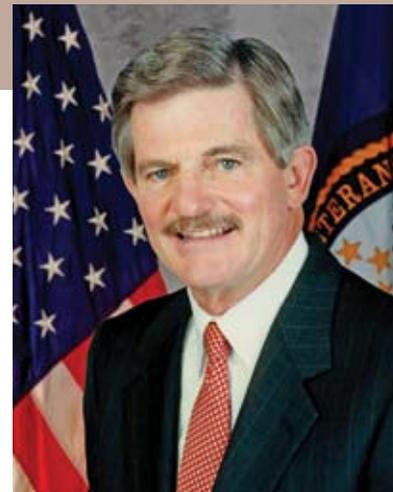


Secretary's Letter

November 15, 2005

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



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

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

Medical Services: *Delivering High-Quality Health Care*

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

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

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

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

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

VA achieved the following in the benefits claims area:

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

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

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

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

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

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

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

Finance: *Ensuring Proper Stewardship of Taxpayer Dollars*

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

Data Quality: *Assuring Completeness and Reliability*

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

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

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

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



R. James Nicholson
Secretary of Veterans Affairs