of enrolled veterans, and changes in cost. While VA expects to continue to provide medical care to veterans in future years, an estimate of this amount cannot be reasonably made. Accordingly, VA recognizes the medical care expenses in the period the medical care services are provided. For the fiscal years 2001-2005, the average medical care cost per year was $24.1 billion.

The Medical facility in New Orleans was significantly damaged by Hurricane Katrina. The facility was closed pending assessments of damages and operational feasibility. The losses have not yet been determined, but management believes they will not materially impact VA operations.

17. Exchange Transactions

Exchange Revenues

Although VA recognizes full cost per SFFAS No. 4, VHA has legislated exceptions to the requirement to recover the full cost to the federal government of providing services, resources, or goods for sale. Under "enhanced sharing authority," VHA facilities may enter into arrangements that are in the best interest of the federal government. In FY 2005, randomly selected VA medical centers were reviewed by the Financial and Systems Quality Assurance Service to determine the facility's compliance with Statement of Federal Financial Accounting Standards No. 7 and the Chief Financial Officers Act of 1990.

VA's Loan Guaranty Program collects rental fees on a small number of properties during the period when the property is titled to VA.

NCA leases lodges at 11 cemeteries to not-for-profit groups for no fee. The not-for-profit groups are required to provide the upkeep on the lodges and pay the costs for utilities, insurance, minor repairs and maintenance, and any other costs associated with the lodges, and NCA pays for major repairs at these facilities. NCA also has four agricultural leases with private companies/individuals. NCA leases land for growing crops and, on certain leases, receives various services in exchange from the lessee, such as brush cutting and removal services, backfilling and grading of roads, and welding services. In addition, NCA received fees for motion picture filming performed at three cemeteries.

Exchange Transactions with Public

Exchange transactions with the public occur when prices are set by law or executive order and are not based on full cost or on market price. VA's Medical Care Collections Fund, "Conforming Amendments," changed the language of specific sections of 38 USC Chapter 17 to substitute "reasonable charges" for "reasonable cost." The VHA Chief Business Office is responsible for implementing and maintaining these reasonable charges for billing third-party payers for services provided to insured veterans for treatment of nonservice-connected conditions.

Reasonable charges are used to bill for reimbursable health insurance, non-federal workers' compensation, tort feasor, and no-fault or uninsured motorists insurance cases. Reasonable charges are based on provider charges in the market area of each VA facility. Under regulations issued pursuant to section 1729 and published at section 17.101, title 38, Code of Federal Regulations, third party payers may elect to pay VA's billed charges (less applicable deductible or co-payment amounts) for the care and services provided to veterans. Alternatively, third party payers may elect to pay VA an amount, generally known as usual and customary, that it would pay to other providers for care and services in the same geographic area.

Cost-based per diems are calculated annually to produce rates used to bill for medical care or services provided by the Department of Veterans Affairs:

(a) in error or on tentative eligibility;
(b) in a medical workers' compensation (other than federal), humanitarian emergency;
(c) to pensioners of allied nations;
(d) for research purposes in circumstances under which VA medical care appropriation is to be reimbursed by VA research appropriation; and
(e) to beneficiaries of the Department of Defense or other Federal agencies, when the care or service provided is not covered by an applicable sharing agreement.

These per diem costs are derived primarily from cost and workload data from a national cost allocation report.

VA's Loan Guaranty Program collects certain fees that are set by law. The loan guarantee funding fees collected for FY 2005 were $407 and for FY 2004 were $478.9. The loan guarantee lender participation fees collected for FY 2005 were $1.7. The lender participation fees collected for FY 2004 were $1.9.

Intragovernmental Exchange Transactions

This section discloses intragovernmental exchange transactions in which VA provides goods or services at a price less than the full cost, or does not charge a price at all, with explanations for disparities between the billing and full cost.

VA and Department of Defense (DoD) have authority to enter into agreements and contracts for the mutual use or exchange of use of hospital and domiciliary facilities and other resources. The providing agency shall be reimbursed for the cost of the health care resources based on the methodology agreed to by VA and DoD. Facility directors have the flexibility to consider local conditions and needs and the actual costs of providing the services. VA's General Counsel has determined that full cost recovery is not mandated. VHA captures the total amount of reimbursements received under DoD sharing agreements, but the total amount billed below full cost is not readily available. VHA is in the process of developing mechanisms to report this information in the future. VBA collects funding from DoD in order to administer certain education programs. DoD transferred $295.3 during FY 2005 for the Post-Vietnam Era Education Assistance Program, Reinstated Entitlements Program for Survivors, and the New GI Bill for Veterans.

VA reports intragovernmental trading partner information to Treasury's Intragovernmental Reporting and Analysis System. VA and our trading partners are not able to reconcile the activity and balances between themselves due to several factors including transaction volumes, recognition timing issues, and system limitations.

When VA furnishes medical care or services for beneficiaries of other federal agencies, and that care or service is not covered by an applicable local sharing agreement, the billing rates used are determined and published annually by the VHA CFO. Similar to the tort rates, interagency billing rates are determined from cost and workload data in the Cost Distribution Report.

18. Net Cost of Veterans Affairs Programs

All of VA's net program costs are part of the 700 budget functional classification (Veterans Benefits and Services).

Schedule of Net Program Cost

For the Year Ended September 30, 2005 (Dollars in Millions)	Medical Care	Medical Education	Medical Research	Compensation	Pension	Education	Vocational Rehab	Loan Guaranty	Insurance	Burial	Non-Program	Total
Production Costs												
Intragovernmental Costs	$ 1,241	$ 2	$ 17	$ 60	$ 5	$ 3	$ 2	$ 235	$ 2	$ 12	$ 67	$ 1,646
Less Earned Revenues	(95)	-	(31)	-	(8)	(286)	-	(664)	(840)	-	(1,280)	(3,204)
Net Intragovernmental Production Costs	1,146	2	(14)	60	(3)	(283)	2	(429)	(838)	12	(1,213)	(1,558)
Public Costs	29,804	540	688	226,836	3,630	2,683	698	(947)	1,540	820	2,121	268,413
Less Earned Revenues	(2,551)	-	(15)	-	-	(198)	-	(56)	(554)	-	(49)	(3,423)
Net Public Production Costs	27,253	540	673	226,836	3,630	2,485	698	(1,003)	986	820	2,072	264,990
Total Net Cost of Operations	$ 28,399	$ 542	$ 659	$ 226,896	$ 3,627	$ 2,202	$ 700	$ (1,432)	$ 148	$ 832	$ 859	$ 263,432

Schedule of Net Program Cost

For the Year Ended September 30, 2004 (Dollars in Millions)	Medical Care	Medical Education	Medical Research	Compensation	Pension	Education	Vocational Rehab	Loan Guaranty	Insurance	Burial	Non-Program	Total
Production Costs												
Intragovernmental Costs	$ 1,310	$ 6	$ 22	$ 54	$ 5	$ 3	$ 3	$ 4	$ 31	$ 16	$ 97	$ 1,551
Less Earned Revenues	(73)	-	(25)	-	(7)	(272)	-	(1,047)	(893)	-	(1,363)	(3,680)
Net Intragovernmental Production Costs	1,237	6	(3)	54	(2)	(269)	3	(1,043)	(862)	16	(1,266)	(2,129)
Public Costs	26,460	1,105	912	(2,848)	3,528	2,518	673	2,263	1,529	416	2,086	38,642
Less Earned Revenues	(2,301)	-	(11)	-	-	(212)	-	(79)	(604)	-	(39)	(3,246)
Net Public Production Costs	24,159	1,105	901	(2,848)	3,528	2,306	673	2,184	925	416	2,047	35,396
Total Net Cost of Operations	$ 25,396	$ 1,111	$ 898	$ (2,794)	$3,526	$2,037	$676	$ 1,141	$ 63	$ 432	$781	$ 33,267

19. Disclosures Related to the Statements of Budgetary Resources

Apportionment categories of obligations incurred
Obligations

Years Ended September 30,	**2005**	**2004**
Category A, Direct	$ 31,691	$ 31,972
Category B, Direct	41,934	37,398
Reimbursable	5,625	4,657
Exempt from Apportionment	348	394
Total Obligations	$ 79,598	$ 74,421

Borrowing Authority

Loan Guaranty had borrowing authority of $1.8 billion and $1.1 billion as of September 30, 2005, and 2004, respectively. The Vocational Rehabilitation Program had borrowing authority of $3.7 and $4.1 as of September 30, 2005, and 2004, for making direct loans. Loan Guaranty borrowing is repaid to Treasury through the proceeds of portfolio loan collections, funding fees, and the sale of loans to Vinnie MAC trusts. The Vocational Rehabilitation loans generally had duration of 1 year, and repayment was made from offsetting collections.

Adjustments to Budgetary Resources

During the reporting period, adjustments to budgetary resources available at the beginning of the year included VA appropriations that were subjected to a rescission that totaled $247. Additionally, unobligated balances of prior year recoveries of $20 were rescinded. Various VA program accounts received a cut in discretionary budget authority.

Permanent Indefinite Appropriations

VA has three permanent and indefinite appropriations. The Veterans Housing Benefit Program Fund covers all estimated subsidy costs arising from post-1991 loan obligations for veterans housing benefits. The Fund's objective is to encourage and facilitate the extension of favorable credit terms by private lenders to veterans for the purchase, construction, or improvement of homes to be occupied by veterans and their families. The Loan Guarantee Revolving Fund is a liquidating account that contains all of VA's pre-credit reform direct and guaranteed loans. It also holds fund balances received from reimbursements from financing accounts for loan modifications and rentals of foreclosed properties not yet transferred to financing accounts. The Native American Direct Loan Account was established to cover all subsidy costs arising from direct loan obligations related to a veteran's purchase, construction, or renovation of a dwelling on trust land.

Use of Unobligated Balances of Budget Authority

Available unobligated balances on the Statement of Budgetary Resources are composed of current fiscal year apportioned funds for annual, multi-year, and no-year appropriations from Congress as well as revolving and trust funds. Other balances not available are composed of expired appropriation unobligated amounts, which generally are not available for new obligations, but can be used to increase existing obligations under certain circumstances. This amount also includes unobligated funds that were not apportioned by OMB for FY 2005 use.

Unobligated VA funds are available for uses defined in VA's FY 2005 Appropriation Law (P.L. 108-447). These purposes include: veterans medical care, research, education, construction and maintenance of VA buildings, veterans and dependents benefits, veterans life insurance, loan guaranty programs, veterans burial benefits, and administrative functions. Various obligation limitations are imposed on individual VA appropriations. Examples include travel obligation limitations and limitation of the use of medical care multi-year funds to object classes for equipment, structures, and land.

Explanation of Differences Between Statement of Budgetary Resources and the Budget

As a result of an analysis of aged obligations, obligations were reduced by $79 for FY 2005 and $90 for FY 2004 on the Statements of Budgetary Resources for both FY 2005 and FY 2004. These adjustments were not reflected in the FACTS II data used to prepare the President's Budget. No other differences were identified as of the preparation date of the financial statements.

Contributed Capital

The amount of contributed capital received during FY 2005 consisted of donations in the amount of $41.0 to the General Post Fund and $0.2 to the National Cemetery Gift Fund.

20. Disclosures Related to the Statements of Financing

The Statement of Financing section "Costs That Do Not Require Resources in the Current Period" includes only the fiscal year increases in liabilities not covered by budgetary resources. For existing liabilities, there will always be a difference between this section and the value of liabilities not covered by budgetary resources disclosed in Note 10 and included in the liabilities section of the Balance Sheet.

21. Dedicated Collections

In the federal government, dedicated collections are accounted for in trust funds and special funds. The term "trust funds" as used in this report and in federal budget accounting is frequently misunderstood. In the private sector, "trust" refers to funds of one party held by a second party (the trustee) in a fiduciary capacity. In the federal budget, the term "trust fund" means only that the law requires that funds be accounted for separately, used only for specified purposes, and that the account be designated as a "trust fund."

A change in law may change the future receipts and the terms under which the fund's resources are spent. The "trust fund assets" represent all sources of receipts and amounts due the trust fund regardless of source. This includes "related governmental transactions," which are transactions between two different entities within the federal government. The "Investments with Treasury" assets are comprised of investments in federal debt securities and related accrued interest. These securities will require redemption if a fund's disbursements exceed its receipts. Unless specifically provided for by law, trust funds may only place excess funds in federally backed investments (e.g., federal debt securities).

The table on the next page summarizes the name, type, and purpose of the funds within VA that receive dedicated collections. All of the funds listed use the accrual basis of accounting. However, collections are reported as actually received in accordance with OMB Circular A-34. The insurance funds listed also adhere to the requirements of FASB No. 120, "Accounting and Reporting by Mutual Life Insurance Enterprise," and issue a separate annual report. All of the funds generally receive authority to use current year contributions as well as a portion of previously contributed amounts.

Fund Name	Fund Type	Treasury Symbol	Authority	Purpose of Fund	Financing Sources
Medical Care Collections Fund	Special	36x5287	P.L. 105-33 111 Stat 665	Third party and patient co-payments.	Public, primarily insurance carriers.
Health Service Improvement Fund	Special	36x5358	P.L. 106-117 113 Stat 1561	Enhanced use leases and patient co-pay.	Public
Escrowed Funds for Shared Medical Equipment Purchases	Deposit	36x6019	106 Stat 1974	Joint purchases of medical equipment.	Public medical organizations.
Personal Funds of Patients	Deposit	36x6020	38 U.S.C. 3204	Temporarily holds funds.	Public, patients.
Employee Allotments for Savings Bonds	Deposit	36x6050	31 U.S.C. 3105	Temporarily holds funds.	Employees.
Cemetery Gift Fund	Trust	36x8129	38 U.S.C. 1007	Receives donations for veterans cemeteries.	Public donors.
National Service Life Insurance Fund	Trust	36x8132	38 U.S.C. 720	Premiums to insure veterans of WWII.	Public, veterans.
Post-Vietnam Era Education Assistance Program	Trust	36x8133	38 U.S.C. 1622	Subsidizes the cost of education to veterans.	Veterans, DoD.
U.S. Government Life Insurance	Trust	36x8150	38 U.S.C. 755	Premiums insure WWI veterans.	Public, veterans.
Veterans Special Life Insurance Fund	Trust	36x8455	38 U.S.C. 723 101-228	Korean veterans without Service-related disabilities.	Public, veterans.
General Post Fund, National Homes	Trust	36x8180	38 U.S.C. 101-228	Donations	Public, mostly veterans.

The following tables provide condensed information on assets, liabilities, fund balances, net costs, and changes in fund balances:

For the year ended September 30, 2005 Fund Symbol	**5287**	**5358**	**6020**	**8132**	**8133**	**8150**	**8455**	**8180**	**Total**
Assets:									
Fund balance with Treasury	$ 158	$ -	$ 46	$ 9	$ 72	$ -	$ 1	$ 4	$ 290
Investments with Treasury	-	-	-	10,758	-	45	1,963	65	12,831
Other Assets	589	-	-	505	1	2	106	19	1,222
Total Assets	747	-	46	11,272	73	47	2,070	88	14,343
Liabilities:									
Payables to Beneficiaries	-	-	-	142	1	2	10	1	156
Other Liabilities	-	-	46	10,846	-	44	1,993	2	12,931
Total Liabilities	-	-	46	10,988	1	46	2,003	3	13,087
Net Position:									
Cumulative Results	747	-	-	284	72	1	67	85	1,256
Total Liabilities & Net Position	$ 747	$ -	$ 46	$ 11,272	$ 73	$ 47	$ 2,070	$ 88	$ 14,343

For the year ended September 30, 2005 Fund Symbol	5287	5358	8132	8133	8150	8455	8180	Total
Revenues:								
Exchange - Federal	$ (62)	$ -	$ 670	$ -	$ 3	$ 140	$ -	$ 751
Exchange - Public	2,177	(1)	413	1	-	68	3	2,661
Total Revenues	2,115	(1)	1,083	1	3	208	3	3,412
Expenses:								
Program Expenses	207	4	1,081	3	3	207	43	1,548
Total Expenses	207	4	1,081	3	3	207	43	1,548
Net Change from Operations								
Beginning Net Position	732	5	281	74	1	66	83	1,242
Total Financing Sources	(1,895)	-	1	-	-	-	42	(1,852)
Net Cost of Operations	1,910	(5)	2	(2)	-	1	(40)	1,866
Ending Equity	$ 747	$ -	$ 284	$ 72	$ 1	$ 67	$ 85	$ 1,256

22. Reclassifications, Changes in Accounting Policy, and Changes in Financial Statement Presentation

Reclassification of FY 2004 Consolidated Statements of Financing

Approximately $1.25 billion was reclassified from line item - "Increase in Exchange Revenue Receivable from the Public" to line item - "Others" under the section Costs That Do Not Require Resources in the Current Period. The total amount reported under this section did not change nor did this change impact any other financial statements being reported. The change is summarized below:

	As Previously Reported	As Reclassified
Costs That Do Not Require Resources in the Current Period		
Increase in Exchange Revenue Receivable from the Public	$952	($295)
Other	($1,430)	($183)

Independent Auditor's Report

Department of Veterans Affairs
Office of Inspector General

REPORT OF THE AUDIT OF THE DEPARTMENT OF VETERANS AFFAIRS CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEARS 2005 AND 2004

Report No. 05–01096-21

November 15, 2005

VA Office of Inspector General
Washington, DC 20420

DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420

Memorandum to the Secretary

Report of Audit of the Department of Veterans Affairs Consolidated Financial Statements for Fiscal Years 2005 and 2004

1. Attached is the Report of Audit of the Department of Veterans Affairs (VA) Consolidated Financial Statements (CFS) for Fiscal Years (FY) 2005 and 2004, as required by the Chief Financial Officers Act of 1990. The Office of Inspector General contracted with the independent public accounting firm, Deloitte & Touche LLP, to perform the audit of VA's FY 2005 CFS.

2. The independent auditors' report by Deloitte & Touche LLP provides an unqualified opinion on VA's FYs 2005 and 2004 CFS. The report on internal control identifies three reportable conditions, of which all are material weaknesses. The three material weaknesses are (i) information technology security controls, (ii) integrated financial management system, and (iii) operational oversight. During FY 2005, VA management took corrective action to eliminate the judgments and claims reportable condition reported in the FY 2004 audit report.

3. The report on compliance with laws and regulations continues to show that VA is not in substantial compliance with the financial management system requirements of the Federal Financial Management Improvement Act of 1996. The internal control issues concerning an integrated financial system and information technology security controls indicate noncompliance with the requirements of Office of Management and Budget (OMB) Circular A-127, "Financial Management Systems," which incorporates by reference OMB Circulars A-123, "Management Accountability and Control," and A-130, "Management of Federal Information Resources."

4. The auditors' unqualified opinion was achieved through the extensive efforts of program and financial management staff, as well as the auditors, to overcome material weaknesses in internal control to produce auditable information. The risk of materially misstating financial information remains high using the existing non-integrated financial management systems.

5. The independent auditors will follow up on these internal control findings and evaluate the adequacy of corrective actions taken during the audit of the VA's FY 2006 CFS.

MICHAEL L. STALEY
Assistant Inspector General for Auditing

Attachment

Deloitte.

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INDEPENDENT AUDITORS' REPORT

Secretary
Department of Veterans Affairs

We have audited the accompanying consolidated balance sheets of the Department of Veterans Affairs (VA) as of September 30, 2005 and 2004, and the related consolidated statements of net cost, changes in net position, financing and the combined statements of budgetary resources for the years then ended which collectively comprise VA's basic financial statements. These financial statements are the responsibility of VA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the requirements of Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and the OMB Bulletin require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VA's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of VA as of September 30, 2005 and 2004, and the respective net costs, changes in net position, financing and budgetary resources thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2005, on our consideration of VA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

November 14, 2005

Member of
Deloitte Touche Tohmatsu

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Secretary
Department of Veterans Affairs

We have audited the basic financial statements of the Department of Veterans Affairs (VA), as of and for the year ended September 30, 2005, and have issued our report thereon dated November 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of the Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, as amended.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered VA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect VA's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

We identified the following matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions that we identified in our prior year report dated November 4, 2004 are identified as repeat conditions.

Member of
Deloitte Touche Tohmatsu

Secretary
Department of Veterans Affairs
Page 2

Three reportable conditions are described in the following paragraphs and include significant departures from certain requirements of OMB Circular A–127, "Financial Management Systems," which incorporates by reference Circulars A–123, "Management Accountability and Control," and A–130, "Management of Federal Information Resources," among other requirements. We believe that the three reportable conditions identified as "Information Technology (IT) Security Controls," "Integrated Financial Management System" and "Operational Oversight" are also material weaknesses. Certain conditions existed in Fiscal Year (FY) 2005 that resulted in the "Operational Oversight" reportable condition being elevated to a material weakness in the current year.

Information Technology (IT) Security Controls – Material Weakness (Repeat Condition)

VA continued to make IT security controls improvements through the implementation of improved controls over VA financial management systems. Data centers and financial management system program offices have taken corrective actions to remediate elements of IT control weaknesses reported in our prior year report. However, VA's program and financial data continue to be at risk due to serious weaknesses related to: 1) inadequate implementation and enforcement of access controls over access to financial management systems and data; 2) improper segregation of key duties and responsibilities of employees in operating and maintaining key systems; 3) underdeveloped IT service continuity planning; and 4) inconsistent development and implementation of system change controls. These weaknesses placed sensitive information, including financial data and veterans' medical and benefit information, at risk of inadvertent or deliberate misuse, fraudulent use, improper disclosure, or destruction, possibly occurring without detection. Our testing of key controls over the general computer systems at the VA's primary computer centers and selected medical facilities, selected financial management systems, as well as external and internal network vulnerability assessment of the VA's network infrastructure, identified the following control weaknesses:

Access Control

- Strong access authentication mechanisms and administration of user access have not been consistently implemented and enforced at the data centers, medical centers, and regional offices;

- Access privileges were not restricted based on needs due to non-restrictive system access profiles for users and programming staff. There were ineffective monitoring and review of user access profiles; and

- Intrusion detection mechanisms, and coordination and communication between Central Incident Response group and local security functions were not operating promptly and effectively to detect and resolve potential security violations from internal sources. There were also system configuration management and password issues identified in the current and previous year.

Segregation of Duties

- Legacy systems have not been configured to support proper implementation of system segregation of duties in financial management systems such as Veterans Health Information Systems and Technology Architecture accounts receivables and procurement modules and certain personnel and payroll functions.

- Prior years' segregation of duties issues for the Integrated Funds Distribution Control Point Activity, Accounting and Procurement (IFCAP) system and the Automated Engineering Management System/Medical Equipment Reporting System (AEMS/MERS) remained uncorrected in FY 2005.

Service Continuity

- A business continuity plan at the departmental level has not been fully developed to provide overall guidance, direction, and coordination for IT service continuity;

- The "*Bull*" operating system, supporting Veteran's Benefit Administration (VBA) applications such as compensation, pension and education programs, loan guarantee, and the property management systems' data, has not been tested for the service continuity purpose because the backup hardware does not have adequate memory and processing capacity; and

- Testing of the Continuity of Operations Plan for financial management systems at certain medical facilities and data centers has not been consistently scheduled and adequately performed.

Change Control

- Change control policy at the departmental level does not provide uniformed application development and change guidance for a wide-range of new and legacy applications to facilitate consistent implementation and effective monitoring of system change controls for mission critical systems.

VA's success in improving information security is dependent on VA's continued effort in comprehensively addressing these weaknesses at the departmental level, including continuing its high level of coordination and obtaining adequate resources to implement the plan.

Recommendations

VA senior leadership should continue to pursue a more centralized approach, apply appropriate resources, and establish a clear chain of command and accountability structure to implement and enforce IT internal controls. In addition, VA needs to plan and implement corrective actions and remediate identified deficiencies within a reasonable timeframe. The VA Chief Information Officer (CIO) should perform proactive oversight of compliance with established IT internal control policies and procedures. VA should continue its entity-wide effort to accomplish the following key tasks:

1. Improve access control policies and procedures to provide actionable steps for configuring security settings on operating systems, improving administration of user access, and detection and resolution of potential access violations. Access privileges need to be assigned based on the user's level of responsibility and position.

2. Evaluate user functional access needs and system access privileges to support proper segregation of duties within financial applications. Assign, communicate, and coordinate responsibility for enforcing and monitoring such controls in a consistent fashion throughout VA.

3. Develop a service continuity plan at the departmental level that will facilitate effective communication and implementation of overall guidance and standards, and provide coordination of VA's service continuity effort. Schedule and adequately test IT disaster recovery plans to ensure continuity of operations in the event of a disruption of service.

4. Develop a change control framework and, within that framework, implement application specific change control procedures for mission critical systems.

Integrated Financial Management System – Material Weakness (Repeat Condition)

As defined in OMB Circular A–127, "a financial management system encompasses automated and manual processes, procedures, controls, data, hardware, software, and support personnel dedicated to the operation and maintenance of system functions." Such financial management systems shall be designed to provide for an effective and efficient interrelationship between software, hardware, personnel, procedures, controls, and data contained within the systems.

With respect to system requirements in the area of financial reporting, OMB Circular A–127 provides that an agency's financial management system should generate reliable, timely, and consistent information necessary for meeting management's responsibilities, including the preparation of financial statements. Within OMB Circular A–123, the management control processes necessary to ensure that "reliable and timely information is obtained, maintained, reported and used for decision making" are set forth, including prompt and appropriate recording and classification.

During our audit, we noted continuing difficulties related to the preparation, processing, and analysis of financial information to support the efficient and effective preparation of VA's consolidated financial statements. While significant efforts are made at the component and consolidated levels to assemble, compile, and review the necessary financial information for annual financial reporting requirements, in many cases, components of certain feeder systems and financial applications are not fully integrated with the core Financial Management System. As a result, significant manual workarounds and out-of-date systems impede the process. For example, we noted that:

- Reconciliations of property records in the loan guaranty programs continue to identify significant differences from non-interfaced systems;

- Within the compensation, pension and education programs, there are a number of programs that do not directly interface with the general ledger or they interface at various intervals. As a result, numerous adjusting entries resulting from timing differences are necessary to reconcile balances with the general ledger to ensure that amounts are properly stated; and

- In the life insurance programs, the lack of system interface with the VA's general ledger creates the need for a significant amount of adjusting entries. We observed that some journal entries were not posted to the general ledger nor were reconciling items identified and posted timely.

Recommendation

5. The VA CIO and Chief Financial Officer (CFO) should develop and implement a fully integrated financial management system. The VA CFO should implement and enforce supplemental manual processes to meet appropriate control objectives until a fully integrated financial management system is implemented.

Operational Oversight – Material Weakness
(Repeat Condition)

With more than 150 medical centers nationwide, management oversight at the medical centers is essential to ensure compliance with VA's established policies and procedures. To assess the effectiveness of internal controls at the medical center level, we conducted tests at selected medical centers to (1) determine whether staffs were aware of key internal controls, (2) review evidence to determine whether internal controls were functioning as intended and (3) assess the effectiveness of the internal controls.

During the current year testing, exceptions identified in previous years continued to exist. In addition, in one medical center, financial data was manipulated in a manner that circumvented financial monitoring controls and internal financial performance metrics producing improved financial indicators for that medical center.

We continued to find a number of previously reported instances where key internal controls and reconciliation processes were not performed consistently or completely. The Veterans Health Administration (VHA), Office of the CFO, has implemented a monthly reconciliation monitoring process.

VHA also conducted training designed specifically for medical center accountants and developed performance measures for the Veterans Integrated Service Networks (VISN) scorecard to monitor medical centers' progress in complying with VA policies and procedures. Although there has been improvement, our testing at the medical centers showed continued noncompliance with certain established policies and procedures. Among the control exceptions found at the medical centers were:

- Certain medical accounts receivable and/or other account receivable balances had not been reconciled in a timely manner. Furthermore, supervisory reviews of medical accounts receivable reconciliations were not completed in accordance with procedures;

- Completed construction or upgrade projects were not capitalized in a timely manner;
- Non-expendable equipment inventories were not completed or were not completed in accordance with certain VA policies and procedures;
- Accounts receivable collections were not properly completed or were not completed in a timely manner;
- Inadequate reviews of undelivered orders and/or accrued service payable transactions increased in FY 2005;
- Estimated environmental clean-up costs were not reported in a timely manner;
- Deferred maintenance costs were not recorded or were incorrectly recorded in the general ledger; and
- Accounts records were modified without approval.

Recommendations

6. The VHA CFO should enhance monitoring controls over medical center financial and performance metrics reporting and investigate unusual activity or financial variances on a monthly basis. The VHA CFO should also continue training programs in areas where noncompliance continues to exist, and use the VISN scorecards to measure compliance with VA policies and procedures to improve internal controls over financial reporting.

7. The VHA CFO should consider financial training for medical center directors and other supervisory personnel highlighting the importance of accurate financial reporting and promoting timely and thorough follow up on aged accounts balances. The VHA CFO should also review and enhance controls related to approving write-off transactions.

8. Management at the medical centers should take action necessary to comply with VA policies and procedures.

Follow-up on Previous Report

In our *Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance Based Upon the Audit Performed in Accordance with Government Auditing Standards* dated November 4, 2004, we reported four reportable conditions (with two material weaknesses) in the areas of (1) Information Technology (IT) Security Controls, (2) Integrated Financial Management System, (3) Operational Oversight and (4) Judgment and Claims. In FY 2005, the material weaknesses repeated are items (1) and (2). Item (3) has been elevated to a material weakness. Item (4) is no longer a reportable condition.

******

With respect to the internal control related to performance measures reported in Management's Discussion and Analysis, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin No. 01-02, as amended. Our procedures were not designed to provide assurance on internal control over reported performance measures and, accordingly, we do not provide an opinion on such controls.

In addition, we considered VA's internal control over Supplementary Information by obtaining an understanding of VA's internal control, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls as required by OMB Bulletin No. 01-02, as amended. Our procedures were not designed to provide assurance on these internal controls. Accordingly, we do not provide an opinion on such controls.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether VA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 01-02, as amended, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and are described below.

Under FFMIA, we are required to report whether the agency's financial management systems substantially comply with Federal financial management systems requirements, applicable Federal accounting standards, and the U. S. Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance using the implementation guidance and evaluative criteria issued by OMB in Circular A-127.

The material weaknesses in internal control over financial reporting discussed above and identified as "Information Technology (IT) Security Controls" and "Integrated Financial Management System" and "Operational Oversight" indicate that VA is not in compliance with the requirements of OMB Circulars A–123, A–127, and A-130. As discussed above, we found material weaknesses in (1) the effectiveness of the information technology controls; and (2) the design and operation of internal controls over financial reporting, particularly with effectiveness of the control monitoring and reconciliation processes in support of the preparation of the VA's consolidated financial statements and (3) circumvention of controls.

We believe these material weaknesses, in the aggregate, result in departures from certain of the requirements of OMB Circulars A–123, A–127 and A-130, and are, therefore, instances of substantial noncompliance with the Federal financial management systems requirements under FFMIA.

In addition, we noted other matters involving the internal control and compliance over financial reporting that we have reported to the VA, in a separate letter dated November 14, 2005.

Distribution

This report is intended solely for the information and use of the VA Office of Inspector General, the management of VA, the Office of Management and Budget, the U.S. Government Accountability Office, Office of the President, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

November 14, 2005

Department of Veterans Affairs

Memorandum

Date: NOV 15 2005

From: General Counsel (02) and Former Chief Management Officer (004)

Subj: Report of the Audit of the Department of Veterans Affairs Consolidated Financial Statements for Fiscal Years 2005 and 2004

To: Assistant Inspector General for Auditing (52)

1. We have reviewed the Report of the Audit of the Department of Veterans Affairs Consolidated Financial Statements for fiscal years 2005 and 2004, and are pleased with receipt of an unqualified opinion. We are especially proud that we were able to meet the FY 2005 timeframe requirements established by the Office of Management and Budget. Please extend to your staff and the staff of Deloitte & Touche, LLP, our appreciation for their detailed planning, hard work, and cooperation during this year's audit.

2. We will share the results of the audit, as well as the findings on internal controls over financial reporting and regulatory compliance, with senior officials in VHA, VBA, and NCA and with other VA staff and program managers. We will continue to provide you with updates on our progress to correct the two material weaknesses, Integrated Financial Management System and Information Technology Security Controls, as well as develop and implement a plan to correct the material weakness, Operational Oversight, first reported this year.

3. Thank you again for your efforts in bringing us to another successful conclusion of the audit cycle.

Tim S. McClain

Tim S. McClain

Required Supplementary Stewardship Information (Unaudited)

1. Heritage Assets

Heritage assets are properties that possess one or more of the following characteristics: historical or natural significance; cultural; educational or aesthetic value; or significant architectural characteristics. The monetary value of heritage assets is often not estimable or relevant. By nature they are expected to be maintained in perpetuity. VA has properties at medical centers and national cemeteries that meet the criteria for a heritage asset. During the reporting period, all maintenance expenses were recorded as incurred. Heritage assets are reported in terms of physical units. Generally, additions to VA's Heritage Asset inventory result from field station surveys, which identify items such as new collections or newly designated assets. Items are generally donated or existing VA assets are designated as heritage. Most are used for mission purpose and maintained in working order. Remaining items are mothballed.

Heritage Assets in Units **As of September 30,**	**2005**	**2004**
Art Collections	29	33
Buildings and Structures	1,815	1,817
Monuments/Historic Flag Poles	732	724
Other Non-Structure Items	186	76
Archaeological	11	11
Cemeteries	157	157
Total Heritage Assets in Units	2,930	2,818

2. Non-Federal Physical Property

Annually, VA provides funding to state governments for the purchase, construction, or major renovation of physical property owned by the state. In most cases these grant programs involve matching funds from the states.

Grant Program Costs **Years Ended September 30,**	**2005**	**2004**
State Extended Care Facilities	$ 183	$ 66
State Veterans Cemeteries	36	34
Total Grant Program Costs	$ 219	$ 100

The Extended Care Facilities Grant Program assists states in acquiring facilities to provide domiciliary, nursing home, and other day health care for veterans, and to expand, remodel, or alter existing buildings to provide domiciliary, nursing home, hospital, and day health care for veterans in state homes. VA participates in two grant-in-aid programs for states. VA may participate in up to 65 percent of the cost of construction or acquisition of state nursing homes or domiciliaries or in renovations of existing state homes. Over the last 5 fiscal years, the State Home Construction Grant Program has awarded grants in excess of $587 million. VA also provides per diem payment for the care of eligible veterans in state homes.

Since the cemetery program was established in 1980, VA has awarded grants totaling more than $244.7 million to 34 states and the Commonwealths of Guam and the Northern Marianas. The program provides up to 100 percent of the cost to establish, expand, or improve state veterans' cemeteries. States provide the land and agree to operate the cemeteries.

3. Human Capital

Investment in human capital comprises those expenses for education and training programs for the general public that are intended to increase or maintain national economic productive capacity. It does not include expenses for internal federal education and training of civilian employees.

Veterans and Dependents Education Years ended September 30,	**2005**	**2004**	**2003**	**2002**	**2001**
Program Expenses					
Education and Training-Dependents of Veterans	$ 405	$ 320	$ 266	$ 234	$ 175
Vocational Rehabilitation and Education Assistance	2,779	2,517	2,309	1,894	1,644
Administrative Program Costs	226	230	288	229	172
Total Program Expenses	$ 3,410	$ 3,067	$ 2,863	$ 2,357	$ 1,991
Program Outputs (Participants)					
Dependent Education	75,072	67,420	64,582	53,888	46,917
Veterans Rehabilitation	71,956	75,409	71,549	69,634	64,235
Veterans Education	444,359	409,695	400,289	375,013	372,054

Program Outcomes

VA's education and training programs are intended to provide higher education to dependents who might not be able to participate otherwise. Veterans rehabilitation and employment programs are provided to service-disabled veterans; they are designed to improve employability and promote independence for the disabled. Educational programs for active duty personnel, reservists, and veterans provide higher education assistance to those who are eligible under the MGIB and the Veterans Educational Assistance Program. Education and training assistance is provided to dependents of veterans who died of service-connected disability or whose service-connected disability was rated permanent and total. The Vocational Rehabilitation and Employment program provides evaluation

services, counseling, and training necessary to assist them in becoming employable and maintaining employment to the extent possible. The program is open to veterans who have a 10 percent or greater service-connected disability rating and are found to have a serious employment handicap. The Veterans Education program provides educational assistance to eligible servicemembers and veterans.

4. Health Professions Education

Health Professions Education **Years Ended September 30,**	**2005**	**2004**
Program Expenses		
Physician Residents and Fellows	$ 438	$ 420
Associated Health Residents and Students	63	62
Instructional and Administrative Support	430	401
Total Program Expenses	$ 931	$ 883
Program Outputs		
Health Professions Rotating Through VA:		
Physician Residents and Fellows	30,903	29,179
Medical Students	16,750	16,740
Nursing Students	22,675	20,275
Associated Health Residents and Students	16,862	16,921
Total Program Outcomes	87,190	83,115

Program Outcomes

VA's education mission contributes to high quality health care of veterans by providing a climate of scientific inquiry between trainees and teachers; application of medical advances more readily through an academic setting; supervised trainees who provide clinical care; and educational programs that enable VA to recruit highly qualified health care professionals.

The Veterans Health Administration (VHA) conducts education and training programs to enhance the quality of care provided to veterans within the VA health care system. Building on the long-standing, close relationships among VA and the Nation's academic institutions, VA plays a leadership role in defining the education of future health care professionals that helps meet the changing needs of the Nation's health care delivery system. Title 38 U.S.C. mandates that VA assist in the training of health professionals for its own needs and those of the Nation. Through its partnerships with affiliated academic institutions, VA conducts the largest education and training effort for health professionals in the Nation. Each year, over 83,000 medical and other students receive some or all of their clinical training in VA facilities through affiliations with over 1,200 educational institutions including 107 medical schools. Many have their health profession degrees and contribute substantially to VA's ability to deliver cost-effective and high-quality patient care during their advanced clinical training at VA.

5. Research and Development (R&D)

Investments in research and development comprise those expenses for basic research, applied research, and development that are intended to increase or maintain national economic productive capacity or yield other benefits.

Program Expense
Year ended September 30, 2005

	Basic	Applied	Development	Total
Medical Research Service	$ 154.4	$ 59.4	$ -	$ 213.8
Rehabilitative Research and Development	4.9	23.9	19.6	48.4
Health Services Research and Development	-	61.7	-	61.7
Cooperative Studies Research Service	.5	47.8	-	48.3
Medical Research Support	-	381.7	-	381.7
Total Program Expenses	$ 159.8	$ 574.5	$ 19.6	$ 753.9

Program Expense
Year ended September 30, 2004

	Basic	Applied	Development	Total
Medical Research Service	$ 172.9	$ 81.8	$ -	$ 254.7
Rehabilitative Research and Development	3.5	27.9	17.0	48.4
Health Services Research and Development	-	61.8	-	61.8
Cooperative Studies Research Service	-	27.7	-	27.7
Medical Research Support	-	452.0	-	452.0
Prosthetic Research Support	-	4.8	-	4.8
Total Program Expenses	$ 176.4	$ 656.0	$ 17.0	$ 849.4

In addition, VHA researchers received grants from the National Institutes of Health in the amount of $545 million and $274 million in other grants during FY 2005. These grants went directly to researchers and are not considered part of the VA entity. They are being disclosed here but are not accounted for in the financial statements.

Program Outputs/Outcomes

For FY 2005, VA's R&D general goal related to stewardship was to ensure that VA medical research programs met the needs of the veteran population and contributed to the Nation's knowledge about disease and disability. Target levels were established for the (1) percent of funded research projects relevant to VA's health-care mission in designated research areas, and (2) number of research and development projects. Strategies were developed in order to ensure that performance targets would be achieved.

Research and Development Measures-Actual Year ended September 30,	**2005**	**2004**
Percent of Funded Research Projects Relevant to VA's Health-Care Mission	94.3%	97.1%
Number of Research and Development Projects	2,107	2,165

VA's Medical Research Program goal is to be the premier research organization, leading our Nation's efforts to discover knowledge and create innovations that promote and advance the health and care of veterans and the Nation. To achieve this goal, VA targets research projects that address special needs of veteran patients and balance research resources among basic and applied research to ensure a complementary role between the discovery of new knowledge and the application of these discoveries to medical practice.

Required Supplementary Information (Unaudited)

1. Deferred Maintenance

Deferred maintenance is classified as not performed when it should have been or as scheduled but delayed to a future period. It is VA policy to ensure that medical equipment and critical facility equipment systems are maintained and managed in a safe and effective manner; therefore, deferred maintenance is not applicable to them.

VA facilities reported their cost estimates for deferred maintenance by utilizing either the Condition Assessment Survey or the Total Life-Cycle Cost Method.

Deferred Maintenance as of September 30,	**2005**	**2004**
General PP&E	$ 1,976	$ 1,649
Heritage Assets	42	34
Total Deferred Maintenance	$ 2,018	$ 1,683

2. Balances with Other Federal Entities

Intragovernmental Assets as of September 30, 2005

Trading Partners	Fund Balance with Treasury	Investments	Accounts Receivable	Other Assets
Treasury	$ 17,087	$ 13,286	$ -	$ 4
DoD - Defense Agencies	-	-	49	-
All Other	-	-	23	36
Total Intragovernmental Assets	$ 17,087	$ 13,286	$ 72	$ 40

Intragovernmental Liabilities as of September 30, 2005

Trading Partners	Accounts Payable	Debt	Other
Treasury	$ 19	$ 2,193	$ 1,942
Other	47	-	677
Total Intragovernmental Liabilities	$ 66	$ 2,193	$ 2,619

Intragovernmental Earned Revenue and Related Cost (trade activity)
Year Ended September 30, 2005

Trading Partner	Earned Revenue
DoD - Defense Agencies	$ 1,064
Health & Human Services	510
Justice	46
All Other	89
Total Earned Revenue	$ 1,709
Related Cost	$ 1,658

Intragovernmental Non-Exchange Revenue
Year Ended September 30, 2005

Trading Partner	Transfers-Out
Treasury	$ 1,507

3. Schedule of Budgetary Activity

Schedule of Budgetary Activity
Year Ended September 30, 2005

	Total Budgetary Resources	Obligations Incurred	Spending Authority from Offsetting Collections and Adjustments	Obligated Balance net, Oct. 1	Obligated Balance net, Sept. 30	Total Outlays
VHA						
0152 Medical Admin	4,518	4,400	45	656	840	4,171
0160 Medical Care	24,111	23,081	168	2,401	2,711	22,603
0161 Medical & Prosthetic Research	525	467	60	123	140	390
0162 Medical Facilities	3,414	3,303	25	658	921	3,015
All Other	2,568	1,142	248	737	1,133	498
Total	35,136	32,393	546	4,575	5,745	30,677
VBA						
0102 Compensation, Pension, & Burial Benefits	33,422	32,340	-	2,441	87	34,694
0137 Readjustment Benefits	3,334	3,176	285	82	37	2,936
4025 Housing Credit Liquidating	57	25	102	2	2	(77)
4127 Direct Loan Financing	1,923	649	2,147	71	69	(1,496)
4129 Guaranteed Loan Financing	6,228	2,059	2,034	22	12	35
8132 National Service Life Insurance Fund	10,651	1,518	307	1,467	1,472	1,206
All Other	5,511	3,138	1,226	419	433	1,898
Total	61,126	42,905	6,101	4,504	2,112	39,196
NCA						
0129 National Cemetery Adm.	152	145	-	33	29	149
All Other	36	36	-	31	46	21
Total	188	181	-	64	75	170
ADM						
0151 General Operating Expenses	2,068	1,951	542	308	432	1,285
All Other	2,922	2,168	2,495	676	(57)	406
Total	4,990	4,119	3,037	984	375	1,691
Total of all Business Lines	101,440	79,598	9,684	10,127	8,307	71,734

4. Segment Information

Segment Information

Condensed Balance Sheet as of September 30	Supply Fund 2005	Supply Fund 2004	Franchise Fund 2005	Franchise Fund 2004
Assets				
Fund Balance with Treasury	$ 564	$ 921	$ 111	$ 96
Accounts Receivable, Net	93	133	55	28
General Property, Plant and Equipment	7	4	21	22
Other Assets Including Inventory	28	27	7	6
Total Assets	$ 692	$ 1,085	$ 194	$ 152
Liabilities and Net Position				
Accounts Payable	$ 55	$ 67	$ 3	$ 4
Deferred Revenues	146	338	-	-
Other Liabilities	337	524	92	57
Total Liabilities	538	929	95	61
Cumulative Results of Operations	154	156	99	91
Total Liabilities and Net Position	$ 692	$ 1,085	$ 194	$ 152
Condensed Net Cost Information				
Total Program Costs	$ 1,898	$ 1,829	$ 247	$ 230
Earned Revenues				
Intra-Departmental	(610)	(573)	(157)	(143)
Other Federal Entities	(1,249)	(1,225)	(94)	(66)
Non-Federal	(34)	(27)	-	-
Total Earned Revenues	$ (1,893)	$ (1,825)	$ (251)	$ (209)
Net Program Costs (Revenue)	$ 5	$ 4	$ (4)	$ 21

5. Franchise Fund Services

Created by Congress in 1996, as one of six Franchise Fund pilots operating within the Executive Branch of Government, the Department of Veterans Affairs' (VA) Franchise Fund supports VA's mission by supplying common administrative services at competitive prices. By law, the business lines within the Fund can only sell to federal entities. This organization accounted for its funds in six activity centers (VA Enterprise Centers) and in one administrative organization: Austin Automation Center, Debt Management Center, Financial Services Center, Law Enforcement Training Center, Security and Investigations Center, VA Records Center and Vault, and the Enterprise Fund Office.

For more information, visit http://www.va.gov/fund/reports.

6. Supply Fund Services

Supply Fund functions include contracting for medical supplies, equipment, and services; stocking, repairing, and distributing supplies, medical equipment, and devices; providing forms, publications, and a full range of printing and reproduction services; training VA medical acquisition, supply, processing, and distribution personnel; and increasing small and disadvantaged business participation in VA contracts. The two largest customers for the Supply Fund are VA and DoD, but the Fund also has significant sales to other federal agencies including the Department of Health and Human Services.

Improper Payments Information Act of 2002 (IPIA)

Narrative Summary of Implementation Efforts for FY 2005/ Agency Plans for FY 2006 – 2008

Detail I

Describe your agency's risk assessment(s), performed subsequent to compiling your full program inventory. List the risk-susceptible programs (i.e., programs that have a significant risk of improper payments based on OMB guidance thresholds) identified through your risk assessments. Be sure to include the programs previously identified in the former Section 57 of OMB Circular A-11.

VA reviewed the requirements of the Improper Payment Information Act of 2002 to identify those programs which are susceptible to significant erroneous payments. After completing the review, VA performed risk assessments for all 19 programs. Thirteen of the programs had estimated improper payments of less than $10 million. Dependency and Indemnity Compensation (DIC) is one of the programs previously identified in the former Section 57 of OMB Circular A-11 but is reported here as part of Compensation & Pension. Five programs either had estimated improper payments exceeding $10 million and/or were programs previously identified in the former Section 57 of OMB Circular A-11.

In FY 2005, statistical samplings were performed on all required programs to estimate improper payments. (FY 2004 data were used to ensure that an accurate representation of a full fiscal year's results was obtained.) These programs include Compensation & Pension, Education, Insurance, the Loan Guaranty (LGY), and Vocational Rehabilitation & Employment programs. The benefit programs are managed by the Veterans Benefits Administration (VBA). VBA recognizes the inherent risk associated with administering benefits programs to veterans and beneficiaries. The criteria used to determine entitlement, the scope of administering through 57 regional offices, the legislative changes, reporting requirements, time constraints, and the responsibility of ensuring appropriate use of resources all contribute to VBA's emphasis on identifying and minimizing vulnerabilities that lead to improper payments.

1. Compensation (including Dependency & Indemnity Compensation) and Pension

Erroneous payments are defined 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, delays in claims processing due to requirements to provide due process, late reporting, misreporting, or fraud on the part of employees, beneficiaries, or claimants.

Over and underpayments are based on the results of the national Systematic Technical Accuracy Review (STAR) program. The STAR process involves a comprehensive technical accuracy review of a statistically valid random sample of completed cases. The annual STAR review sample totaled 11,261 currently processed cases.

The STAR process identifies erroneous payments for the following categories: Improper Grant/Denial, Improper

Percentage Evaluation Assigned, Improper Effective Dates Affecting Payment, and Improper Payment Rates, Improper Income Calculations, Improper Dependency Payment, Improper Payment of Burial Benefits, and Improper Waivers. The results of this review sample are extrapolated to the universe of completed claims to calculate estimated annual overpayments and underpayments. Separate annual amounts are calculated for the compensation program and pension program. (Please refer to Detail II for a full discussion regarding the statistical sampling process.) Our methodology for determining overpayments and underpayments also assesses the causes of the erroneous payments. Overpayments created not due to error on the part of VA are included in our overpayment figures.

Compensation and Pension is composed of several programs as discussed below.

a. **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.

b. **Dependency and Indemnity Compensation** is provided for surviving spouses, dependent children, and dependent parents of veterans who died while on active duty on or after January 1, 1957, or whose post-service death was caused by or contributed to by their service-incurred disabilities, or to survivors who die of nonservice-connected conditions but who were continuously rated totally disabled due to service-connected condition(s) for a number of years immediately preceding death as specified in law of service-connected causes. Prior to January 1, 1957, death compensation was the benefit payable to survivors.

c. **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.

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

2. Education

The Education program assists eligible veterans, servicemembers, reservists, survivors, and dependents in achieving their educational or vocational goals.

Education Service conducts Quality Assurance (QA) Reviews of a random sample of completed Education benefit claims, to identify the Payment Accuracy Rate. This is the percentage of claims in which no erroneous payments (under or over) are authorized. It is therefore the inverse of a payment error rate. QA reviewers use a checklist with eight questions, one of which is used in determining the Payment Accuracy Rate: "Were the payment determinations correct?" The checklist also requires additional information about each case reviewed, including:

- Amount of payment authorized.
- Amount actually due.
- Amount of over or underpayment, if any, erroneously authorized.

The payment information currently collected through the QA review process can be compared with the total benefit dollars paid in a given fiscal year in order to produce an estimate of both the percentage and amount of erroneous payments in the Education program. The data as collected do not cover claims processed in the fiscal year; rather it covers claims processed from the 4th quarter of the previous fiscal year through the 3rd quarter of the current fiscal year. However, for a preliminary assessment, the QA erroneous payment percentage was compared to total benefits paid for the corresponding fiscal year. From FY 2000 through FY 2003, the percentage of erroneous payments exceeded 2.5 percent in two of the 4 years, while the total amount of erroneous payments exceeded $10 million in all 4 years. Since data for all quarters of a given fiscal year are available through this system, mispayment data from the four quarterly reviews for FY 2004 were aggregated to provide the actual baseline measurement data.

3. Vocational Rehabilitation & Employment

Vocational Rehabilitation and Employment Service (VR&E) handles applications for benefits and processes payments from the Benefits Delivery Network (BDN) from its 57

regional offices nationwide. FY 2004 outlays totaled over $550 million and are expected to rise to over $603 million and $632 million in fiscal years 2005 and 2006, respectively. The VR&E program offers a wide range of services tailored to the specific needs of veterans and their dependents. These services require extensive assessments and evaluations to validate entitlement and payments. VBA recognizes the inherent risk associated with administering a sizable and diverse national program.

VA's VR&E Service implemented the Quality Assurance Program, which was created under the provision of Public Law 106-117, The Veterans Millennium Health Care and Benefits Act, which states that VBA must establish and execute a Quality Assurance Program. It is a procedure designed to assess the quality of services provided to veterans and a case manager's work in terms of quality and accuracy of entitlement determination, rehabilitation services, fiscal activities, and rehabilitation outcomes.

Internal controls including the Systematic Analyses of Operations (SAO) for Debt Avoidance and Fiscal Control, and the reestablishment of VR&E Field Surveys are used to minimize the occurrence of improper payments. These controls help ensure the accuracy of the following:

- Entitlement Determination – accuracy of decision for entitlement of a veteran to receive Chapter 31 benefits/ services.
- Outcome Determination – accuracy of decision for closing a veteran's case when a veteran has achieved his or her rehabilitation goal or when a veteran is no longer able to participate in the Chapter 31 program.
- Rehabilitation Services – accuracy and quality of services provided to the Chapter 31 program participants, which includes fiscal activities.

4. Loan Guaranty

The purpose of the VA LGY program is to encourage and facilitate the extension of favorable credit terms by private lenders to eligible veterans, active duty personnel, surviving spouses, and selected reservists for the purpose of purchasing a home. The LGY program has an additional purpose of assisting veterans retain their homes in times of financial hardship and distress. The program operates in nine Regional Loan Centers (RLC), two regional offices, and two Eligibility Centers. Additionally, several important program functions are contracted out, and LGY Service maintains Monitoring Units to oversee those operations. In FY 2004, the program guaranteed over 335,000 loans for a dollar value in excess of $44 billion. LGY Service was ultimately responsible for the processing of over $1.2 billion in payments during that same fiscal year. With this level of inherent risk involved, LGY Service has instituted a number of internal controls to ensure that this risk is mitigated, and that payments made are accurate and justifiable.

The LGY program's internal control procedures significantly reduce the risk of improper payments. Only limited amounts of improper payments have been discovered during the annual financial statement audit that includes auditing payments for many of the processes identified in Detail II. About 75 percent of LGY's payments are intra-governmental that are processed electronically from one LGY account to another or to Treasury. For those payments made externally, LGY has a number of procedures in place to mitigate the risk of improper payments. LGY conducts random sample post-audit reviews of payments made under the Property Management contract, and in Claims & Acquisitions. LGY also conducts 100 percent Final Accounting Reviews of all Specially Adapted Housing grant payments and 100 percent reviews of all vouchers submitted by the Portfolio Loan Servicer.

5. Insurance

The 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.

Based on our ongoing evaluation of methods and procedures of the Insurance program's internal controls and the percentage of improper payments in prior years, we consider the risk assessment of improper payments to be low. However, this program was previously required under section 57 of OMB Circular A-11 and must be reported.

Detail II

Describe the statistical sampling process conducted to estimate the improper payment rate for each program identified.

1. Compensation (including Dependency & Indemnity Compensation) and Pension

VBA's calculation of the estimate of the improper payment rate for both the Compensation (including Dependency & Indemnity Compensation) and Pension programs is based upon actual dollar amounts of debt referred to the VA Debt Management Center (DMC) and erroneous payments identified in VA's quality assurance program know as STAR. Half of the estimated debt identified by STAR is included in the calculation of erroneous payments. That half is the amount which is written off as an administrative error. The other half of the STAR identified erroneous payment results in award action to create debts which are reflected in the DMC data. Debts referred to the DMC can reflect erroneous payments spanning multiple years as in overpayments associated with VA's Income Verification Match (IVM) and fugitive felon match. In FY 2004, the DMC received $131.3 in compensation debt and $255 in pension debt.

The STAR process captures over and underpayment errors found during the claims processing review and calculates the dollar amounts associated with those payment errors. Since the review is based on a random sample of cases, the results are applied to the universe of claims processed and a weighting factor is applied to each regional office's workload share to generate overall estimated improper payments.

In FY 2004, the STAR process included 11,261 cases -- 9,423 compensation cases and 1,838 pension cases. A total of 361 payment errors were documented for compensation cases (3.8 percent error rate), including 226 underpayments totaling $1,124,703 and 135 overpayments totaling $616,158. A total of 91 payment errors were documented for pension cases (4.95 percent error rate), including 46 underpayments totaling $64,441 and 45 overpayments totaling $85,671.

The number of cases reviewed for compensation and pension represents 0.73 percent of the 1,547,186 cases subject for review. While the errors were clearly identified as either compensation or pension, the overall review sample contained some cases with both compensation and pension elements. Accordingly, the sample size for the compensation program was 0.84 and 0.42 percent for the pension program.

When extrapolated to the completed compensation claims for FY 2004, including a weighting factor for each regional office's share of national workload, total estimated Compensation program underpayments were $133.9 million and overpayments were $74.4 million.

When extrapolated to the completed pension claims for FY 2004, including a weighting factor for each regional office and pension maintenance center's share of national workload, total Pension program estimated underpayments were $15.3 million and estimated overpayments were $20.4 million.

2. Education

QA Reviews were designed to provide statistically valid results at the 95 percent confidence level and 5 percent precision (also expressed as a margin of error of plus or minus 2.5 percent), for an estimated Payment Accuracy Rate of 94 percent (equivalent to an error rate of 6 percent). The annual nationwide random sample of 1,600 cases is selected from the database of completed end products in quarterly increments. Reviews are also conducted and reports issued quarterly. Provided that the estimated erroneous payment rate is similar to the estimated error rate used in constructing the QA sample, that is, 6 percent or less, the data may be considered statistically valid. Data on percentage and amount of erroneous payments from quarterly QA Reviews for awards authorized in FY 2004 were compared to total benefits paid for that fiscal year.

3. Vocational Rehabilitation & Employment

Data for the improper payment rate are gathered through the Quality Assurance review. In 2002 Booz-Allen-Hamilton conducted a study on the VR&E Quality Assurance Program. Starting in FY 2003 the total number of cases to be reviewed annually was increased from 2,850 to a minimum of 3,648 cases, or 64 cases per regional office, as a result of the study recommendations. The increase allowed for a valid random sampling size for each regional office review of cases based on a confidence level on a 5 percent margin of error. The National QA Review is divided into two review sessions with 32 cases per regional office per session. In FY 2004, there were 3,973 cases reviewed. The review sample results are applied to the national total workload to generate VR&E's estimated overall improper payments by using weighting factors based on the regional offices' caseload size.

4. Loan Guaranty

The LGY program helps veterans and active duty personnel purchase and retain homes in recognition of service to the nation. The program enables eligible veterans to obtain financing for the purchase, construction, or improvement of a home by insuring a percentage of the loan. This mandatory program encourages the lender to extend favorable loan terms and competitive interest rates to veterans who might otherwise prove ineligible. The LGY program disburses payments for:

- Specially Adapted Housing (SAH) Grants.
- Claim and Acquisition Payments.
- Portfolio Servicing of Direct Loans.
- Property Management.

a. Specially Adapted Housing Grants (SAH) – SAH staff at the regional loan centers (RLCs) certify that all grant requirements have been met prior to authorizing the dispersal of grant funds to the veteran's escrow account for payment of authorized expenses incurred for construction or modification of the veteran's home. The RLC staff then conducts a 100 percent Final Accounting Review for all cases. The cases are then sent to LGY Service Central Office (CO) for a second-level review. LGY CO reviews 100 percent of these files. For FY 2004 and FY 2005, no errors have been found in any part of the SAH grant payment process.

b. Claims & Acquisition Payments – LGY conducts a stringent first-level review of all claim payments. A 100 percent manual review is conducted on all claims received. The Loan Service and Claims (LS&C) system requires that at least two different LGY staff members review and certify the claim in the system before it will release it for payment. LGY also conducts statistically valid post-audit reviews of Claims & Acquisition payments. LGY reviews a random sampling of Claims & Acquisition payments during Quality Control visits to each of the 9 RLCs and the San Juan and Honolulu Regional Offices. LGY also includes a post-audit review of claims paid as part of the Statistical Quality Control Review 321. A first-level review of cases is done at the RLC, and a second-level validation is conducted by LGY CO. Between the Quality Control site visits and SQC reviews, the total claim payments which are being post-audited are significant at the 90 percent confidence level with +/- 2.5 percent margin of error. For FY 2004 and FY 2005, the error rate is less than 1 percent. These errors were minor in nature (under $20 each).

c. Portfolio Loan Voucher Payments – Countrywide Home Loans (CHL) is LGY's contracted portfolio loan servicer. The Portfolio Loan Oversight Unit (PLOU) classifies CHL vouchers into seven types, based on nature of the service provided or the type of items included within. For example, the 003-Type contains reimbursable fees such as property preservation costs, foreclosure/bankruptcy costs, and recording fees; the 002-Type consists of property tax payments. As per the requirements of the Prompt Payment Act, VA pays each invoice as it is received. The PLOU staff then conducts a 100 percent post-audit of each voucher payment to ensure correctness and accuracy of payments. Error rates were extrapolated across the entire amount of voucher payments to arrive at the total amount of improper payments.

d. Property Management Voucher Payments – Ocwen is LGY's property management contractor. VA's Property Management Oversight Unit (PMOU) receives two types of vouchers (After Sale and Supplemental) from Ocwen. Both are handled in the same manner. Invoices are reviewed upon receipt by a Realty Specialist for compliance with the contract requirements and to assure that proper supporting documentation is included; then the invoice is approved by the Realty Specialist and submitted to a supervisor to certify it for payment per the

requirements of the Prompt Payment Act. The Centralized Property Tracking System (CPTS) pulls a 10 percent random sample of vouchers for post-audit review. The 10 percent sample requirement is statistically significant at the 95 percent confidence level with approximately +/-4 percent margin of error. [A 10 percent sample of a total of 6,229 invoices yields 623 cases for review valid at the 95 percent confidence level with +/-3.8 percent margin of error]. Please note that as a result of the second-level review performed on these payments, to date VA has found no payment errors.

5. Insurance

The steps to determining the actual rate of improper payments are:

- Determine the number of accounts receivable established in the prior fiscal year by the Finance section through a report created by the Accounts Receivable database manager.
- Determine which accounts receivables were created because of an improper payment, using the reason codes listed in the report.
- Determine the dollar amount of all the receivables determined to be improper payments.
- Determine the dollar amount of all disbursements made for the same fiscal year from the Finance section.
- Divide the dollar amount of all improper payments by the dollar amount of all disbursements to determine the improper payment rate for the fiscal year.

The Insurance program uses its Statistical Quality Control (SQC) program to help validate the improper payment rate. The Insurance SQC program is our method for assessing the ongoing quality and timeliness of our work products. A random sample of completed or pending work products are reviewed each month to ensure that the service provided to the veteran or the veteran's representative was accurate, appropriate, and complete, according to established guidelines. Each month a computer-generated program randomly selects 100 cash disbursements created by a policy loan or a cash surrender and 100 samples relating to the processing and payment of a death claim. Each case is reviewed for accuracy and timeliness. Our accuracy rate for cash disbursements for the past 12 months was over 99 percent.

Detail III

Describe the Corrective Action Plans for:

A. Reducing the estimated rate of improper payments. Include in this discussion what is seen as the cause(s) of errors and the corresponding steps necessary to prevent future occurrences. If efforts are underway, and/or have been ongoing for some length of time, it is appropriate to include information in this section.

B. Grant-making agencies with risk susceptible grant programs, discuss what your agency has accomplished in the area of funds stewardship past the primary recipient. Include the status on projects and results of any reviews.

1. Compensation (including Dependency & Indemnity Compensation) and Pension

A higher ratio of compensation underpayments compared to overpayments was anticipated based on last year's statistical sampling results. The primary reason is the different standard applicable to a finding of underpayment and a finding of overpayment. For underpayment based on denial of service-connection or under-evaluation, the evidence does not have to show conclusively that all listed entitlement criteria are met. If the evidence is in equipoise, VA is required to resolve the claim in the claimant's favor (38 CFR 3.102). For overpayments the standard is clear and unmistakable error, that is, there is no basis in any reasonable judgment that the benefit granted could be sustained (38 CFR 3.105 (a) & (d)). Part of the identified underpayments in both compensation and pension may subsequently be corrected through the appeals process. For the Pension program, less judgment is involved in determining entitlement, with the primary evaluation factor based upon compliance with a very detailed set of rules for establishing dependency and complex detailed rules for developing and considering income to determine entitlement and payment rates. This is the primary reason for the higher ratio of overpayments to underpayments.

2. Compensation

Based on STAR data, the three most common causes for erroneous compensation overpayments are improper effective dates (35 percent of errors), the assignment of improper evaluations (22 percent of errors), and the improper grant of service connection (14 percent of errors). These reasons are the same reasons for erroneous underpayments. VBA continues to be engaged in initiatives that address these errors.

The first of these initiatives is the Regulation Rewrite project charged with redrafting VA's regulations into clear and understandable language. The project to rewrite the regulations is a result of a recommendation outlined in the October 2001 VA Claims Processing Task Force: Report to the Secretary of Veterans Affairs aimed at improving VA's claims adjudication process.

One of the most complex regulations in VA's inventory deals with effective dates. Clarifying the regulation regarding effective dates is a primary focus of the Regulation Rewrite Staff. Publication of the final regulation dealing with effective dates is anticipated in calendar year 2007. VBA anticipates the rewritten regulation will help reduce common errors identified above that result in overpayments.

VA continues its efforts to expand its rating capacity. Since the number of inexperienced rating specialists is significant, this means that the potential for errors in evaluation and granting or denying of benefits is greater. We believe that our training programs, the increasing experience of disability decision makers, and publication of the STAR Reporter (which advises the field of error trends), will significantly improve these areas.

Other reasons for overpayments include:

- Non-entitlement for the month of death.
- Reductions/terminations due to incarceration or fugitive felon status.
- Remarriage of surviving spouse.

The month of death overpayment occurs when the veteran dies late in the month, too late to stop the release of the check for the month of death, a benefit to which he/she is not entitled. Approximately 79,000 veterans were removed from the compensation rolls in FY 2004, virtually all due to death. This resulted in approximately $25.3 million in overpayments because death occurred in the last 10 days of the month. The average compensation payment in FY 2004 was $943 monthly. Although the overpayment is created, the majority of these payments are recouped.

Overpayments also are created as a result of notification of incarceration or fugitive felon status. According to current statute these cases are given due process and then adjusted. Notification of either status is a function of agreements made with states, the Bureau of Prisons, and law enforcement agencies. As previously indicated, these overpayments typically span multiple years as the IG's negotiation of agreements with various jurisdictions expands.

3. Pension

The Pension program administered by VA is a highly complex program that is intended to provide the financial resources needed by beneficiaries based upon anticipated income. It then requires adjustment based upon actual income. Consequently, like similar programs such as Supplemental Security Income, it is prone to overpayments due to late or misreporting of income changes or failure to report such changes by claimants. For this reason, VA consolidated the processing of all pension maintenance workload in order to improve the quality and timeliness of the pension processing, as well as to focus training in this area. Another goal of consolidation is to reduce the size of erroneous payments through greater claims processing efficiencies and reduced cycle time. We believe that an improved quality of pension processing and focused training should reduce the average size of overpayments but not substantially the number of erroneous payments. Pension processing quality has increased dramatically through the consolidation and specialization, and we expect it to continue. Consolidation of initial claims processing to the pension centers is anticipated in calendar year 2007.

The most common causes for erroneous pension overpayments and underpayments are improper effective dates and improper calculation of family income. The size of overpayments in the pension program is aggravated by the effective date rules that govern the adjustment of accounts and the need to provide due process. Since the fact of entitlement or the rate of entitlement is affected by income, and changes in status and rate of payment are effective the first of the month following changed income, the claimant and VA are in an overpayment situation in virtually every income adjustment based on new or increased income.

Other causes for overpayments are:

- Non-entitlement for the month of death.
- Reductions or terminations due to claimant reports on Eligibility Verification Reports (EVR).
- Reductions or terminations based upon matching programs.
- Inaccurate reporting of monthly social security benefits.

Approximately 80,000 pension records were terminated in FY 2004. The estimated annual overpayment for the month of death (considering deaths that occur in the last 10 days of the month), with an average monthly payment of $521 when veterans and survivors are combined, is $13 million.

Due to the particular nature of the pension program, a significant number of overpayments will be created due to reporting failures by beneficiaries. The following list of audits and investigations is designed to detect misreporting.

- Death Match Project: The Office of Inspector General (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.

- Fugitive Felon Program: On December 27, 2001, Public Law 107-103 was enacted. The law prohibits veterans who are fugitive felons, or their dependents, from receiving specified veterans benefits. 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. This program, as it is rolled out with other police jurisdictions, is an example of how overpayments will be identified in later years based upon newly acquired information.

- Payments to Incarcerated Veterans: An agreement was reached with the Social Security Administration (SSA) that allowed VA to use the State Verification and Exchange System (SVES) to identify claimants incarcerated in state and local facilities. We are processing both Bureau of Prisons Match and SSA Prison Match cases on a monthly basis.

- Railroad Retirement and OPM Matches: These matches report income from these sources compared to what pension beneficiaries report.

- EVR: This is an annual report required of most pension recipients in which they are required to report their actual previous year and anticipated current year income. This program results in overpayments due to a late reporting of income changes that result in larger overpayments due to two statutory provisions:

  a. Reductions are effective first of the month following receipt of the changed income. Because VA normally is required to provide due process of 60 days in such cases, an overpayment is created for not only the historical period back to the receipt of the income but for a minimum of two months into the future.

b. Failure to return an EVR results in termination of the award and resulting overpayment from the beginning of the calendar year.

- Monthly Benefit Rate Match: This is a match with SSA in which the amount of monthly social security reported by the claimant is compared to SSA records.

- Unmatched records with SSA: C&P Service analyzes an extract of hits from data runs in order to obtain the Unverified Social Security Numbers listing.

4. Education

Education Service has used the Quality Assurance Review program to assess payment errors since FY 1992. Quarterly Education Service quality review reports are used to identify error trends and causes; the results then become topics for discussion at refresher training. Required training based on quarterly quality reviews was conducted in FY 2004. However, compared to the previous fiscal year, estimated erroneous payments rose from 2.4 percent to 3.0 percent. The principal factor inhibiting improvement was an increase in workload, which led to errors as personnel attempted to increase the speed of processing. In FY 2004, as in the previous fiscal year, the majority of erroneous payments were due to:

- Incorrectly determining the student's rate of training (full-time rate or part-time).
- Incorrectly awarding benefits for intervals between terms.
- Incorrectly determining the date on which to reduce or terminate benefits.
- Incorrectly processing monthly verification of enrollment data concurrent with award action.

Education Service is developing a rules-based automated claims processing system, which will help reduce payment errors. A prototype system is in place, and the full system is expected to improve performance when fully implemented. In addition, Education Service has developed standardized training materials for use by field stations. Use of these materials began in FY 2004, and is expected to help improve performance in the future.

5. Vocational Rehabilitation & Employment

The National Quality Assurance Team monitors the errors annotated in the Quality Assurance reviews and tracks the corrective actions taken on identified errors. Also, as the team monitors the results of the reviews, any frequently identified error or best practice is brought to the attention of management. Any further action (i.e., national training or publication of best standards of practice) to address the area(s) identified is discussed and implemented.

After each review, an outbriefing letter containing the results of the National QA Review is provided to each regional office. The letter outlines the errors found during the review and indicates the required corrective actions. Each regional office is required to submit certification of compliance to the corrective actions to the VR&E Service through the Director's Office at each regional office within 90 days of receipt of the letter. VR&E Service also revised the manual chapter on Systematic Analysis of Operations in December 2003 and strengthened the fiscal accuracy and review section.

In January 2004, VR&E Service required that all compliance reports for corrective actions on errors found on fiscal activities must also include the amount of over or underpayment for Chapter 31 benefits. The types of errors that were noted varied but included such items as:

- Entry of incorrect end date identifying timeframe for completion of training session and, therefore, veteran was either paid at an incorrect rate or no payment was issued and veteran should have received the subsistence allowance.
- Incorrect subsistence allowance rate entered and veteran was compensated at the wrong rate.
- Award did not reflect dependent child attending school and an amendment was required to reflect this change.

As VR&E Service continues to move forward in developing and implementing plans to reduce the estimated rate of improper payments, two major actions improved the data collection and dissemination process:

- First, the QA Web site, which maintains the data for the improper payment statistics, became available in December 2003.

- Second, a decision was made to centralize the QA Review site to Nashville to ensure consistency in the review process. All new QA Reviewers are now assigned in one location as opposed to the reviewers previously assigned in outbased locations.

6. Loan Guaranty

SAH grant payments have been found to be error-free. LGY will continue to conduct the 100 percent Final Accounting review and second-level Central Office reviews of the SAH grant process. Additionally, LGY has developed a Statistical Quality Control (SQC) Schedule for the SAH program, which will provide additional opportunity for review of the grant process, including grant payments.

Claims & Acquisitions payments have been found to have very few errors (.249 percent error rate in FY 2005). Since the error rate is so low, and the instances of error so minor in value, LGY will continue its procedures for first and second-level reviews prior to payment and will continue to perform all post-audit review of cases as per existing Site Visit and SQC schedules.

Portfolio loan servicing payments are processed for payment by the Portfolio Loan Oversight Unit (PLOU) within the timeframe sanctioned by the Prompt Payment Act. Payments are then post-audited by the PLOU staff for accuracy and correctness. For FY 2004 and FYTD 2005, errors were found only in the 002 and 003-series of vouchers, with the bulk of mistakes being located in the 002 vouchers. This means that errors were only found on vouchers related to tax payments and calculations (002) and on invoices consisting of reimbursable fees (foreclosure costs, property preservation fees, etc.). LGY monitors 002-series vouchers and maintains information on overcharges/unallowable charges submitted by holders. LGY offsets claims submitted by holders for any overcharges/unallowable charges contained therein. If the claim for the specific account has already been processed, then LGY makes adjustments on future claims submitted by the holder. While most errors on the 003-series vouchers for FY 2004 and FY 2005 were procedural in nature, and did not involve a dollar value, LGY also monitors this series of vouchers for unallowable charges/overcharges and pursues collection/reimbursement of any items VA has paid in error. The 003a-series vouchers are payments recovered vis a vis this procedure.

7. Insurance

The majority of our improper payments are usually the result of human error which is directly related to the speed of service we endeavor to provide, as well as the large volume of transactions we process. In the overall universe of transactions processed, improper payments are relatively insignificant, constituting well less than one percent of all transactions processed. This low figure is primarily due to the reviews conducted by the Insurance Internal Control Staff (ICS).

Established in 1992, the ICS monitors, reviews, and approves all employee-generated insurance disbursements and certain other controlled transactions. It is the duty of these reviewers to perform accurate reviews to verify the correctness and propriety of all critical insurance actions. In short, this staff is the primary control point for all of our processes involving employee-generated disbursement actions. This staff also has the responsibility of ensuring the propriety of our system-generated disbursements. They exist to augment our traditional management controls (internal system edits, supervision, performance reviews, and quality control reviews, etc.).

In addition to the above, the ICS conducts a variety of post-audit reviews using, among other things, matching reports to help us 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 that assist in identifying patterns that may indicate abuse. Internal Control managers also regularly attend classes in statistical sampling and in the prevention and detection of fraud, waste, and abuse, and have received formal training in management and accountability. They have shared their expertise with other elements of VBA, and the OIG has referred to their operation as a "best practice."

Details IV

The table on the next page is required for each reporting agency. Please note that with this fiscal year, we require actual Outlay Dollars, Improper Payment percent, and Improper Payment Dollars for FY 2004 and 2005, and estimate Outlay Dollars, Improper Payment percent, and Improper Payment Dollars for FY 2006 – FY 2008. We highlight the following for clarification: (1) all risk susceptible programs must be listed in this chart whether or not an error measurement is being reported; (2) where no measurement is provided, agency should indicate the date by which a measurement is expected; (3) if FY 2005 is the baseline measurement, indicate by either footnote or by "n/a" in the "FY 04 percent" column; (4) if any of the dollar amount(s) included in the estimate correspond to newly established measurement components in addition to previously established measurement components, separate the two amounts to the extent possible; (5) include outlay estimates for FY 2006-2008; and (6) agencies are expected to report on FY 05 activity, and if not feasible, then FY 04 activity is acceptable.

During the third quarter of FY 2005, VA revised the improper payment reduction targets for FY 2004 through FY 2008. The revised reduction targets present a more realistic estimate of VA's improper payments compared to our initial estimates provided in the FY 2004 PAR. VA has met the revised improper payment reductions for FY 2004.

Improper Payment Reduction Outlook FY 2004 – FY 2008
($ in millions)

Program	FY 04 Outlays $ (1)	FY 04 IP %	FY 04 IP $	FY 05 Outlays $ (1)	FY 05 IP %	FY 05 IP $	FY 06 Outlays $ (1)	FY 06 IP %	FY 06 IP $	FY 07 Outlays $ (1)	FY 07 IP %	FY 07 IP $	FY 08 Outlays $ (1)	FY 08 IP %	FY 08 IP $
Compensation (2)	26,298	0.64%	168.5	28,960	0.63%	181.0	29,772	0.61%	181.6	30,000	0.59%	177.0	34,697	0.57%	197.8
		0.51%	133.9		0.49%	141.9		0.47%	139.9		0.45%	135.0		0.43%	149.2
Pensions	3,391	7.82%	265.4	3,293	7.50%	247.0	3,470	7.48%	259.6	3,223	7.46%	240.4	3,510	7.44%	261.1
		0.45%	15.3		0.43%	14.0		0.41%	14.2		0.39%	12.6		0.37%	13.0
Education	2,316	1.60%	37.0	2,661	1.30%	34.0	2,888	1.20%	35.0	2,973	1.20%	36.0	3,031	1.20%	36.0
		1.40%	33.0		1.10%	30.0		1.10%	31.0		1.10%	32.0		1.10%	33.3
Vocational Rehabilitation	551	0.49%	2.7	603	0.44%	2.7	632	0.39%	2.5	669	0.34%	2.3	723	0.29%	2.1
		1.23%	6.8		1.18%	7.1		1.13%	7.1		1.08%	7.2		1.03%	7.4
Loan Guaranty (3)	1,249	0.50%	6.3	1,219	0.35%	4.2	2,582	0.33%	8.5	2,591	0.30%	7.8	2,657	0.28%	7.4
Insurance	1,678	0.02%	0.312	1,664	0.02%	.333	1,679	0.02%	.336	1,683	0.02%	.337	1,684	0.02%	.337

Notes to Improper Payment Reduction Outlook Table:

[1] The outlays for 2004 are actuals. The outlays for FY 2005 through 2008 are estimates. Overpayments (shaded cells) and underpayments are identified for programs for which separate data are available.

[2] Dependency & Indemnity Compensation is included with Compensation.

[3] FY 2006 through 2008 outlay estimates for Loan Guaranty are based on obligations as shown in the FY 2006 President's Budget and will be revised with updated information.

VA Recovery Targets for all Susceptible Programs ($ in millions)

	Collections											
Program	FY 04 Estimated $	FY 04 Actual $	FY 04 Estimated %	FY 04 Actual %	FY 05 $	FY 05 %	FY 06 $	FY 06 %	FY 07 $	FY 07 %	FY 08 $	FY 08 %
Compensation & Pension (1)	250	281	25	28	250	25	240	26	230	27	220	28
Education & VR&E (2)	100	113	50	56	100	50	95	50	90	50	85	50
Loan Guaranty	1.5	1.9	60	69	1.5	60	1.4	65	1.3	65	1.2	65
Insurance	.700	.717	15	15	.700	15	.700	15	.680	15	.675	15

Notes to VA Recovery Targets for all Susceptible Programs Table:

1 Compensation and Pension collections are shown as one figure.

[2] Collections reported for Education are collections for both Education and Vocational Rehabilitation & Employment (VR&E).

Details V

Discuss your agency's recovery auditing effort, if applicable, including any contract types excluded from review and the justification for doing so; actions taken to recoup improper payments, and the business process changes and internal controls instituted and/or strengthened to prevent further occurrences. In addition, complete the table below.

1. Financial Services Center, Austin, TX

VA continued to enhance its vendor payment processes throughout FY 2005. The Department processed over 5.5 million Prompt Payment Act (PPA) eligible invoices worth over $8.7 billion, with over 99 percent paid on time. In FY 2005, interest payments VA-wide declined by $116,000 (from $862,000 to $746,000 - a 13.5 percent improvement over FY 2004 levels). At the same time, discounts earned surged by $3.4 million to $6.2 million, a 124 percent improvement over FY 2004 levels. VA's percentage of discounts earned also improved from 86.1 percent in FY 2004 to 91.1 percent in FY 2005. Combined, payment processing improvements saved VA $3.5 million in FY 2005 - savings the Department can use to improve veterans care.

VA also continued to gain efficiencies and better results through an initiative started in FY 2004 to centralize vendor payment activities at the FSC. By centralizing vendor payment activities, VA strengthened its focus on identifying and preventing vendor payment errors. The FSC also enhanced audit recovery efforts of improper/duplicate vendor payments. The FSC reviews VA vendor payments daily to systematically identify, prevent, and recover improper payments made to commercial vendors. Current payment files are matched to identify and, where possible, prevent duplicates prior to payment. Also, payments from prior fiscal years are matched to identify potential duplicate payments for further analysis, assessment, and, as appropriate, collection. The FSC also reviews vendor payments to identify and collect improper payments resulting from payment processing such as erroneous interest penalties, service charges, and sales taxes. This initiative, started in FY 2004, recovered over $124,000 in erroneous interest penalties, service charges, and sales taxes for reuse by VA entities during FY 2005. Overall, during FY 2005, collections of improper payments and the recovery of unapplied vendor statement credits totaled over $2.7 million. Improved payment oversight also enabled VA to identify and cancel nearly $3.5 million in potential improper payments prior to disbursement during FY 2005. Since the inception of the FSC's audit recovery effort in FY 2001, VA has recovered over $13.2 million in improper payments and prevented the improper payment of another $13.2 million.

2. Health Administration Center (HAC), Denver, CO

Public Law 106-74 mandated VA conduct, by contract, a recovery audit program of past payments for hospital care. In the associated conference report for Public Law 106-379, the primary intent of this program was further described as an interest to ensure that clinical diagnoses and treatments match the codes, which are submitted to VA for payment and, where an overpayment has been made, enable VA to recover the funds for medical care. VA awarded a recovery audit contract in December 2000. From December 2004 to July 2005, the contractor has identified 77,004 receivables totaling $56,060,631 of which VA has recovered $41,291,575.

Public Law 108-199 extended the mandate for VA to conduct, by contract, a recovery audit program of past payments for hospital care through FY 2006. VA awarded the new recovery audit contract in December 2004. The contract started on July 11, 2005, with requests sent to providers and VA Medical Centers for information.

3. Supply Fund

The Office of Acquisition and Materiel Management works with the Office of Inspector General (OIG) to recover funds owed VA due to (1) defective pricing - whether the prices for the items awarded were based on accurate, complete, and current disclosures by the offeror during contract

negotiations; and (2) price reduction violations - whether the contractor complied with the terms and conditions of the price reduction clause. As part of the OIG post-award contract reviews, staff also look for and collect overcharges that were the result of the contractor charging more than the contract price. In FY 2005, this audit recovery program recovered over $1.2 million.

Audit Recovery Table

Agency Component	Amount Subject to Review for FY 05 Reporting	Actual Amount Reviewed and Reported (X) $	Amounts Identified for Recovery (Y) $	Amounts Identified for Recovery/Actual Amount Reviewed and Reported (Y divided by X)	Actual Amounts Recovered $
FSC	N/A	5,189,735,613	4,223,107	0.081%	2,659,556
HAC	N/A	176,245,294	17,688,720	10%	9,051,547
Supply Fund	2,263,495	2,335,471	1,089,310	2.14%	1,246,161

Details VI

Describe the steps the agency has taken and plans to take (including time line) to ensure that agency managers (including the agency head) are held accountable for reducing and recovering improper payments.

1. Compensation & Pension

VBA is committed to ensuring agency managers are held accountable for reducing and recovering improper payments. This is accomplished in a number of ways for the C&P Business line. First, regional directors, service center managers, and all management personnel share the same performance standards with respect to the management of delivery of compensation and pension. Non-supervisory field staffs have performance standards that measure them against quality and timeliness standards. Within C&P Service, management and staff are responsible for measuring quality, development of counter measures and training, and development of legislative and technological changes where possible to avoid, reduce, and recover overpayments.

2. Education

Performance accountability measures, including payment accuracy, are set by VBA top management for directors of the offices that process Education claims, and set by the directors for subordinates. Education Service has developed standardized nationwide performance standards including payment accuracy for personnel who process claims.

3. Vocational Rehabilitation & Employment

VR&E Service is currently using the Quality Assurance Review results to track improper payments. There are national performance measures for VR&E employees and managers, which include a fiscal accuracy measure. After the Quality Assurance Team has conducted a review of cases, each regional office is required to submit its certification of compliance on the corrective actions within 90 days from receipt of the QA Review Results Letter. A database was developed and is being populated to track the regional office's compliance to required fiscal corrective actions, including the amount of under and overpayments. Also, an annual statement of written assurance on this subject will be added as a critical element for the program.

4. Loan Guaranty

Quality of work performed at the RLCs and regional offices that have an LGY presence is of key importance to the LGY program. Performance standards for the directors of these LGY stations include quality standards that cover virtually all facets of the program, accuracy of payments being part of these standards. LGY Service works with the Office of Field Operations to set performance requirements and stretch goals for the LGY quality measures. Award money is available for stations that exceed requirements and achieve the stretch goals.

Details VII

A. Describe whether the agency has the information systems and other infrastructure it needs to reduce improper payments to the levels the agency has targeted.

1. Compensation (including Dependency & Indemnity Compensation) and Pension

The agency has information systems and infrastructure to reduce improper payments. The information systems, however, reflect old technology and do not prevent or reduce the size of overpayments to the extent possible. VBA's VETSNET system, currently being deployed with a target completion date at the end of calendar year 2006, will enhance our ability to affect overpayments. VETSNET enhancements will directly affect both the creation and the size of overpayments. The elimination of batch cycle processing and conversion to real time processing will enable us to discontinue payments up to the day before payment is to be issued. The system will be integrated such that the disability rating decision will be entered once and support the rating, eliminating or substantially reducing errors due to data entry and effective date problems. The amount of retroactive payments is calculated as the award is being prepared and is known to the decision maker and the authorizer prior to authorizing the payment. Where three signatures are required, the system will have the internal control to ensure that three signatures are present. We will also eliminate problems with the calculation of manual out-of-system payments, an area with increased potential for error.

2. Education

Education Service is developing a rules-based automated claims processing system. The goal of this system, when fully implemented, is to automatically process 90 percent of all enrollments and changes in enrollment. While the principal effect of implementation is to reduce processing times, it is also expected to reduce erroneous payments.

Given the improvements currently being implemented and those that are planned for the future, LGY, VR&E, and Insurance programs have the information systems and other infrastructure needed to keep improper payments at the levels targeted and should be able to reduce improper payments.

B. If the agency does not have such systems and infrastructure, describe the resources the agency requested in its FY 2006 budget submission to Congress to obtain the necessary information systems and infrastructure.

Funding for VETSNET is included in the FY 2006 budget request. In addition, the FY 2006 budget includes a requested $10.9 million in resource requirements for the Education Service TEES development project.

Details VIII

Describe any statutory or regulatory barriers which may limit the agencies' corrective actions in reducing improper payments and actions taken by the agency to mitigate the barriers' effects.

Compensation (including Dependency & Indemnity Compensation) and Pension

There are statutory and regulatory barriers that limit our corrective actions in reducing improper payments. Many of these barriers are in the Pension program. Under current governing legislation, adjustments to payments are effective the first of the month following the month of the change in income or net worth. Additionally, benefits are paid on a prospective basis based on the beneficiary's estimate of anticipated income. Thus, an award adjustment due to changes in income is always after the fact and creates an overpayment. While this process does create overpayments, we believe it should not be changed since the program meets the requirement to provide income support for current need.

Likewise, the need to provide due process to claimants where adjustment or termination of their award is needed results in continued payment at improper rates for approximately 90 days following discovery. When the award is done, however, adjustment is from the first of the month following the month in which the change in circumstance occurred. Again, we believe that the principles of due process are so important that these continued payments are a cost of administering the program.

Definitions

Definitions of Key Measures

Please note: Key Measures are also defined in the Key Measures Data Table (see page 154).

Average days to complete original and supplemental education claims
Elapsed time, in days, from receipt of a claim in the regional processing office to closure of the case by issuing a decision. Original claims are those for first-time use of this benefit. Any subsequent school enrollment is considered a supplemental claim. (Education)

Average days to process – DIC actions
The average length of time it takes to process a Dependency and Indemnity Compensation (DIC) claim from the date of receipt of claim in VA until the date of completion. (Compensation)

Average days to process insurance disbursements
Insurance disbursements are death claims paid to beneficiaries, policy loans, and cash surrenders requested by policyholders. Average processing days are a weighted composite for all three types of disbursements based on the number of end products and timeliness for each category. Processing time begins when the veteran's application or beneficiary's fully completed claim is received and ends when the internal controls staff approves the disbursement. The average processing days for death claims is multiplied by the number of death claims processed. The same calculation is done for loans and cash surrenders. The sum of these calculations is divided by the sum of death claims, loans, and cash surrenders processed to arrive at the weighted average processing days for disbursements. (Insurance)

Clinical Practice Guidelines Index
The Clinical Practice Guidelines Index is a composite measure comprised of the evidence and outcomes-based measures for high-prevalence and high-risk diseases that have significant impact on overall health status. The indicators within the Index are comprised of several clinical practice guidelines in the areas of ischemic heart disease, hypertension, diabetes mellitus, major depressive disorder, schizophrenia, and tobacco use cessation. The percent compliance is an average of the separate indicators. (Medical Care)

Foreclosure avoidance through servicing (FATS) ratio
The FATS ratio measures the effectiveness of VA supplemental servicing of defaulted guaranteed loans. The ratio measures the extent to which foreclosures would have been greater had VA not pursued alternatives to foreclosure. (Loan Guaranty)

Increase non-institutional long-term care as expressed by average daily census
The number is the Average Daily Census (ADC) of veterans enrolled in Home and Community-Based Care programs (e.g., Home-Based Primary Care, Contract Home Health Care, Adult Day Health Care (VA and Contract), and Homemaker/ Home Health Aide Services). (Medical Care)

National accuracy rate (Compensation core rating work)
Claims processing accuracy for compensation claims that normally require a disability or death rating determination. The accuracy rate is captured after all processing actions are complete based on the following criteria: addressing all issues, Veterans Claims Assistance Act (VCAA)-compliant development, correct decision, correct effective date, and correct payment date if applicable. Accuracy rate is determined by dividing the total number of cases with no errors in any of these categories by the number of cases reviewed. (Compensation)

National accuracy rate (Pension authorization work)
Claims processing accuracy for pension claims that normally do not require rating decisions (i.e., determinations and verifications of income as well as dependency and relationship matters). The accuracy rate is captured after all processing actions are complete based on the following criteria: all pension authorization work such as correct decision, correct effective date, and correct payment date when applicable. It also includes Veterans Claims Assistance Act (VCAA)-compliant development. Accuracy rate is determined by dividing the total number of cases with no errors in any one category by the number of cases reviewed. (Pension)

Non-rating pension actions - average days to process
The average elapsed time (in days) it takes to complete claims is measured from the date the claim is received by VA to the date the decision is made. The measure is calculated by dividing the total number of days recorded from receipt to completion by the total number of cases completed. Pension Non-Rating claims include: Disability and death dependency claims (EP130); Income, Estate and Election Issues (EP150); Income Verification Match Cases (EP154); Eligibility Verification Report referrals (EP155); and Original Death Pension (EP190). (Pension)

Number of peer-reviewed publications by VA investigators
The number of peer-reviewed publications by VA investigators that show VA listed as the affiliated institution as determined by a PubMed search. (Medical Research)

Percent of graves in national cemeteries marked within 60 days of interment
The number of graves in national cemeteries for which a marker has been set at the grave or the reverse inscription completed within 60 days of the interment divided by the number of interments, expressed as a percentage. (Burial)

Percent of patients rating VA health care service as very good or excellent: Inpatient and Outpatient
Data are gathered for these measures via a VA survey that is applied to a representative sample of inpatients and a sample of outpatients. The denominator is the total number of patients sampled who answered the question, "Overall, how would you rate your quality of care?" The numerator is the number of patients who respond "very good" or "excellent." (Medical Care)

Percent of primary care appointments scheduled within 30 days of desired date
This measure tracks the time between when the primary care appointment request is made (entered into the computer) and the date for which the appointment is actually scheduled. The percent is calculated using the numerator, which is those scheduled within 30 days of desired date (includes both new and established patient experiences), and the denominator, which is all appointments in primary care clinics posted in the scheduling software during the review period. (Medical Care)

Percent of respondents who rate national cemetery appearance as excellent
The number of survey respondents who agree or strongly agree that the overall appearance of the national cemetery is excellent divided by the total number of survey respondents, expressed as a percentage. (Burial)

Percent of respondents who rate the quality of service provided by the national cemeteries as excellent
The number of survey respondents who agree or strongly agree that the quality of service received from national cemetery staff is excellent divided by the total number of survey respondents, expressed as a percentage. (Burial)

Percent of specialty care appointments scheduled within 30 days of desired date
This measure tracks the number of days between when the specialty appointment request is made (entered into the computer) and the date for which the appointment is actually scheduled. This includes both new and established specialty care patients. The percent is calculated using the numerator, which is all appointments scheduled within 30 days of desired date and the denominator, which is all appointments posted in the scheduling software during the review period in selected high volume/key specialty clinics. (Medical Care)

Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence
The measure is the number of veterans served by a burial option divided by the total number of veterans, expressed as a percentage. A burial option is defined as a first family member interment option (whether for casketed remains or cremated remains, either in-ground or in columbaria) in a national or state veterans cemetery that is available within 75 miles of the veteran's place of residence. (Burial)

Prevention Index II
The Prevention Index is an average of nationally recognized primary prevention and early detection interventions for nine diseases or health factors that significantly determine health outcomes. The nine diseases or health factors include: rate of immunizations for Influenza and Pneumococcal pneumonia; screening for tobacco consumption, alcohol abuse, breast cancer, cervical cancer, colorectal cancer, and cholesterol levels; and prostate cancer education. Each disease has an indicator. Each indicator's numerator is the number of patients in the random sample who actually received the intervention they were eligible to receive. The denominator is the number of patients in the random sample who were eligible to receive the intervention.
(Medical Care)

Rating-related actions - average days to process
The average elapsed time (in days) it takes to complete claims that require a disability decision is measured from the date the claim is received by VA to the date the decision is made. The measure is calculated by dividing the total number of days recorded from receipt to completion by the total number of cases completed. Includes the End Products (EP): Original Compensation, with 1-7 issues (EP110); Original Compensation, 8 or more issues (EP010); Original Service Connected Death Claim (EP140); Reopened Compensation Claims (EP020); Review Examination (EP310); and Hospitalization Adjustment (EP320). For Pension cases, the category includes original pension claims (EP180) and reopened pension claims (EP120). (Compensation and Pension)

Rating-related compensation actions - average days pending
The measure is calculated by counting the number of days for all currently pending claims from the date each claim is received through the current reporting date. The total number of days is divided by the total number of pending claims . Compensation Rating includes all pending claims in the following categories: EPs 110, 010, 020, 140, 310, and 320. (Compensation)

Ratio of collections to billings
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; however, 100 percent of the charges must be included to assert claims to Medicare supplemental carriers. The resulting ratio is comparatively lower than the private sector standard. (Medical Care)

Vocational Rehabilitation and Employment Rehabilitation rate
The number of veterans who acquire and maintain suitable employment and leave the program, divided by the total number leaving the program. For those veterans with disabilities that make employment unfeasible, Vocational Rehabilitation and Employment (VR&E) seeks to assist them on becoming independent in their daily living. (VR&E)

Definitions of Supporting Measures

Accuracy of decisions (Services)
Percent of cases completed accurately for veterans who receive Chapter 31 (disabled veterans receiving vocational rehabilitation) services and/or educational/vocational counseling benefits under several other benefit chapters. Accuracy of service delivery is expressed as a percent of the highest possible score (100) on cases reviewed. (VR&E)

Accuracy of program outcome
This measure seeks to ensure the accuracy of decisions made to declare a veteran rehabilitated or discontinued from a program of services. (VR&E)

Appeals decided per Veterans Law Judge
The total number of decisions, remands, dismissals, and vacaturs issued by the Board of Veterans' Appeals, divided by the total number of Veterans Law Judges. (BVA)

Appeals resolution time (in days)
The average length of time it takes the Department to process an appeal from the date a claimant files a Notice of Disagreement (NOD) until a case is finally resolved, including resolution at a regional office or by a final decision by the Board. (BVA and C&P)

Attainment of statutory minimum goals for small business expressed as a percent of total procurement
This number represents the percentage of total dollars spent with small business concerns based on total dollars reported. Data are obtained from the Federal Procurement Data System—Next Generation (FPDS-NG), provided by the Federal Procurement Data Center (FPDC) at: https://www.fpds.gov. (Departmental Management)

Average cost of placing participant in employment
This performance measure is a Common Measure whose definition is under development with the Departments of Labor, Education, Health and Human Services, and Veterans Affairs and will go into effect in FY 2007. (VR&E)

Average hold time in seconds
The average length of time (in seconds) that a caller using the toll-free service number waits before being connected to an insurance representative. (Insurance)

Average number of days to initiate development of remands at the Appeals Management Center
The average length of time it takes to develop a remand from the date the case is received at the Appeals Management Center until the date development begins. (Compensation)

Average number of days to process a claim for reimbursement of burial expenses
Elapsed time, in days, from receipt of a claim in the regional office to closure of the case by issuing a decision by the regional office. (VBA/Burial)

BVA cycle time
BVA cycle time measures the time a case spends at the Board, other than the time the case file is in the possession of a veterans service organization. (BVA)

Cost – Obligations per unique patient user
The average cost of total obligations for medical care divided by unique patients served. (Medical Care)

Cost per case
A unit decision cost derived by dividing BVA's total obligational authority by the number of decisions produced. (BVA)

Cumulative number of kiosks installed at national and state veterans cemeteries
The total number of kiosk information centers installed at national and state veterans cemeteries to assist visitors in finding the exact gravesite locations of individuals buried there. In addition to providing the visitor with a cemetery map for use in locating the gravesite, the kiosk information center provides such general information as the cemetery's burial schedule, cemetery history, burial eligibility, and facts about the National Cemetery Administration. (Burial)

Customer satisfaction
Customer satisfaction scores (measured on a scale of one through five, with five being the highest possible score) are based on surveys returned to OIG by the principals impacted by audits, investigations, contract reviews, health care inspections, and Combined Assessment Program Reviews. In instances where customer surveys are returned with lower than anticipated ratings, management may follow up with survey participants to identify any issues that caused low ratings and possible solutions. (OIG)

Customer satisfaction – high ratings
Nationally, the percentage of respondents to the education customer satisfaction survey who were "very satisfied" or "somewhat satisfied" with the way VA handled their education benefits claim. (Education)

Customer satisfaction (Survey)
Percent of veterans who answered "very satisfied" or "somewhat satisfied" overall with the VR&E program (of those who completed or withdrew from the program). (VR&E)

Decrease Non Mission Dependent assets from 2005 baseline
Non mission dependent assets include owned and direct leased buildings that fall below 50 percent utilization, and land parcels specifically identified as not mission dependent. (Departmental Management)

Decrease operating and maintenance costs adjusting for inflation from 2004 baseline
Operating and maintenance costs are actual costs based on Budget Object Codes for Roads and Grounds Maintenance (2549); Utility Plant Operations (2548); Rent costs (2330, 2334); Energy costs (2390 – 2399, 2650); Cleaning and Janitorial Services (2542); and Recurring Maintenance and Repair Services (2543).
(Departmental Management)

Decrease underutilized space as compared to overall space to 30 percent or less
Using an approved space model, underutilized space is the ratio of owned and direct leased square feet not needed to the owned and direct leased square feet available. (Departmental Management)

Deficiency-free decision rate
This goal is based on a random sampling of 5 percent of Board decisions. Decisions are checked for deficiencies in the following categories: identification of issues, findings of fact, conclusions of law, reasons and bases/rationale for preliminary orders, and due process. (BVA)

Documented increases in the use of joint procurement contracts
Dollar increase in the amount of purchases made through joint procurement contracts with DoD. VA and DoD jointly negotiate procurement contracts to reduce procurement costs through bulk purchasing. (Medical Care)

Dollar value of 1st and 3rd party collections
Medical care received within VHA has a co-payment attached in some cases. This co-payment is referred to as 1st party collections. In addition, for veterans who have other insurance, as appropriate, those insurance companies are billed for services. Those collections are referred to as 3rd party collections. (Medical Care)

Efficiency – Annual number of appointments per year per FTE
The ratio of all outpatient visits against the number of clinical full-time equivalent employees. The measure has an indirect relationship to efficiency. (Medical Care)

Fiduciary Activities – Initial Appointment & Fiduciary – Beneficiary Exams (completed) (%)
This measure is the percentage of work products completed that exceeded the timeliness standard. It is obtained by dividing the sum of initial appointment (IA) and fiduciary beneficiary (FB) field examination work products completed untimely during a month by the total number of IAs and FBs completed during that month. A work product is considered overdue if it is completed in over 45 days for IAs and over 120 days for FBs. The FY measure is the total sum of each month's overdue completed cases divided by the total number of completed IAs + FBs. (C&P)

Fiduciary Activities – Initial Appointment & Fiduciary – Beneficiary Exams (pending) (%)
This measure is the percentage of pending field examinations that are already pending beyond the timeliness standard. The percentage is obtained by dividing the sum of initial appointment (IA) and fiduciary-beneficiary (FB) field examinations pending over standard by the total number of IAs and FBs pending at the end of the month. IAs and FBs pending over 45 and 120 days, respectively, are untimely. (C&P)

Franchise Fund
VA's fund is comprised of six enterprise centers that competitively sell common administrative services and products throughout the Federal Government. The funds are deposited into the Franchise Fund. The Centers' operations are funded solely on a fee-for-service basis. Full cost recovery ensures they are self-sustaining. (Departmental Management)

High customer ratings
The percent of insurance customers who rate different aspects of insurance services in the highest two categories, based on a 5-point scale, using data from the insurance customer survey. (Insurance)

Home Purchase – Percent of active duty personnel and veterans that could not have purchased a home without VA assistance
Comparison (ratio) of the median financial assets available to veterans at closing of a guaranteed loan versus the amount necessary to obtain an FHA loan. (Loan Guaranty)

Implementation guides developed for those Consolidated Health Informatics Standards adopted by VA and DoD
In order to fully implement the interoperable VA/DoD health information systems, VA and DoD must agree on consolidated standards for informatics to ensure compatibility of information. Implementation guides are developed to provide guidance on how these standards will be implemented. (Medical Care)

Increase Annual Percent Condition Index from 2005 baseline
The Condition Index is the ratio of repair needs to plant replacement value. The higher the Condition Index the better the condition of the constructed asset. Condition Index includes owned buildings and structures. (Departmental Management)

Low customer ratings
The percent of insurance customers who rate different aspects of insurance services in the lowest two categories, based on a 5-point scale, using data from the insurance customer survey. (Insurance)

Medical residents' and other trainees' scores on a VHA survey assessing their clinical training experience
The satisfaction survey for residents and other medical trainees assists VHA in determining how well we are achieving VA's academic mission of providing innovative and high-quality health care training for VA and the Nation. The survey results are used to learn what satisfies medical trainees and to improve the clinical training experience. The sources of this data are the responses to a summary question from the Learners' Perceptions Survey. (Medical Care)

Montgomery GI Bill usage rate: All program participants
The MGIB usage rate is derived by dividing the number of veterans who have received MGIB benefits by the number of all veterans who participated in the MGIB program and have separated from active military service. The usage rate includes those veterans who are still within their 10-year eligibility period but have not, as yet, applied for education benefits. (Education)

Montgomery GI Bill usage rate: Veterans who have passed their 10-year eligibility period
The MGIB usage rate is derived by dividing the number of veterans who have received MGIB benefits by the number of all veterans who participated in the MGIB program, have separated from active military service, and are beyond their eligibility period, generally 10 years after they left active duty. (Education)

National accuracy rate (Compensation authorization work)
Claims processing accuracy of compensation claims that do not require a rating decision. The accuracy rate is captured after all processing actions are complete based on the following criteria: addressing all issues, Veterans Claims Assistance Act (VCAA)-compliant development, correct decision, correct effective date, and correct payment date if applicable. Accuracy rate is determined by dividing the total number of cases with no errors in any of these categories by the number of cases reviewed. (Compensation)

National accuracy rate (fiduciary work)
Nationwide, the percentage of field examinations and account audits completed and determined to be technically accurate. The accuracy rate for the Nation is a compilation of the C&P Service's review of the 57 regional offices. (C&P)

National accuracy rate (Pension core rating-related work)
Claims processing accuracy for pension claims that normally require a disability or death rating determination. The accuracy rate is captured after all processing actions are complete based on the following criteria: addressing all issues, Veterans Claims Assistance Act (VCAA)-compliant development, correct decision, correct effective date, and correct payment date if applicable. Accuracy rate is determined by dividing the total number of cases with no errors in any of these categories by the number of cases reviewed. (Pension)

National Accuracy Rate for burial claims processed
The percentage of burial claims (EP 160) completed and determined to be technically accurate. (VBA/Burial)

Non-rating compensation actions - average days pending
The measure is calculated by counting the number of days for all currently pending claims from the date each claim is received through the current reporting date. The total number of days is divided by the total number of pending claims. Compensation Non-Rating includes: Disability and death dependency claims (EP130); Accrued Benefits (EP165); Burial (EP160); and other special eligibility determinations (EP290). (Compensation)

Non-rating compensation actions – average days to process
The average elapsed time (in days) it takes to complete claims is measured from the date the claim is received by VA to the date the decision is made. The measure is calculated by dividing the total number of days from receipt to completion by the total number of cases completed. Compensation Non-Rating includes: Disability and death dependency claims (EP130); Accrued Benefits (EP165); Burial (EP160); and other special eligibility determinations (EP290). (Compensation)

Non-rating pension actions – average days pending
The measure is calculated by counting the number of days for all currently pending claims from the date each claim is received through the current reporting date. The total number of days is divided by the total number of pending claims. Pension Non-Rating claims include: Disability and death dependency claims (EP130); Income, Estate and Election Issues (EP150); Income Verification Match Cases (EP154); Eligibility Verification Report referrals (EP155); and Original Death Pension (EP190). (Pension)

Number of audit qualifications identified in the auditor's opinion on VA's Consolidated Financial Statements
Audits are performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and the requirements of the Office of Management and Budget (OMB) Bulletin No. 01-02, *"Audit Requirements for Federal Financial Statements,"* as amended. This measure reports how many audit qualifications are identified each year in VA's consolidated financial statements. (Departmental Management)

Number of business lines transformed to achieve a secure veteran-centric delivery process that would enable veterans and their families to register and update information, submit claims or inquiries, and obtain status
Maintain a *One VA* information technology framework that supports the integration of information across business lines and provides a course of consistent, reliable, accurate, and secure information to veterans and their families, employees, and stakeholders. (Departmental Management)

Number of discovery disclosures by VA investigators
Executive Order 10096 mandates that when inventions are made by VA-salaried employees with research responsibilities and there was a contribution by VA, then VA may assert an ownership right in the invention. Discovery disclosures are VA's assertion of ownership in an invention. (Medical Research)

Number of indictments, arrests, convictions, administrative sanctions, and pretrial diversions
Output measures resulting from the conduct of an OIG investigation into allegations of criminal activities related to programs and operations of VA or into allegations against senior VA officials and other high profile matters of interest to Congress and the Department. (OIG)

Number of material weaknesses identified during the Annual Financial Statement Audit or identified by management
Audits are performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and the requirements of the Office of Management and Budget (OMB) Bulletin No. 01-02, *"Audit Requirements for Federal Financial Statements,"* as amended. This measure reports how many material weaknesses are identified each year in VA's consolidated financial statements. (Departmental Management)

Number of reports issued
An output measure resulting from the preparation and release of a formal document prepared and released by the OIG following the conduct of a Consolidated Assessment Program review, administrative investigation, audit, or health care inspection. (OIG)

Out of all original claims filed within the first year of release from active duty, the percentage filed at a BDD site prior to a service member's discharge
This is the percentage of original claims filed by separating service members during the first year following release from active duty through the Benefits Delivery Discharge (BDD) program. The percentage is determined by dividing the number of original claims filed at the BDD sites by the total number of original claims that are filed within 1 year of discharge from service. (Compensation)

Overall satisfaction (Compensation)
The percentage of respondents to the C&P customer satisfaction survey who were "very satisfied" or "somewhat satisfied" with the way VA handled/is handling their compensation claim. (Compensation)

Overall satisfaction rate (Pension)
The percentage of respondents to the C&P customer satisfaction survey who were "very satisfied" or "somewhat satisfied" with the way VA handled/is handling their pension claim. (Pension)

Payment accuracy rate
Measures how well decisions reflect payment at the proper rate for the correct period of time. (Education)

Percentage of beneficiaries that believe their VA educational assistance has been either very helpful or helpful in the attainment of their educational or vocational goal
This draft measure will determine the proportion of beneficiaries who report their VA educational benefits helped them accomplish their educational or vocational goal. (Education)

Percentage of clinicians who remain in the VA health care system for at least three years after completion of their career development award period
The objective of the award program is to build and maintain capacity for VA clinicians to conduct research in areas of high relevance to the health care of veterans. Providing a career development award to a clinician acts as an incentive for them to stay for a period of time after completion of their award. (Medical Research)

Percentage of planned business process reengineering studies of non-core, commercial, competitive functions initiated (per annum)
This performance measure tracks VA's progress in pursuing management analysis and business processing reengineering studies in order to meet savings and performance goals and better serve veterans. The measure is calculated by dividing the number of functions initiated for study by the total number of functions planned for study, expressed as a percentage. (Departmental Management)

Percentage of tort claims settled administratively
At the administrative level, fairly compensate veterans who have been injured by substandard medical treatment. Thus, the veterans will not have to file law suits in federal court. Administrative settlement of meritorious claims will reduce the cost of handling tort claims against the government. (Departmental Management)

Percentage of VAMCs contracted to serve as TRICARE network providers
VAMCs who contract to serve as TRICARE network providers facilitate the transfer of active duty patients to VA prior to discharge. This benefits servicemembers' transition to veteran status and provides continuity of care during the discharge process by ensuring VA facilities can care for and appropriately bill for services rendered. (Medical Care)

Percent change in earnings from pre-application to post-program employment
This performance measure is a Common Measure whose definition is under development with the Departments of Labor, Education, Health and Human Services, and Veterans Affairs and will go into effect in FY 2007. (VR&E)

Percent increase of EDI usage over base year of 1997
The percent increase in the number of line items ordered through Electronic Data Interchange (EDI) by fiscal year. (Departmental Management)

Percent of admission notes by residents that have a note from attending physician within 1 day of admission: Medicine, Psychiatry, Surgery
Attending physician notes that are entered within a day after admission notes by a resident attests to the supervision of residents and ensures a higher level of quality of care. (Medical Care)

Percent of applications for headstones and markers for the graves of veterans who are not buried in national cemeteries processed within 20 days
This measures the timeliness of processing applications for headstones and markers for the graves of veterans who are not buried in national cemeteries using NCA's Automated Monument Application System. This percentage represents the number of headstones and markers ordered within 20 days of the receipt of the application divided by the number of applications for headstones and markers received. (Burial)

Percent of appointments for primary care scheduled within 30 days of desired date for veterans and service members returning from a combat zone
This measure ensures veterans and service members returning from a combat zone have priority access to primary care appointments. (Medical Care)

Percent of appointments for specialty health care services scheduled within 30 days of desired date for veterans and service members returning from a combat zone
This measure ensures veterans and service members returning from a combat zone with an injury or illness have priority access to specialty care appointments. (Medical Care)

Percent of blocked calls
The percentage of call attempts for which callers receive a busy signal because all circuits were in use for the insurance toll-free service number. (Insurance)

Percent of cases using alternate dispute resolution (ADR) techniques
The percent of contract dispute matters electing to use Alternate Dispute Resolution (ADR) techniques. ADR techniques refer generally to several formal and informal processes for resolving disputes that do not entail courtroom litigation. (Departmental Management)

Percent of compensation recipients who perceive that VA compensation redresses the effect of service-connected disability in diminishing the quality of life
The percent of veterans in a Program Outcome Study of the compensation program who believe the compensation they are receiving is fair. (Compensation)

Percent of compensation recipients who were kept informed of the full range of available benefits
Nationally, the percentage of respondents to the C&P customer satisfaction survey who indicated that the VA kept them informed of the full range of VA benefits and services available, of those who needed that information. (Includes both persons applying for and receiving compensation.) (Compensation)

Percent of DIC recipients above the poverty level
The percent of DIC recipients as measured by the Spouse and Parents DIC Program Outcome Studies who are above the poverty level threshold for the year in which the study is done. (Compensation)

Percent of DIC recipients who are satisfied that the VA recognized their sacrifice
The percent of DIC recipients in a Program Outcome Study of the DIC program who believe the DIC benefits they are receiving are fair. (Compensation)

Percent of Emergency Planners who have completed orientation
This performance measure ensures that those in VA responsible for developing continuity of operations plans and guaranteeing VA will continue to provide essential functions understand their responsibilities for emergency preparedness planning and the directives governing such planning. (Departmental Management)

Percent of funeral directors who respond that national cemeteries confirm the scheduling of the committal service within 2 hours
The percent of funeral directors who respond that the amount of time it typically takes to confirm the scheduling of an interment is less than 2 hours. (Burial)

Percent of gravesites that have grades that are level and blend with adjacent grade levels
This percentage represents the number of gravesites that are level and blend with adjacent grade levels divided by the number of gravesites assessed. (Burial)

Percent of headstones and markers ordered by national cemeteries for which inscription data are accurate and complete
This percentage represents the number of headstone and marker inscriptions ordered by national cemeteries for which inscription information is correctly and accurately recorded by cemetery personnel divided by the total number of inscriptions ordered. (Burial)

Percent of headstones and markers that are undamaged and correctly inscribed
This percentage represents the number of headstones and markers that are undamaged and correctly inscribed, divided by the number of headstones and markers ordered. (Burial)

Percent of headstones and/or markers in national cemeteries that are at the proper height and alignment
This percentage represents the number of headstones and markers in national cemeteries that are at the proper height and alignment divided by the total number assessed. (Burial)

Percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations
This percentage represents the number of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations divided by the total number assessed. (Burial)

Percent of Montgomery GI Bill participants who successfully completed an education or training program
This draft measure will determine the proportion of Montgomery GI Bill participants who accomplished their education or training program. (Education)

Percent of outpatient encounters that have electronic progress notes signed within 2 days
The percent of all outpatient encounters that have progress notes entered into the electronic medical record within 2 days of the encounter. (Medical Care)

Percent of participants employed first quarter after program exit
This performance measure is a Common Measure under development with the Departments of Labor, Education, Health and Human Services, and Veterans Affairs and will go into effect in FY 2007. (VR&E)

Percent of participants still employed three quarters after program exit
This performance measure is a Common Measure under development with the Departments of Labor, Education, Health and Human Services, and Veterans Affairs and will go into effect in FY 2007. (VR&E)

Percent of patients who report being seen within 20 minutes of scheduled appointments at VA health care facilities
Percent of patients who report in the Survey of Health care Experiences of Patients (SHEP) that they were seen by the provider within 20 minutes or less of their scheduled appointment time. (Medical Care)

Percent of pension recipients who were informed of the full range of available benefits
Nationally, the percentage of respondents to the C&P customer satisfaction survey who indicated that the VA kept them informed of the full range of VA benefits and services available, of those who needed that information. (Includes both persons applying for and receiving pension.) (Pension)

Percent of recipients who said their claim was "very" or "somewhat fair"
Nationally, the percentage of respondents to the C&P customer satisfaction survey who indicated that VA's evaluation of their claim was "very" or "somewhat" fair. (Includes both persons applying for and receiving pension.) (Pension)

Percent of respondents who would recommend the national cemetery to veteran families during their time of need
The percent of survey respondents who agree or strongly agree that they would recommend the national cemetery to veteran families during their time of need. (Burial)

Percent of Under Secretaries, Assistant Secretaries, and other key officials who self-certify their teams "ready to deploy" to their COOP site
This performance measure ensures that the highest levels of leadership within the Department know the requirements for maintaining continuity of operations and service to veterans and their organizations have plans in place and are ready to relocate to their alternate site if necessary. (Departmental Management)

Percent of VA employees who indicate they understand VA's strategic goals
VA seeks to foster a clear understanding of the Department's strategic goals among its employees. To this end, each employee receives a copy of the annual *VA Report to Employees*, which articulates our strategic goals. In addition, VA conducts periodic employee surveys to gain feedback, identify issues for management action, and ascertain employee understanding of VA's strategic goals. (Departmental Management)

Percent of veterans in receipt of compensation whose total income exceeds that of like-circumstanced veterans
A figure derived from a Compensation Program Outcome Study measuring available income and other cash and non-cash resources for service-connected disabled veterans compared to nonservice-connected veterans. (Compensation)

Percent of veterans returning from a combat zone who respond "yes completely" to survey questions regarding how well they perceive that their VA provider listened to them and if they had trust and confidence in their VA provider
The continual assessment of patient satisfaction tells VHA what patient expectations are and what dimensions of care concern veterans the most. This enables VHA to identify our

strengths and to quickly address areas where patients are less satisfied. VHA continues to be a leader in achieving a high level of patient satisfaction. (Medical Care)

Percent of veterans who were discharged from a Domiciliary Care for Homeless Veterans (DCHV) Program or HCHV Community-based Contract Residential Care Program to an independent or a secured institutional living arrangement
This measure tracks the percentage of veterans discharged from a DCHV or HCHV program directly to independent living or secure housing in the community. Independent living is defined as residence in one's own apartment, room, or house. Secured living arrangement is defined as half-way house, transitional housing, or domiciliary. (Medical Care)

Prevention Index II (Special Populations)
The overall Prevention Index score is comprised of nine disease or health factors that measure how well VA follows nationally recognized primary prevention and early detection recommendations that significantly determine health outcomes. Indicators within the Index include: rate of immunizations for influenza and Pneumococcal pneumonia; screening for tobacco consumption, alcohol abuse, breast cancer, cervical cancer, and colorectal cancer; screening for prostate cancer education; and screening for cholesterol levels. The same overall index is then evaluated for those patients who meet the definition of a special population as a sub-group. (Medical Care)

Rating-related pension actions – average days pending
The measure is calculated by counting the number of days for all currently pending claims from the date each claim is received through the current reporting date. The total number of days is divided by the total number of pending claims. Pension Rating includes all pending claims in the following categories: EPs 180 and 120. (Pension)

Speed of entitlement decisions in average days
Average number of days from the time the application is received until the veteran is notified of the entitlement decision. (VR&E)

Statistical quality index
A quality index that reflects the number of correct actions found in Statistical Quality Control reviews, measured as a percentage of total actions reviewed. (Loan Guaranty)

Telephone activities - abandoned call rate
Nationwide, the percentage of call attempts for which the caller gets through, but hangs up before talking to a VA representative. (C&P, Education)

Telephone activities - blocked call rate
The percentage of call attempts for which callers receive a busy signal because all circuits are in use. (C&P, Education, Insurance)

Value of monetary benefits from IG audits
Funds put to better use and monetary recoveries associated with recommendations to enhance VA operations and correct operating efficiencies resulting from OIG audits. (OIG)

Value of monetary benefits from IG contract reviews
Funds put to better use and monetary recoveries resulting from preaward and postaward contract reviews. (OIG)

Value of monetary benefits from IG investigations
Funds, including fines, penalties, restitutions, civil judgments, recoveries, and efficiencies that result from criminal and administrative investigations. (OIG)

Veterans satisfaction
The percentage of veterans answering the Loan Guaranty customer satisfaction survey that were "very satisfied" or "somewhat satisfied" with the process of obtaining a VA home loan. (Loan Guaranty)

Definitions of Financial and Other Terms

Accounts payable
The money VA owes to vendors and other Federal entities for products and services purchased. This is treated as a liability on the balance sheet. (Financial)

Accounts receivable
The amount of money that is owed to VA by a customer (including other Federal entities) for products and services provided on credit. This is treated as a current asset on the balance sheet and includes such items as amounts due from third-party insurers for veterans' health care and from individuals for compensation, pension, and readjustment benefit overpayments. (Financial)

Allowance
The amounts included in the President's budget request or projections to cover possible additional proposals, such as statutory pay increases and contingencies for relatively uncontrollable programs and other requirements. As used by Congress in the concurrent resolutions on the budget, allowances represent a special functional classification designed to include amounts to cover possible requirements, such as civilian pay raises and contingencies. Allowances remain undistributed until they occur or become firm, then they are distributed to the appropriate functional classification(s). (Financial)

Apportionment
A distribution made by the Office of Management and Budget of amounts available for obligation in an appropriation or fund account. Apportionments divide amounts available for obligation by specific time periods (usually quarters), activities, projects, objects, or a combination thereof. The amounts so apportioned limit the amount of obligations that may be incurred. (Financial)

Appropriation
The specific amount of money authorized by Congress for approved work, programs, or individual projects. (Financial)

Appropriation Authority
The authority granted by Congress for the agency to spend government funds. (Financial)

Average daily census
The number is the Average Daily Census of veterans enrolled in Home and Community-Based Care programs (Home-Based Primary Care, Contract Home Health Care, Adult Day Health Care (VA and Contract), and Homemaker/Home Health Aide Services). (Medical Care)

Balance sheet
A summary of all the assets the agency owns and the liabilities owed against those assets as of a point in time (the end of the fiscal year for VA is September 30). This statement always shows two consecutive fiscal year snapshots so the reader can compare the information. There is no "owners' equity" in a federal agency as there is in a non-government company. However, we instead report our "net position," which is the amount of unexpended appropriation authority. (Financial)

Budget Authority
The authority provided by law to enter into obligations that will result in immediate or future outlays involving Federal Government funds, except that budget authority does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government. The basic forms of budget authority are appropriations, authority to borrow, and contract authority. Budget authority may be classified by the period of availability (1-year, multiple-year, no-year), by the timing of congressional action (current or permanent), or by the manner of determining the amount available (definite or indefinite). (Financial)

Budgetary resources
Budgetary resources are forms of authority given to an agency allowing it to incur obligations. Budgetary resources include new budget authority, unobligated balances, direct spending authority, and obligation limitations. (Financial)

CARES – Capital Asset Realignment for Enhanced Services
The program to assess veteran health care needs in VHA Networks, identify service delivery options to meet those needs in the future, and guide the realignment and allocation of capital assets to support the delivery of health care services. (Medical Care)

Chief Financial Officers Act of 1990
Legislation enacted to improve the financial management practices of the Federal government and to ensure the production of reliable and timely financial information for use in the management and evaluation of Federal programs. (Financial)

Departmental Measure
A staff office measure, which because of its importance and/or the extent to which it affects various organizations within VA, is considered significant.

Exchange Revenue
Exchange revenues arise when a Federal entity provides goods and services to the public or to another government entity for a price. (Financial)

Federal Credit Reform Act of 1990
Legislation enacted to improve the accounting for costs of federal credit programs. (Financial)

Federal Financial Management Improvement Act (FFMIA)
The FFMIA requires agencies to produce timely and reliable financial statements that demonstrate their compliance with Federal financial management systems requirements, Federal accounting standards, and the U.S. government standard general ledger. If an agency believes its systems are not FFMIA-compliant, it must develop a remediation plan to achieve compliance within 3 years. (Financial)

Federal Managers' Financial Integrity Act (FMFIA) of 1982
Legislation that requires Federal agencies to establish processes for the evaluation and improvement of financial and internal control systems in order to ensure that management control objectives are being met. (Financial)

Fund Balance with the Treasury
The aggregate amount of funds in VA's accounts with the Department of the Treasury for which we are authorized to make expenditures and pay liabilities. This account includes clearing account balances and the dollar equivalent of foreign currency account balances. (Financial)

Government Management Reform Act of 1994
Legislation enacted to provide more effective and efficient executive branch performance in reporting financial information to Congress and committees of Congress. (Financial)

Heritage Assets
Heritage Assets are unique and are generally expected to be preserved indefinitely. Heritage assets may have historical or natural significance; be of cultural, educational, or artistic importance; or have significant architectural characteristics. (Financial)

Intragovernmental assets
These assets arise from transactions among Federal entities. These assets are claims of the reporting entity against other Federal entities. (Financial)

Intragovernmental liabilities
These liabilities are claims against the reporting entity by other Federal entities. (Financial)

Inventory
An inventory is a tangible personal property that is (i) held for sale, including raw materials and work in process, (ii) in the process of production for sale, or (iii) to be consumed in the production of goods for sale or in the provision of services for a fee. (Financial)

Management (or internal) controls
Safeguards (organization, policies, and procedures) used by agencies to reasonably ensure that (i) programs achieve their intended results; (ii) resources are used consistent with agency mission; (iii) programs and resources are protected from waste, fraud, and mismanagement; (iv) laws and regulations are followed; and (v) reliable and timely information is obtained, maintained, reported, and used for decision making. (Financial)

Material weakness
A reportable condition in which the design or operation of the specific internal control does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the consolidated financial statements being audited. This condition may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. (Financial)

Memorial Service Network
NCA's field structure is geographically organized into five Memorial Service Networks (MSNs). The national cemeteries in each MSN are supervised by the MSN Director and staff. The MSN offices are located in Philadelphia, Pennsylvania; Atlanta, Georgia; Indianapolis, Indiana; Denver, Colorado; and Oakland, California. The MSN Directors and staff provide direction, operational oversight, and engineering assistance to the cemeteries located in their geographic areas. (Burial)

Net cost of operations
Net cost of operations is the gross cost incurred by VA less any exchange revenue earned from its activities. The gross cost of a program consists of the full cost of the outputs produced by that program plus any non-production costs that can be assigned to the program. (Financial)

Net position
Net position comprises the portion of VA's appropriations represented by undelivered orders and unobligated balances (unexpended appropriations) and the net results of the reporting entity's operations since inception, plus the cumulative amount of prior period adjustments (cumulative results of operations). (Financial)

Net program cost
Net program cost is the difference between a program's gross cost and its related exchange revenues. If a program does not earn any exchange revenue, there is no netting and the term used might be total program cost. (Financial)

Notes to the Consolidated Financial Statements
The notes provide additional disclosures that are necessary to make the financial statements more informative and not misleading. The notes are an integral part of the financial statements. (Financial)

Obligations
Obligations represent the amount of orders placed, contracts awarded, services received, and other transactions occurring during a given period that would require payments during the same or future period. (Financial)

OMB Circular No. A-123
The Office of Management and Budget (OMB) issued Circular No. A-123 to provide guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on management controls. (Financial)

OMB Circular No. A-127
OMB issued Circular No. A-127 to prescribe policies and standards for executive departments and agencies to follow in developing, operating, evaluating, and reporting on financial management systems. (Financial)

Outlay
Outlay is the amount of checks, disbursement of cash, or electronic transfer of funds made to liquidate a Federal obligation. Outlays also occur when interest on the Treasury debt held by the public accrues and when the Government issues bonds, notes, debentures, monetary credits, or other cash-equivalent instruments in order to liquidate obligations. (Financial)

Program evaluation
An assessment, through objective measurement and systematic analysis, of the manner and extent to which Federal programs achieve intended outcomes. (Departmental Management)

Prompt Payment Act
The Prompt Payment Final Rule (formerly OMB Circular No. A-125, "Prompt Payment") requires Executive departments and agencies to pay commercial obligations within certain time periods and to pay interest penalties when payments are late. (Financial)

Property, Plant, and Equipment
Property, plant, and equipment consist of tangible assets, including land, that have estimated useful lives of 2 years or more, not intended for sale in the ordinary course of operations, and have been acquired or constructed with the intention of being used, or being available for use, by the reporting entity. (Financial)

PTSD – Post-Traumatic Stress Disorder
PTSD is an anxiety disorder that can occur following the experience or witnessing of life-threatening events, such as military combat, natural disasters, terrorist incidents, serious accidents, or violent personal assaults such as rape. People who suffer from PTSD often relive the experience through nightmares and flashbacks, have difficulty sleeping, and feel detached or estranged. These symptoms can be severe enough and last long enough to significantly impair the person's daily life. Common PTSD stressors in veterans include war zone stress (e.g., combat and exposure to mass casualty situations), the crash of a military aircraft, or sexual assault. VA is committed to providing an integrated, comprehensive, and cost-effective continuum of care for veterans with PTSD. (Medical Care)

Reportable Conditions
Matters coming to the auditor's attention that, in the auditor's judgment, should be communicated because they represent significant deficiencies in the design or operation of internal control that could adversely affect the organization's ability to properly record, process, and summarize transactions and comply with applicable laws and regulations. (Financial)

Research and Development
Research and development investments are expenses included in the calculation of net costs to support the search for new or refined knowledge and ideas and for the application or use of such knowledge and ideas for the development of new and improved products and processes, with the expectation of maintaining or increasing national economic productivity capacity or yielding other future benefits. (Financial)

State Veterans Cemetery
State veterans cemeteries, which complement VA's system of national cemeteries, provide burial options for eligible veterans and their family members. These cemeteries may be established by the States with the assistance of VA's State Cemetery Grants Program (SCGP). The SCGP provides grants to states of up to 100 percent of the cost of establishing, expanding, or improving state veterans cemeteries. (Burial)

Statement of Budgetary Resources
A financial statement that provides assurance that the amounts obligated or spent did not exceed the available budget authority, obligations and outlays were for the purposes intended in the appropriations and authorizing legislation, other legal requirements pertaining to the account have been met, and the amounts are properly classified and accurately reported. (Financial)

Statement of Changes in Net Position
A financial statement that provides the manner in which VA's net costs were financed and the resulting effect on the Department's net position. (Financial)

Statement of Financing
A financial statement that explains how budgetary resources obligated during the period relate to the net cost of operations. It also provides information necessary to understand how the budgetary resources finance the cost of operations and affect the assets and liabilities of the Department. (Financial)

Statement of Net Costs
A financial statement that provides information to help the reader understand the net costs of providing specific programs and activities, and the composition of and changes in these costs. (Financial)

Statement of Written Assurance
A statement of written assurance is required by the Federal Managers' Financial Integrity Act. Each year, the head of each executive agency must prepare a statement that the agency's systems of internal accounting and administrative control fully comply with the requirements of the law, or that they do not comply. In the latter case, the head of the agency must include a report in which (a) material weaknesses in the agency's system of internal accounting and administrative controls are identified and (b) the plans and schedules for correcting any such weaknesses. (Financial)

Status of Budgetary Resources
Obligations incurred, the unobligated balances at the end of the period that remain available, and unobligated balances at the end of the period that are unavailable except to adjust or liquidate prior year obligations. (Financial)

Stewardship Land
Land not acquired for or in connection with items of general property, plant, and equipment. (Financial)

Stewardship Property, Plant, and Equipment
Assets whose physical properties resemble those of general PP&E that are traditionally capitalized in financial statements. However, due to the nature of these assets, (1) valuation would be difficult and (2) matching costs with specific periods would not be meaningful. Stewardship PP&E consists of heritage assets, national defense PP&E, and Stewardship Land. (Financial)

Telehealth
The use of electronic communications and information technology to provide and support health care when distance separates the participants. It includes health care practitioners interacting with patients, and patients interacting with other patients. (Medical Care)

Telemedicine
The provision of care by a licensed independent health care provider that directs, diagnoses, or otherwise provides clinical treatment delivered using electronic communications and information technology when distance separates the provider and the patient. (Medical Care)

Unobligated Balances
Balances of budgetary resources that have not yet been obligated. (Financial)

VA Domiciliary
A VA domiciliary provides comprehensive health and social services in a VA facility for eligible veterans who are ambulatory and do not require the level of care provided in nursing homes. (Medical Care)

VA Hospital
A VA hospital is an institution that is owned, staffed, and operated by VA and whose primary function is to provide inpatient services. Note: Each division of an integrated medical center is counted as a separate hospital. (Medical Care)

VA National Cemetery
A VA national cemetery provides gravesites for the interment of deceased veterans and their eligible family members. VA's 121 national cemeteries are national shrines that are important sites for patriotic and commemorative events.

VA Regional Office
A VA regional office is a VBA office located in each state that receives and processes claims for VA benefits. (VBA)

Veterans Integrated Service Network (VISN)
The 21 VISNs are integrated networks of health care facilities that provide coordinated services to veterans to facilitate continuity through all phases of health care and to maximize the use of resources. (Medical Care)

List of Abbreviations and Acronyms

BDD
Benefits Delivery at Discharge

BDN
Benefits Delivery Network

BVA
Board of Veterans' Appeals

C&P
Compensation and Pension

CAP
Combined Assessment Program

CARES
Capital Asset Realignment for Enhanced Services

CBOC
Community-based Outpatient Clinic

CLO
Chief Logistics Officer

CMOP
Consolidated Mail Outpatient Pharmacy

COOP
Continuity of Operations

CoreFLS
Core Financial and Logistics System

CSRS
Civil Service Retirement System

DIC
Dependency and Indemnity Compensation

DOOR
Distribution of Operational Resources

EDI
Electronic Data Interchange

F&FE
Fiduciary and Field Examination

FASAB
Federal Accounting Standards Advisory Board

FASB
Financial Accounting Standards Board

FECA
Federal Employees' Compensation Act

FERS
Federal Employees Retirement System

FTE
Full-time Equivalent

GIP
Generic Inventory Package

GPRA
Government Performance and Results Act

HCHV
Health Care for Homeless Veterans

HIPAA
Health Information Portability and Accountability Act

JCAHO
Joint Commission on Accreditation of Healthcare Organizations

LETC
Law Enforcement Training Center

LGY
Loan Guaranty

LS&C
Loan Service & Claims

MCCF
Medical Care Collections Fund

MSN
Memorial Service Network

NCA
National Cemetery Administration

OGC
Office of General Counsel

OWCP
Office of Workers' Compensation Program

P&F
Program and Financing

PART
Program Assessment Rating Tool

PP&E
Property, Plant & Equipment

SFFAS
Statement of Federal Financial Accounting Standards

SGLI
Servicemembers' Group Life Insurance

STAR
Systematic Technical Accuracy Review

TEES
The Education Expert System

TRICARE
DoD-managed care support contract

VAMC
VA Medical Center

VA RC&V
VA Records Center and Vault

VARO
VA Regional Office

VBA
Veterans Benefits Administration

VERA
Veterans' Equitable Resource Allocation

VETSNET
Veterans Services Network

VGLI
Veterans' Group Life Insurance

VHA
Veterans Health Administration

VISN
Veterans Integrated Service Network

VistA
Veterans Health Information Systems and Technology Architecture

VR&E
Vocational Rehabilitation and Employment

WCP
Workers' Compensation Program

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The Annual Performance and Accountability Report is published by the Department of Veterans Affairs, Office of Management (041H), Room 619, 810 Vermont Avenue, NW, Washington, DC 20420-1000. An electronic version of this report is available on the World Wide Web at www.va.gov/budget/report

For additional copies of this report, please call the VA Budget Office at 202-273-5289.

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