

## Performance Scorecard

Strategic Goals	Key Performance Measures (page reference)	FY 2005 Recap			Improved From FY 2004?	Measure Type	
		Target Achieved?		Target			Result
		Yes	No			Yes/No/Same	
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

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		Target Achieved?		Target	Result		
		Yes	No				
Strategic Goal #3, cont'd	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

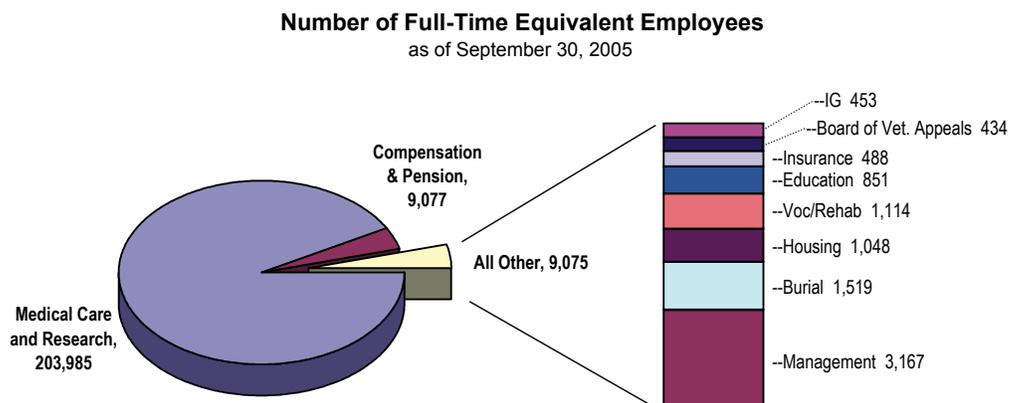
The Department's staff offices are critical to VA's ability to deliver services to veterans in a cost-effective manner. These offices provide a variety of services including human resources management, accounting, information technology, acquisition, and facilities management.

## Our Programs: *Who They Serve*

Program	FY 2005 Participants*
<b>Medical Care</b>	
Unique Patients	**5,435,500
<b>Compensation</b>	
Veterans	2,633,900
Survivors/Children	322,700
<b>Pension</b>	
Veterans	335,900
Survivors	207,100
<b>Education</b>	
Veterans/Servicemembers	338,100
Reservists	86,600
Survivors/Dependents	74,800
<b>Vocational Rehabilitation</b>	
Veterans	96,200
<b>Housing</b>	
Loans Guaranteed	152,200
<b>Insurance</b>	
Veterans	1,874,400
Servicemembers/Reservists	2,371,500
Spouses/Dependents	3,037,000
<b>Burial</b>	
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*

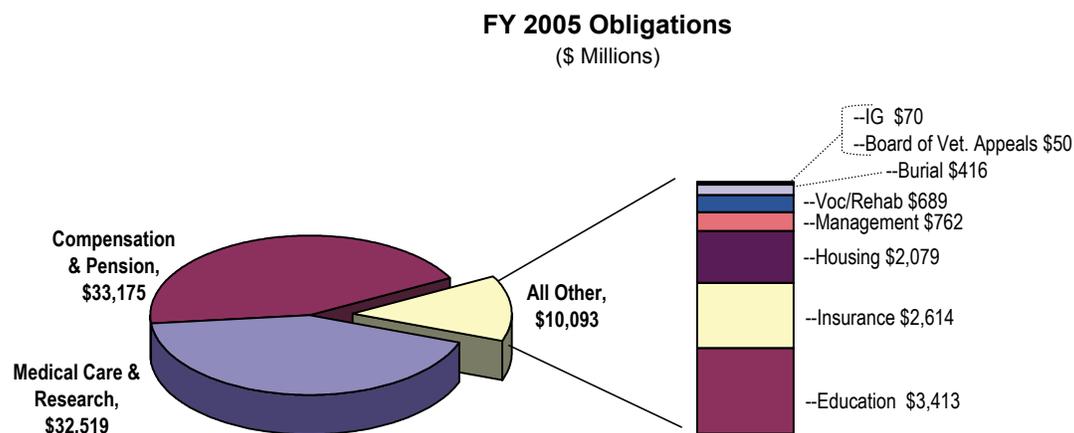
As of September 30, 2005, the Department employed more than 222,000 staff nationwide. The charts below show the distribution of full-time equivalents by program area.



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.





## Leadership and Governance

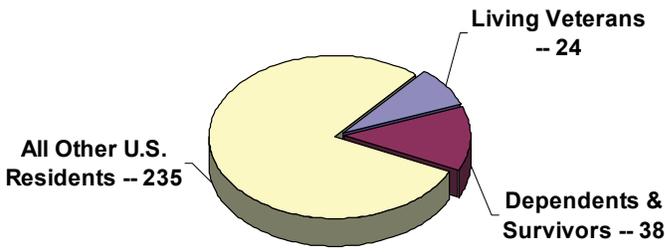
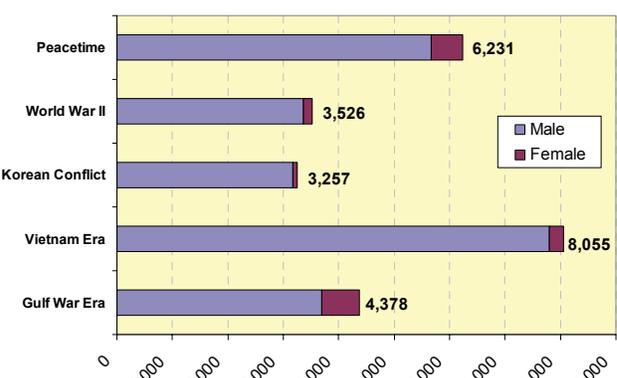
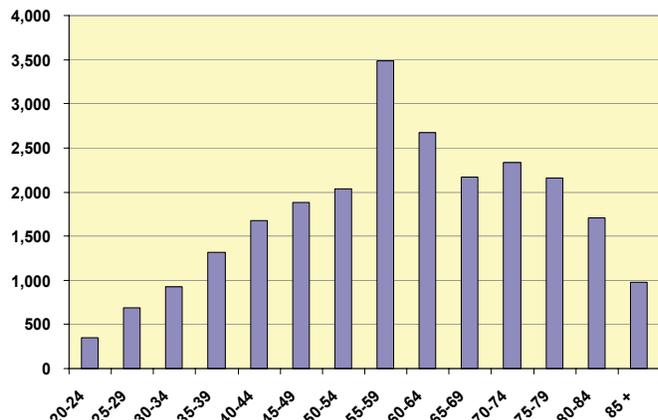
VA senior leadership makes policy decisions through internal governing boards including those cited below.

Governance	Major FY 2005 Actions
<b>Strategic Management Council</b>	
<p>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.</p>	<p>The SMC accomplished the following actions:</p> <ul style="list-style-type: none"> <li>• Worked to address congressional concerns with the VETSNET program.</li> <li>• Conducted pre- and post-award audits on VA drug contracts.</li> <li>• Directed an assessment on post-traumatic stress disorder (PTSD) trends for Vietnam, Operation Iraqi Freedom (OIF), and Operation Enduring Freedom (OEF) veterans.</li> <li>• Explored alternative land acquisition strategies to meet future demands for burial space.</li> <li>• 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.</li> <li>• Approved the development of an implementation plan for enhanced preventive health to combat obesity among veterans.</li> <li>• Approved initiation of a program evaluation of the VA Burial program.</li> <li>• Reviewed and made recommendations on the e-Payroll and e-Travel Initiatives.</li> <li>• Reviewed and made recommendations on VA's initiatives on the President's Management Agenda (PMA).</li> </ul>
<b>Business Oversight Board</b>	
<p>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.</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>

Governance	Major FY 2005 Actions
<b>Monthly Performance Reviews</b>	
<p>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.</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Actual obligations, FTE, workload, and performance levels are compared to those in the operating plans.</li> <li>• 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.</li> </ul>

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

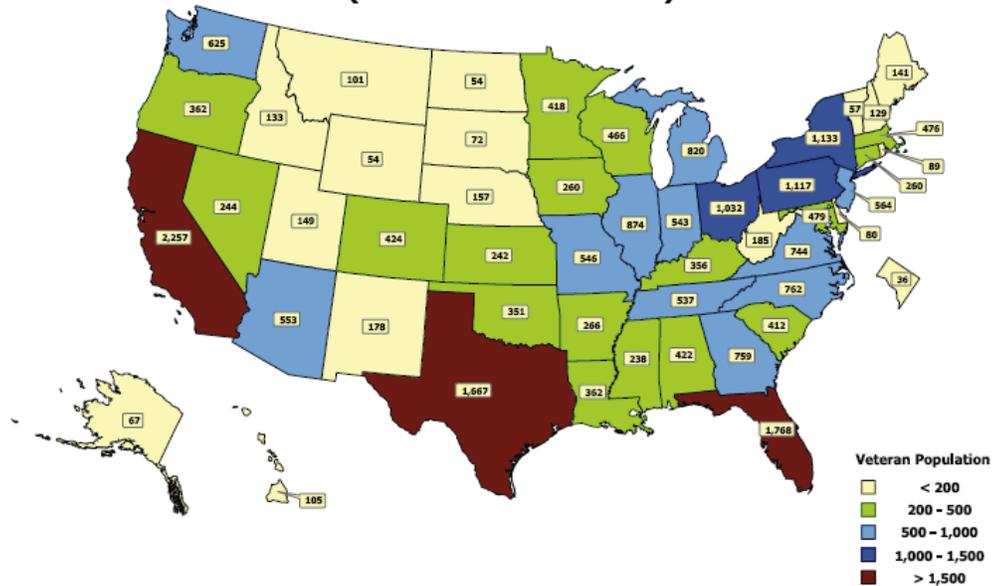
Beginning with our Nation's struggle for freedom more than 2 centuries ago, approximately 42 million men and women have served this country during wartime periods. The charts below provide various social and demographic data on today's veteran population based on the 2000 census.

Data	Analysis																														
<p style="text-align: center;"><b>Veteran Population Compared to Total U.S. Population</b> (Millions)</p>  <table border="1"> <caption>Veteran Population Compared to Total U.S. Population (Millions)</caption> <thead> <tr> <th>Category</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>All Other U.S. Residents</td> <td>235</td> </tr> <tr> <td>Living Veterans</td> <td>24</td> </tr> <tr> <td>Dependents &amp; Survivors</td> <td>38</td> </tr> </tbody> </table>	Category	Value	All Other U.S. Residents	235	Living Veterans	24	Dependents & Survivors	38	<ul style="list-style-type: none"> <li>• 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.</li> <li>• There are an estimated 38 million dependents (spouses and dependent children) of living veterans and survivors of deceased veterans in the U.S.</li> </ul>																						
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\*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

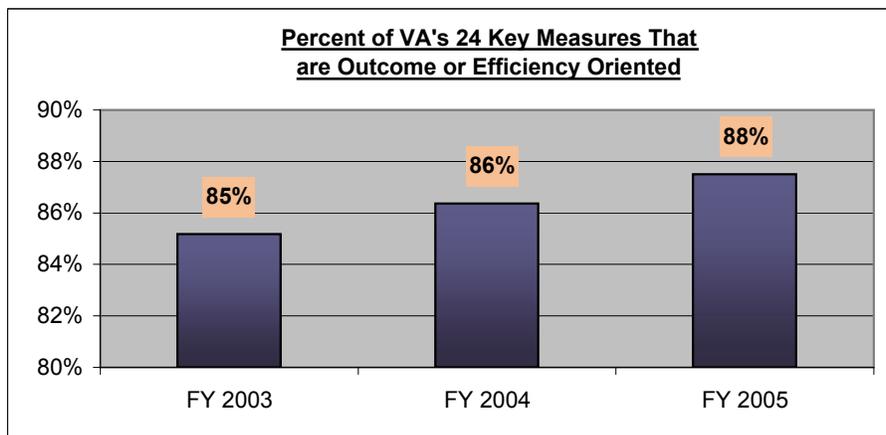
VA employs a four-tiered performance management framework to measure performance.

<i>Term</i>	<i>Definition</i>
<i>Strategic Goals</i>	The Department's long-term outcomes as detailed in the Strategic Plan. VA has four strategic goals and one enabling goal.
<i>Strategic Objectives</i>	Broad operational focus areas designed to achieve strategic goals. The Department has 21 strategic objectives.
<i>Performance Measures</i>	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.
<i>Performance Targets</i>	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.

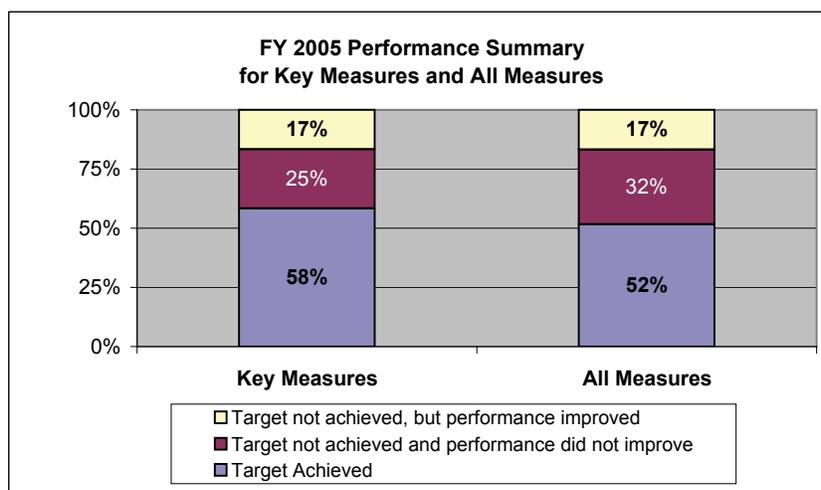
## Our 24 Key Measures

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.

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

<b>Objective 1.1 – Specialized Health Care Services</b>											
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.											
<ul style="list-style-type: none"> <li>• <b>Attain 86 percent</b> score on the Prevention Index II for special populations of veterans</li> </ul>	<ul style="list-style-type: none"> <li>• <b>86 percent</b></li> </ul> <table border="1"> <tr> <td><i>FY 2004</i></td> <td><b>86%</b></td> </tr> <tr> <td><i>FY 2003</i></td> <td><b>80%</b></td> </tr> <tr> <td><i>FY 2002</i></td> <td><b>N/A</b></td> </tr> <tr> <td><i>FY 2001</i></td> <td><b>N/A</b></td> </tr> </table>	<i>FY 2004</i>	<b>86%</b>	<i>FY 2003</i>	<b>80%</b>	<i>FY 2002</i>	<b>N/A</b>	<i>FY 2001</i>	<b>N/A</b>	\$20,481	27.0%
<i>FY 2004</i>	<b>86%</b>										
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<ul style="list-style-type: none"> <li>• <b>Discharge 79 percent</b> of the homeless veterans from domiciliary or residential care settings to an independent or secured institutional living arrangement</li> </ul>	<ul style="list-style-type: none"> <li>• <b>82 percent</b></li> </ul> <table border="1"> <tr> <td><i>FY 2004</i></td> <td><b>79%</b></td> </tr> <tr> <td><i>FY 2003</i></td> <td><b>72%</b></td> </tr> <tr> <td><i>FY 2002</i></td> <td><b>65%</b></td> </tr> <tr> <td><i>FY 2001</i></td> <td><b>N/A</b></td> </tr> </table>	<i>FY 2004</i>	<b>79%</b>	<i>FY 2003</i>	<b>72%</b>	<i>FY 2002</i>	<b>65%</b>	<i>FY 2001</i>	<b>N/A</b>		
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<b>Strategic Goal 1</b>											
<b>Restoration and Improved Quality of Life for Disabled Veterans</b>											
<b>Targets</b>	<b>Results</b>	<b>Obligations (\$ in Millions)</b>	<b>% of Total VA Resources</b>								
<b>Objective 1.2 – Decisions on Disability Compensation Claims</b>											
PROVIDE TIMELY AND ACCURATE DECISIONS ON DISABILITY COMPENSATION CLAIMS TO IMPROVE THE ECONOMIC STATUS AND QUALITY OF LIFE OF SERVICE-DISABLED VETERANS.											
<ul style="list-style-type: none"> <li>• <b>Complete in 145 days</b> compensation and pension rating-related actions, on average</li> </ul>	<ul style="list-style-type: none"> <li>• <b>167 days</b></li> </ul> <table border="1"> <tr><td><i>FY 2004</i></td><td><b>166</b></td></tr> <tr><td><i>FY 2003</i></td><td><b>182</b></td></tr> <tr><td><i>FY 2002</i></td><td><b>223</b></td></tr> <tr><td><i>FY 2001</i></td><td><b>181</b></td></tr> </table>	<i>FY 2004</i>	<b>166</b>	<i>FY 2003</i>	<b>182</b>	<i>FY 2002</i>	<b>223</b>	<i>FY 2001</i>	<b>181</b>	\$29,653	39.1%
	<i>FY 2004</i>	<b>166</b>									
<i>FY 2003</i>	<b>182</b>										
<i>FY 2002</i>	<b>223</b>										
<i>FY 2001</i>	<b>181</b>										
<ul style="list-style-type: none"> <li>• <b>Reduce to 119 days</b> rating-related compensation actions pending, on average</li> </ul> <table border="1"> <tr><td><i>FY 2004</i></td><td><b>120</b></td></tr> <tr><td><i>FY 2003</i></td><td><b>114</b></td></tr> <tr><td><i>FY 2002</i></td><td><b>179</b></td></tr> <tr><td><i>FY 2001</i></td><td><b>186</b></td></tr> </table>	<i>FY 2004</i>	<b>120</b>	<i>FY 2003</i>	<b>114</b>	<i>FY 2002</i>	<b>179</b>	<i>FY 2001</i>	<b>186</b>			
<i>FY 2004</i>	<b>120</b>										
<i>FY 2003</i>	<b>114</b>										
<i>FY 2002</i>	<b>179</b>										
<i>FY 2001</i>	<b>186</b>										
<ul style="list-style-type: none"> <li>• <b>Achieve an 88 percent</b> national accuracy rate for compensation core rating work</li> </ul>	<ul style="list-style-type: none"> <li>• <b>84 percent</b></li> </ul> <table border="1"> <tr><td><i>FY 2004</i></td><td><b>87%</b></td></tr> <tr><td><i>FY 2003</i></td><td><b>86%</b></td></tr> <tr><td><i>FY 2002</i></td><td><b>80%</b></td></tr> <tr><td><i>FY 2001</i></td><td><b>80%</b></td></tr> </table>	<i>FY 2004</i>	<b>87%</b>	<i>FY 2003</i>	<b>86%</b>	<i>FY 2002</i>	<b>80%</b>	<i>FY 2001</i>	<b>80%</b>		
<i>FY 2004</i>	<b>87%</b>										
<i>FY 2003</i>	<b>86%</b>										
<i>FY 2002</i>	<b>80%</b>										
<i>FY 2001</i>	<b>80%</b>										
<b>Objective 1.3 – Suitable Employment and Special Support</b>											
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.											
<ul style="list-style-type: none"> <li>• <b>Achieve a 66 percent rehabilitation rate</b> of all veteran participants who exit the vocational rehabilitation program and find and maintain suitable employment</li> </ul>	<ul style="list-style-type: none"> <li>• <b>63 percent</b></li> </ul> <table border="1"> <tr><td><i>FY 2004</i></td><td><b>62%</b></td></tr> <tr><td><i>FY 2003</i></td><td><b>59%</b></td></tr> <tr><td><i>FY 2002</i></td><td><b>62%</b></td></tr> <tr><td><i>FY 2001</i></td><td><b>65%</b></td></tr> </table>	<i>FY 2004</i>	<b>62%</b>	<i>FY 2003</i>	<b>59%</b>	<i>FY 2002</i>	<b>62%</b>	<i>FY 2001</i>	<b>65%</b>	\$689	0.9%
<i>FY 2004</i>	<b>62%</b>										
<i>FY 2003</i>	<b>59%</b>										
<i>FY 2002</i>	<b>62%</b>										
<i>FY 2001</i>	<b>65%</b>										

<b>Strategic Goal 1</b>											
<b>Restoration and Improved Quality of Life for Disabled Veterans</b>											
<b>Targets</b>	<b>Results</b>	<b>Obligations</b> (\$ in Millions)	<b>% of Total VA Resources</b>								
<b>Objective 1.4 – Improved Standard of Living for Eligible Survivors</b>											
IMPROVE THE STANDARD OF LIVING AND INCOME STATUS OF ELIGIBLE SURVIVORS OF SERVICE-DISABLED VETERANS THROUGH COMPENSATION, EDUCATION, AND INSURANCE BENEFITS.											
<ul style="list-style-type: none"> <li>• <b>Complete in 120 days</b> dependency indemnity compensation (DIC) claims, on average</li> </ul>	<ul style="list-style-type: none"> <li>• <b>124 days</b></li> </ul> <table border="1"> <tbody> <tr> <td><i>FY 2004</i></td> <td><b>125</b></td> </tr> <tr> <td><i>FY 2003</i></td> <td><b>153</b></td> </tr> <tr> <td><i>FY 2002</i></td> <td><b>172</b></td> </tr> <tr> <td><i>FY 2001</i></td> <td><b>133</b></td> </tr> </tbody> </table>	<i>FY 2004</i>	<b>125</b>	<i>FY 2003</i>	<b>153</b>	<i>FY 2002</i>	<b>172</b>	<i>FY 2001</i>	<b>133</b>	\$468	0.6%
<i>FY 2004</i>	<b>125</b>										
<i>FY 2003</i>	<b>153</b>										
<i>FY 2002</i>	<b>172</b>										
<i>FY 2001</i>	<b>133</b>										

## 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.

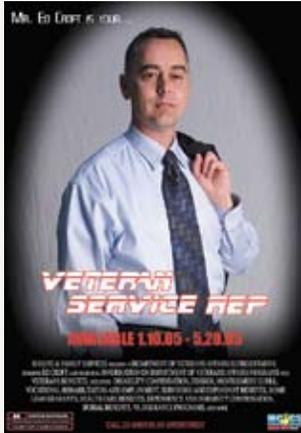
In partnership with DoD, VA also conducts outreach activities and transition assistance to separating servicemembers. This enables VA to more quickly identify veterans returning from a combat zone who have service-connected disabilities as well as those returning without a disability.

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.											
<ul style="list-style-type: none"> <li>• <b>Achieve (a designated percent)</b> of VA medical centers that are contracted to serve as TRICARE (DoD-managed care support contract) network providers</li> </ul> <p>(FY 2005 was the baseline year; thus no target had been identified.)</p>	<ul style="list-style-type: none"> <li>• <b>87 percent</b></li> </ul> <table border="1"> <tr><td>FY 2004</td><td>N/A</td></tr> <tr><td>FY 2003</td><td>N/A</td></tr> <tr><td>FY 2002</td><td>N/A</td></tr> <tr><td>FY 2001</td><td>N/A</td></tr> </table>	FY 2004	N/A	FY 2003	N/A	FY 2002	N/A	FY 2001	N/A	\$745	1.0%
FY 2004	N/A										
FY 2003	N/A										
FY 2002	N/A										
FY 2001	N/A										
<ul style="list-style-type: none"> <li>• <b>Achieve (a designated number)</b> of implementation guides for the Consolidated Health Informatics Standards adopted by VA and DoD</li> </ul> <p>(FY 2005 was the baseline year; thus no target had been identified.)</p>	<ul style="list-style-type: none"> <li>• <b>2 guides</b></li> </ul> <table border="1"> <tr><td>FY 2004</td><td>N/A</td></tr> <tr><td>FY 2003</td><td>N/A</td></tr> <tr><td>FY 2002</td><td>N/A</td></tr> <tr><td>FY 2001</td><td>N/A</td></tr> </table>	FY 2004	N/A	FY 2003	N/A	FY 2002	N/A	FY 2001	N/A		
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								
<b>Objective 2.2 – Decisions on Education Claims</b>											
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.											
<ul style="list-style-type: none"> <li>• <b>Complete in 25 days</b> original education claims, on average</li> </ul>	<ul style="list-style-type: none"> <li>• <b>33 days</b></li> </ul> <table border="1"> <tr><td><i>FY 2004</i></td><td><b>26</b></td></tr> <tr><td><i>FY 2003</i></td><td><b>23</b></td></tr> <tr><td><i>FY 2002</i></td><td><b>34</b></td></tr> <tr><td><i>FY 2001</i></td><td><b>50</b></td></tr> </table>	<i>FY 2004</i>	<b>26</b>	<i>FY 2003</i>	<b>23</b>	<i>FY 2002</i>	<b>34</b>	<i>FY 2001</i>	<b>50</b>	\$3,072	4.1%
<i>FY 2004</i>	<b>26</b>										
<i>FY 2003</i>	<b>23</b>										
<i>FY 2002</i>	<b>34</b>										
<i>FY 2001</i>	<b>50</b>										
<ul style="list-style-type: none"> <li>• <b>Complete in 13 days</b> supplemental education claims, on average</li> </ul>	<ul style="list-style-type: none"> <li>• <b>19 days</b></li> </ul> <table border="1"> <tr><td><i>FY 2004</i></td><td><b>13</b></td></tr> <tr><td><i>FY 2003</i></td><td><b>12</b></td></tr> <tr><td><i>FY 2002</i></td><td><b>16</b></td></tr> <tr><td><i>FY 2001</i></td><td><b>24</b></td></tr> </table>	<i>FY 2004</i>	<b>13</b>	<i>FY 2003</i>	<b>12</b>	<i>FY 2002</i>	<b>16</b>	<i>FY 2001</i>	<b>24</b>		
<i>FY 2004</i>	<b>13</b>										
<i>FY 2003</i>	<b>12</b>										
<i>FY 2002</i>	<b>16</b>										
<i>FY 2001</i>	<b>24</b>										
<ul style="list-style-type: none"> <li>• <b>Ensure a 95 percent</b> payment accuracy rate (Education)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>96 percent</b></li> </ul> <table border="1"> <tr><td><i>FY 2004</i></td><td><b>94%</b></td></tr> <tr><td><i>FY 2003</i></td><td><b>94%</b></td></tr> <tr><td><i>FY 2002</i></td><td><b>93%</b></td></tr> <tr><td><i>FY 2001</i></td><td><b>92%</b></td></tr> </table>	<i>FY 2004</i>	<b>94%</b>	<i>FY 2003</i>	<b>94%</b>	<i>FY 2002</i>	<b>93%</b>	<i>FY 2001</i>	<b>92%</b>		
<i>FY 2004</i>	<b>94%</b>										
<i>FY 2003</i>	<b>94%</b>										
<i>FY 2002</i>	<b>93%</b>										
<i>FY 2001</i>	<b>92%</b>										
<b>Objective 2.3 – Home Purchase and Retention</b>											
IMPROVE THE ABILITY OF VETERANS TO PURCHASE AND RETAIN A HOME BY MEETING OR EXCEEDING LENDING INDUSTRY STANDARDS FOR QUALITY, TIMELINESS, AND FORECLOSURE AVOIDANCE.											
<ul style="list-style-type: none"> <li>• <b>Achieve a 47 percent</b> “Foreclosure Avoidance Through Servicing” ratio</li> </ul>	<ul style="list-style-type: none"> <li>• <b>48 percent</b></li> </ul> <table border="1"> <tr><td><i>FY 2004</i></td><td><b>44%</b></td></tr> <tr><td><i>FY 2003</i></td><td><b>45%</b></td></tr> <tr><td><i>FY 2002</i></td><td><b>43%</b></td></tr> <tr><td><i>FY 2001</i></td><td><b>40%</b></td></tr> </table>	<i>FY 2004</i>	<b>44%</b>	<i>FY 2003</i>	<b>45%</b>	<i>FY 2002</i>	<b>43%</b>	<i>FY 2001</i>	<b>40%</b>	\$2,079	2.7%
<i>FY 2004</i>	<b>44%</b>										
<i>FY 2003</i>	<b>45%</b>										
<i>FY 2002</i>	<b>43%</b>										
<i>FY 2001</i>	<b>40%</b>										

## 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.

<b>Strategic Goal 3</b>			
<b>Honoring, Serving, and Memorializing Veterans</b>			
<b>Targets</b>	<b>Results</b>	<b>Obligations</b> (\$ in Millions)	<b>% of Total VA Resources</b>
		<b>\$14,492</b>	<b>19.1%</b>

<b>Objective 3.1 – Delivering Health Care</b>											
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.											
<ul style="list-style-type: none"> <li>• <b>Achieve a score of 77 percent</b> on the Clinical Practice Guidelines Index</li> </ul>	<ul style="list-style-type: none"> <li>• <b>87 percent</b></li> </ul> <table border="1"> <tr><td><i>FY 2004</i></td><td><b>77%</b></td></tr> <tr><td><i>FY 2003</i></td><td><b>70%</b></td></tr> <tr><td><i>FY 2002</i></td><td><b>Baseline</b></td></tr> <tr><td><i>FY 2001</i></td><td><b>N/A</b></td></tr> </table>	<i>FY 2004</i>	<b>77%</b>	<i>FY 2003</i>	<b>70%</b>	<i>FY 2002</i>	<b>Baseline</b>	<i>FY 2001</i>	<b>N/A</b>	\$8,763	11.6%
<i>FY 2004</i>	<b>77%</b>										
<i>FY 2003</i>	<b>70%</b>										
<i>FY 2002</i>	<b>Baseline</b>										
<i>FY 2001</i>	<b>N/A</b>										
<ul style="list-style-type: none"> <li>• <b>Achieve a score of 88 percent</b> on the Prevention Index II</li> </ul>	<ul style="list-style-type: none"> <li>• <b>90 percent</b></li> </ul> <table border="1"> <tr><td><i>FY 2004</i></td><td><b>88%</b></td></tr> <tr><td><i>FY 2003</i></td><td><b>83%</b></td></tr> <tr><td><i>FY 2002</i></td><td><b>82%</b></td></tr> <tr><td><i>FY 2001</i></td><td><b>80%</b></td></tr> </table>	<i>FY 2004</i>	<b>88%</b>	<i>FY 2003</i>	<b>83%</b>	<i>FY 2002</i>	<b>82%</b>	<i>FY 2001</i>	<b>80%</b>		
<i>FY 2004</i>	<b>88%</b>										
<i>FY 2003</i>	<b>83%</b>										
<i>FY 2002</i>	<b>82%</b>										
<i>FY 2001</i>	<b>80%</b>										
<ul style="list-style-type: none"> <li>• <b>Achieve 94 percent</b> of primary care appointments scheduled within 30 days of desired date</li> </ul>	<ul style="list-style-type: none"> <li>• <b>97 percent</b></li> </ul> <table border="1"> <tr><td><i>FY 2004</i></td><td><b>94%</b></td></tr> <tr><td><i>FY 2003</i></td><td><b>93%</b></td></tr> <tr><td><i>FY 2002</i></td><td><b>89%</b></td></tr> <tr><td><i>FY 2001</i></td><td><b>87%</b></td></tr> </table>	<i>FY 2004</i>	<b>94%</b>	<i>FY 2003</i>	<b>93%</b>	<i>FY 2002</i>	<b>89%</b>	<i>FY 2001</i>	<b>87%</b>		
<i>FY 2004</i>	<b>94%</b>										
<i>FY 2003</i>	<b>93%</b>										
<i>FY 2002</i>	<b>89%</b>										
<i>FY 2001</i>	<b>87%</b>										
<ul style="list-style-type: none"> <li>• <b>Achieve 93 percent</b> of specialty care appointments scheduled within 30 days of desired date</li> </ul>	<ul style="list-style-type: none"> <li>• <b>95 percent</b></li> </ul> <table border="1"> <tr><td><i>FY 2004</i></td><td><b>93%</b></td></tr> <tr><td><i>FY 2003</i></td><td><b>89%</b></td></tr> <tr><td><i>FY 2002</i></td><td><b>86%</b></td></tr> <tr><td><i>FY 2001</i></td><td><b>84%</b></td></tr> </table>	<i>FY 2004</i>	<b>93%</b>	<i>FY 2003</i>	<b>89%</b>	<i>FY 2002</i>	<b>86%</b>	<i>FY 2001</i>	<b>84%</b>		
<i>FY 2004</i>	<b>93%</b>										
<i>FY 2003</i>	<b>89%</b>										
<i>FY 2002</i>	<b>86%</b>										
<i>FY 2001</i>	<b>84%</b>										

Strategic Goal 3 Honoring, Serving, and Memorializing Veterans											
Targets	Results	Obligations (\$ in Millions)	% of Total VA Resources								
<ul style="list-style-type: none"> <li>• <b>Achieve a score of 74 percent</b> of patients rating VA health care service as “very good” or “excellent” for inpatients</li> </ul>	<ul style="list-style-type: none"> <li>• <b>77 percent</b></li> </ul> <table border="1"> <tr> <td><i>FY 2004</i></td> <td><b>74%</b></td> </tr> <tr> <td><i>FY 2003</i></td> <td><b>74%</b></td> </tr> <tr> <td><i>FY 2002</i></td> <td><b>70%</b></td> </tr> <tr> <td><i>FY 2001</i></td> <td><b>64%</b></td> </tr> </table>	<i>FY 2004</i>	<b>74%</b>	<i>FY 2003</i>	<b>74%</b>	<i>FY 2002</i>	<b>70%</b>	<i>FY 2001</i>	<b>64%</b>		
<i>FY 2004</i>	<b>74%</b>										
<i>FY 2003</i>	<b>74%</b>										
<i>FY 2002</i>	<b>70%</b>										
<i>FY 2001</i>	<b>64%</b>										
<ul style="list-style-type: none"> <li>• <b>Achieve a score of 73 percent</b> of patients rating VA health care service as “very good” or “excellent” for outpatients</li> </ul>	<ul style="list-style-type: none"> <li>• <b>77 percent</b></li> </ul> <table border="1"> <tr> <td><i>FY 2004</i></td> <td><b>72%</b></td> </tr> <tr> <td><i>FY 2003</i></td> <td><b>73%</b></td> </tr> <tr> <td><i>FY 2002</i></td> <td><b>71%</b></td> </tr> <tr> <td><i>FY 2001</i></td> <td><b>65%</b></td> </tr> </table>	<i>FY 2004</i>	<b>72%</b>	<i>FY 2003</i>	<b>73%</b>	<i>FY 2002</i>	<b>71%</b>	<i>FY 2001</i>	<b>65%</b>		
<i>FY 2004</i>	<b>72%</b>										
<i>FY 2003</i>	<b>73%</b>										
<i>FY 2002</i>	<b>71%</b>										
<i>FY 2001</i>	<b>65%</b>										
<ul style="list-style-type: none"> <li>• <b>Achieve a 30,118</b> average daily census for non-institutional long-term care</li> </ul>	<ul style="list-style-type: none"> <li>• <b>29,316</b></li> </ul> <table border="1"> <tr> <td><i>FY 2004</i></td> <td><b>25,523</b></td> </tr> <tr> <td><i>FY 2003</i></td> <td><b>24,413</b></td> </tr> <tr> <td><i>FY 2002</i></td> <td><b>24,126</b></td> </tr> <tr> <td><i>FY 2001</i></td> <td><b>N/A</b></td> </tr> </table>	<i>FY 2004</i>	<b>25,523</b>	<i>FY 2003</i>	<b>24,413</b>	<i>FY 2002</i>	<b>24,126</b>	<i>FY 2001</i>	<b>N/A</b>		
<i>FY 2004</i>	<b>25,523</b>										
<i>FY 2003</i>	<b>24,413</b>										
<i>FY 2002</i>	<b>24,126</b>										
<i>FY 2001</i>	<b>N/A</b>										

Strategic Goal 3											
Honoring, Serving, and Memorializing Veterans											
Targets	Results	Obligations (\$ in Millions)	% of Total VA Resources								
<b>Objective 3.2 – Decisions on Pension Claims</b>											
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.											
<ul style="list-style-type: none"> <li>• <b>Complete in 145 days</b> compensation and pension rating-related actions, on average</li> </ul>	<ul style="list-style-type: none"> <li>• <b>167 days</b></li> </ul> <table border="1"> <tr><td><i>FY 2004</i></td><td><b>166</b></td></tr> <tr><td><i>FY 2003</i></td><td><b>182</b></td></tr> <tr><td><i>FY 2002</i></td><td><b>223</b></td></tr> <tr><td><i>FY 2001</i></td><td><b>181</b></td></tr> </table>	<i>FY 2004</i>	<b>166</b>	<i>FY 2003</i>	<b>182</b>	<i>FY 2002</i>	<b>223</b>	<i>FY 2001</i>	<b>181</b>	\$3,577	4.7%
<i>FY 2004</i>	<b>166</b>										
<i>FY 2003</i>	<b>182</b>										
<i>FY 2002</i>	<b>223</b>										
<i>FY 2001</i>	<b>181</b>										
<ul style="list-style-type: none"> <li>• <b>Complete in 73 days</b> non-rating pension actions, on average</li> </ul>	<ul style="list-style-type: none"> <li>• <b>68 days</b></li> </ul> <table border="1"> <tr><td><i>FY 2004</i></td><td><b>58</b></td></tr> <tr><td><i>FY 2003</i></td><td><b>67</b></td></tr> <tr><td><i>FY 2002</i></td><td><b>65</b></td></tr> <tr><td><i>FY 2001</i></td><td><b>59</b></td></tr> </table>	<i>FY 2004</i>	<b>58</b>	<i>FY 2003</i>	<b>67</b>	<i>FY 2002</i>	<b>65</b>	<i>FY 2001</i>	<b>59</b>		
<i>FY 2004</i>	<b>58</b>										
<i>FY 2003</i>	<b>67</b>										
<i>FY 2002</i>	<b>65</b>										
<i>FY 2001</i>	<b>59</b>										
<ul style="list-style-type: none"> <li>• <b>Achieve an 84 percent</b> national accuracy rate for pension authorization work</li> </ul>	<ul style="list-style-type: none"> <li>• <b>84 percent</b></li> </ul> <table border="1"> <tr><td><i>FY 2004</i></td><td><b>84%</b></td></tr> <tr><td><i>FY 2003</i></td><td><b>81%</b></td></tr> <tr><td><i>FY 2002</i></td><td><b>76%</b></td></tr> <tr><td><i>FY 2001</i></td><td><b>62%</b></td></tr> </table>	<i>FY 2004</i>	<b>84%</b>	<i>FY 2003</i>	<b>81%</b>	<i>FY 2002</i>	<b>76%</b>	<i>FY 2001</i>	<b>62%</b>		
<i>FY 2004</i>	<b>84%</b>										
<i>FY 2003</i>	<b>81%</b>										
<i>FY 2002</i>	<b>76%</b>										
<i>FY 2001</i>	<b>62%</b>										

<b>Strategic Goal 3</b> Honoring, Serving, and Memorializing Veterans											
Targets	Results	Obligations (\$ in Millions)	% of Total VA Resources								
<b><u>Objective 3.3 – Providing Insurance Service</u></b> MAINTAIN A HIGH LEVEL OF SERVICE TO INSURANCE POLICY HOLDERS AND THEIR BENEFICIARIES TO ENHANCE THE FINANCIAL SECURITY FOR VETERANS' FAMILIES.											
<ul style="list-style-type: none"> <li> <b>Complete in 2.7 days</b> insurance disbursements, on average                             </li> </ul>	<ul style="list-style-type: none"> <li> <b>1.8 days</b> <table border="1" style="margin-left: 20px;"> <tr><td><i>FY 2004</i></td><td><b>1.8</b></td></tr> <tr><td><i>FY 2003</i></td><td><b>2.4</b></td></tr> <tr><td><i>FY 2002</i></td><td><b>2.6</b></td></tr> <tr><td><i>FY 2001</i></td><td><b>2.8</b></td></tr> </table> </li> </ul>	<i>FY 2004</i>	<b>1.8</b>	<i>FY 2003</i>	<b>2.4</b>	<i>FY 2002</i>	<b>2.6</b>	<i>FY 2001</i>	<b>2.8</b>	\$1,836	2.4%
<i>FY 2004</i>	<b>1.8</b>										
<i>FY 2003</i>	<b>2.4</b>										
<i>FY 2002</i>	<b>2.6</b>										
<i>FY 2001</i>	<b>2.8</b>										
<ul style="list-style-type: none"> <li> <b>Achieve a 95 percent</b> high customer rating for insurance services                             </li> </ul>	<ul style="list-style-type: none"> <li> <b>96 percent</b> <table border="1" style="margin-left: 20px;"> <tr><td><i>FY 2004</i></td><td><b>96%</b></td></tr> <tr><td><i>FY 2003</i></td><td><b>95%</b></td></tr> <tr><td><i>FY 2002</i></td><td><b>95%</b></td></tr> <tr><td><i>FY 2001</i></td><td><b>96%</b></td></tr> </table> </li> </ul>	<i>FY 2004</i>	<b>96%</b>	<i>FY 2003</i>	<b>95%</b>	<i>FY 2002</i>	<b>95%</b>	<i>FY 2001</i>	<b>96%</b>		
<i>FY 2004</i>	<b>96%</b>										
<i>FY 2003</i>	<b>95%</b>										
<i>FY 2002</i>	<b>95%</b>										
<i>FY 2001</i>	<b>96%</b>										

<b>Strategic Goal 3</b>											
<b>Honoring, Serving, and Memorializing Veterans</b>											
<b>Targets</b>	<b>Results</b>	<b>Obligations</b> (\$ in Millions)	<b>% of Total VA Resources</b>								
<b><u>Objective 3.4 – Meeting Burial Needs</u></b>											
ENSURE THAT THE BURIAL NEEDS OF VETERANS AND ELIGIBLE FAMILY MEMBERS ARE MET.											
<ul style="list-style-type: none"> <li>• <b>Ensure 78.3 percent</b> of veterans are served by a burial option within a reasonable distance (75 miles) of their residence</li> </ul>	<ul style="list-style-type: none"> <li>• <b>77.1 percent</b></li> </ul> <table border="1"> <tr> <td><i>FY 2004</i></td> <td><b>75.3%</b></td> </tr> <tr> <td><i>FY 2003</i></td> <td><b>75.2%</b></td> </tr> <tr> <td><i>FY 2002</i></td> <td><b>73.9%</b></td> </tr> <tr> <td><i>FY 2001</i></td> <td><b>72.6%</b></td> </tr> </table>	<i>FY 2004</i>	<b>75.3%</b>	<i>FY 2003</i>	<b>75.2%</b>	<i>FY 2002</i>	<b>73.9%</b>	<i>FY 2001</i>	<b>72.6%</b>	\$252	0.3%
<i>FY 2004</i>	<b>75.3%</b>										
<i>FY 2003</i>	<b>75.2%</b>										
<i>FY 2002</i>	<b>73.9%</b>										
<i>FY 2001</i>	<b>72.6%</b>										
<ul style="list-style-type: none"> <li>• <b>Achieve 95 percent</b> of survey respondents rating the quality of service provided by the national cemeteries as excellent</li> </ul>	<ul style="list-style-type: none"> <li>• <b>94 percent</b></li> </ul> <table border="1"> <tr> <td><i>FY 2004</i></td> <td><b>94%</b></td> </tr> <tr> <td><i>FY 2003</i></td> <td><b>94%</b></td> </tr> <tr> <td><i>FY 2002</i></td> <td><b>91%</b></td> </tr> <tr> <td><i>FY 2001</i></td> <td><b>92%</b></td> </tr> </table>	<i>FY 2004</i>	<b>94%</b>	<i>FY 2003</i>	<b>94%</b>	<i>FY 2002</i>	<b>91%</b>	<i>FY 2001</i>	<b>92%</b>		
<i>FY 2004</i>	<b>94%</b>										
<i>FY 2003</i>	<b>94%</b>										
<i>FY 2002</i>	<b>91%</b>										
<i>FY 2001</i>	<b>92%</b>										
<b><u>Objective 3.5 – Symbolic Expressions of Remembrance</u></b>											
PROVIDE VETERANS AND THEIR FAMILIES WITH TIMELY AND ACCURATE SYMBOLIC EXPRESSIONS OF REMEMBRANCE.											
<ul style="list-style-type: none"> <li>• <b>Ensure 88 percent</b> of graves in national cemeteries are marked within 60 days of interment</li> </ul>	<ul style="list-style-type: none"> <li>• <b>94 percent</b></li> </ul> <table border="1"> <tr> <td><i>FY 2004</i></td> <td><b>87%</b></td> </tr> <tr> <td><i>FY 2003</i></td> <td><b>72%</b></td> </tr> <tr> <td><i>FY 2002</i></td> <td><b>49%</b></td> </tr> <tr> <td><i>FY 2001</i></td> <td><b>N/A</b></td> </tr> </table>	<i>FY 2004</i>	<b>87%</b>	<i>FY 2003</i>	<b>72%</b>	<i>FY 2002</i>	<b>49%</b>	<i>FY 2001</i>	<b>N/A</b>	\$64	0.1%
<i>FY 2004</i>	<b>87%</b>										
<i>FY 2003</i>	<b>72%</b>										
<i>FY 2002</i>	<b>49%</b>										
<i>FY 2001</i>	<b>N/A</b>										

## 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.

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

<b>Objective 4.1 – Emergency Preparedness</b>											
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.											
<ul style="list-style-type: none"> <li><b>Achieve (a designated percent)</b> of emergency planners who have completed orientation (Target had not been identified at the beginning of FY 2005)</li> </ul>	<ul style="list-style-type: none"> <li><b>100 percent</b></li> </ul> <table border="1"> <tr> <td><i>FY 2004</i></td> <td><i>N/A</i></td> </tr> <tr> <td><i>FY 2003</i></td> <td><i>N/A</i></td> </tr> <tr> <td><i>FY 2002</i></td> <td><i>N/A</i></td> </tr> <tr> <td><i>FY 2001</i></td> <td><i>N/A</i></td> </tr> </table>	<i>FY 2004</i>	<i>N/A</i>	<i>FY 2003</i>	<i>N/A</i>	<i>FY 2002</i>	<i>N/A</i>	<i>FY 2001</i>	<i>N/A</i>	<\$1M	<0.1%
<i>FY 2004</i>	<i>N/A</i>										
<i>FY 2003</i>	<i>N/A</i>										
<i>FY 2002</i>	<i>N/A</i>										
<i>FY 2001</i>	<i>N/A</i>										
<ul style="list-style-type: none"> <li><b>Achieve (a designated percent)</b> 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)</li> </ul>	<ul style="list-style-type: none"> <li><b>85 percent</b></li> </ul> <table border="1"> <tr> <td><i>FY 2004</i></td> <td><i>N/A</i></td> </tr> <tr> <td><i>FY 2003</i></td> <td><i>N/A</i></td> </tr> <tr> <td><i>FY 2002</i></td> <td><i>N/A</i></td> </tr> <tr> <td><i>FY 2001</i></td> <td><i>N/A</i></td> </tr> </table>	<i>FY 2004</i>	<i>N/A</i>	<i>FY 2003</i>	<i>N/A</i>	<i>FY 2002</i>	<i>N/A</i>	<i>FY 2001</i>	<i>N/A</i>		
<i>FY 2004</i>	<i>N/A</i>										
<i>FY 2003</i>	<i>N/A</i>										
<i>FY 2002</i>	<i>N/A</i>										
<i>FY 2001</i>	<i>N/A</i>										

<b>Strategic Goal 4</b>											
<b>Contributing to the Nation's Well-Being</b>											
<b>Targets</b>	<b>Results</b>	<b>Obligations</b> (\$ in Millions)	<b>% of Total VA Resources</b>								
<b><u>Objective 4.2 – Medical Research and Development</u></b>											
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.											
<ul style="list-style-type: none"> <li><b>Achieve 2,558</b> peer-reviewed publications by VA investigators</li> </ul>	<ul style="list-style-type: none"> <li><b>2,665</b></li> </ul> <table border="1"> <tr><td><i>FY 2004</i></td><td><i>N/A</i></td></tr> <tr><td><i>FY 2003</i></td><td><i>N/A</i></td></tr> <tr><td><i>FY 2002</i></td><td><i>N/A</i></td></tr> <tr><td><i>FY 2001</i></td><td><i>N/A</i></td></tr> </table>	<i>FY 2004</i>	<i>N/A</i>	<i>FY 2003</i>	<i>N/A</i>	<i>FY 2002</i>	<i>N/A</i>	<i>FY 2001</i>	<i>N/A</i>	\$382	0.5%
<i>FY 2004</i>	<i>N/A</i>										
<i>FY 2003</i>	<i>N/A</i>										
<i>FY 2002</i>	<i>N/A</i>										
<i>FY 2001</i>	<i>N/A</i>										
<b><u>Objective 4.3 – Academic Partnerships</u></b>											
SUSTAIN PARTNERSHIPS WITH THE ACADEMIC COMMUNITY THAT ENHANCE THE QUALITY OF CARE TO VETERANS AND PROVIDE HIGH-QUALITY EDUCATIONAL EXPERIENCES FOR HEALTH CARE TRAINEES.											
<ul style="list-style-type: none"> <li><b>Attain a score of 85</b> on a scale of 0-100 on the assessment by medical residents and other trainees of their clinical training experience at VA</li> </ul>	<ul style="list-style-type: none"> <li><b>84</b></li> </ul> <table border="1"> <tr><td><i>FY 2004</i></td><td><b>84</b></td></tr> <tr><td><i>FY 2003</i></td><td><b>83</b></td></tr> <tr><td><i>FY 2002</i></td><td><b>83</b></td></tr> <tr><td><i>FY 2001</i></td><td><b>84</b></td></tr> </table>	<i>FY 2004</i>	<b>84</b>	<i>FY 2003</i>	<b>83</b>	<i>FY 2002</i>	<b>83</b>	<i>FY 2001</i>	<b>84</b>	\$931	1.2%
<i>FY 2004</i>	<b>84</b>										
<i>FY 2003</i>	<b>83</b>										
<i>FY 2002</i>	<b>83</b>										
<i>FY 2001</i>	<b>84</b>										
<b><u>Objective 4.4 – Socioeconomic Well-Being of Veterans</u></b>											
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.											
<ul style="list-style-type: none"> <li><b>Attain 23 percent</b> as the statutory minimum goal for small business expressed as a percent of total VA procurement</li> </ul>	<ul style="list-style-type: none"> <li><b>27.8 percent</b></li> </ul> <table border="1"> <tr><td><i>FY 2004</i></td><td><b>28.5%</b></td></tr> <tr><td><i>FY 2003</i></td><td><b>31.8%</b></td></tr> <tr><td><i>FY 2002</i></td><td><b>31.2%</b></td></tr> <tr><td><i>FY 2001</i></td><td><b>32.6%</b></td></tr> </table>	<i>FY 2004</i>	<b>28.5%</b>	<i>FY 2003</i>	<b>31.8%</b>	<i>FY 2002</i>	<b>31.2%</b>	<i>FY 2001</i>	<b>32.6%</b>	<\$1M	<0.1%
<i>FY 2004</i>	<b>28.5%</b>										
<i>FY 2003</i>	<b>31.8%</b>										
<i>FY 2002</i>	<b>31.2%</b>										
<i>FY 2001</i>	<b>32.6%</b>										

<b>Strategic Goal 4</b> Contributing to the Nation's Well-Being											
Targets	Results	Obligations (\$ in Millions)	% of Total VA Resources								
<b>Objective 4.5 – Maintaining National Cemeteries as Shrines</b> 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.											
<ul style="list-style-type: none"> <li><b>Achieve 98 percent</b> of survey respondents rating the appearance of the national cemeteries as excellent</li> </ul>	<ul style="list-style-type: none"> <li><b>98 percent</b></li> </ul> <table border="1"> <tr> <td><i>FY 2004</i></td> <td><b>98%</b></td> </tr> <tr> <td><i>FY 2003</i></td> <td><b>97%</b></td> </tr> <tr> <td><i>FY 2002</i></td> <td><b>97%</b></td> </tr> <tr> <td><i>FY 2001</i></td> <td><b>96%</b></td> </tr> </table>	<i>FY 2004</i>	<b>98%</b>	<i>FY 2003</i>	<b>97%</b>	<i>FY 2002</i>	<b>97%</b>	<i>FY 2001</i>	<b>96%</b>	\$100	0.1%
<i>FY 2004</i>	<b>98%</b>										
<i>FY 2003</i>	<b>97%</b>										
<i>FY 2002</i>	<b>97%</b>										
<i>FY 2001</i>	<b>96%</b>										

# 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
		<b>\$2,694</b>	<b>3.2%</b>

### 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.

<ul style="list-style-type: none"> <li>• <b>Ensure 72 percent</b> of contractor cases use alternate dispute resolution techniques</li> </ul>	<ul style="list-style-type: none"> <li>• <b>9 percent</b></li> </ul>	\$94	0.1%		
				<i>FY 2004</i>	<b>9%</b>
				<i>FY 2003</i>	<b>20%</b>
				<i>FY 2002</i>	<b>43%</b>
				<i>FY 2001</i>	<b>21%</b>

### 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.

<ul style="list-style-type: none"> <li>• <b>Contact 100 percent</b> of newly elected/appointed state officials within 60 days of taking office regarding VA programs/services</li> </ul>	<ul style="list-style-type: none"> <li>• <b>100 percent</b></li> </ul>	\$15	<0.1%		
				<i>FY 2004</i>	<b>90%</b>
				<i>FY 2003</i>	<b>80%</b>
				<i>FY 2002</i>	<b>75%</b>
				<i>FY 2001</i>	<b>N/A</b>

Enabling Goal											
Applying Sound Business Principles											
Targets	Results	Obligations (\$ in Millions)	% of Total VA Resources								
<b><u>Objective E-3 – Reliable and Secure Information Technology</u></b>											
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											
<ul style="list-style-type: none"> <li><b>Transform 0* business lines</b> 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.</li> </ul>	<ul style="list-style-type: none"> <li><b>0</b></li> </ul> <table border="1"> <tr> <td><i>FY 2004</i></td> <td><b>0</b></td> </tr> <tr> <td><i>FY 2003</i></td> <td><b>N/A</b></td> </tr> <tr> <td><i>FY 2002</i></td> <td><b>N/A</b></td> </tr> <tr> <td><i>FY 2001</i></td> <td><b>N/A</b></td> </tr> </table> <p><u>Note:</u> 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.</p>	<i>FY 2004</i>	<b>0</b>	<i>FY 2003</i>	<b>N/A</b>	<i>FY 2002</i>	<b>N/A</b>	<i>FY 2001</i>	<b>N/A</b>	\$245	0.3%
<i>FY 2004</i>	<b>0</b>										
<i>FY 2003</i>	<b>N/A</b>										
<i>FY 2002</i>	<b>N/A</b>										
<i>FY 2001</i>	<b>N/A</b>										
<b><u>Objective E-4 – Sound Business Principles</u></b>											
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.											
<ul style="list-style-type: none"> <li><b>Achieve a 41 percent</b> ratio of collections to billings</li> </ul>	<ul style="list-style-type: none"> <li><b>41 percent</b></li> </ul> <table border="1"> <tr> <td><i>FY 2004</i></td> <td><b>41%</b></td> </tr> <tr> <td><i>FY 2003</i></td> <td><b>41%</b></td> </tr> <tr> <td><i>FY 2002</i></td> <td><b>37%</b></td> </tr> <tr> <td><i>FY 2001</i></td> <td><b>31%</b></td> </tr> </table>	<i>FY 2004</i>	<b>41%</b>	<i>FY 2003</i>	<b>41%</b>	<i>FY 2002</i>	<b>37%</b>	<i>FY 2001</i>	<b>31%</b>	\$2,340	3.1%
<i>FY 2004</i>	<b>41%</b>										
<i>FY 2003</i>	<b>41%</b>										
<i>FY 2002</i>	<b>37%</b>										
<i>FY 2001</i>	<b>31%</b>										

# 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
<b>Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans</b>	
<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<ul style="list-style-type: none"> <li>The total number of compensation and pension rating-related claims completed in 2005 is 763,464. This is 9 percent greater than in 2004.</li> <li>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.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ul>
<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>A large percentage of the Vocational Rehabilitation and Employment (VR&amp;E) program workforce is eligible to retire. In FY 2005, VR&amp;E lost 13 of the most experienced VR&amp;E officers to retirement. VR&amp;E will have to continue to focus on succession planning to meet this challenge.</li> </ul>

## Achievements and Challenges

## SUMMARY TABLE 1

Most Important Achievements	Current Challenges
<b>Strategic Goal #2: Smooth Transition to Civilian Life</b>	
<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• VA continues to work with DoD to identify opportunities to improve the timeliness and efficiency of transition services.</li> </ul>
<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• Continued an active outreach to separating servicemembers, generating more than 38,000 original compensation claims through the BDD program.</li> </ul>	<ul style="list-style-type: none"> <li>• VA must effectively handle increased workload generated by the enhanced services through the BDD program.</li> </ul>

**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

<ul style="list-style-type: none"> <li>• The total number of compensation and pension rating-related claims completed in 2005 is 763,464. This is 9 percent greater than in 2004.</li> <li>• 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.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• VA will continue to expand outreach to the aging veteran population.</li> <li>• 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.</li> </ul>
<ul style="list-style-type: none"> <li>• 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.</li> <li>• With the opening of the Idaho State Veterans Cemetery in November 2004, there is now a veterans cemetery in every state in the Union.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>

Achievements and Challenges

SUMMARY TABLE 1

Most Important Achievements

Current Challenges

Strategic Goal #4: Contributing to the Nation’s Well-Being

<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• VA must apply lessons learned from Hurricanes Katrina and Rita to further improve VA’s emergency preparedness posture.</li> <li>• 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.</li> </ul>
<ul style="list-style-type: none"> <li>• 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 <i>New England Journal of Medicine</i>.</li> <li>• 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 <i>Journal of Neuroscience</i>.</li> <li>• A recent VA study, published in the <i>New England Journal of Medicine</i>, 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.</li> <li>• In July 2005, the <i>U.S. News &amp; World Report</i> 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.</li> </ul>	<ul style="list-style-type: none"> <li>• The increasing patient workload makes it difficult for VA researchers to achieve a balance between time spent on clinical care and in conducting research.</li> </ul>
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	

## Achievements and Challenges

## SUMMARY TABLE 1

## Most Important Achievements

## Current Challenges

## Strategic Goal #4: Contributing to the Nation's Well-Being, continued

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul> | <ul style="list-style-type: none"> <li>• 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.</li> </ul> |
|--|--|

## Achievements and Challenges

## SUMMARY TABLE 1

## Most Important Achievements

## Current Challenges

## Enabling Goal: Applying Sound Business Principles

<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<p>VA will work towards:</p> <ul style="list-style-type: none"> <li>• <u>Timely access to medical records</u> – Seeking access to the electronic medical record, either online or on disk, to avoid delays in printing and copying records.</li> <li>• <u>Timely medical opinions</u> – Exploring alternative methods for obtaining more timely medical opinions to aid in the early evaluation of liability and damages issues.</li> <li>• <u>Increased settlement authority</u> – Seeking a delegation from the Department of Justice of greater settlement authority to increase the likelihood of negotiating administrative settlements.</li> </ul>

# 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 Initiative	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

<ul style="list-style-type: none"> <li>• <b>Comprehensive human capital plan</b> - Analyze and use results of plan</li> </ul>	<ul style="list-style-type: none"> <li>• VA completed a departmental human capital plan.</li> <li>• An outline was developed for a national VA plan during first quarter of FY 2005.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Organizational structures</b> - Optimize structure and put a process in place to address future challenges</li> </ul>	<ul style="list-style-type: none"> <li>• 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).</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Succession strategies</b> - Continuously update talent pool</li> </ul>	<ul style="list-style-type: none"> <li>• Thirty-two employees were selected for the 2004 SES Candidate Development program. This included 15 females and 17 males.</li> <li>• <i>Fulfilling the Commitment – Coming Home to Work</i> 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.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Performance appraisal plans link, differentiate, and provide consequences</b> - Establish linkage for 60 percent+ of agency</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Pending ratification of the agreement, VA will begin implementation of the five-tiered system.</li> <li>• 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.</li> <li>• VA obtained provisional certification for the 2005 SES Performance Management System.</li> <li>• VA has adopted the High Performance Development Model in assessing performance of its SESers. This includes eight core competencies and links to performance.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Under-representation</b> - Establish a process to sustain diversity</li> </ul>	<ul style="list-style-type: none"> <li>• The National Veterans Employment program Web site is almost completed. The Web site name, address, and domain are established.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Skill gaps</b> - Achieve significant reduction in mission critical gaps</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>

## PMA Summary

## SUMMARY TABLE 2

Open Items at the  
Beginning of FY 2005

## FY 2005 Actions and Progress

## Human Capital, continued

<ul style="list-style-type: none"> <li>• <b>Hiring timelines</b> - Demonstrate significant progress and improvement</li> </ul>	<ul style="list-style-type: none"> <li>• VA developed a 45-Day Hiring Model and conducted a pilot for collecting data in the second quarter of FY 2005.</li> <li>• A Hiring Makeover project was conducted in VA Central Office with OPM; recommendations were implemented.</li> <li>• 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.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Accountability system</b> - Use system to make decisions</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>

## Competitive Sourcing

<ul style="list-style-type: none"> <li>• <b>Secure an approved competition plan</b></li> <li>• <b>Begin standard competitions</b></li> <li>• <b>Begin standard and streamlined competitions</b></li> <li>• <b>Streamlined competitions completed in 90 days or less</b></li> <li>• <b>Announced standard &amp; streamlined competitions cancelled</b></li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>
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## 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

• <b>Clean audit opinion</b>	• VA received an unqualified opinion on its FY 2005 Consolidated Financial Statements from the auditors, continuing the success first achieved in 1999.
• <b>Meets reporting deadlines</b>	• VA continues to meet required annual and quarterly reporting deadlines.
• <b>FFMIA Compliance</b> -VA continues to be noncompliant with FFMIA due to Federal financial management systems requirements as described for the auditor-reported internal control/material weaknesses.	<ul style="list-style-type: none"> <li>• VA has an FFMIA remediation plan and a detailed material weakness corrective action plan in place; progress is reviewed monthly.</li> <li>• 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:               <ul style="list-style-type: none"> <li>➢ Information Technology Security Controls</li> <li>➢ Lack of an Integrated Financial Management System (LIFMS)</li> </ul> </li> </ul>
• <b>No chronic or significant Anti-Deficiency Act Violations</b>	• 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

<ul style="list-style-type: none"> <li>• <b>Material auditor-reported internal control weaknesses</b> - VA has two repeat internal control weaknesses</li> </ul>	<ul style="list-style-type: none"> <li>• VA continues to make progress on its two repeat internal control weaknesses – IT Security Controls and LIFMS.</li> <li>• IT Security Controls               <ul style="list-style-type: none"> <li>➤ Actions for HIPAA compliance, certification and accreditation of major VA systems, and enterprise infrastructure have been completed.</li> <li>➤ 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.</li> <li>➤ 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.</li> </ul> </li> <li>• LIFMS               <ul style="list-style-type: none"> <li>➤ 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.</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• <b>Material non-compliance with laws or regulations</b> VA is not substantially compliant with FFMIA</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Material weaknesses in FMFIA</b> - one for Section 2 - one for Section 4</li> </ul>	<ul style="list-style-type: none"> <li>• VA completed all actions regarding its one Section 4 FMFIA material weakness – PAID System Mission Performance; the OIG approved closure.</li> <li>• Progress was made on the one remaining weakness (Section 2), Internal Controls in the C&amp;P Payment Process; closure expected in FY 2006.</li> </ul>

## PMA Summary

## SUMMARY TABLE 2

Open Items at the  
Beginning of FY 2005

## FY 2005 Actions and Progress

## E-Gov

<ul style="list-style-type: none"> <li>• <b>Cost/Schedule/Performance adherence for major IT</b> - Installation of an Earned Value Management System (EVMS) to report Earned Value on major IT projects - EVMS shows overruns/shortfalls &lt;10 percent</li> </ul>	<p>VA completed the following actions:</p> <ul style="list-style-type: none"> <li>• Published EVMS standard operating procedures; VA's Chief Information Officer directed all Project Managers to use EVMS.</li> <li>• Implemented Primavera's Project Management (Team Play) tool plan and managed development activities for major IT investments.</li> <li>• Submitted agency migration and system alignment plans.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Security of operational IT systems</b> - 90 percent secured and IG verifies and quarterly reports verify</li> </ul>	<ul style="list-style-type: none"> <li>• Completed FY 2004 fourth quarterly FISMA status report to OMB, first quarter of 2005.</li> <li>• Completed the Certification and Accreditation process for all VA IT systems.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>E-Gov participation and contributions</b></li> </ul>	<ul style="list-style-type: none"> <li>• Signed all required memoranda of understanding and transferred requested funding.</li> <li>• Reviewed all budget requests to identify and affirm that no IT acquisitions duplicate E-Gov initiatives.</li> </ul>

## Budget and Performance Integration

<ul style="list-style-type: none"> <li>• <b>Performance appraisal plans link</b> - <math>\geq 60</math> percent of agency</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Cost of achieving performance goals</b> - Marginal cost not yet reported</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>At least one efficiency measure per program</b></li> </ul>	<ul style="list-style-type: none"> <li>• 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 &amp; Development (R&amp;D).</li> <li>• 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.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Use of PART ratings</b> - Justify requests, direct improvements, &lt;10 percent Results Not Demonstrated for more than 2 years in a row</li> </ul>	<ul style="list-style-type: none"> <li>• All Department programs except one (Vocational Rehabilitation and Employment) have completed PART reviews.</li> <li>• In 2005, three programs were reviewed (Insurance, Pension, and Medical R&amp;D); the ratings have not yet been issued.</li> </ul>

## PMA Summary

## SUMMARY TABLE 2

Open Items at the  
Beginning of FY 2005

## FY 2005 Actions and Progress

## Real Property

<ul style="list-style-type: none"> <li>• <b>Asset Management Plan</b> - Evidence that the plan is being implemented to achieve improved real property management by 1<sup>st</sup> quarter 2006</li> <li>- Evidence that plan is consistent with Federal Real Property Council (FRPC) standards or expected equivalent</li> </ul>	<ul style="list-style-type: none"> <li>• VA submitted an Asset Management Plan (AMP) to OMB consistent with FRPC guidelines. The plan has been implemented.</li> <li>• The AMP contained an approved “building block” discussion.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Real property performance measures</b> - Measures used in daily management decision making</li> <li>- Real property management is consistent with agency strategic plan, AMP, and performance measures</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• VA’s capital portfolio goals are directly linked to the Department’s strategic plan as described in the AMP.</li> </ul>

## VA/DoD Coordination

<ul style="list-style-type: none"> <li>• <b>Interoperable Electronic Health Record</b> - Certify Data Repository</li> <li>- Fully operational October 2005</li> </ul>	<ul style="list-style-type: none"> <li>• Technical complexities of integrating the Clinical Health Data Repository into HealtheVet Vista have delayed the scheduled completion date.</li> <li>• Patient demographics, outpatient pharmacy, and allergy information are scheduled to be integrated in February 2006.</li> <li>• Patient laboratory (Chemistry and Hematology) data are scheduled to be integrated in the third quarter of FY 2006.</li> <li>• All elements will be operational by October 2006.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Consolidated Health Informatics</b> - Identify recommendations for standards in all 24 domains</li> </ul>	<p>Together with DoD, VA completed the following actions:</p> <ul style="list-style-type: none"> <li>• Developed a joint profile on 20 domains. Domains are specific areas that define major health care fields.</li> <li>• 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.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>VA Use of DoD Defense Enrollment/Eligibility Reporting System (DEERS) Data</b> - Established outcomes set for December 2005 and 4<sup>th</sup> quarter 2006</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• VA refined the data extract procedure from DEERS, which resulted in an additional 69,000 veterans records being identified as part of the database.</li> <li>• The scope of data VA receives on Operation Iraqi Freedom and Operation Enduring Freedom service veterans has been expanded.</li> </ul>

## PMA Summary

## SUMMARY TABLE 2

Open Items at the  
Beginning of FY 2005

FY 2005 Actions and Progress

## VA/DoD Coordination, continued

<ul style="list-style-type: none"> <li>• <b>Establish pilot sharing sites (Natl. Defense Authorization Act)</b></li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• VA and DoD are developing a joint contract solicitation for the provision of diagnostic imaging services.</li> <li>• 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.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Develop Graduate Medical Education (GME) Pilot Program 9/30/04</b> - Develop "time-line" for implementation, 2<sup>nd</sup> quarter 2005</li> </ul>	<ul style="list-style-type: none"> <li>• VA and DoD approved GME Work Group charter.</li> <li>• We are jointly developing an interim evaluation of outcomes, benefits, and lessons learned from the GME pilot for adjusted completion date of October 2005.</li> <li>• DoD residents entered VA programs including Neurosurgery, Urology, Radiology and Anesthesiology.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Single DoD Discharge and VA Compensation Physical Exam 9/30/04</b> - Develop implementation plan, 1<sup>st</sup> quarter 2005 - Begin implementation, 1<sup>st</sup> quarter 2005</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Joint Use of VA Consolidated Mail Order Pharmacy (CMOP) Pilot</b> - Get Continuation Decision, 1st quarter 2005</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Joint Purchasing of non-drug medical supplies and equipment</b></li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>

## PMA Summary

## SUMMARY TABLE 2

Open Items at the Beginning of FY 2005	FY 2005 Actions and Progress
<b>R&amp;D Investment Criteria</b>	
<ul style="list-style-type: none"> <li>• <b>R&amp;D programs assessed by PART</b> - 100 percent are found to be at least "Moderately Effective"</li> </ul>	<ul style="list-style-type: none"> <li>• The Administration conducted a PART re-assessment in 2005. The rating has not yet been issued.</li> <li>• As part of this effort, VA completed the following:               <ul style="list-style-type: none"> <li>➤ Revised the R&amp;D strategic plan.</li> <li>➤ Developed new outcome measures.</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• <b>Agency budget proposals</b> - Use R&amp;D criteria to influence budget decisions and management changes</li> </ul>	<ul style="list-style-type: none"> <li>• VA developed the Field Research Advisory Committee to provide first-line input into Research management decisions.</li> </ul>
<b>Eliminating Improper Payments</b>	
<ul style="list-style-type: none"> <li>• <b>Risk Assessment</b></li> <li>• <b>Measurement plan for risk susceptible programs in place and OMB-approved</b></li> <li>• <b>Meets reporting requirements</b></li> </ul>	<ul style="list-style-type: none"> <li>• An OMB-approved plan is in place for measuring improper payments on an annual basis; VA has also met milestones established in the plan.</li> <li>• In addition, VA completed the following:               <ul style="list-style-type: none"> <li>➤ A risk assessment for Vocational Rehabilitation and other programs.</li> <li>➤ A statistical sampling of the six programs identified by the risk assessments and implementation of a data tracking tool for property management activities.</li> <li>➤ Improper payment data and recovery audit data are reported as required in the PAR.</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• <b>Reduction Targets</b> - OMB Approved - Evidence that targets are being met</li> </ul>	<ul style="list-style-type: none"> <li>• A corrective action plan with OMB-approved reduction targets is in place, and targets are being met.</li> <li>• VA has established reduction targets for newly established risk-susceptible programs.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Recovery Targets</b> - OMB Approved - Evidence that targets are being met</li> </ul>	<ul style="list-style-type: none"> <li>• A corrective action plan with OMB-approved recovery targets is in place.</li> <li>• VA established recovery targets for all risk-susceptible programs.</li> <li>• Recovery targets were met for this reporting period.</li> <li>• 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.</li> </ul>

PMA Summary

**SUMMARY TABLE 2**

**Open Items at the Beginning of FY 2005**

**FY 2005 Actions and Progress**

**Faith-Based and Community Initiatives**

<ul style="list-style-type: none"> <li>• First PMA Scorecard evaluation will be on September 30, 2005.</li> <li>• On June 30, 2005, there was an initial “no color” evaluation; therefore none of the standards have been evaluated as either outstanding or unmet.</li> </ul>	<ul style="list-style-type: none"> <li>• VA has developed a Proud to Be management plan.</li> <li>• We have completed all third quarter FY 2005 progress planned actions.</li> </ul>
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## 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
<b>Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans</b>	
<b>Disability Compensation Program</b> (CY 2002, Results Not Demonstrated)	
<ul style="list-style-type: none"> <li>Create outcome measures on how disability payments affect the quality of life of disabled veterans.</li> </ul>	<ul style="list-style-type: none"> <li>Five outcome measures were added to the 2005 budget submission (three for disability compensation and two for dependency and indemnity compensation).</li> </ul>
<ul style="list-style-type: none"> <li>Demonstrate outcome-oriented results.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>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).</li> </ul>
<ul style="list-style-type: none"> <li>Create cost-efficiency measures.</li> </ul>	<ul style="list-style-type: none"> <li>Two National Accuracy Rate measures (core rating work and authorization) and Average Days to Process Rating-Related Actions are already in the budget.</li> <li>A cost efficiency measure has been developed.</li> </ul>
<ul style="list-style-type: none"> <li>Conduct a study as to whether program purpose is being met.</li> </ul>	<ul style="list-style-type: none"> <li>The Veterans' Disability Benefits Commission was established and began meeting in May 2005. The Commission expects to complete its study in approximately 15 months.</li> </ul>

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)

<ul style="list-style-type: none"> <li>Budget requests should be explicitly tied to performance.</li> </ul>	<ul style="list-style-type: none"> <li>Initiatives in the President's budget are now linked to specific improvements in performance.</li> </ul>
<ul style="list-style-type: none"> <li>Strong outcome goals and measures should be developed.</li> </ul>	<ul style="list-style-type: none"> <li>Two program outcome measures were developed and reported in the President's 2006 budget.</li> </ul>
<ul style="list-style-type: none"> <li>Cost effectiveness (i.e., efficiency measures) should be developed.</li> </ul>	<ul style="list-style-type: none"> <li>An internal cost-effectiveness measure is being developed and will be completed by September 2006.</li> </ul>

Housing Program  
(CY 2004, Results Not Demonstrated)

<ul style="list-style-type: none"> <li>Strong outcome goals and measures should be developed.</li> </ul>	<ul style="list-style-type: none"> <li>A new outcome measure is being developed for inclusion in the next strategic plan due to be published in February 2006.</li> </ul>
<ul style="list-style-type: none"> <li>Sound financial management practices need to be developed and applied.</li> </ul>	<ul style="list-style-type: none"> <li>Actions have been completed that dramatically reduced the Direct Loan Balance at maturity.</li> <li>IT certification and accreditation is still unresolved for the "point of presence" site.</li> </ul>
<ul style="list-style-type: none"> <li>Improve collaboration with related public and private sector programs.</li> </ul>	<ul style="list-style-type: none"> <li>VA's Housing program effectively collaborates with other federal agencies and private sector programs.</li> </ul>

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

Medical Care Program  
(CY 2003, Adequate)

<ul style="list-style-type: none"> <li>Budget requests should be linked to performance.</li> </ul>	<ul style="list-style-type: none"> <li>VHA is improving its budget methodology to make better resource decisions based on program results.</li> </ul>
<ul style="list-style-type: none"> <li>Further and enhanced coordination with DoD is needed.</li> </ul>	<ul style="list-style-type: none"> <li>VA signed a formal agreement with the Indian Health Service resulting in more than 150 activities and programs undertaken.</li> <li>VA/DoD Coordination                         <ul style="list-style-type: none"> <li>Made significant progress on the bidirectional sharing of electronic health information.</li> <li>Initiated Joint Incentive Fund demonstration projects.</li> <li>Established VA Office of Seamless Transition to improve VA/DoD collaboration and communication during a departing servicemember's transition to civilian life.</li> </ul> </li> </ul>

## OMB PART Reviews

## SUMMARY TABLE 3

Major Findings & Recommendations	Actions and Responses
<b>Strategic Goal #3: Honoring, Serving, and Memorializing Veterans</b> , continued	
<u>Insurance Program</u> (CY 2005, rating has not yet been issued)	
This PART review was completed in 2005, but recommendations have not yet been issued by OMB.	
<u>Pension Program</u> (CY 2005, rating has not yet been issued)	
This PART review was completed in 2005, but recommendations have not yet been issued by OMB.	
<b>Strategic Goal #4: Contributing to the Nation's Well-Being</b>	
<u>Burial Program</u> (CY 2002, Moderately Effective)	
<ul style="list-style-type: none"> <li>Measures are needed to address National Shrine Commitment needs and performance.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>NCA established the Organizational Assessment and Improvement Program for national cemeteries.</li> </ul>
<ul style="list-style-type: none"> <li>Measures are needed for state cemetery grants.</li> </ul>	<ul style="list-style-type: none"> <li>NCA established a process to conduct triennial reviews at state veterans cemeteries.</li> </ul>
<ul style="list-style-type: none"> <li>Develop measures for monetary benefits/efficiency.</li> </ul>	<ul style="list-style-type: none"> <li>VA included two new measures for the timeliness and accuracy of burial claims processing in the President's 2005 budget.</li> </ul>
<u>Medical Research and Development Program</u> (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.	
<b>Enabling Goal: Applying Sound Business Principles</b>	
<u>General Administration Program</u> (CY 2004, Moderately Effective)	
<ul style="list-style-type: none"> <li>Better cost effectiveness measures are needed.</li> </ul>	<ul style="list-style-type: none"> <li>VA adopted new asset management measures in accordance with Federal Real Property Council guidance.</li> </ul>
<ul style="list-style-type: none"> <li>VA's budget request should be linked to performance.</li> </ul>	<ul style="list-style-type: none"> <li>Monthly performance reviews are attended by agency leadership to assess performance and financial results and to take any necessary corrective action.</li> <li>VA's most recent budget shows budget/performance linkage and better measures.</li> </ul>
<ul style="list-style-type: none"> <li>Develop a process to hold managers accountable for program cost, schedule, and performance results.</li> </ul>	<ul style="list-style-type: none"> <li>A five-tier performance appraisal system is in place for non-bargaining unit staff.</li> </ul>

# 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
<b>Appeals resolution time</b> Board of Veterans' Appeals (BVA) (Joint measure with C&P)	500 days	622 days
<b>Causes</b>	<ul style="list-style-type: none"> <li>(a) Increased workload and (b) remands, which lengthen appeals resolution time and add to workload.</li> </ul>	
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>VA must eliminate avoidable remands and increase productivity to contain and reduce the appeals backlog.</li> <li>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.</li> </ul>	
<b>Compensation and Pension (combined) rating-related actions – average days to process</b>	145 days	167 days
<b>Causes</b>	<ul style="list-style-type: none"> <li>The Veterans Claims Assistance Act of 2000 has significantly increased both the length and complexity of claims development.</li> <li>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.</li> <li>The ongoing hostilities in Afghanistan and Iraq, and the Global War on Terrorism in general, continue to increase the claims workload.</li> </ul>	
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	

## Performance Shortfalls

## SUMMARY TABLE 4

## Strategic Goal #2: Smooth Transition to Civilian Life

		Measure	Target	Actual
<b>Average days to complete original education claims</b>			25 days	33 days
<b>Causes</b>	<ul style="list-style-type: none"> <li>Claims increased by more than 5 percent from 2004 to 2005 (+10,359 claims), coupled with the loss of several experienced claims examiners.</li> </ul>			
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>VA will continue to develop process improvements, better workload forecasts, and resource estimates.</li> </ul>			
<b>Average days to complete supplemental education claims</b>			13 days	19 days
<b>Causes</b>	<ul style="list-style-type: none"> <li>Supplemental claims increased by approximately 5 percent from 2004 to 2005 (+51,020 claims), coupled with the loss of several experienced claims examiners.</li> </ul>			
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>VA will continue to develop process improvements, better workload forecasts, and resource estimates.</li> </ul>			
<b>Telephone Activities – blocked call rate (Education)</b>			22%	38%
<b>Causes</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>			
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>VA will continue to develop process improvements, better workload forecasts, and resource estimates.</li> </ul>			

Performance Shortfalls

SUMMARY TABLE 4

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

	Measure	Target	Actual
<b>Rating-related pension actions—average days pending</b>		69 days	83 days
<b>Non-rating pension actions—average days pending</b>		73 days	111 days
<b>Causes</b>	<ul style="list-style-type: none"> <li>• The Veterans Claims Assistance Act of 2000 has significantly increased both the length and complexity of claims development.</li> <li>• 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.</li> <li>• The ongoing hostilities in Afghanistan and Iraq, and the Global War on Terrorism in general, continue to increase the claims workload.</li> </ul>		
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>		

## 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
<b>Causes</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>		
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>		

## Enabling Goal: Applying Sound Business Principles

	Measure	Target	Actual
	Percent of cases using alternate dispute resolution (ADR) techniques	72%	9%
<b>Causes</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>		
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>		

## Performance Shortfalls

## SUMMARY TABLE 4

## Enabling Goal: Applying Sound Business Principles

	Measure	Target	Actual
<b>Number of material weaknesses identified during the annual Financial Statement audit or identified by management</b>		2	4
<b>Causes</b>	<ul style="list-style-type: none"> <li>• There is a lack of compliance with established policies and procedures at field facilities.</li> </ul>		
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>• VA will: <ul style="list-style-type: none"> <li>➤ Enhance monitoring controls over medical center financial and performance metrics reporting.</li> <li>➤ 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.</li> <li>➤ Improve compliance of controls on the review and approval of transactions.</li> <li>➤ Establish testing of compliance with VA policies and procedures.</li> </ul> </li> </ul>		

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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<sup>1</sup> (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
<b>Information Technology Security Controls</b> – 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
<b>Lack of Integrated Financial Management System</b> – 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
<b>Operational Oversight</b> – 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

<sup>1</sup> 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-IV), 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