

# Department of Veterans Affairs

## FY 2006 Performance and Accountability Report



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

## Purpose of This Report

The Department of Veterans Affairs (VA) FY 2006 Performance and Accountability Report (PAR) describes VA's accomplishments and progress during FY 2006 toward fulfilling its mission. The report is designed to enable Department management, our stakeholders, and our employees to assess VA's program and financial performance as compared to its goals and use this information to make necessary improvements.

## Statutory Requirements

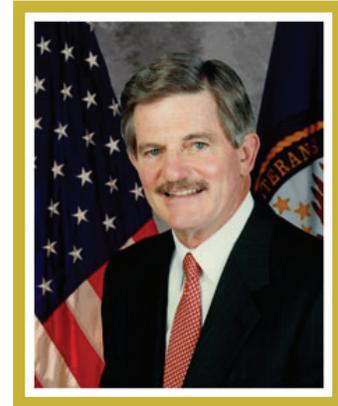
The PAR satisfies the reporting requirements of the following legislation:

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



November 15, 2006

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 2006 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 2006 with nearly \$80 billion in obligations and almost 220,000 employees, VA accomplished a great deal on behalf of America’s veterans and their families. To help assess our progress during 2006, VA established 150 performance measures, 23 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 5.5 million in 2006. Our commitment to delivering high-quality health care to America’s veterans remains our top priority. In 2006 VA achieved the following key results in the health care area:

- **Quality:** Maintained the score on the Clinical Practice Guidelines Index at 87 percent, exceeding the target of 77 percent, and scored 90 percent on the Prevention Index II, exceeding the target of 88 percent. Both of these indices are industry-wide, composite measures that help us assess the quality of our health care delivery.
- **Timeliness and Access:** Results for the percent of appointments scheduled within 30 days of a patient’s desired date were as follows:
  - 96 percent for primary care, the same as in 2005.
  - 95 percent for specialty care, compared to 93 percent in 2005.
- **Patient Satisfaction:** Increased the percent of patients rating VA health care as very good or excellent as follows:
  - 78 percent for inpatients, compared to 77 percent in 2005.
  - 78 percent for outpatients, compared to 77 percent in 2005.
  - VA remains a leader in customer satisfaction, with an inpatient satisfaction score of 83 out of 100 on the American Customer Satisfaction Index, compared to the private sector score of 73.



In addition to these results, I am pleased to note several other accomplishments in the health care area:

- In July 2006 VA was awarded the coveted Innovations in American Government Award from Harvard University and the Council for Excellence in Government. VA received the award for combining its unique electronic health records system with a rigorous system of performance measures.
- To date, more than 184,500 Operation Iraqi Freedom/Operation Enduring Freedom (OIF/OEF) veterans have sought VA health care since the beginning of the Global War on Terrorism. VA has OIF/OEF counselors at each of our 156 medical centers and 207 Vet Centers. At least 100 of these counselors are OIF/OEF veterans themselves.
- VA has designed mental health programs for returning veterans, including National Guard troops, to assess their needs, help them cope with war-related stress, and return to society. Eighty-seven such programs have been established throughout the country with added staffing in sites with large numbers of returning servicemembers.
- During 2006 a number of news media articles praised VA for its transformation and for delivering what BusinessWeek Magazine referred to as “The Best Medical Care in the U.S.” Other news media that praised VA medical care included Time Magazine, U.S. News & World Report, The Washington Monthly, NBC News, The New York Times, and The Washington Post.
- VA has developed a Polytrauma System of Care to improve access to specialized rehabilitation services for severely injured returning OIF/OEF veterans. Within this system of care, VA has established four polytrauma rehabilitation centers (Richmond, Virginia; Tampa, Florida; Minneapolis, Minnesota; and Palo Alto, California) to provide acute, comprehensive medical and rehabilitation services. Also, 17 additional polytrauma network sites have been identified to manage the post-acute care of veterans and to coordinate life-long rehabilitation services for patients within their networks. Our innovative, multidisciplinary team approach to care has enabled many severely wounded veterans to return to their highest level of functioning.
- The Capital Asset Realignment for Enhanced Services process, the most comprehensive evaluation of the Department’s capital assets and service needs ever conducted, is our plan for enabling VA’s national infrastructure to better fit the needs of today’s veterans. In 2006 the following were accomplished towards this end:
  - VA expanded spinal cord injury beds in Syracuse, New York.
  - VA completed plans for a blind rehabilitation center to be located in Biloxi, Mississippi.
- When Hurricane Katrina struck the Gulf Coast, despite the difficult conditions, no VA patient lost their life. In addition, our electronic health care record system enabled 58,000 Gulf Coast area veterans and their clinicians to have almost immediate access to their health records even though the VA Medical Center in Gulfport, Mississippi, was destroyed and the New Orleans Medical Center was closed. During the response to Hurricanes Katrina and Rita, the first-ever activation of the National Disaster Medical System (NDMS) occurred, which required VA to activate 18 of its NDMS Federal Coordinating Centers (FCCs). In the three days of the evacuation and response, over 2,800 patients were flown to nine VA and two Department of Defense FCCs.



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

VA currently provides benefits and services to over 3.5 million veterans and beneficiaries. In 2006 VA processed more than 750,000 claims for disability benefits and added more than 250,000 new beneficiaries to the compensation and pension rolls. Despite greater workload, VA achieved a number of significant positive performance results in the benefits delivery area:

- VA’s Benefits Delivery at Discharge (BDD) program, in close cooperation with DoD, assisted separating servicemembers in filing claims for benefits at or near their time of discharge in order to expedite the processing of their claims. This year more than 40,600 original compensation claims were completed through the BDD program.
- Increased to 88 percent the national accuracy rate for rating-related work for compensation claims, compared to 84 percent in 2005.
- Continued to process insurance disbursements in an average of 1.8 days – significantly better than the industry average of 5.7 days.
- Provided education benefits to approximately 520,000 students; 25 percent of these students received VA education benefits for the first time. The number of students receiving education benefits each year continues to climb, with claims increasing 15 percent over the 2005 level to approximately 1.5 million in 2006.

### **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 as national shrines. In 2006, VA maintained nearly 2.8 million gravesites at 156 properties, including 123 national cemeteries and 33 other cemeterial installations. To this end, the Department accomplished the following:

- Increased to 80.2 percent the proportion of veterans served by a burial option within a reasonable distance (75 miles) of their residence, up from 77.1 percent in 2005.
- Increased to 95 percent the proportion of graves in national cemeteries marked within 60 days of interment, a remarkable improvement compared to the 49 percent level of 2002.
- Achieved a 97 percent threshold of respondents rating national cemetery appearance as “excellent.”

In 2006 two new national cemeteries, Georgia and Great Lakes National Cemeteries, began interment operations providing service to veterans in the areas of Atlanta, Georgia, and Detroit, Michigan. VA also continued to develop eight additional new national cemeteries representing one of the Department’s largest expansions since the Civil War era.

### **Finance: *Ensuring Proper Stewardship of Taxpayer Dollars***

For the eighth consecutive year, VA obtained an unqualified audit opinion on our financial statements. We are extremely proud of this continued accomplishment. VA remains committed to aggressively pursuing improvements in our business processes and remediating our material weaknesses and reportable conditions. We have made significant strides in improving our financial systems and operations, such as development of a financial data warehouse for our major systems and automation of the preparation of our financial statements, toward our goal of “getting 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 the financial and program performance areas and to identify corrective tasks needed to resolve them. My signed certification on internal controls may be found on page 81 in the Management Controls, Systems, and Compliance with Laws and Regulations section.

**Data Security: *Safeguarding Sensitive Information***

As a result of a theft of a large amount of sensitive data from an employee's home in May 2006, VA implemented an aggressive program to strengthen data security. The "Data Security - Assessment and Strengthening of Controls" program has two principal objectives: (a) to reduce the risk of recurrence of data security incidents and (b) to remedy the Department's material weaknesses. The program consists of implementing state-of-the-art encryption technologies; updating security policies and procedures; increasing employee awareness, training, and accountability to safeguard sensitive information; identifying and controlling access to sensitive data; increasing VA-wide compliance inspections; and promoting other efforts to ensure a more secure culture with an emphasis on protecting veterans' private data. VA is taking all steps necessary to prevent such an event from occurring again.

While 2006 has been a year of many challenges, we have made great progress that has directly and positively impacted the lives of our Nation's veterans and their families.

A handwritten signature in black ink, appearing to read "R. James Nicholson", is positioned above the printed name.

R. James Nicholson  
Secretary of Veterans Affairs



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# FY 2006 Performance and Accountability Report

## Table of Contents

Secretary’s Letter ..... 1

### **Part I. Management Discussion and Analysis**

Performance Scorecard ..... 8

Department Overview ..... 10

    Our Mission..... 10

    Our Programs ..... 10

*What We Do* ..... 10

*Who We Serve* ..... 12

    America’s Veterans – *A Demographic Profile*..... 13

    Resources..... 15

    Our Organization ..... 16

    Leadership and Governance..... 17

Performance Overview ..... 18

    Purpose of This Report ..... 18

    How We Measure Performance ..... 18

    Improvements to the FY 2006 Report ..... 18

    2006 Performance: *A Department-Level Summary* ..... 19

    Cost to Achieve Performance Goals ..... 20

Performance Results *by Strategic Goal*..... 21

Most Important Achievements and Current Challenges ..... 47

The President’s Management Agenda: *Status and Progress* ..... 53

OMB PART Reviews ..... 64

Performance Shortfalls..... 71

Financial Highlights..... 77

Management Controls, Systems, and Compliance with Laws and Regulations..... 80

### **Part II. Performance Section**

Performance Summaries *by Strategic Objective* ..... 96

*Strategic Goal 1 – Restoration and Improved Quality of Life for Disabled Veterans* ..... 97

        Objective 1.1 Specialized Health Care Services ..... 97

        Objective 1.2 Decisions on Disability Compensation Claims ..... 100

        Objective 1.3 Suitable Employment and Special Support ..... 104

        Objective 1.4 Improved Standard of Living for Eligible Survivors..... 107

*Strategic Goal 2 –Smooth Transition to Civilian Life*..... 110

        Objective 2.1 Reentry into Civilian Life..... 110

        Objective 2.2 Decisions on Education Claims ..... 112

        Objective 2.3 Home Purchase and Retention..... 116

*Strategic Goal 3 – Honoring, Serving, and Memorializing Veterans* ..... 118

        Objective 3.1 Delivering Health Care..... 118

        Objective 3.2 Decisions on Pension Claims ..... 124

        Objective 3.3 Providing Insurance Service..... 127

        Objective 3.4 Meeting Burial Needs..... 131



Objective 3.5 Symbolic Expressions of Remembrance ..... 135

**Strategic Goal 4 – Contributing to the Nation’s Well-Being ..... 138**

Objective 4.1 Emergency Preparedness..... 138

Objective 4.2 Medical Research and Development ..... 141

Objective 4.3 Academic Partnerships ..... 144

Objective 4.4 Socioeconomic Well-being of Veterans ..... 147

Objective 4.5 Maintaining National Cemeteries as Shrines..... 149

**The Enabling Goal – Applying Sound Business Principles ..... 153**

Objective E-1 Development and Retention of a Competent Workforce..... 153

Objective E-2 Outreach and Communications..... 156

Objective E-3 Reliable and Secure Information Technology ..... 159

Objective E-4 Sound Business Principles..... 162

**Assessment of Data Quality..... 166**

**VBA Quality Assurance Program (Millennium Act)..... 172**

**Key Measures Data Table ..... 178**

**Performance Measures Tables..... 194**

**Table 1 - By Strategic Goal and Objective ..... 195**

**Table 2 - By Organization and Program ..... 208**

**Major Management Challenges..... 223**

**Part III. Financial Section**

**Letter from the Chief Financial Officer..... 282**

**Consolidated Financial Statements ..... 285**

    Consolidated Balance Sheets..... 285

    Consolidated Statements of Net Cost ..... 286

    Consolidated Statements of Changes in Net Position ..... 287

    Combined Statements of Budgetary Resources..... 288

    Consolidated Statements of Financing ..... 290

    Notes to Consolidated Financial Statements ..... 291

**Independent Auditors’ Report..... 328**

**Required Supplementary Stewardship Information (Unaudited)..... 340**

**Required Supplementary Information (Unaudited)..... 345**

**Part IV. Additional Information**

**Improper Payments Information Act Reporting Details ..... 347**

**Definitions..... 369**

**List of Abbreviations and Acronyms ..... 389**

**Key Report Officials ..... 393**

**Notes**

Note 1 In this report, with the exception of table and chart titles, references to years (e.g., 2005, 2006) are fiscal years unless stated otherwise.

Note 2 For additional copies of this report, please call the VA Budget Office at 202-273-5289. An electronic version is available on the World Wide Web at [www.va.gov/budget/report](http://www.va.gov/budget/report)



## Performance Scorecard

Strategic Goals	Key Performance Measures (page reference)	FY 2006 Recap				Improved From FY 2005?	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. 102, 178)	X		87%	88%*	Yes	Outcome
	Compensation and pension rating-related actions — average days to process (pp. 101, 178)	X		185	177	No	Efficiency
	Rating-related compensation actions — average days pending (pp. 101, 178)	X		150	130	No	Output
	Vocational rehabilitation and employment rehabilitation rate (pp. 105, 180)	X		69%	73%	Yes	Outcome
	Average days to process Dependency and Indemnity Compensation actions (pp. 108, 180)		X	120	136	No	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. 113, 180)		X X	27 13	40 20	No No	Efficiency Efficiency
	Foreclosure avoidance through servicing (FATS) ratio (pp. 117, 182)	X		47%	54%	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. 121-122, 182)	X X		74% 73%	78%* 78%*	Yes Yes	Outcome Outcome
	Percent of primary care appointments scheduled within 30 days of desired date (pp. 120, 182)	X		96%	96%*	Same	Efficiency
	Percent of specialty care appointments scheduled within 30 days of desired date (pp. 121, 184)	X		93%	95%*	Yes	Efficiency



## Performance Scorecard

Strategic Goals	Key Performance Measures (page reference)	FY 2006 Recap			Improved From FY 2005?	Measure Type		
		Target Achieved?		Target			Result	
		Yes	No				Yes/No/Same	
Strategic Goal #3, cont'd	Honor and serve veterans in life and memorialize them in death for their sacrifices on behalf of the Nation	Clinical Practice Guidelines Index (pp. 119, 184)	X		77%	87%*	Same	Outcome
	Prevention Index II (pp. 120, 184)	X		88%	90%*	Same	Outcome	
	Number of patients under non-institutional long-term care as expressed by average daily census (pp. 122, 186)		X	32,105	29,496*	Yes	Output	
	Non-rating pension actions — average days to process (pp. 125, 186)		X	66	92	No	Efficiency	
	National accuracy rate for pension authorization work (pp. 126, 188)	X		88%	88%*	Yes	Outcome	
	Average days to process insurance disbursements (pp. 128, 188)	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. 132, 190)		X	81.6%	80.2%	Yes	Outcome	
	Percent of respondents who rate the quality of service provided by the national cemeteries as excellent (pp. 132, 190)		X	96%	94%	Same	Outcome	
	Percent of graves in national cemeteries marked within 60 days of interment (pp. 135, 190)	X		90%	95%	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 authored by VA investigators within the fiscal year (pp. 142, 192)	X		2,655	2,897*	Yes	Output
		Percent of respondents who rate national cemetery appearance as excellent (pp. 150, 192)		X	99%	97%	No	Outcome

\* Indicates partial or estimated actual data.



## Department Overview

### Our Mission

**To fulfill President Lincoln’s promise – “To care for him who shall have borne the battle, and for his widow, and his orphan”– by serving and honoring the men and women who are America’s veterans.**

The words spoken by President Lincoln nearly 150 years ago are clear and compelling. VA fulfills these words by providing world-class benefits and services 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 218,000 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 We Do*

#### **Veterans Health Administration Providing Medical Care**

VA operates the largest direct health care delivery system in America. 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 also the Nation’s largest provider of health care education and training for medical residents and other health care trainees. These 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**

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**

The Pension program provides monthly payments, as specified by law, to income-eligible 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 income-eligible surviving spouses and dependent children of deceased wartime veterans who die as a result of a disability unrelated to military service.



### **Providing Education Opportunities**

The Education program assists eligible veterans, servicemembers, reservists, survivors, and dependents in achieving their educational or vocational goals through financial assistance.

### **Delivering Vocational Rehabilitation and Employment Services**

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**

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

### **Providing Insurance Service**

The Insurance program provides servicemembers and their families with universally available life insurance (available to all servicemembers and their families without underwriting), as well as traumatic injury protection insurance for servicemembers. It also provides for the conversion to a renewable term insurance policy after a servicemember's separation from service. In addition, the program provides life insurance to veterans who have lost their ability to purchase commercial insurance at standard (healthy) rates due to lost or impaired insurability resulting from military service. Insurance coverage is made available in reasonable amounts and at premium rates largely 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 (NCA), VA honors veterans with final resting places in national shrines and lasting tributes that commemorate their 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, financial management, information technology, acquisition, and facilities management.



**Our Programs: *Who We Serve***

Program	Year-to-Year Comparison	
	FY 2005 Participants <sup>(1)</sup>	FY 2006 Participants <sup>(1)</sup>
<b>Medical Care</b>		
Unique Patients	5,308,300	<b>5,495,400</b>
<b>Compensation<sup>(2)</sup></b>		
Veterans	2,637,000	<b>2,725,800</b>
Survivors/Children	323,200	<b>325,900</b>
<b>Pension<sup>(2)</sup></b>		
Veterans	335,800	<b>329,900</b>
Survivors	206,600	<b>200,600</b>
<b>Education<sup>(2)(3)</sup></b>		
Veterans/Service members	277,000	<b>288,500</b>
Reservists	79,300	<b>82,800</b>
Survivors/Dependents	66,600	<b>68,400</b>
<b>Vocational Rehabilitation<sup>(2)</sup></b>		
Program Participants	94,300	<b>89,100</b>
<b>Housing<sup>(2)</sup></b>		
Loans Guaranteed	166,000	<b>142,700</b>
<b>Insurance<sup>(2)</sup></b>		
Veterans	1,854,800	<b>1,777,000</b>
Service members/Reservists	2,482,500	<b>2,392,000</b>
Spouses/Dependents	3,064,000	<b>3,099,000</b>
<b>Burial</b>		
Interments	93,200	<b>96,800</b>
Graves Maintained	2,706,100	<b>2,774,100</b>
Headstones/Markers (Processed)	363,300	<b>336,300</b>
Presidential Memorial Certificates	487,800	<b>405,500</b>

<sup>(1)</sup>Figures are rounded to nearest hundred.

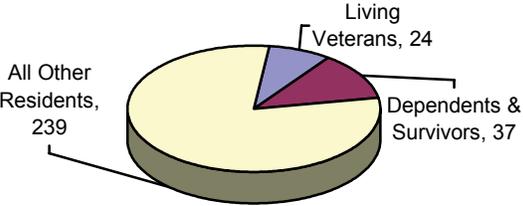
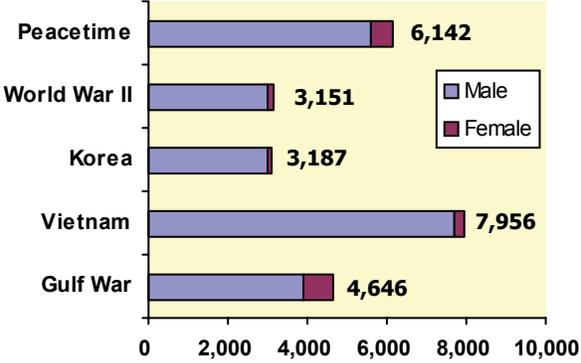
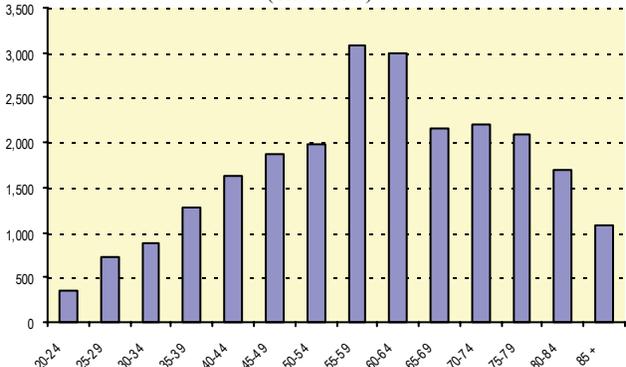
<sup>(2)</sup>FY 2005 figures are corrected.

<sup>(3)</sup>FY 2005 and FY 2006 figures are through the end of August.



## America's Veterans: A Demographic Profile

Beginning with our Nation's struggle for freedom more than two centuries ago, approximately 43 million men and women have served this country during wartime periods. The charts below provide various social and demographic information on today's veteran population.

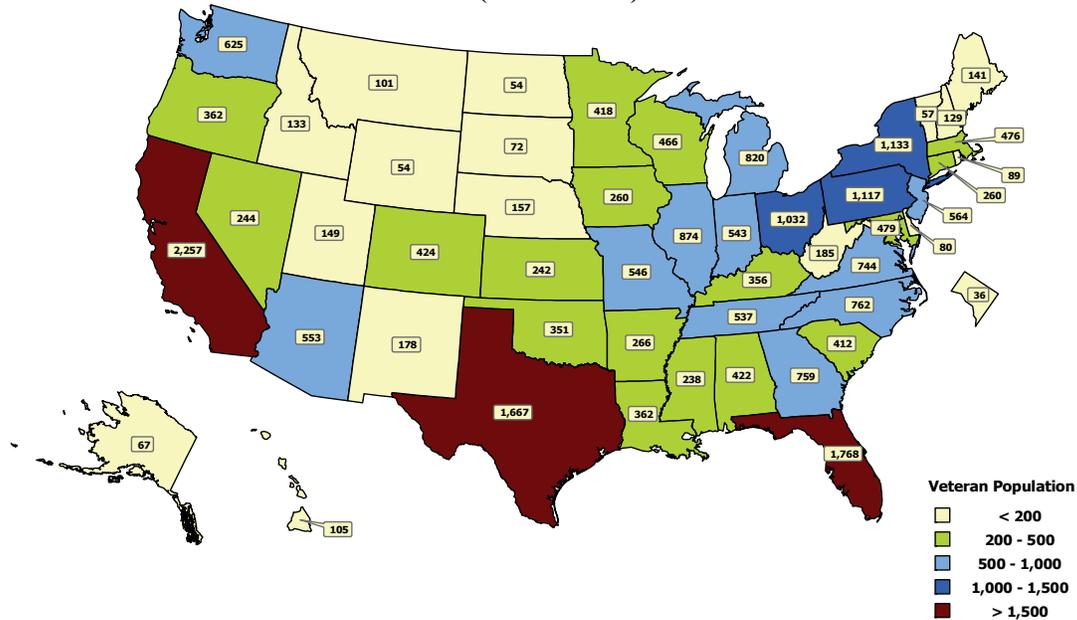
Data	Analysis																														
<p><b>Veteran Population Compared to Total U.S. Population</b> (Millions)</p>  <table border="1"> <caption>Veteran Population Compared to Total U.S. Population (Millions)</caption> <tr><th>Category</th><th>Value</th></tr> <tr><td>All Other Residents</td><td>239</td></tr> <tr><td>Living Veterans</td><td>24</td></tr> <tr><td>Dependents &amp; Survivors</td><td>37</td></tr> </table>	Category	Value	All Other Residents	239	Living Veterans	24	Dependents & Survivors	37	<ul style="list-style-type: none"> <li>• Currently there are about 24 million living U.S. veterans, 7 percent of whom are women. The percentage of women veterans is expected to increase over time given the increased role of women in the Armed Forces.</li> <li>• There are an estimated 37 million dependents (spouses and dependent children) of living veterans and survivors of deceased veterans in the U.S.</li> <li>• Together, veterans, dependents, and survivors make up 20 percent of America's population.</li> </ul>																						
Category	Value																														
All Other Residents	239																														
Living Veterans	24																														
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<p><b>Veteran Population by Period of Service*</b> (Thousands)</p>  <table border="1"> <caption>Veteran Population by Period of Service* (Thousands)</caption> <tr><th>Period</th><th>Male</th><th>Female</th><th>Total</th></tr> <tr><td>Peacetime</td><td>~5,800</td><td>~300</td><td>6,142</td></tr> <tr><td>World War II</td><td>~2,800</td><td>~300</td><td>3,151</td></tr> <tr><td>Korea</td><td>~3,000</td><td>~100</td><td>3,187</td></tr> <tr><td>Vietnam</td><td>~7,500</td><td>~400</td><td>7,956</td></tr> <tr><td>Gulf War</td><td>~3,800</td><td>~800</td><td>4,646</td></tr> </table>	Period	Male	Female	Total	Peacetime	~5,800	~300	6,142	World War II	~2,800	~300	3,151	Korea	~3,000	~100	3,187	Vietnam	~7,500	~400	7,956	Gulf War	~3,800	~800	4,646	<ul style="list-style-type: none"> <li>• Nearly 18 million (74 percent) of veterans served during at least one wartime period.</li> <li>• The nearly 8 million Vietnam Era veterans account for the largest segment of the veteran population.</li> <li>• About 70 percent of all women veterans served during the post-Vietnam Era compared to 31 percent of men.</li> <li>• The number of women veterans enrolled in VA's health care system is 398,621 as of June 30, 2006.</li> </ul>						
Period	Male	Female	Total																												
Peacetime	~5,800	~300	6,142																												
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Vietnam	~7,500	~400	7,956																												
Gulf War	~3,800	~800	4,646																												
<p><b>Age Distribution of the Veteran Population By 5-Year Age Groups</b> (Thousands)</p>  <table border="1"> <caption>Age Distribution of the Veteran Population By 5-Year Age Groups (Thousands)</caption> <tr><th>Age Group</th><th>Number (Thousands)</th></tr> <tr><td>20-24</td><td>~300</td></tr> <tr><td>25-29</td><td>~600</td></tr> <tr><td>30-34</td><td>~800</td></tr> <tr><td>35-39</td><td>~1,200</td></tr> <tr><td>40-44</td><td>~1,500</td></tr> <tr><td>45-49</td><td>~1,800</td></tr> <tr><td>50-54</td><td>~2,000</td></tr> <tr><td>55-59</td><td>~3,100</td></tr> <tr><td>60-64</td><td>~3,000</td></tr> <tr><td>65-69</td><td>~2,200</td></tr> <tr><td>70-74</td><td>~2,200</td></tr> <tr><td>75-79</td><td>~2,100</td></tr> <tr><td>80-84</td><td>~1,700</td></tr> <tr><td>85+</td><td>~1,100</td></tr> </table>	Age Group	Number (Thousands)	20-24	~300	25-29	~600	30-34	~800	35-39	~1,200	40-44	~1,500	45-49	~1,800	50-54	~2,000	55-59	~3,100	60-64	~3,000	65-69	~2,200	70-74	~2,200	75-79	~2,100	80-84	~1,700	85+	~1,100	<ul style="list-style-type: none"> <li>• As of September 2006, the median age of all living veterans was 60 years.</li> <li>• Men's median age was 60; women's 47.</li> <li>• The number of veterans 85 and older totaled about 1,075,000, compared to 164,000 in 1990.</li> <li>• Between 2004 and 2012, veterans 85 and older enrolled in VA's health care system are expected to increase from 278,000 to 681,000, or 145 percent.</li> </ul>
Age Group	Number (Thousands)																														
20-24	~300																														
25-29	~600																														
30-34	~800																														
35-39	~1,200																														
40-44	~1,500																														
45-49	~1,800																														
50-54	~2,000																														
55-59	~3,100																														
60-64	~3,000																														
65-69	~2,200																														
70-74	~2,200																														
75-79	~2,100																														
80-84	~1,700																														
85+	~1,100																														

\*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, 2006  
(in thousands)**



## Analysis

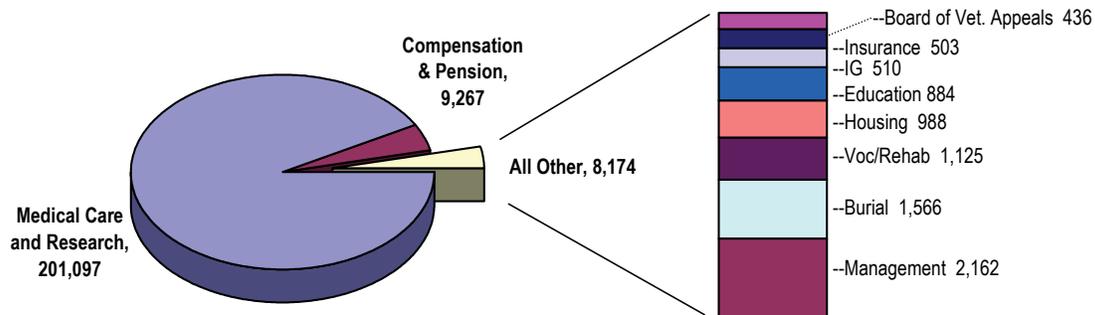
- Veterans in just three states – California, Florida, and Texas – comprised over 23 percent of the total number of veterans living in the United States.
- The three next largest states in terms of veteran population are New York, Pennsylvania, and Ohio.
- Together, these six states account for more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



## Resources: *Our People*

As of September 30, 2006, the Department employed almost 220,000 staff nationwide. The charts below show the distribution of full-time equivalent employees by program area.

**Number of Full-Time Equivalent Employees**  
as of September 30, 2006

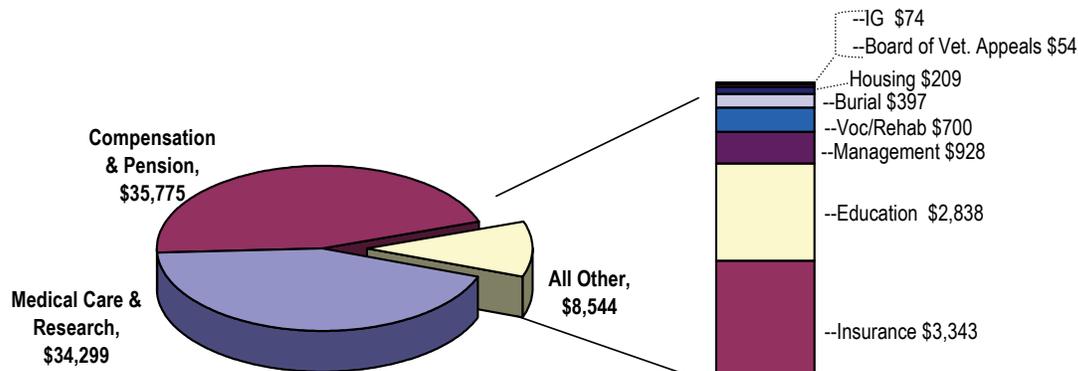


As shown above, more than 200,000 employees support VA's health care system, one of the largest in the world. Of the remaining employees, approximately 12,000 are involved with providing compensation and pension as well as other benefits to veterans and their families. More than 1,500 provide burial and memorial services for veterans and their eligible spouses and children, and about 2,100 employees provide administrative and management support to the programs.

## Resources: *Budgetary*

In 2006 VA obligated nearly \$80 billion. Approximately 85 percent of total funding went directly to veterans in the form of monthly payments of benefits or for direct services such as medical care. The following charts show how VA spent the funds with which it was entrusted.

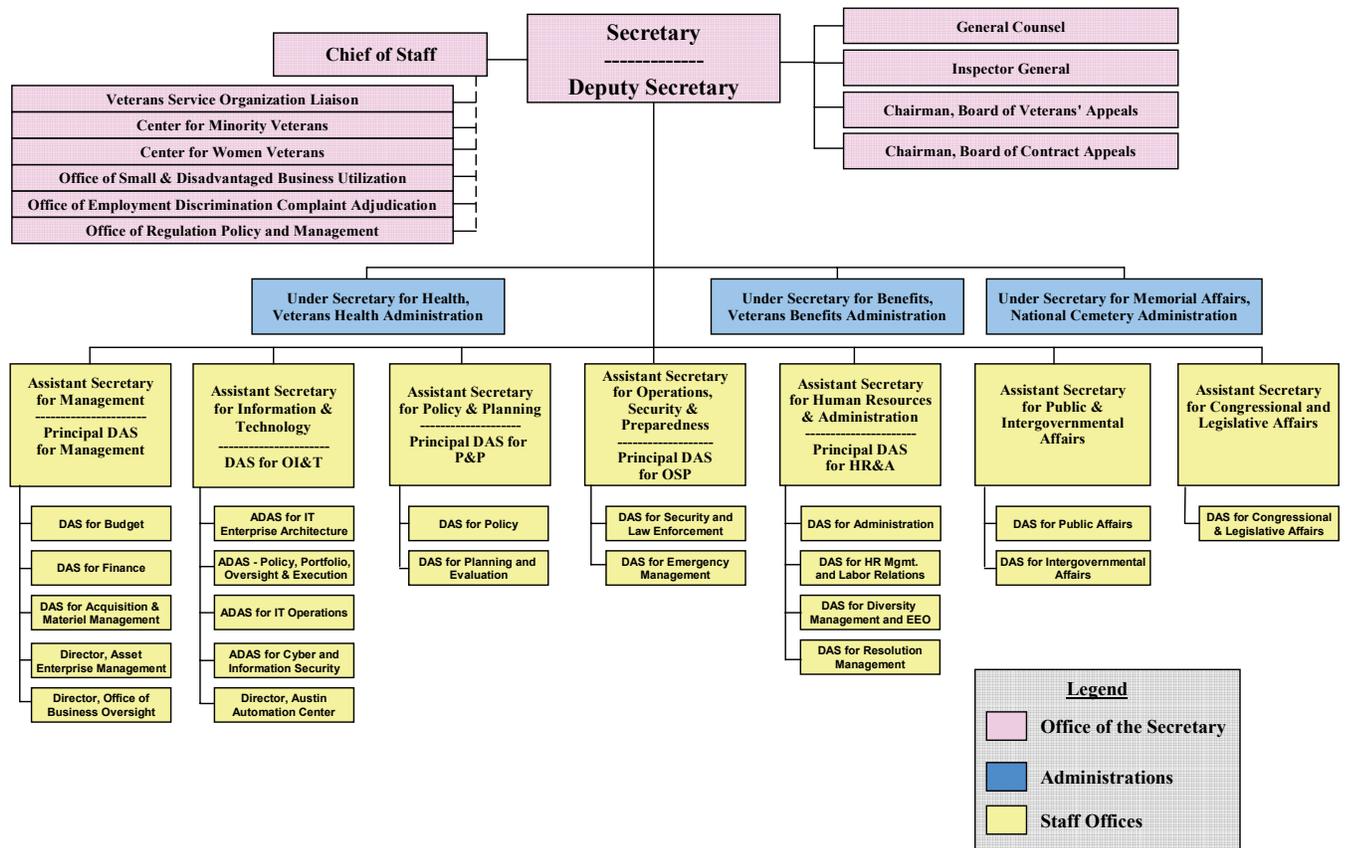
**FY 2006 Obligations**  
(\$ Millions)





# Our Organization

## Department of Veterans Affairs





## Leadership and Governance

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

Governance	Major FY 2006 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 a collaborative and deliberative body that provides oversight and guidance on key strategic management issues that confront VA decision-makers.</p>	<p>The Council accomplished the following actions:</p> <ul style="list-style-type: none"> <li>• Validated a new, realigned IT system model as the framework to implement the Secretary's decisions with respect to the IT reorganization within VA.</li> <li>• Approved the establishment of the Office of Operations, Security and Preparedness, and an Assistant Secretary position.</li> <li>• Reviewed and provided direction on the Draft <i>VA Strategic Plan 2006-2011</i>.</li> <li>• Reviewed and provided direction on conducting the program evaluations for the Oncology and Seriously Mentally Ill (SMI) programs.</li> <li>• Reviewed and directed changes to legislative proposals for the FY 2007 VA budget to increase the Survivors' Pension basic benefit from \$6,814 to \$9,500 annually, and the restructuring of the Parents' Dependency and Indemnity Compensation (DIC) program to increase the DIC benefit payable using the same benefits structure as the Survivors' Pension program.</li> <li>• Approved the consolidation of pension programmatic functions, including original claims, death claims, and re-opened claims.</li> <li>• Reviewed and directed changes to the Compensation and Pension Regulation Rewrite Project and the Office of Regulation Policy and Management's role in the centralized management of VA regulations.</li> <li>• Addressed the regulatory requirements of the VA Personal Identification Verification program.</li> </ul>
<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 as the basis, each VA administration and staff office reports on 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>



## Performance Overview

### Purpose of This Report

VA's FY 2006 Performance and Accountability Report (PAR) describes VA's accomplishments and progress during FY 2006 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 its Strategic Plan and articulated through 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 uses different types of measures (i.e., outcome, output, and efficiency) to evaluate performance.
<i>Performance Targets</i>	Associated with specific performance measures, these are quantifiable expressions of desired performance/success levels to be achieved during a given fiscal year.

VA's strategic objectives are supported by 150 performance measures, 23 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.

### Improvements to the FY 2006 Report

This year's PAR includes several improvements designed to give our stakeholders more complete information on VA's performance.

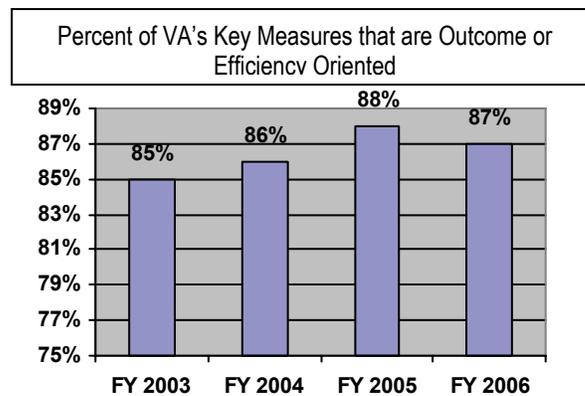
<i>Improvement</i>	<i>Benefit to VA's Stakeholders</i>
<i>Cost Per Measure Data</i>	Consistent with the President's Management Agenda, the Department is improving the integration of performance and budget information. As part of this effort, this year's PAR includes information on the cost of achieving performance targets for three measures. This is in addition to cost estimates provided by strategic goal and objective. We expect to expand our presentation of the cost to achieve individual performance goals in subsequent reports.
<i>Major Management Challenges</i>	This year's report includes an improved presentation of major management challenges. Included for each challenge in an easy-to-read tabular format is an estimated resolution date, a summary of actions taken, and the next steps planned. Together these elements provide a comprehensive analysis of the challenges facing the Department.



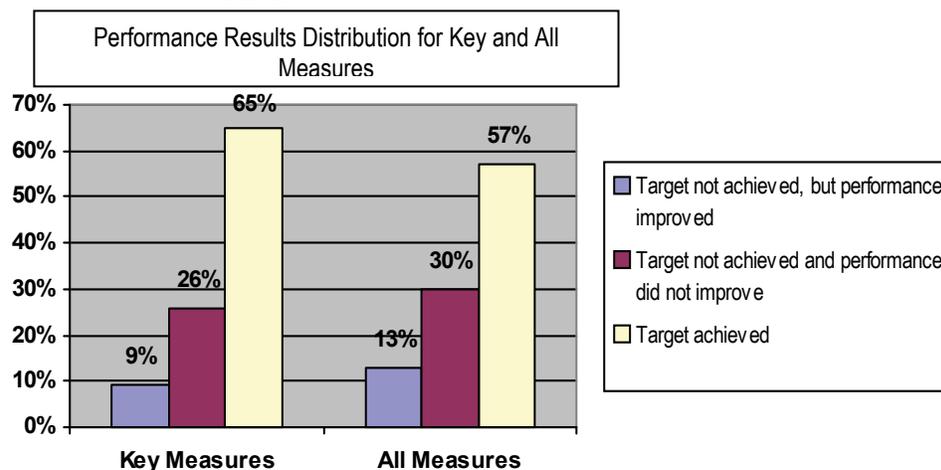
Improvement	Benefit to VA's Stakeholders
<b>Use of Performance Data</b>	For key and other important measures, we have added a short narrative describing how management uses performance data to make operational program improvements. For each measure, this information, coupled with performance trend data and information on how performance results impact the veteran, give a multi-faceted understanding of VA's most important measures.
<b>Strategic Goal Performance</b>	For each strategic goal, a chart showing the percentage of performance targets achieved over the last 3 years demonstrates the progress VA is making toward achieving the broad outcomes expressed by the strategic goal.

## 2006 Performance -- A Department-Level Summary

**Key Measures -- Continuity and Type:** Key measures are those that measure mission-critical activities. As of FY 2006, 82 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 strategic adjustments when necessary. In addition, as shown in the chart below, VA has maintained a focus on the use of outcome and efficiency measures to assess mission-critical performance.



**Performance Results: Key vs. All Measures:** The chart below shows how well VA performed in meeting its performance targets. As shown, VA achieved the target for 65 percent of its key measures and 57 percent of all measures. In addition, for key measures, nine 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.





### Cost to Achieve Performance Goals – 3 Selected Measures

For the first time in the Performance and Accountability Report, the Department is providing estimated cost information at the measure level. As in the past, VA is providing an estimate of costs to support strategic goals and objectives. However, as part of the Department’s overall effort to better identify resources required to achieve a certain level of performance, we selected three measures to provide an estimated FY 2006 cost that corresponds with the levels of performance achieved.

In future reports we will increase the number of performance measures for which cost data are provided. For this report, as shown below, we provide measure-specific cost information together with information on how specific performance impacted veterans and how VA uses performance data for three measures.

Measure	Fiscal Year 2006		
	Performance		Estimated Cost (Obligations) (\$ in Millions)
	Target	Result	
<b>Rating Related Compensation Actions – Average Days Pending</b>	<b>150</b>	<b>130</b>	<b>\$559.2</b>
<b>Performance Impact</b>	Although VA met its 2006 target by 20 days, the average increased from 122 days in 2005 to 130 days in 2006. An increase in the average age of the pending claims inventory indicates veterans are waiting longer for decisions on their claims.		
<b>How VA Uses Performance Data</b>	VA uses the results data to manage the compensation and pension programs and to implement performance improvement strategies. For example, as performance is monitored during the year, if performance declines are manifested in certain field offices, management takes corrective actions such as providing additional training.		
<b>Number of Patients Under Non-Institutional Long-Term Care as Expressed by the Average Daily Census</b>	<b>32,105</b>	<b>29,496</b> (estimated)	<b>\$377.1</b>
<b>Performance Impact</b>	Increasing the number of veterans receiving Home and Community-Based Care (HCBC) services provides veterans with an opportunity to improve the quality of their lives. HCBC promotes independent physical, mental, and social functioning of veterans in the least restrictive settings.		
<b>How VA Uses Performance Data</b>	VA uses the data to project the need for services, evaluate existing services, and promote access to required services.		
<b>Percent of Veterans Served by a Burial Option</b>	<b>81.6%</b>	<b>80.2%</b>	<b>\$79.0</b>
<b>Performance Impact</b>	By the end of 2006, more than 19 million veterans and their families had reasonable access to a burial option. One of VA’s primary objectives is to ensure that the burial needs of veterans and eligible family members are met. Having reasonable access is integral to realizing this objective.		
<b>How VA Uses Performance Data</b>	VA analyzes census data to determine areas of the country that have the greatest unmet need for service by a burial option. This information is used in planning for new national cemeteries and for gravesite expansion projects to extend the service lives of existing national cemeteries, as well as in prioritizing funding requests for state veterans cemetery grants.		



## Performance Summaries 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 polytrauma 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 those who served and country.

### Making a Difference for the Veteran

#### **New Fisher House Dedicated at VA's Palo Alto Facility**



The new Fisher House in Palo Alto

Life just got easier for the families of veterans recovering at the Palo Alto Healthcare System, thanks to the dedication in April 2006 of a new Fisher House at the facility operated by VA. Families will be able to receive free lodging at the Fisher House to be near their loved ones during lengthy recoveries.

"This new Fisher House will help us bring those families closer to their loved ones at a time when they most need it," said Gordon Mansfield, VA's Deputy Secretary. Mansfield took part in a ceremony transferring ownership of the Fisher House, which was built with donated money, to VA, which will maintain and operate it at no cost to its residents.

This is the 34<sup>th</sup> Fisher House built by the Fisher House Foundation and the first one on the West Coast to be associated with a VA facility. At least one Fisher House is located at every major military medical center as well as at seven other VA medical centers.

Mansfield noted that many families travel long distances to be with their loved ones, especially veterans of the Global War on Terrorism, during their rehabilitation in Palo Alto's polytrauma center. But the facility's other programs will also benefit from the new Fisher House.

These programs -- hospice and palliative care, spinal cord injury, organ transplant, post-traumatic stress disorder, blind rehabilitation, and traumatic brain injury -- are highly specialized, and family members play an important role in the recovery of their loved ones.



**Three-Year Performance Trend – Targets Achieved**

Based on the total number of reported results during a fiscal year, the chart below shows the *percent of performance targets that were achieved* for this strategic goal for the past three years.

Each year, performance targets change and to a lesser extent, so do the number and type of measures. Thus, as shown in the data table, the total number of targets may vary each year.



**Positive 2006 Outcomes**

Accurate Claims Processing: The national accuracy rate for processing veterans’ claims for disability compensation benefits increased to 88 percent, helping to ensure that veterans receive the proper level of monetary benefits for injuries or illnesses they sustained while on active military service.

Vocational Rehabilitation and Employment: The proportion of service-connected disabled veterans who successfully completed the vocational rehabilitation and employment program rose to 73 percent. This program provides disabled veterans with the skills and opportunities to obtain employment or gain independence in daily living.

Health Care for Special Populations: VA’s Prevention Index for special populations of disabled veterans, including those with traumatic brain injuries, amputations, or spinal cord injuries, continued at a high rate of performance of 86 percent. This index identifies the Department’s success in promoting healthy lifestyle changes and health promotion activities such as immunizations, smoking cessation, and early screening for chronically disabling diseases.



**FY 2006 Performance Summary Table – Selected Measures**

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

<b>Strategic Goal 1</b>			
<b>Restoration and Improved Quality of Life for Disabled Veterans</b>			
<b>Targets</b>	<b>Results</b> (Current and 4-Year History)	<b>Obligations</b> (\$ in Millions)	<b>% of Total VA Resources</b>
		<b>\$56,127</b>	<b>71.5%</b>

<b>Objective 1.1 – Specialized Health Care Services</b>											
MAXIMIZE THE PHYSICAL, MENTAL, AND SOCIAL FUNCTIONING OF VETERANS WITH DISABILITIES AND BE A LEADER IN PROVIDING 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 2005</i></td><td><b>87%</b></td></tr> <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> </table>	<i>FY 2005</i>	<b>87%</b>	<i>FY 2004</i>	<b>86%</b>	<i>FY 2003</i>	<b>80%</b>	<i>FY 2002</i>	<b>N/A</b>	\$23,165	29.5%
<i>FY 2005</i>	<b>87%</b>										
<i>FY 2004</i>	<b>86%</b>										
<i>FY 2003</i>	<b>80%</b>										
<i>FY 2002</i>	<b>N/A</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 185 days</b> compensation and pension rating-related actions, on average</li> </ul>	<ul style="list-style-type: none"> <li>• <b>177 days</b></li> </ul> <table border="1"> <tr><td><i>FY 2005</i></td><td><b>167</b></td></tr> <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> </table>	<i>FY 2005</i>	<b>167</b>	<i>FY 2004</i>	<b>166</b>	<i>FY 2003</i>	<b>182</b>	<i>FY 2002</i>	<b>223</b>	\$31,856	40.6%
<i>FY 2005</i>	<b>167</b>										
<i>FY 2004</i>	<b>166</b>										
<i>FY 2003</i>	<b>182</b>										
<i>FY 2002</i>	<b>223</b>										
<ul style="list-style-type: none"> <li>• <b>Reduce to 150 days</b> rating-related compensation actions pending, on average</li> </ul>	<ul style="list-style-type: none"> <li>• <b>130 days</b></li> </ul> <table border="1"> <tr><td><i>FY 2005</i></td><td><b>122</b></td></tr> <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> </table>	<i>FY 2005</i>	<b>122</b>	<i>FY 2004</i>	<b>120</b>	<i>FY 2003</i>	<b>114</b>	<i>FY 2002</i>	<b>179</b>		
<i>FY 2005</i>	<b>122</b>										
<i>FY 2004</i>	<b>120</b>										
<i>FY 2003</i>	<b>114</b>										
<i>FY 2002</i>	<b>179</b>										



<b>Strategic Goal 1</b> Restoration and Improved Quality of Life for Disabled Veterans											
Targets	Results (Current and 4-Year History)	Obligations (\$ in Millions)	% of Total VA Resources								
<ul style="list-style-type: none"> <li><b>Achieve an 87 percent</b> national accuracy rate for compensation core rating work</li> </ul>	<ul style="list-style-type: none"> <li><b>88 percent</b></li> </ul> <table border="1"> <tr><td>FY 2005</td><td>84%</td></tr> <tr><td>FY 2004</td><td>87%</td></tr> <tr><td>FY 2003</td><td>86%</td></tr> <tr><td>FY 2002</td><td>80%</td></tr> </table>	FY 2005	84%	FY 2004	87%	FY 2003	86%	FY 2002	80%		
FY 2005	84%										
FY 2004	87%										
FY 2003	86%										
FY 2002	80%										
<b>Objective 1.3 – Suitable Employment and Special Support</b> PROVIDE ELIGIBLE SERVICE-CONNECTED DISABLED VETERANS WITH THE OPPORTUNITY TO BECOME EMPLOYABLE AND OBTAIN AND MAINTAIN EMPLOYMENT, WHILE DELIVERING SPECIAL SUPPORT TO VETERANS WITH SERIOUS EMPLOYMENT HANDICAPS.											
<ul style="list-style-type: none"> <li><b>Achieve a 69 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>73 percent</b></li> </ul> <table border="1"> <tr><td>FY 2005</td><td>63%</td></tr> <tr><td>FY 2004</td><td>62%</td></tr> <tr><td>FY 2003</td><td>59%</td></tr> <tr><td>FY 2002</td><td>62%</td></tr> </table>	FY 2005	63%	FY 2004	62%	FY 2003	59%	FY 2002	62%	\$702	0.9%
FY 2005	63%										
FY 2004	62%										
FY 2003	59%										
FY 2002	62%										
<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>136 days</b></li> </ul> <table border="1"> <tr><td>FY 2005</td><td>124</td></tr> <tr><td>FY 2004</td><td>125</td></tr> <tr><td>FY 2003</td><td>153</td></tr> <tr><td>FY 2002</td><td>172</td></tr> </table>	FY 2005	124	FY 2004	125	FY 2003	153	FY 2002	172	\$404	0.5%
FY 2005	124										
FY 2004	125										
FY 2003	153										
FY 2002	172										



## 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 the Seamless Transition Office whose mission is to do the following:

- 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

### VA Teams Up with National Guard to Train New State Benefits Advisors



Alan Williams, VBA Overseas Military Services Coordinator, briefs separating and retiring servicemembers on VA benefits and services.

VA and the National Guard Bureau have teamed up to improve the coordination of veterans benefits at the state level by training newly created State Benefits Advisors (SBAs) to help ensure a smooth and seamless transition for Guard members returning from active-duty deployments. The 54 new National Guard SBAs, being hired in each of the states and territories, are recently returned veterans who will be available to assist their fellow combat veterans.

"As advocates for veterans, these new advisors will ease the transition for newly discharged veterans back to their home communities," said the Honorable R. James Nicholson, Secretary of Veterans Affairs. "We are proud to have our newest generation of heroes join with VA to help their fellow combat veterans."

The new advisors are graduates of a special training program at the Veterans Benefits Academy in Baltimore. The training enabled the SBAs to assist returning combat veterans and create coalitions among state veterans affairs offices, veterans service organizations, VA, and community groups. In addition to advising their state's adjutant general and governor, the SBAs will serve as points of contact providing advice to Guard members and their families. They will participate in the Reserve and National Guard mobilization and demobilization process and provide materials on VA benefits including compensation, education, vocational rehabilitation, life insurance, home loans, and burial.



### Three-Year Performance Trend – Targets Achieved

Based on the total number of reported results during a fiscal year, the chart below shows the *percent of performance targets that were achieved* for this strategic goal for the past three years.

Each year, performance targets change and to a lesser extent, so do the number and type of measures. Thus, as shown in the data table, the total number of targets may vary each year.



### Positive 2006 Outcomes

Foreclosure Avoidance: The Department increased to 54 percent the proportion of veterans who otherwise could have lost their homes through foreclosure had it not been for VA’s direct involvement in assisting them with steps to retain ownership of their homes or at least significantly reducing their financial hardship by helping them sell their homes.

Use of GI Bill: As a result of VA’s outreach efforts, the proportion of veterans who used the Department’s primary education program—the Montgomery GI Bill—increased to 69 percent. This program makes it possible for veterans to acquire the education and training necessary for them to successfully compete in the job market.



**FY 2006 Performance Summary Table – Selected Measures**

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

<b>Strategic Goal 2</b>			
<b>Smooth Transition to Civilian Life</b>			
<b>Targets</b>	<b>Results</b> (Current and 4-Year History)	<b>Obligations</b> (\$ in Millions)	<b>% of Total VA Resources</b>
		<b>\$4,329</b>	<b>5.5%</b>

**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>Develop three</b> implementation guides for those Consolidated Health Informatics Standards adopted by VA and DoD</li> </ul>	<ul style="list-style-type: none"> <li><b>3 guides</b></li> </ul> <table border="1"> <tr> <td><i>FY 2005</i></td> <td><b>2 guides</b></td> </tr> <tr> <td><i>FY 2004</i></td> <td><b>N/A</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> </table>	<i>FY 2005</i>	<b>2 guides</b>	<i>FY 2004</i>	<b>N/A</b>	<i>FY 2003</i>	<b>N/A</b>	<i>FY 2002</i>	<b>N/A</b>	\$1,550	2.0%
		<i>FY 2005</i>	<b>2 guides</b>								
		<i>FY 2004</i>	<b>N/A</b>								
		<i>FY 2003</i>	<b>N/A</b>								
		<i>FY 2002</i>	<b>N/A</b>								

**Objective 2.2 – Decisions on Education Claims**  
ENHANCE THE ABILITY OF VETERANS AND SERVICEMEMBERS TO ACHIEVE EDUCATIONAL AND CAREER GOALS BY PROVIDING TIMELY AND ACCURATE DECISIONS ON EDUCATION CLAIMS AND CONTINUING PAYMENTS AT APPROPRIATE LEVELS.

<ul style="list-style-type: none"> <li><b>Complete in 27 days</b> original education claims, on average</li> </ul>	<ul style="list-style-type: none"> <li><b>40 days</b></li> </ul> <table border="1"> <tr> <td><i>FY 2005</i></td> <td><b>33</b></td> </tr> <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> </table>	<i>FY 2005</i>	<b>33</b>	<i>FY 2004</i>	<b>26</b>	<i>FY 2003</i>	<b>23</b>	<i>FY 2002</i>	<b>34</b>	\$2,562	3.3%
		<i>FY 2005</i>	<b>33</b>								
		<i>FY 2004</i>	<b>26</b>								
		<i>FY 2003</i>	<b>23</b>								
		<i>FY 2002</i>	<b>34</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>20 days</b></li> </ul> <table border="1"> <tr> <td><i>FY 2005</i></td> <td><b>19</b></td> </tr> <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> </table>	<i>FY 2005</i>	<b>19</b>	<i>FY 2004</i>	<b>13</b>	<i>FY 2003</i>	<b>12</b>	<i>FY 2002</i>	<b>16</b>		
		<i>FY 2005</i>	<b>19</b>								
		<i>FY 2004</i>	<b>13</b>								
		<i>FY 2003</i>	<b>12</b>								
		<i>FY 2002</i>	<b>16</b>								



<b>Strategic Goal 2</b> Smooth Transition to Civilian Life											
<b>Targets</b>	<b>Results</b> (Current and 4-Year History)	<b>Obligations</b> (\$ in Millions)	<b>% of Total VA Resources</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>95 percent</b></li> </ul> <table border="1"> <tr> <td><i>FY 2005</i></td> <td><b>96%</b></td> </tr> <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> </table>	<i>FY 2005</i>	<b>96%</b>	<i>FY 2004</i>	<b>94%</b>	<i>FY 2003</i>	<b>94%</b>	<i>FY 2002</i>	<b>93%</b>		
<i>FY 2005</i>	<b>96%</b>										
<i>FY 2004</i>	<b>94%</b>										
<i>FY 2003</i>	<b>94%</b>										
<i>FY 2002</i>	<b>93%</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>54 percent</b></li> </ul> <table border="1"> <tr> <td><i>FY 2005</i></td> <td><b>48%</b></td> </tr> <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> </table>	<i>FY 2005</i>	<b>48%</b>	<i>FY 2004</i>	<b>44%</b>	<i>FY 2003</i>	<b>45%</b>	<i>FY 2002</i>	<b>43%</b>	\$217	0.3%
<i>FY 2005</i>	<b>48%</b>										
<i>FY 2004</i>	<b>44%</b>										
<i>FY 2003</i>	<b>45%</b>										
<i>FY 2002</i>	<b>43%</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

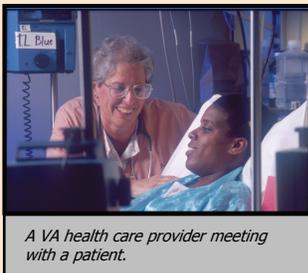
VA continues to set the national standard of excellence in quality and patient safety for the health care industry. Interactive technology strategies are being implemented to provide care in the least restrictive environments to allow patients and families maximum participation in disease management 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 tributes that commemorate their service to our Nation.

### Making a Difference for the Veteran

#### Veterans' Health Care Outscores Private Sector-*Again*



A VA health care provider meeting with a patient.

Veterans continue to be more satisfied with their health care than the average American, according to an annual report released in January 2006 on customer satisfaction that compares the VA health care system with private-sector health care.

The ratings came in the annual American Customer Satisfaction Index (ACSI), which ranks "customer satisfaction" with various federal programs and private-sector industries.

"Although VA has received many wonderful endorsements recently, the support of our veterans - the people who know us best - is the highest praise," said the Honorable R. James Nicholson, Secretary of Veterans Affairs. "This is a testament to the hard work of VA employees, the support of Congress and the leadership of the White House."

The ACSI, an independent survey of customer satisfaction within both the federal and private sectors, gave VA's inpatient care a rating of 83 on a 100-point scale. That is 10 percentage points higher than the 73 rating achieved for inpatient care by the private-sector health care industry. VA's rating of 80 for outpatient care was 5 percentage points higher than the 75 rating for private-sector outpatient care and 9 percentage points higher than the average satisfaction rating for all federal services. This marks the sixth consecutive year VA's health care system has outranked the private sector for customer satisfaction.

"VA provides world-class health care for our veterans," said VA's Under Secretary for Health. "The ACSI ratings confirm that our veterans recognize the dedicated service of VA's health care professionals."



**Three-Year Performance Trend – Targets Achieved**

Based on the total number of reported results during a fiscal year, the chart below shows the *percent of performance targets that were achieved* for this strategic goal for the past three years.

Each year, performance targets change and to a lesser extent, so do the number and type of measures. Thus, as shown in the data table, the total number of targets may vary each year.



**Positive 2006 Outcomes**

Patient Satisfaction: Based on the results of the most recent American Customer Satisfaction Index, satisfaction with VA’s health care system was higher than the private sector for the sixth consecutive year. Inpatients at VA medical centers recorded a satisfaction level of 83 out of a possible 100 points, or 10 points higher than the rating for inpatient care by the private-sector health care industry.

Clinical Practices: VA’s performance on the clinical practice guidelines index remained at the very high rate of 87 percent. This measure focuses on the degree to which the Department follows nationally recognized guidelines and standards of care that are directly linked to improved health outcomes. Many of VA’s accomplishments that have helped us achieve our position as the leading provider of health care in the country were highlighted by several outside organizations that pointed to our higher quality of care than the private sector, our nearly perfect rate of prescription accuracy, and the implementation of the most advanced computerized medical records system in the Nation.

Access to Medical Care: We continued to provide excellent access to the Department’s health care system. The share of primary care appointments scheduled within 30 days of the veteran’s desired date stayed at the very high rate of 96 percent, while for specialty care appointments the figure rose to 95 percent.

Access to a Burial Option: VA increased to over 80 percent the proportion of veterans who have reasonable access to a burial option in either a national or state veterans’ cemetery. Two new national cemeteries began interment operations as did two new state veterans cemeteries for which VA provided financial resources.



**FY 2006 Performance Summary Table – Selected Measures**

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

<b>Strategic Goal 3</b>			
<b>Honoring, Serving, and Memorializing Veterans</b>			
<b>Targets</b>	<b>Results</b> (Current and 4-Year History)	<b>Obligations</b> (\$ in Millions)	<b>% of Total VA Resources</b>
		<b>\$13,484</b>	<b>17.2%</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 OF ENROLLED VETERANS, WITH SPECIAL FOCUS ON VETERANS WITH SERVICE-CONNECTED CONDITIONS, THOSE UNABLE TO DEFRAY THE COSTS, 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 2005</i></td><td><b>87%</b></td></tr> <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> </table>	<i>FY 2005</i>	<b>87%</b>	<i>FY 2004</i>	<b>77%</b>	<i>FY 2003</i>	<b>70%</b>	<i>FY 2002</i>	<b>Baseline</b>	\$7,536	9.6%
<i>FY 2005</i>	<b>87%</b>										
<i>FY 2004</i>	<b>77%</b>										
<i>FY 2003</i>	<b>70%</b>										
<i>FY 2002</i>	<b>Baseline</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 2005</i></td><td><b>90%</b></td></tr> <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> </table>	<i>FY 2005</i>	<b>90%</b>	<i>FY 2004</i>	<b>88%</b>	<i>FY 2003</i>	<b>83%</b>	<i>FY 2002</i>	<b>82%</b>		
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<i>FY 2004</i>	<b>88%</b>										
<i>FY 2003</i>	<b>83%</b>										
<i>FY 2002</i>	<b>82%</b>										
<ul style="list-style-type: none"> <li><b>Achieve 96 percent</b> of primary care appointments scheduled within 30 days of desired date</li> </ul>	<ul style="list-style-type: none"> <li><b>96 percent</b></li> </ul> <table border="1"> <tr><td><i>FY 2005</i></td><td><b>96%</b></td></tr> <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> </table>	<i>FY 2005</i>	<b>96%</b>	<i>FY 2004</i>	<b>94%</b>	<i>FY 2003</i>	<b>93%</b>	<i>FY 2002</i>	<b>89%</b>		
<i>FY 2005</i>	<b>96%</b>										
<i>FY 2004</i>	<b>94%</b>										
<i>FY 2003</i>	<b>93%</b>										
<i>FY 2002</i>	<b>89%</b>										



Strategic Goal 3 Honoring, Serving, and Memorializing Veterans											
Targets	Results (Current and 4-Year History)	Obligations (\$ in Millions)	% of Total VA Resources								
<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 2005</i></td><td><b>93%</b></td></tr> <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> </table>	<i>FY 2005</i>	<b>93%</b>	<i>FY 2004</i>	<b>93%</b>	<i>FY 2003</i>	<b>89%</b>	<i>FY 2002</i>	<b>86%</b>		
<i>FY 2005</i>	<b>93%</b>										
<i>FY 2004</i>	<b>93%</b>										
<i>FY 2003</i>	<b>89%</b>										
<i>FY 2002</i>	<b>86%</b>										
<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>78 percent</b></li> </ul> <table border="1"> <tr><td><i>FY 2005</i></td><td><b>77%</b></td></tr> <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> </table>	<i>FY 2005</i>	<b>77%</b>	<i>FY 2004</i>	<b>74%</b>	<i>FY 2003</i>	<b>74%</b>	<i>FY 2002</i>	<b>70%</b>		
<i>FY 2005</i>	<b>77%</b>										
<i>FY 2004</i>	<b>74%</b>										
<i>FY 2003</i>	<b>74%</b>										
<i>FY 2002</i>	<b>70%</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>78 percent</b></li> </ul> <table border="1"> <tr><td><i>FY 2005</i></td><td><b>77%</b></td></tr> <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> </table>	<i>FY 2005</i>	<b>77%</b>	<i>FY 2004</i>	<b>72%</b>	<i>FY 2003</i>	<b>73%</b>	<i>FY 2002</i>	<b>71%</b>		
<i>FY 2005</i>	<b>77%</b>										
<i>FY 2004</i>	<b>72%</b>										
<i>FY 2003</i>	<b>73%</b>										
<i>FY 2002</i>	<b>71%</b>										
<ul style="list-style-type: none"> <li>• <b>Achieve a 32,105</b> average daily census for patients under non-institutional long-term care</li> </ul>	<ul style="list-style-type: none"> <li>• <b>29,496</b></li> </ul> <table border="1"> <tr><td><i>FY 2005</i></td><td><b>27,469</b></td></tr> <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> </table>	<i>FY 2005</i>	<b>27,469</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 2005</i>	<b>27,469</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>										



<b>Strategic Goal 3</b> Honoring, Serving, and Memorializing Veterans											
<b>Targets</b>	<b>Results</b> (Current and 4-Year History)	<b>Obligations</b> (\$ in Millions)	<b>% of Total VA Resources</b>								
<b>Objective 3.2 – Decisions on Pension Claims</b> PROVIDE ELIGIBLE VETERANS AND THEIR SURVIVORS A LEVEL OF INCOME THAT RAISES THEIR STANDARD OF LIVING AND SENSE OF DIGNITY BY PROCESSING PENSION CLAIMS IN A TIMELY AND ACCURATE MANNER.											
<ul style="list-style-type: none"> <li>• <b>Complete in 185 days</b> compensation and pension rating-related actions, on average</li> </ul>	<ul style="list-style-type: none"> <li>• <b>177 days</b></li> </ul> <table border="1"> <tr><td><i>FY 2005</i></td><td><b>167</b></td></tr> <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> </table>	<i>FY 2005</i>	<b>167</b>	<i>FY 2004</i>	<b>166</b>	<i>FY 2003</i>	<b>182</b>	<i>FY 2002</i>	<b>223</b>	\$3,879	4.9%
<i>FY 2005</i>	<b>167</b>										
<i>FY 2004</i>	<b>166</b>										
<i>FY 2003</i>	<b>182</b>										
<i>FY 2002</i>	<b>223</b>										
<ul style="list-style-type: none"> <li>• <b>Complete in 66 days</b> non-rating pension actions, on average</li> </ul>	<ul style="list-style-type: none"> <li>• <b>92 days</b></li> </ul> <table border="1"> <tr><td><i>FY 2005</i></td><td><b>68</b></td></tr> <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> </table>	<i>FY 2005</i>	<b>68</b>	<i>FY 2004</i>	<b>58</b>	<i>FY 2003</i>	<b>67</b>	<i>FY 2002</i>	<b>65</b>		
<i>FY 2005</i>	<b>68</b>										
<i>FY 2004</i>	<b>58</b>										
<i>FY 2003</i>	<b>67</b>										
<i>FY 2002</i>	<b>65</b>										
<ul style="list-style-type: none"> <li>• <b>Achieve an 88 percent</b> national accuracy rate for pension authorization work</li> </ul>	<ul style="list-style-type: none"> <li>• <b>88 percent</b></li> </ul> <table border="1"> <tr><td><i>FY 2005</i></td><td><b>86%</b></td></tr> <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> </table>	<i>FY 2005</i>	<b>86%</b>	<i>FY 2004</i>	<b>84%</b>	<i>FY 2003</i>	<b>81%</b>	<i>FY 2002</i>	<b>76%</b>		
<i>FY 2005</i>	<b>86%</b>										
<i>FY 2004</i>	<b>84%</b>										
<i>FY 2003</i>	<b>81%</b>										
<i>FY 2002</i>	<b>76%</b>										



<b>Strategic Goal 3</b> Honoring, Serving, and Memorializing Veterans											
Targets	Results (Current and 4-Year History)	Obligations (\$ in Millions)	% of Total VA Resources								
<b>Objective 3.3 – Providing Insurance Service</b> MAINTAIN A HIGH LEVEL OF SERVICE TO INSURANCE POLICYHOLDERS AND THEIR BENEFICIARIES TO ENHANCE THE FINANCIAL SECURITY OF 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></li> </ul> <table border="1"> <tr><td><i>FY 2005</i></td><td><b>1.8</b></td></tr> <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> </table>	<i>FY 2005</i>	<b>1.8</b>	<i>FY 2004</i>	<b>1.8</b>	<i>FY 2003</i>	<b>2.4</b>	<i>FY 2002</i>	<b>2.6</b>	\$1,789	2.3%
<i>FY 2005</i>	<b>1.8</b>										
<i>FY 2004</i>	<b>1.8</b>										
<i>FY 2003</i>	<b>2.4</b>										
<i>FY 2002</i>	<b>2.6</b>										
<ul style="list-style-type: none"> <li><b>Achieve a 95 percent</b> high satisfaction rating from veterans for insurance services delivered</li> </ul>	<ul style="list-style-type: none"> <li><b>96 percent</b></li> </ul> <table border="1"> <tr><td><i>FY 2005</i></td><td><b>96%</b></td></tr> <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> </table>	<i>FY 2005</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 2005</i>	<b>96%</b>										
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<i>FY 2003</i>	<b>95%</b>										
<i>FY 2002</i>	<b>95%</b>										
<b>Objective 3.4 – Meeting Burial Needs</b> ENSURE THAT THE BURIAL NEEDS OF VETERANS AND ELIGIBLE FAMILY MEMBERS ARE MET.											
<ul style="list-style-type: none"> <li><b>Ensure 81.6 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>80.2 percent</b></li> </ul> <table border="1"> <tr><td><i>FY 2005</i></td><td><b>77.1%</b></td></tr> <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> </table>	<i>FY 2005</i>	<b>77.1%</b>	<i>FY 2004</i>	<b>75.3%</b>	<i>FY 2003</i>	<b>75.2%</b>	<i>FY 2002</i>	<b>73.9%</b>	\$220	0.3%
<i>FY 2005</i>	<b>77.1%</b>										
<i>FY 2004</i>	<b>75.3%</b>										
<i>FY 2003</i>	<b>75.2%</b>										
<i>FY 2002</i>	<b>73.9%</b>										
<ul style="list-style-type: none"> <li><b>Achieve 96 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 2005</i></td><td><b>94%</b></td></tr> <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> </table>	<i>FY 2005</i>	<b>94%</b>	<i>FY 2004</i>	<b>94%</b>	<i>FY 2003</i>	<b>94%</b>	<i>FY 2002</i>	<b>91%</b>		
<i>FY 2005</i>	<b>94%</b>										
<i>FY 2004</i>	<b>94%</b>										
<i>FY 2003</i>	<b>94%</b>										
<i>FY 2002</i>	<b>91%</b>										



<b>Strategic Goal 3</b> Honoring, Serving, and Memorializing Veterans											
<b>Targets</b>	<b>Results</b> (Current and 4-Year History)	<b>Obligations</b> (\$ in Millions)	<b>% of Total VA Resources</b>								
<b>Objective 3.5 – Symbolic Expressions of Remembrance</b> PROVIDE VETERANS AND THEIR FAMILIES WITH TIMELY AND ACCURATE SYMBOLIC EXPRESSIONS OF REMEMBRANCE.											
<ul style="list-style-type: none"> <li> <b>Ensure 90 percent</b> of graves in national cemeteries are marked within 60 days of interment                             </li> </ul>	<ul style="list-style-type: none"> <li> <b>95 percent</b> <table border="1" style="margin-left: 20px;"> <tr> <td><i>FY 2005</i></td> <td><b>94%</b></td> </tr> <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> </table> </li> </ul>	<i>FY 2005</i>	<b>94%</b>	<i>FY 2004</i>	<b>87%</b>	<i>FY 2003</i>	<b>72%</b>	<i>FY 2002</i>	<b>49%</b>	\$60	0.1%
<i>FY 2005</i>	<b>94%</b>										
<i>FY 2004</i>	<b>87%</b>										
<i>FY 2003</i>	<b>72%</b>										
<i>FY 2002</i>	<b>49%</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 also sponsors a broad portfolio of research dedicated to issues of specific interest to returning OIF/OEF veterans -- particularly issues related to mental health, traumatic brain injury, and limb loss.

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 44,000 additional medical personnel in over 40 separate disciplines.

VA's 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. In 2006, VA provided perpetual care for nearly 2.8 million gravesites in 123 national cemeteries located in 39 states and Puerto Rico.

VA's emergency planning system includes planning for everyday contingencies. VA police officers are a steady presence at medical care facilities to ensure that services may be provided in a secure environment. Officers patrol 24 hours a day, 7 days a week, and 365 days a year in all kinds of weather. They not only enforce the law but assist veterans, family members, and employees in many ways. Most of the officers are veterans and are deeply committed to serving those who served.

As a result of emergency planning at every level of the Department, when services were no longer available in New Orleans and Biloxi because of Hurricane Katrina, other VA medical centers and regional offices immediately stepped in as backup.

After the immediate threat of the hurricane had passed, VA demonstrated its commitment, not just to the veteran community, but to the community at large, opening shelters at Waco and Marlin, Texas. These Federal Medical Shelters served displaced persons from both Hurricanes Katrina and Rita.



## Making a Difference for the Veteran

### VA Receives "Public Spirit Award" for Hurricane Aid *Agency Cited as Example of a "True Success Story"*



VA Secretary James Nicholson accepting the Public Service Award from American Legion President Carol Van Kirk.

The efforts of VA employees in the wake of destruction by Hurricanes Katrina and Rita were recognized when the Department received the prestigious Public Spirit Award from the American Legion Auxiliary in February 2006.

The annual award was accepted on behalf of the Department by the Honorable R. James Nicholson, Secretary of Veterans Affairs, who also lauded VA employees for their heroic sacrifice during Hurricane Katrina.

"My VA colleagues responded to that epic tragedy with selflessness and heroism," said Nicholson in accepting the award. "VA employees acted heroically even in the face of catastrophic personal loss."

The Public Spirit Award is historically given to individuals, but American Legion Auxiliary National President Carol Van Kirk nominated the entire Department for being what she called "an example of a true success story."

The award from the American Legion Auxiliary follows earlier recognition for VA's response to Hurricane Katrina, including Senate Resolution 263, a commendation to agency employees for their efforts during the storm.

Past recipients of the Public Spirit Award include Ronald Reagan, Madeleine Albright, and Colin Powell.



### Three-Year Performance Trend – Targets Achieved

Based on the total number of reported results during a fiscal year, the chart below shows the *percent of performance targets that were achieved* for this strategic goal for the past three years.

Each year, performance targets change and to a lesser extent, so do the number and type of measures. Thus, as shown in the data table, the total number of targets may vary each year.



### Positive 2006 Outcomes

Medical Research: VA’s medical researchers continued their long record of success in making advancements that directly impact the health status of veterans and the population at large. Last year our researchers discovered new links between diabetes and Alzheimer’s disease, and they also developed a vaccination that decreases the incidence and/or severity of shingles.

Honoring the Fallen: As a direct indicator of our commitment to maintaining national cemeteries as shrines dedicated to preserving our Nation’s history, nurturing patriotism, and honoring the service and sacrifice veterans have made, 97 percent of those we surveyed rated the appearance of national cemeteries as excellent.



**FY 2006 Performance Summary Table – Selected Measures**

The following table highlights important achievements related to strategic goal four and its supporting strategic objectives. Also shown are estimates of the resources devoted to each objective as well as a total for the strategic goal.

<b>Strategic Goal 4</b> <b>Contributing to the Nation's Well-Being</b>			
<b>Targets</b>	<b>Results</b> (Current and 4-Year History)	<b>Obligations</b> (\$ in Millions)	<b>% of Total VA Resources</b>
		<b>\$1,521</b>	<b>1.9%</b>

<b>Objective 4.1 – Emergency Preparedness</b> <small>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 TO SUPPORT NATIONAL, STATE, AND LOCAL EMERGENCY MANAGEMENT AND HOMELAND SECURITY EFFORTS.</small>											
<ul style="list-style-type: none"> <li><b>Achieve 100 percent</b> of emergency planners who have completed orientation</li> </ul>	<ul style="list-style-type: none"> <li><b>90 percent</b></li> </ul> <table border="1"> <tr><td><i>FY 2005</i></td><td><b>100%</b></td></tr> <tr><td><i>FY 2004</i></td><td><b>N/A</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> </table>	<i>FY 2005</i>	<b>100%</b>	<i>FY 2004</i>	<b>N/A</b>	<i>FY 2003</i>	<b>N/A</b>	<i>FY 2002</i>	<b>N/A</b>	\$11	<0.1%
<i>FY 2005</i>	<b>100%</b>										
<i>FY 2004</i>	<b>N/A</b>										
<i>FY 2003</i>	<b>N/A</b>										
<i>FY 2002</i>	<b>N/A</b>										
<ul style="list-style-type: none"> <li><b>Achieve 100 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</li> </ul>	<ul style="list-style-type: none"> <li><b>85 percent</b></li> </ul> <table border="1"> <tr><td><i>FY 2005</i></td><td><b>85%</b></td></tr> <tr><td><i>FY 2004</i></td><td><b>N/A</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> </table>	<i>FY 2005</i>	<b>85%</b>	<i>FY 2004</i>	<b>N/A</b>	<i>FY 2003</i>	<b>N/A</b>	<i>FY 2002</i>	<b>N/A</b>		
<i>FY 2005</i>	<b>85%</b>										
<i>FY 2004</i>	<b>N/A</b>										
<i>FY 2003</i>	<b>N/A</b>										
<i>FY 2002</i>	<b>N/A</b>										



<b>Strategic Goal 4</b> Contributing to the Nation's Well-Being											
Targets	Results (Current and 4-Year History)	Obligations (\$ in Millions)	% of Total VA Resources								
<b>Objective 4.2 – Medical Research and Development</b>											
ADVANCE VA MEDICAL RESEARCH AND DEVELOP 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 2,655</b> peer-reviewed publications authored by VA investigators</li> </ul>	<ul style="list-style-type: none"> <li><b>2,897</b></li> </ul> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr><td><i>FY 2005</i></td><td><b>2,793</b></td></tr> <tr><td><i>FY 2004</i></td><td><b>2,557</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> </table>	<i>FY 2005</i>	<b>2,793</b>	<i>FY 2004</i>	<b>2,557</b>	<i>FY 2003</i>	<b>N/A</b>	<i>FY 2002</i>	<b>N/A</b>	\$353	0.4%
<i>FY 2005</i>	<b>2,793</b>										
<i>FY 2004</i>	<b>2,557</b>										
<i>FY 2003</i>	<b>N/A</b>										
<i>FY 2002</i>	<b>N/A</b>										
<b>Objective 4.3 – Academic Partnerships</b>											
ENHANCE THE QUALITY OF CARE TO VETERANS AND PROVIDE HIGH-QUALITY EDUCATIONAL EXPERIENCES FOR HEALTH PROFESSION TRAINEES, CREATED INTERNALLY IN VA AND VIA PARTNERSHIPS WITH THE ACADEMIC COMMUNITY.											
<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>85</b></li> </ul> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr><td><i>FY 2005</i></td><td><b>84</b></td></tr> <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> </table>	<i>FY 2005</i>	<b>84</b>	<i>FY 2004</i>	<b>84</b>	<i>FY 2003</i>	<b>83</b>	<i>FY 2002</i>	<b>83</b>	\$1,043	1.3%
<i>FY 2005</i>	<b>84</b>										
<i>FY 2004</i>	<b>84</b>										
<i>FY 2003</i>	<b>83</b>										
<i>FY 2002</i>	<b>83</b>										
<b>Objective 4.4 – Socioeconomic Well-Being of Veterans</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 3.00 percent</b> as the statutory minimum goal for awarding contracts to service-disabled veteran-owned small businesses expressed as a percent of total VA procurement dollars</li> </ul>	<ul style="list-style-type: none"> <li><b>3.68 percent</b></li> </ul> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr><td><i>FY 2005</i></td><td><b>2.15%</b></td></tr> <tr><td><i>FY 2004</i></td><td><b>1.25%</b></td></tr> <tr><td><i>FY 2003</i></td><td><b>0.49%</b></td></tr> <tr><td><i>FY 2002</i></td><td><b>0.61%</b></td></tr> </table>	<i>FY 2005</i>	<b>2.15%</b>	<i>FY 2004</i>	<b>1.25%</b>	<i>FY 2003</i>	<b>0.49%</b>	<i>FY 2002</i>	<b>0.61%</b>	<\$1M	<0.1%
<i>FY 2005</i>	<b>2.15%</b>										
<i>FY 2004</i>	<b>1.25%</b>										
<i>FY 2003</i>	<b>0.49%</b>										
<i>FY 2002</i>	<b>0.61%</b>										



<b>Strategic Goal 4</b> Contributing to the Nation's Well-Being											
<b>Targets</b>	<b>Results</b> (Current and 4-Year History)	<b>Obligations</b> (\$ in Millions)	<b>% of Total VA Resources</b>								
<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 99 percent</b> of survey respondents rating the appearance of the national cemeteries as excellent           </li> </ul>	<ul style="list-style-type: none"> <li> <b>97 percent</b> <table border="1" style="margin-left: 20px;"> <tr> <td><i>FY 2005</i></td> <td><b>98%</b></td> </tr> <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> </table> </li> </ul>	<i>FY 2005</i>	<b>98%</b>	<i>FY 2004</i>	<b>98%</b>	<i>FY 2003</i>	<b>97%</b>	<i>FY 2002</i>	<b>97%</b>	\$113	0.1%
<i>FY 2005</i>	<b>98%</b>										
<i>FY 2004</i>	<b>98%</b>										
<i>FY 2003</i>	<b>97%</b>										
<i>FY 2002</i>	<b>97%</b>										



## ENABLING GOAL

### *Applying Sound Business Principles*

*Deliver world-class service to veterans and their families through effective communication and management of people, technology, business processes, and financial resources.*

### 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. The following 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. The VA/DoD Joint Executive Council continued its work on initiatives including Joint Clinical Practice Guidelines, Joint Electronic Health Records, Interoperability Plan, Graduate Medical Education, joint procurement, and VA/DoD Health resources sharing agreements. VA continues to improve its collection processes and procedures and collected an estimated \$2 billion in 2006.

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 are focused upon using information technology to improve service to veterans. A major objective of VA's IT work is having Web-based information in one place readily available for veterans in order to reduce the time required to identify services and benefits for which they may qualify.



## Making a Difference for the Veteran

### Director of the VA Center for Women Veterans Named One of the Top 21 Leaders for the 21st Century



Irene Trowell-Harris, Director of the VA Center for Women Veterans, has been named one of the top 21 Leaders for the 21st Century by Women's eNews for her commitment to bettering women's lives. Trowell-Harris was appointed director by the White House in 2001, and has worked tirelessly to help women veterans. "I heard complaints that women didn't get the same treatment as men," Trowell-Harris said. "Rather than going into private business, I decided to come to the VA to help change that."

Of the United States' nearly 25 million veterans, 1.7 million are women. As director, Trowell-Harris developed a brochure that answers the 25 most frequently asked questions by women veterans. The brochure is now distributed nationally.

Trowell-Harris retired as a major general after serving 38 years with the Air Force and Air National Guard. She held a wide variety of positions in her military career and was the Air Force representative for the Committee on Women in the NATO Forces Conference in Istanbul, Turkey, in 1997. Trowell-Harris grew up on a farm in Aiken, Georgia, which she still considers her home: "Aiken is still my favorite place," she says, "and I've traveled all over the world."



### FY 2006 Performance Summary Table – Selected Measures

The following table highlights important achievements related to VA’s Enabling Goal and its supporting objectives. Also shown are estimates of the resources devoted to each objective as well as a total for the goal.

<b>Enabling Goal</b>			
<b>Applying Sound Business Principles</b>			
<b>Targets</b>	<b>Results</b> (Current and 4-Year History)	<b>Obligations</b> (\$ in Millions)	<b>% of Total VA Resources</b>
		<b>\$3,085</b>	<b>3.9%</b>

<b>Objective E-1 – Development and Retention of a Competent Workforce</b>											
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>Attain 30 percent</b> of VA employees who are veterans</li> </ul>	<ul style="list-style-type: none"> <li>• <b>30.6 percent</b></li> </ul> <table border="1"> <tr> <td><i>FY 2005</i></td> <td><b>28%</b></td> </tr> <tr> <td><i>FY 2004</i></td> <td><b>26%</b></td> </tr> <tr> <td><i>FY 2003</i></td> <td><b>24%</b></td> </tr> <tr> <td><i>FY 2002</i></td> <td><b>N/A</b></td> </tr> </table>	<i>FY 2005</i>	<b>28%</b>	<i>FY 2004</i>	<b>26%</b>	<i>FY 2003</i>	<b>24%</b>	<i>FY 2002</i>	<b>N/A</b>	\$111	0.1%
<i>FY 2005</i>	<b>28%</b>										
<i>FY 2004</i>	<b>26%</b>										
<i>FY 2003</i>	<b>24%</b>										
<i>FY 2002</i>	<b>N/A</b>										
<b>Objective E-2 – Outreach and Communications</b>											
IMPROVE COMMUNICATION WITH VETERANS, EMPLOYEES, AND STAKEHOLDERS ABOUT VA’S MISSION, GOALS, AND CURRENT PERFORMANCE, AS WELL AS BENEFITS AND SERVICES THAT THE DEPARTMENT PROVIDES.											
<ul style="list-style-type: none"> <li>• <b>Submit 35 percent</b> of statutory reports to Congress by the due date</li> </ul>	<ul style="list-style-type: none"> <li>• <b>13 percent</b></li> </ul> <table border="1"> <tr> <td><i>FY 2005</i></td> <td><b>21% by the due date</b></td> </tr> <tr> <td><i>FY 2004</i></td> <td><b>54% w/i 15 days of the due date</b></td> </tr> <tr> <td><i>FY 2003</i></td> <td><b>70% w/i 30 days of the due date</b></td> </tr> <tr> <td><i>FY 2002</i></td> <td><b>59% w/i 45 days of the due date</b></td> </tr> </table>	<i>FY 2005</i>	<b>21% by the due date</b>	<i>FY 2004</i>	<b>54% w/i 15 days of the due date</b>	<i>FY 2003</i>	<b>70% w/i 30 days of the due date</b>	<i>FY 2002</i>	<b>59% w/i 45 days of the due date</b>	\$35	<0.1%
<i>FY 2005</i>	<b>21% by the due date</b>										
<i>FY 2004</i>	<b>54% w/i 15 days of the due date</b>										
<i>FY 2003</i>	<b>70% w/i 30 days of the due date</b>										
<i>FY 2002</i>	<b>59% w/i 45 days of the due date</b>										



<b>Enabling Goal</b> <b>Applying Sound Business Principles</b>											
<b>Targets</b>	<b>Results</b> (Current and 4-Year History)	<b>Obligations</b> (\$ in Millions)	<b>% of Total VA Resources</b>								
<ul style="list-style-type: none"> <li><b>Brief 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> <table border="1"> <tr><td>FY 2005</td><td>100%</td></tr> <tr><td>FY 2004</td><td>90%</td></tr> <tr><td>FY 2003</td><td>80%</td></tr> <tr><td>FY 2002</td><td>75%</td></tr> </table>	FY 2005	100%	FY 2004	90%	FY 2003	80%	FY 2002	75%		
FY 2005	100%										
FY 2004	90%										
FY 2003	80%										
FY 2002	75%										
<p align="center"><b>Objective E-3 – Reliable and Secure Information Technology</b></p> <p align="center">IMPLEMENT A ONE-VA INFORMATION TECHNOLOGY FRAMEWORK THAT ENABLES THE CONSOLIDATION OF IT SOLUTIONS AND THE CREATION OF CROSS-CUTTING COMMON SERVICES TO SUPPORT THE INTEGRATION OF INFORMATION ACROSS BUSINESS LINES AND PROVIDES SECURE, CONSISTENT, RELIABLE, AND ACCURATE INFORMATION TO ALL INTERESTED PARTIES.</p>											
<ul style="list-style-type: none"> <li><b>Receive no more than 20 distinct data exchanges</b> from DoD's Defense Manpower Data Center<sup>(*)</sup></li> </ul> <p><sup>(*)</sup> <u>Explanation:</u> The gradual reduction in data exchanges between VA and DoD systems will eliminate data inconsistencies between the two agencies. This is critical, particularly in areas such as separation data and medical records.</p>	<ul style="list-style-type: none"> <li><b>20 Distinct Data Exchanges</b></li> </ul> <table border="1"> <tr><td>FY 2005</td><td>N/A</td></tr> <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> </table>	FY 2005	N/A	FY 2004	N/A	FY 2003	N/A	FY 2002	N/A	\$429	0.5%
FY 2005	N/A										
FY 2004	N/A										
FY 2003	N/A										
FY 2002	N/A										
<ul style="list-style-type: none"> <li><b>Send no more than 10 distinct data exchanges</b> to DoD's Defense Manpower Data Center<sup>(*)</sup></li> </ul> <p><sup>(*)</sup> <u>Explanation:</u> The gradual reduction in data exchanges between VA and DoD systems will eliminate data inconsistencies between the two agencies. This is critical, particularly in areas such as separation data and medical records.</p>	<ul style="list-style-type: none"> <li><b>8 Distinct Data Exchanges</b></li> </ul> <table border="1"> <tr><td>FY 2005</td><td>N/A</td></tr> <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> </table>	FY 2005	N/A	FY 2004	N/A	FY 2003	N/A	FY 2002	N/A		
FY 2005	N/A										
FY 2004	N/A										
FY 2003	N/A										
FY 2002	N/A										



<b>Enabling Goal</b> Applying Sound Business Principles											
<b>Targets</b>	<b>Results</b> (Current and 4-Year History)	<b>Obligations</b> (\$ in Millions)	<b>% of Total VA Resources</b>								
<b>Objective E-4 – Sound Business Principles</b> IMPROVE THE OVERALL GOVERNANCE AND PERFORMANCE OF VA BY APPLYING SOUND BUSINESS PRINCIPLES; ENSURING ACCOUNTABILITY; EMPLOYING RESOURCES EFFECTIVELY THROUGH ENHANCED CAPITAL ASSET MANAGEMENT, ACQUISITION PRACTICES, AND COMPETITIVE SOURCING; AND LINKING STRATEGIC PLANNING TO BUDGETING AND PERFORMANCE.											
<ul style="list-style-type: none"> <li> <b>Achieve \$150 million</b> of joint VA/DoD procurement contracts for high-cost medical equipment                             </li> </ul>	<ul style="list-style-type: none"> <li> <b>\$150 million</b> <table border="1" style="margin-left: 20px;"> <tr> <td><i>FY 2005</i></td> <td><b>Baseline</b></td> </tr> <tr> <td><i>FY 2004</i></td> <td><b>N/A</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> </table> </li> </ul>	<i>FY 2005</i>	<b>Baseline</b>	<i>FY 2004</i>	<b>N/A</b>	<i>FY 2003</i>	<b>N/A</b>	<i>FY 2002</i>	<b>N/A</b>	\$2,511	3.2%
<i>FY 2005</i>	<b>Baseline</b>										
<i>FY 2004</i>	<b>N/A</b>										
<i>FY 2003</i>	<b>N/A</b>										
<i>FY 2002</i>	<b>N/A</b>										
<ul style="list-style-type: none"> <li> <b>Achieve a 2 percent cumulative decrease</b> in “facility traditional” energy consumption per gross square foot from 2003 baseline                             </li> </ul>	<ul style="list-style-type: none"> <li> <b>2 percent</b> <table border="1" style="margin-left: 20px;"> <tr> <td><i>FY 2005</i></td> <td><b>N/A</b></td> </tr> <tr> <td><i>FY 2004</i></td> <td><b>N/A</b></td> </tr> <tr> <td><i>FY 2003</i></td> <td><b>Baseline</b></td> </tr> <tr> <td><i>FY 2002</i></td> <td><b>N/A</b></td> </tr> </table> </li> </ul>	<i>FY 2005</i>	<b>N/A</b>	<i>FY 2004</i>	<b>N/A</b>	<i>FY 2003</i>	<b>Baseline</b>	<i>FY 2002</i>	<b>N/A</b>		
<i>FY 2005</i>	<b>N/A</b>										
<i>FY 2004</i>	<b>N/A</b>										
<i>FY 2003</i>	<b>Baseline</b>										
<i>FY 2002</i>	<b>N/A</b>										



## Most Important Achievements and Current Challenges By Strategic Goal

The Department's most important FY 2006 operational achievements as well as its current challenges are summarized as follows by strategic goal.

<b>Strategic Goal #1</b>
<b>Restoration and Improved Quality of Life for Disabled Veterans</b>
<b>Most Important Achievements</b>
<ul style="list-style-type: none"><li>• <b>REDUCED REMAND INVENTORY:</b> As a result of the joint effort between VBA and BVA to reduce unnecessary <b>remands</b>, the Department reduced the inventory of remands by 7 percent to 20,183 and decreased the remand rate from 38 percent to 32 percent.</li><li>• <b>INCREASED CLAIMS ACCURACY:</b> The accuracy of rating-related <b>compensation claims</b> processed improved from 84 percent at the end of FY 2005 to 88 percent as of July 2006.</li><li>• <b>SPEED OF PROCESSING:</b> VBA reached its goal of processing <b>dependency and indemnity compensation claims</b> to within 48 hours of receipt from surviving spouses and dependents of servicemembers who die on active duty.</li><li>• <b>QUALITY OF SERVICE:</b> VBA employees conducted over 6 million <b>telephone interviews</b>. To maintain the highest quality of service, VBA piloted a national silent monitoring program and developed a special training program for Public Contact Team employees.</li><li>• <b>OUTREACH:</b> VBA conducted <b>direct mail outreach</b> to all veterans in receipt of benefits in the six states with the lowest average annual compensation rate. The Department also conducted media outreach to all veterans in these states.</li><li>• <b>IMPLEMENTED PROGRAM IMPROVEMENTS:</b> VBA implemented 72 of the 100 recommendations made by the <b>Secretary's Vocational Rehabilitation and Employment Task Force</b>.<ul style="list-style-type: none"><li>○ One of the key recommendations resulted in development and implementation of the <b>Five-Track Employment Model</b> to increase the program's focus on employment. The model features job resource labs, the Vetsuccess.gov Web site, and deployment of increased numbers of employment coordinators.</li></ul></li></ul>
<b>Challenges</b>
<ul style="list-style-type: none"><li>• <b>COURT DECISION:</b> A ruling by the Federal District Court for the Northern District of California in <i>Nehmer</i> extended the reach of the Agent Orange Settlement agreement to <b>Chronic Lymphocytic Leukemia</b> based upon the extension of the lapsed <b>Agent Orange Act</b>. This ruling means that a veteran claiming any future Agent Orange-related conditions made presumptive will be paid compensation from the earliest date in the claims files that the veteran claimed the condition. In all other cases when a new presumption is created, the earliest payment date is the date the presumption was created.</li><li>• <b>NEW OUTREACH METHODS:</b> VA must develop new methods of outreach aimed at reaching the <b>hard-to-find aging, homeless, and poor veteran populations</b>.</li><li>• <b>INCREASED WORKLOAD:</b> VA faces an increasing <b>disability claims</b> workload in terms of the number of claims submitted with eight or more issues, reopened claims submitted by veterans with chronic progressive conditions, additional claims submitted by the aging veteran population, and the effects of the Global War on Terror.</li><li>• <b>PAPERLESS PROCESSING CAPABILITY:</b> VA needs to improve the existing IT tools to enhance capabilities for veterans' self-service in completing paperwork.</li><li>• <b>COMPLETING OUTCOME STUDY:</b> The Department needs to conduct a study of the <b>Independent Living</b> program services and outcomes to obtain information for effective strategic planning.</li><li>• <b>PROGRAM EXPANSION:</b> VA needs to expand the <b>Coming Home To Work</b> program from eight military treatment facilities in FY 2006 to full national deployment, which would involve having a presence at four polytrauma centers.</li></ul>



## Strategic Goal #2 Smooth Transition to Civilian Life

### Most Important Achievements

- **VA AND DoD COLLABORATION:** VA and DoD are collaborating to ensure VA is notified of severely ill or injured **servicemembers transitioning** to VA and civilian life. Under this initiative, DoD began transmitting names of servicemembers entering the Physical Evaluation Board process to VA in October 2005. The monthly list enables VBA to contact servicemembers to inform them of potential VA benefits and VHA to initiate the transfer of health care services to VA medical centers prior to discharge from the military.
- **ESTABLISHED CALL CENTER:** VHA established an **OIF/OEF Polytrauma Call Center** to assist our most seriously injured veterans. The call center, which opened in February 2006, is operational 24/7 to answer questions on administrative and benefit inquiries from OIF/OEF polytrauma patients and their families.
- **VA AND NATIONAL GUARD COLLABORATION:** VA and the National Guard Bureau teamed up to train 54 recently returned veterans as **National Guard State Benefits Advisors (SBAs)** – one for each of the 50 states and 4 territories. The SBAs will serve as statewide points of contact providing advice to Guard members and their families. They will participate in the Reserve and National Guard mobilization and demobilization process and provide materials on VA benefits and services.
- **USE OF EDUCATIONAL BENEFIT:** VA added over **99,000 new students** to the education rolls and provided benefits to over 520,000 students in 2006.
- **FORECLOSURE AVOIDANCE:** VA achieved a **foreclosure avoidance through servicing (FATS)** ratio of 54 percent. This ratio measures the effectiveness of VA supplemental servicing of defaulted loans. A higher ratio represents dollar savings to the government.

### Challenges

- **MEETING SPECIAL NEEDS:** VA must meet the special needs of Guard/Reserve, younger veterans, older reservists, and combat women veterans as well as those in remote locations.
- **OUTREACH:** VA needs to formalize its outreach program to include Navy and Marine Corps Reserve components.
- **INCREASED PTSD CASES:** VA must treat and manage the increased number of patients with combat stress and post-traumatic stress disorder (**PTSD**).
- **DEVELOPING COALITIONS:** The Department needs to support the further **development of state coalitions** to ensure the delivery of integrated benefits and services at the state and local level. Relationships need to be strengthened at the state level among VA directors, State Directors of Veterans Affairs, the State Adjutant General, and all reserve components.
- **MEASURING IMPACT:** VA must establish a way to measure the impact of **seamless transition** on the lives of the war wounded and their families.
- **ESTABLISHING SUPPORT SYSTEM:** VA needs to establish a **support system for families** and caregivers of severely injured veterans, especially those with traumatic brain injury, as well as spinal cord injury, amputation, severe disfigurement, blindness, and PTSD.
- **EDUCATIONAL ASSISTANCE WORKLOAD:** An **increased workload** is associated with paying educational assistance benefits for new programs such as the Reserve Educational Assistance Program.
- **ECONOMIC SENSITIVITY:** Any significant downturn in the national or local economies will increase the number of **defaults** and **foreclosures** of **VA-guaranteed loans**. The levels of defaults, foreclosures, and property acquisitions are related to interest rates and the economy, and are particularly sensitive to regional downturns.



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

#### Most Important Achievements

- **ELECTRONIC HEALTH RECORDS:** VA's system of **electronic health records**, developed with extensive involvement of front-line health-care providers, won the prestigious "Innovations in American Government Award." The annual award, sponsored by Harvard University and the Council for Excellence in Government, honors excellence and creativity in the public sector.
- **TWO NEW CEMETERIES:** In October 2005, the new **Great Lakes National Cemetery** began interment operations. In April 2006, the new **Georgia National Cemetery** began interment operations. Combined, these two national cemeteries will provide a burial option to nearly 900,000 veterans.
- **CUSTOMER SATISFACTION SURVEY:** The 2006 **Survey of Satisfaction with National Cemeteries** results were as follows:
  - **94 percent** of respondents rated the quality of service provided by national cemeteries as excellent. This is the sixth consecutive year that the quality of service provided by VA national cemeteries has been rated excellent by more than 90 percent of survey respondents.
- **HEADSTONE AND MARKER QUALITY:** Ninety-six percent of all **headstones** and **markers** furnished by VA were delivered **undamaged** and correctly inscribed in 2006. Inscription data on headstones and markers ordered by national cemeteries were accurate and complete 99 percent of the time.
- **GRAVE MARKING TIMELINESS:** In 2006, VA **marked 95 percent of graves** in national cemeteries within 60 days of the interment. This achievement was well above the performance goal of 90 percent, and a significant improvement over the 49 percent in 2002, the first year that data were collected.
- **CLAIMS PROCESSING ACCURACY:** The accuracy of **non-rating pension claims** processing improved from 86 percent at the end of FY 2005 to 88 percent as of July 2006, and the accuracy of burial claims processed increased to 94 percent from 93 percent for the same time period.
- **VA AND HHS COLLABORATION:** VA and the Department of Health and Human Services (HHS) formed **HealthierUS Veterans**, a collaboration to educate veterans and their families about ways to combat diabetes and the obesity that creates a risk for the disease.
  - VA medical centers will promote good nutrition and exercise with local groups in 40 communities that have HHS grants in a program called "Steps to a HealthierUS." The American Diabetes Association has given formal recognition to VA medical centers' patient self-management education programs at more than 40 sites.
- **IMPROVED NATIONWIDE GRAVESITE LOCATOR:** VA improved its Web-based (Internet) **Nationwide Gravesite Locator (NGL) system** to include a mapping feature that shows the burial sections of each VA national cemetery and some state veterans cemeteries.
  - This feature enables families, friends, and researchers to more easily find an exact grave location. Making it easier to identify burial locations may bring more visitors to the honored resting places that VA considers national shrines and historic treasures.
  - The NGL also includes data for headstones and markers that are furnished to mark the graves of veterans who are not buried in national cemeteries.
- **COMPLETED MEMORIAL INVENTORY PROJECT:** VA completed its **Memorials Inventory Project (MIP)**. The MIP was performed in partnership with **Save Outdoor Sculpture! (SOSI)**, a non-profit organization that uses volunteers to survey public outdoor sculpture nationwide. The MIP identified **843 memorials** located in the 156 cemeterial installations managed by NCA. NCA shared photos and data of 80 historic sculptural memorials with the **Smithsonian Institution** for inclusion in the Smithsonian Institution Research Information System database.



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

**Challenges**

- **PAPERLESS PENSION PROCESSING:** VA is working to improve **paperless pension processing** in the Virtual VA application to encompass full pension claims workflow integrated with payment and accounting components.
- **MEETING SERVICE EXPECTATIONS:** As VA opens new cemeteries, it must continue to provide high-quality, courteous, and responsive service in all of its contacts with veterans and their families and friends.
  - These contacts schedule the committal service, arrange for and conduct interments, and provide information about the cemetery and the location of specific graves.
- **PROCESSING TIMELINESS:** In 2006 within 20 days of receipt, VA processed 62 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.
- **NATIONWIDE GRAVESITE LOCATOR:** VA continues to add approximately **1,000 new records per day** to the online gravesite locator to further enhance access to information and improve service to veterans and their families.



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

### Most Important Achievements

- **SECURITY OFFICE ESTABLISHED:** In April 2006 the Secretary approved establishment of the Office of Operations, Security and Preparedness (OS&P) to provide oversight for all **VA emergency preparedness** activities. The office provides a direct line of authority to VA leadership and more immediate access to operational decision-makers.
- **CONTRACTING WITH SERVICE-DISABLED VETERAN-OWNED SMALL BUSINESSES:** In June 2006, for the first time, VA exceeded the 3 percent minimum statutory goal for **awarding contracts to service-disabled veteran-owned small businesses**. Related to this was the award of a 6-year, \$342 million contract to a service-disabled veteran-owned small business for licensing of software products and related services.
- **PROTEIN DISCOVERY:** Researchers from the Bronx VAMC recently identified three proteins that were significantly lower in concentration in the cerebrospinal fluid from patients with **amyotrophic lateral sclerosis (ALS)** than in normal subjects. The combination of these three proteins correctly identified patients with ALS with 95 percent accuracy from normal subjects. The change in content of the three proteins may help identify patients with ALS early in the course of the disease. The results were published in the Journal of Neuroscience.
- **SCHIZOPHRENIA GENE DISCOVERY:** A team from the **Denver VA Schizophrenia Research Center** discovered that **CHRNA7**, which codes for part of the alpha-7-nicotinic (a7N) acetylcholine receptor, is one of the genes responsible for the inheritance of risk for schizophrenia, a finding that has been replicated by eight other scientists. This discovery has taken years, with research initially conducted on mice, followed by genetic investigation of patients and their relatives.
- **BONE MARROW STEM CELLS:** VA researchers demonstrated that intravenous infusion of adult-derived, **bone marrow stem cells** can protect against brain damage in a rat model of cerebral ischemia. This has implications for an early, cell-based, intervention for such conditions as stroke, brain trauma, and spinal cord injury. The results were published in the Journal of Neuroscience.
- **PHANTOM PAIN MOLECULE:** Researchers from the West Haven VAMC identified a **molecular basis for "phantom pain,"** a phenomenon in which amputees and patients with SCI experience the sensation of excruciating pain in a limb that is no longer there, or that has lost all perception.
- **VA ROLE IN MEDICAL EDUCATION:** The Report of the Federally Chartered Advisory Committee on Resident Education affirmed the critical role that VA plays in providing high-quality **graduate medical education** in terms of preparing the Nation's future physicians and meeting VA's healthcare delivery needs.
  - The committee concluded, "*VA-medical school partnerships for graduate medical education are integral to the provision of high-quality health care for the Nation's veterans. VA's educational programs provide excellent training in areas that are directly relevant to veteran patient care.*"
- **CUSTOMER SATISFACTION SURVEY:** The 2006 **Survey of Satisfaction with National Cemeteries** results were as follows:
  - 98 percent of respondents (family members and funeral directors who have recently received services from a national cemetery) indicated that they would recommend the national cemetery to veteran families in their time of need. This is the sixth consecutive year that 97 percent or more have responded that they would recommend the national cemetery.

### Challenges

- **STRENGTHEN PARTNERSHIPS WITH MEDICAL SCHOOLS:** VA has a 60-year history of mutually beneficial affiliations with U.S. medical schools and teaching hospitals. For the past 10 years, however, the academic affiliation relationships have undergone transformation. Plans are underway to **strengthen VA's partnerships with medical schools** through several initiatives.
- **MAINTAINING CEMETERY APPEARANCE:** VA must ensure that the appearance of national cemeteries meets the standards our Nation expects of its national shrines. To meet these standards and fulfill the National Shrine Commitment, VA needs to make improvements in the appearance of burial grounds and historic structures as well as to conduct regular maintenance and repair projects on more than **600 buildings** and over **16,000 acres of land** contained within 156 cemeterial installations.



## Enabling Goal Applying Sound Business Principles

### Most Important Achievements

- **GREEN STATUS ON REAL PROPERTY:** VA earned a “green” status on the President’s Management Agenda Real Property Initiative by meeting several stringent criteria.
- **ACTION PLAN APPROVED:** The Secretary approved the **Energy Task Force** action plan outlining how VA will address its five main energy challenges in the newly legislated Energy Act of 2005. The **five challenges** are to understand energy consumption and costs; optimally manage energy systems; purchase energy wisely; make prudent energy investments; and implement renewable and alternative energy purchasing and projects.
- **ELECTRONIC CONTRACT MANAGEMENT:** VA began deploying an **electronic contract management system (eCMS)** to enhance enterprise level (VA-wide) acquisition processes to increase VA’s purchasing power leverage.
- **STRENGTHENING DATA SECURITY:** VA has taken the following steps to improve the security of its data:
  - Procured and installed **encryption software** on VA laptops.
  - Provided **security and privacy awareness training** to all VA employees.
  - Increased **awareness** of Privacy Impact Assessments requirements and the necessity of systems compliance with all current privacy regulatory standards such as System of Records of Notices.
  - Completed assessment of security controls for all VA information systems.
- **PROJECT MANAGER CERTIFICATION & EDUCATION:** VA increased the number of **Level III-certified IT project managers** by over 35 percent, from 263 in 2005 to 360 in 2006, and implemented a continuing education program for active project managers to maintain Level III certification.
- **EARNED VALUE MANAGEMENT:** Eighty percent of the required project managers (PMs) established earned value management (EVM) baselines, and 60 percent of the required PMs are reporting EVM performance measures.

### Challenges

- **VA BUILDING/FACILITY CONDITION:** VA must develop short-and long-term plans to improve building/facility condition.
- **IMPLEMENTING ACQUISITION-RELATED MANDATES:** VA must implement OMB mandates to establish an Acquisition Career Management program and a comprehensive Strategic Sourcing program.
- **IMPROVE IT PROJECT MANAGEMENT:** VA must 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.
- **DATA SECURITY ACCOUNTABILITY:** VA needs to develop and implement critical information security policies and procedures that inform VA employees and hold them accountable for data security.
- **PUBLIC TRUST:** VA must regain the public’s trust and confidence in its commitment to the protection of sensitive data.



## The President's Management Agenda

The President's Management Agenda (PMA), which was announced in 2001, is an aggressive strategy for improving the management of the federal government. It focuses on 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. The following table summarizes VA's progress and status as of September 30, 2006.

VA's Status and Progress on the President's Management Agenda			
As of September 30, 2006			
Initiative	Status	Progress	Status Change from September 30 2005
Human Capital (g-wide)			↑
Competitive Sourcing (g-wide)			↔
Financial Performance (g-wide)			↔
E-Government (g-wide)			↔
Budget and Performance Integration (g-wide)			↔
Real Property			↑
VA/DoD Coordination			↔
Research and Development	-- not rated --		
Improper Payments			↑
Faith-Based and Community Initiative			↔
Credit Management			n/a (not rated in September 2005)

The summary tables on the following pages recap for each PMA initiative VA's progress during FY 2006 to address issues that OMB identified as needing attention.



<b>HUMAN CAPITAL</b>	
<b>Open Items at the Beginning of FY 2006</b>	<b>FY 2006 Actions and Progress</b>
<ul style="list-style-type: none"> <li>• <b>Performance appraisal plans adhere to merit system principles, etc.</b> <ul style="list-style-type: none"> <li>- Plans are in place for more than 60 percent of agency staff</li> <li>- Test of beta site is completed</li> </ul> </li> </ul>	<p>VA needed to bring bargaining unit employees represented by the American Federation of Government Employees (AFGE) and the National Association of Government Employees (NAGE) into the multi-tier performance management system.</p> <ul style="list-style-type: none"> <li>• VA overcame concerns over fairness and objectivity, and during FY 2006, 100 percent of its bargaining unit employees were converted to the 5-tier performance management system.</li> <li>• The beta site provided performance plans with credible measures that were aligned with organizational goals. The plans also demonstrated linkage of the plans through all organizational levels (Network Director to front-line employees). Positive findings at the beta site contributed to VA'S achieving a "green" rating in current status from OMB.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Identify Skill gaps</b> <ul style="list-style-type: none"> <li>- Achieve significant reduction in mission critical skill gaps</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• VA focused on closing competency gaps in its nursing, leadership, IT, and HR professional groups.</li> <li>• VA deployed the High Performance Development Model throughout the Department with eight primary competencies including interpersonal effectiveness, personal mastery, system thinking, technical skills, creative thinking, organizational stewardship, customer service, and flexibility.</li> <li>• Using online Blackboard technology for the first time, VA delivered first-line supervisory training.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Develop hiring timelines</b> <ul style="list-style-type: none"> <li>- Demonstrate that VA is on track to meet hiring timeline goals</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• VA hired General Schedule-level staff in fewer than 45 days for four consecutive quarters.</li> <li>• VA realized a major accomplishment in its ability to reduce the time to hire a senior executive from over 200 days in 2003 to fewer than 100 days as of March 31, 2006.</li> <li>• VA conducted a "hiring makeover" to analyze the entire hiring process and identify areas of improvement. VA also agreed to implement the <i>USAStaffing</i> HR system to modernize recruitment processing.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Implement an accountability system</b> <ul style="list-style-type: none"> <li>- Provide an annual report on operational status of HR programs</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The Office of Oversight and Effectiveness conducted 17 scheduled reviews and two special reviews of HR operations at VA field facilities. Results were included in the annual HR accountability report to the Secretary.</li> <li>• VA uses on-site HR evaluations to discover and impart best practices to VA's HR community. VA has developed an on-site assessor toolkit and has increased the number of staff able to conduct on-site HR evaluations.</li> </ul>



<b>COMPETITIVE SOURCING</b>	
<b>Open Items at the Beginning of FY 2006</b>	<b>FY 2006 Actions and Progress</b>
<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> <li>• <b>Savings</b></li> </ul>	<ul style="list-style-type: none"> <li>• The bulk of competitive sourcing within the Department was halted due to General Counsel's April 2003 ruling that Section 8110 of Title 38 U.S.C. prevents VA from conducting cost comparisons on VHA positions unless Congress provides specific funding for the competitions. However, OMB is actively working to obtain VA legislative relief so that VA can restart its planned competitive sourcing program.</li> </ul> <p>On December 21, 2005, the Senate passed S. 1182, which would provide limited authority for VA to conduct competitive sourcing studies. VA originally proposed that the prohibition in Title 38 be repealed. The HVAC received the proposed bill at the end of December 2005 and has yet to take action. If legislation is enacted, VA is prepared to renew its efforts to implement a reasoned and responsible competitive sourcing program.</p>
<p><b>Other VA-specific activities being undertaken to support this PMA</b></p>	<ul style="list-style-type: none"> <li>• VA initiated a Management Analysis/Business Process Reengineering project that will realize up to 85 percent of the potential cost savings from competitive sourcing, or over \$702 million cumulatively from 2008-2013.</li> </ul>



<b>FINANCIAL PERFORMANCE</b>	
<b>Open Items at the Beginning of FY 2006</b>	<b>FY 2006 Actions and Progress</b>
<ul style="list-style-type: none"> <li>• <b>Clean audit opinion</b></li> </ul>	<ul style="list-style-type: none"> <li>• VA received an unqualified opinion on its FY 2006 Consolidated Financial Statements from the auditors, continuing the success first achieved in 1999.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Meets reporting deadlines</b></li> </ul>	<ul style="list-style-type: none"> <li>• VA met all of its required annual and quarterly reporting deadlines.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Use financial information to drive results in key areas</b></li> </ul>	<ul style="list-style-type: none"> <li>• The Monthly Performance Reviews, chaired by the Deputy Secretary, focus on financial and program performance. Based on year-to-date financial and program performance results, each VA Administration and staff office depicts its progress in meeting fiscal year-to-date goals. In this context, the Department's leadership discusses and makes decisions on mission critical issues.</li> <li>• VA is implementing a data warehouse to capture and enhance relevant data and produce high level and detailed financial information and reports about VA programs.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Eliminate material non-compliance with laws or regulations</b></li> </ul>	<ul style="list-style-type: none"> <li>• Conformance with this requirement is contingent upon remediation of the existing audit-related material weaknesses identified for completion in the 2009-2010 timeframe.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Eliminate FMFIA material weaknesses</b></li> </ul>	<ul style="list-style-type: none"> <li>• VA completed action on its only remaining FMFIA material weakness, Internal Control Weaknesses in the C&amp;P Payment Process.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Achieve Compliance with FFMIA</b></li> </ul>	<ul style="list-style-type: none"> <li>• Resolving the three currently identified auditor-reported material weaknesses requires corrective action over several years. Weaknesses pertaining to the Lack of an Integrated Financial Management System (LIFMS), IT Security Controls, and Operational Oversight are all currently estimated for completion in 2009. Accordingly, VA anticipates compliance with FFMIA in the 2009-2010 timeframe.</li> <li>• Through 2007, VA's FLITE initiative will be in the planning stage. VA will report remediation of a portion of the audit material weakness related to LIFMS as a result of VA's implementation during 2006 of an automated financial reporting tool (MinX, using Hyperion software) for generation and submission of VA's quarterly and annual financial statements, as well as FACTS II reporting (see below.) Similarly, VA will report corrections in security control and operational oversight deficiencies over these years.</li> </ul>



<b>FINANCIAL PERFORMANCE</b> , <i>continued</i>	
<b>Open Items at the Beginning of FY 2006</b>	<b>FY 2006 Actions and Progress</b>
<ul style="list-style-type: none"> <li>• <b>Eliminate material or auditor-reported internal control weaknesses</b></li> </ul>	<ul style="list-style-type: none"> <li>• In 2006, VA aggressively pursued two separate initiatives to improve the conditions that resulted in the audit findings regarding the lack of an integrated financial system.               <p>The first initiative was the standardization and centralization of the financial statement generation process, using an industry standard commercial-off-the-shelf (COTS) "business intelligence" tool specifically geared to the statement generation process. The new tool and new procedures were successfully implemented during 2006, bringing standardization and greater integrity to the financial statement generation process.</p> <p>The second initiative is a detailed analysis of major financial system interfaces to identify and initiate correction of any deficiencies in reconciliation, internal controls, security, or other relevant issues. To facilitate this effort, VA is implementing a data warehouse to capture relevant data and produce both high level and detailed information on the status and health of financial system interfaces.</p> </li> <li>• VA is pursuing completion of a root cause analysis relating to the Operational Oversight audit material weakness to make improvements in seven key areas: Leadership Accountability and Alignment; Ethical Issues; Internal Control Monitoring Process; Directive, Policies and Procedures; Human Resource Issues; Medical Care Collections Fund (MCCF) Receivables; and Non-MCCF Receivables.               <p>VA has developed internal management performance and policy improvements and established a new VHA National Leadership Board subcommittee to enhance business operations.</p> </li> <li>• As of July 2006, VA had made progress in remediating deficiencies identified in four major areas of IT Security Controls: 85 percent of those associated with Access control; 83 percent of those associated with Segregation of Duties; 73 percent of those associated with Service Continuity; and 65 percent of those associated with Change Control.</li> </ul>
<b>E-Gov</b>	
<ul style="list-style-type: none"> <li>• <b>Create Enterprise Architecture (EA) systems</b> - Has 3 completed or in use or at least 3 in results</li> </ul>	<ul style="list-style-type: none"> <li>• VA's EA V4.1, delivered in February 2006, was awarded a Capability Maturity Model score of 3.6 out of 5.0.</li> <li>• VA received an overall EA assessment rating of "Green" for 2006.</li> <li>• VA completed its first EA milestone submission in August 2006. Two of three fourth-quarter milestones are completed as scheduled; the third milestone has made significant progress but is being rescheduled.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Develop acceptable business cases for major systems</b> - Acceptable business cases developed for more than 50% of major systems</li> </ul>	<ul style="list-style-type: none"> <li>• VA submitted revisions to FY 2007 Exhibits 300 based on passback guidance.</li> <li>• VA addressed concerns pertaining to IT investments on OMB's Management Watch List.</li> <li>• VA submitted the FY 2008 Exhibit 53 to OMB.</li> </ul>



<b>E-GOV</b> , <i>continued</i>	
<b>Open Items at the Beginning of FY 2006</b>	<b>FY 2006 Actions and Progress</b>
<ul style="list-style-type: none"> <li>• <b>Develop and adhere to Cost/Schedule/Performance for major IT systems</b> <ul style="list-style-type: none"> <li>- Overruns/shortfalls for less than 30% of projects</li> <li>- Installation of an Earned Value Management System (EVMS) that shows overruns/shortfalls less than 10% of projects</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• VA implemented the new IT Systems Account appropriation enacted by Congress in 2006.</li> <li>• VA published guidance to improve program and project performance through Earned Value Management (EVM) and operational analysis.</li> <li>• VA established baselines for 85 percent of programs and 60 percent for EVM reporting.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Establish security of operational IT systems</b> <ul style="list-style-type: none"> <li>- IG verifies effectiveness of security of all operational IT systems</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• All of VA's operational IT systems have been certified and accredited.</li> <li>• Reaccreditation work continued for systems with expiring accreditation.</li> <li>• VA submitted the FY 2006 Federal Information Security Management Act (FISMA) fourth quarter status report.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Implement E-Gov</b></li> </ul>	<ul style="list-style-type: none"> <li>• VA continues to meet interim milestones and target completion dates that support E-Gov and Lines of Business alignment and implementation plans.</li> </ul>
<b>BUDGET AND PERFORMANCE INTEGRATION</b>	
<ul style="list-style-type: none"> <li>• <b>Link performance to personnel appraisal plans</b> <ul style="list-style-type: none"> <li>- Plans in place for over 60 percent of agency</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• VA successfully completed negotiations with AFGE to include all bargaining unit employees under VA's 5-tier performance appraisal system.</li> <li>• Together with non-bargaining unit employees, all VA employees are now covered by VA's 5-tier system</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Demonstrate improved results and use of performance information</b></li> </ul>	<ul style="list-style-type: none"> <li>• The Deputy Secretary held Monthly Performance Reviews with senior management covering all financial, program and major project performance; corrective actions and milestones for implementation were developed after each review.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Show cost of achieving performance goals</b> <ul style="list-style-type: none"> <li>- Marginal cost reported</li> <li>- Full cost reported</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• VA's budget request included an initial attempt to track the marginal cost of changing performance goals for a subset of measures. VA and OMB will work together to better identify the implications of marginal funding differences in the overall VA budget.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Develop at least one efficiency measure per program</b></li> </ul>	<ul style="list-style-type: none"> <li>• VA has at least one efficiency measure in place for each program.</li> <li>• VA also submitted its Efficiency Report deliverable to OMB in August.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Use PART ratings</b> <ul style="list-style-type: none"> <li>- Improvements used to justify request</li> <li>- Less than 10 percent Results Not Demonstrated for more than 2 years in a row</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• VA completed PART reviews on three programs (Insurance, Pension, and Medical R&amp;D) for inclusion in the FY 2007 budget. None received a "Results Not Demonstrated" rating.</li> <li>• The review for the Vocational Rehabilitation and Employment Program was completed but the rating has not yet been issued.</li> </ul>



<b>REAL PROPERTY</b>	
<b>Open Items at the Beginning of FY 2006</b>	<b>FY 2006 Actions and Progress</b>
<ul style="list-style-type: none"> <li>Continue to identify assets for prioritized investment and unneeded assets suitable for disposition</li> </ul>	<ul style="list-style-type: none"> <li>Earned a "green" status indicator for the President's Management Agenda Real Property Initiative.</li> <li>Outleased 5.1 million square feet of underutilized space (includes enhanced-use leases).</li> <li>Completed an annual update of its steady-state space model. The workload-driven model is used to determine ideal space needs for VHA medical centers.</li> <li>Updated systems to track and report additional Federal Real Property Council (FRPC) inventory disposal elements.</li> </ul>
<ul style="list-style-type: none"> <li>Make the necessary enhancements to Capital Asset Management System (CAMS)</li> </ul>	<ul style="list-style-type: none"> <li>VA made the necessary enhancements to the Capital Asset Management System to capture FY 2006 FRPC data reporting requirements, including disposal data.</li> </ul>
<ul style="list-style-type: none"> <li>Provide evidence to OMB that VA is meeting the initiative rightsizing goals by identifying a list of specific assets that are subject to disposition in 2006, 2007, and 2008</li> </ul>	<ul style="list-style-type: none"> <li>Formulated a directive that requires VA's Administrations to follow a prescribed order of disposal modes for eligible assets.</li> <li>Developed a list of assets – validated to CARES decisions – slated for disposal in 2006, 2007, and 2008.</li> </ul>
<ul style="list-style-type: none"> <li>Provide evidence showing consistent application of real property management per approved plans and timelines into daily decision-making, and provide OMB with details and a final briefing on accomplishments</li> </ul>	<ul style="list-style-type: none"> <li>VA leadership was briefed quarterly on each FRPC Tier 1 performance metric (mission dependency, utilization, condition index, and costs). Information included the:               <ul style="list-style-type: none"> <li>Reports on locations with performance exceeding a 10% threshold compared to VA's strategic targets.</li> <li>Explanations or action plans to address mission dependency and utilization issues.</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Construct asset level data, consistent with approved waivers, and report to the FRPP by December 15, 2005</li> </ul>	<ul style="list-style-type: none"> <li>VA fully complied with FRPC requirements to track and report constructed-asset level data consistent with approved waivers.</li> </ul>
<ul style="list-style-type: none"> <li><b>Real Property Management</b> - Provide evidence that real property management is consistent with agency strategic plan, Asset Management Plan, and performance measures</li> </ul>	<ul style="list-style-type: none"> <li>VA's Capital Asset Realignment for Enhanced Services (CARES) process provides a <b>20-year blueprint</b> for the critical <b>modernization</b> and <b>realignment</b> of VA's health care system.</li> <li>VA completed Stage II CARES studies on all but 20 sites for unneeded property. Stage II will determine the following:               <ul style="list-style-type: none"> <li>Health care needs for veterans</li> <li>VA capital needs</li> <li>Use of land and buildings for non-VA use.</li> </ul> </li> <li>VA fully complied with FRPC requirements to track and report asset inventory and Tier 1 performance measures at the constructed-asset level.</li> <li>VA awarded a contract to the National Institutes of Building Sciences to develop physical security standards based on VA physical security strategies.</li> </ul>



<b>REAL PROPERTY</b> , <i>continued</i>	
<b>Open Items at the Beginning of FY 2006</b>	<b>FY 2006 Actions and Progress</b>
<ul style="list-style-type: none"> <li>• <b>Update Asset Management Plan</b> -                             <ul style="list-style-type: none"> <li>- Include methodology for capturing data,</li> <li>- Use of available data for decision-making,</li> <li>- Planned future program modifications, enhancements, etc.</li> <li>- Include greater granularity to capture actions that lead to measurable results.</li> <li>- Provide evidence that the plan being implemented will achieve improved real property management by 1<sup>st</sup> quarter 2006</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• VA updated its Asset Management Plan; it is a companion document to the 5-year capital plan and describes:                             <ul style="list-style-type: none"> <li>▪ VA's capital budget</li> <li>▪ VA's capital asset management philosophy</li> <li>▪ VA's capital portfolio goals</li> <li>▪ Actions taken to improve the formulation and management of its portfolio</li> <li>▪ VA's sustainment model</li> <li>▪ The valuation mechanism used at VA</li> <li>▪ The human capital strategies employed, including the policies developed to govern asset management at VA.</li> </ul> </li> <li>• VA updated its 5-year capital plan (FY 2006-2011), a systematic and comprehensive framework for managing the Department's portfolio of more than 5,500 buildings and approximately 32,000 acres of land.</li> </ul>
<b>VA/DoD COORDINATION</b>	
<ul style="list-style-type: none"> <li>• <b>Establish Interoperable Electronic Health Record Databases</b> <ul style="list-style-type: none"> <li>- Certify Data Repository</li> <li>- Begin Bi-Directional Health Information Exchange (BHIE)</li> <li>- Develop joint program management to reach and maintain full real-time BHIE</li> <li>- All BHIE elements are operational</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Certify Data Repository: VA and DoD completed production testing of the interface between the Clinical Data Repository and the Health Data Repository in September 2006. Formal acceptance is in process.</li> <li>• Begin BHIE: In 2005, VA and DoD achieved the successful bidirectional exchange of viewable electronic health data using the BHIE.</li> <li>• VA and DoD are implementing a joint program management plan, known as the Joint Electronic Health Records Interoperability Plan (JEHRI). In 2006, pursuant to JEHRI, VA and DoD successfully exchanged live bidirectional computable health data.</li> <li>• All BHIE elements are operational; in 2006, VA and DoD enhanced and expanded BHIE. It is now implemented at all VA facilities and 17 DoD host sites.</li> <li>• VA and DoD also achieved bidirectional exchange of computable outpatient pharmacy and allergy data in a live production environment.</li> <li>• As part of the National Defense Demonstration Act Demonstration Site provisions, VA and DoD are expanding the types of data exchanged through BHIE to include discharge summaries and images.</li> </ul>



<b>VA/DoD COORDINATION, <i>continued</i></b>	
<b>Open Items at the Beginning of FY 2006</b>	<b>FY 2006 Actions and Progress</b>
<ul style="list-style-type: none"> <li>• <b>Use DoD Defense Enrollment/Eligibility Reporting System (DEERS) Data for "One VA" Registration and Enrollment</b> <ul style="list-style-type: none"> <li>- Complete data validation and standardization requirements</li> <li>- Identify business and data requirements</li> <li>- Complete full prototype of real-time access to DoD's DEERS and DIMHRS history</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• VA and DoD continue to increase data sharing and streamline data feeds for DEERS.</li> <li>• With the development of the Automated Certificate of Eligibility (ACE) pilot, VA Loan Guaranty demonstrated business line capability to determine eligibility directly from DoD data without human intervention.</li> <li>• VA and DoD provided additional data sets in the VA/DoD bi-directional data feed this past year, which include Guard and Reserve activations and deployments for Operations Iraqi Freedom and Enduring Freedom.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Establish pilot sharing sites (Nat'l. Defense Authorization Act)</b> <ul style="list-style-type: none"> <li>- Develop a status report on the pilot</li> <li>- Develop recommendations to improve sharing</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• VA and DoD established a pilot project in October 2004 with at least three sites to evaluate the feasibility, advantages, and disadvantages of sharing and coordinating health care and health care resources. The pilot will end on September 30, 2007.</li> <li>• The pilot project covers the following areas and sites: <ul style="list-style-type: none"> <li>○ <i>Budget and Financial Management</i> <ul style="list-style-type: none"> <li>▪ VA Pacific Islands Health Care System (HCS) – Tripler Army Medical Center (AMC)</li> <li>▪ Alaska VA HCS – Elmendorf AFB, 3rd Med Group</li> </ul> </li> <li>○ <i>Coordinated Staffing and Assignment</i> <ul style="list-style-type: none"> <li>▪ Augusta VA HCS – Eisenhower AMC</li> <li>▪ Hampton VA Med Center – Langley AFB, 1st Med Group</li> </ul> </li> <li>○ <i>Medical Information and Information Technology</i> <ul style="list-style-type: none"> <li>▪ Puget Sound VA HCS – Madigan AMC</li> <li>▪ El Paso VA HCS – William Beaumont AMC</li> <li>▪ South Texas VA HCS, Wilford Hall AFMC, and Brook AMC</li> </ul> </li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• <b>Develop a Graduate Medical Education (GME) Pilot Program</b> <ul style="list-style-type: none"> <li>- Perform an interim evaluation of outcomes, benefits, and lessons learned</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• VA and DoD are considering and conducting preliminary discussions on several pilot site locations. This process is part of the Joint Executive Council Annual Report/Joint Strategic Plan, and one site will be selected and approved by the Health Executive Council by July 2007.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Increase non-GME Training and Education Sharing</b> <ul style="list-style-type: none"> <li>- Develop a plan to increase joint non-GME training and education</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The Health Executive Council approved a joint non-GME training plan in March 2006. VA and DoD will implement this plan in three phases: <ul style="list-style-type: none"> <li>○ <u>Phase 1 (2006)</u>: Establish stable and robust distributed learning architectures and operational plans for sharing selected in-service training between VHA and DoD.</li> <li>○ <u>Phase 2 (2006-2007)</u>: Expand the distributed learning ventures through increased collaboration and efficiencies of scale in the development of shared training for the partnership.</li> <li>○ <u>Phase 3 (2007)</u>: Continue expansion of the distributed learning architectures to increase the volume and improve the quality of shared in-service training and continuing education.</li> </ul> <p>Up to 200 programs, valued at a cost savings of \$2.4 million, can be shared in the first full year of the partnership (i.e., Phase I) with increased quality and cost savings anticipated in subsequent years.</p> </li> </ul>



<b>VA/DoD COORDINATION, <i>continued</i></b>	
<b>Open Items at the Beginning of FY 2006</b>	<b>FY 2006 Actions and Progress</b>
<ul style="list-style-type: none"> <li><b>Joint Purchasing of non-drug medical supplies and equipment</b> - Develop a quarterly monitoring and tracking system</li> </ul>	<ul style="list-style-type: none"> <li>Most joint purchases of medical supplies and equipment are done through two sources: DoD's Directorate of Medical Materiel of the Defense Supply Center Philadelphia, a primary level field activity of the Defense Logistics Agency; and VA's National Acquisition Center (NAC) in Hines, Illinois, VA's largest combined contracting activity. The NAC supports VA's health care requirements and those of other government agencies. With over 1,600 contracts, the NAC's annual sales exceed \$13 billion.</li> <li>VA and DoD have developed a monitoring and tracking system for joint purchases. Results are reported to OMB quarterly. VA and DoD hold quarterly meetings to discuss progress and initiatives for joint efforts.</li> </ul>
<b>R&amp;D INVESTMENT CRITERIA</b>	
This PMA item is under review by OMB.	
<b>ELIMINATING IMPROPER PAYMENTS</b>	
<ul style="list-style-type: none"> <li><b>Risk Assessment</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> </ul>
<ul style="list-style-type: none"> <li><b>Measurement plan for risk susceptible programs in place and OMB-approved</b></li> </ul>	<ul style="list-style-type: none"> <li>VA completed consolidation of improper payment and recovery auditing data for all risk-susceptible programs for inclusion in the PAR.</li> </ul>
<ul style="list-style-type: none"> <li><b>Meets reporting requirements</b></li> </ul>	<ul style="list-style-type: none"> <li>Improper payment data and recovery audit data are reported as required in the PAR. VA obtained approval from OMB on its request for relief from annual reporting on the Insurance program.</li> </ul>
<ul style="list-style-type: none"> <li><b>Corrective action plan</b></li> </ul>	<ul style="list-style-type: none"> <li>VA will continue implementation of corrective action plans for risk-susceptible programs in 2007.</li> </ul>
<ul style="list-style-type: none"> <li><b>Reduction Targets</b></li> </ul>	<ul style="list-style-type: none"> <li>VA established a corrective action plan with OMB-approved reduction targets for all risk-susceptible programs.</li> <li>VA met the improper payment reduction targets in four programs: Compensation, Education, Vocational Rehabilitation, and Loan Guaranty. VA did not meet the reduction target in the Pension program. VBA has several initiatives underway that will reduce overpayments in the Pension program.</li> </ul>
<ul style="list-style-type: none"> <li><b>Recovery Targets</b></li> </ul>	<ul style="list-style-type: none"> <li>VA established a corrective action plan with OMB-approved recovery targets for all risk-susceptible programs.</li> <li>VA met or exceeded the recovery targets for this reporting period.</li> <li>VA is continuing an initiative of simplifying agency regulations for determining and sustaining disability ratings; this will improve the accuracy of benefit payment amounts and decrease improper payments.</li> </ul>



<b>FAITH-BASED AND COMMUNITY INITIATIVES</b>	
<b>Open Items at the Beginning of FY 2006</b>	<b>FY 2006 Actions and Progress</b>
<ul style="list-style-type: none"> <li>• <b>Data Collection</b> - Demonstrate that data collected are accurate, collected on a timely basis - Demonstrate progress towards expansion of data collection efforts</li> </ul>	VA accomplished the following: <ul style="list-style-type: none"> <li>• Met all data collection requirements.</li> <li>• Submitted to the White House Office of Faith-Based and Community Initiatives (WHOFBCI) all required data collection forms and reports on time.</li> <li>• Provided the WHOFBCI three quarterly stories of lives transformed.</li> <li>• Expanded data collection by reporting all FY 2005 Grant and Per Diem program faith-based and community organization awardees and their award amounts to the WHOFBCI.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Outcome-based evaluations</b> - Provide regular progress reports</li> </ul>	<ul style="list-style-type: none"> <li>• Submitted quarterly progress reports and briefed the Deputy Director of the WHOFBCI on results and status. Quarterly progress reports provide all interim data and state how pilot program will ultimately be incorporated into broader program evaluations.</li> <li>• Developed quarterly evaluations for implemented pilots and submitted these to WHOFBCI.</li> <li>• The WHOFBCI requested that additional funded pilots be developed and evaluated before this area can achieve "green" status. We have developed four proposed new funded pilot programs to be submitted to OMB for legislative consideration.</li> </ul>
<b>IMPROVED CREDIT MANAGEMENT</b>	
<ul style="list-style-type: none"> <li>• <b>Define target borrower segments</b></li> </ul>	<ul style="list-style-type: none"> <li>• OMB indicated that VA has met this criteria; no action is necessary.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Establish or verify sound lending policies and procedures</b></li> </ul>	<ul style="list-style-type: none"> <li>• Loss Recovery: VA submitted to OMB an overview of property disposal procedures and the program's foreclosure and claim payment process.</li> <li>• Transaction Approval: VA submitted to OMB the pertinent documents on existing underwriting and Automated Underwriting System (AUS) policies and practices.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Establish or verify sound collateral valuation process</b></li> </ul>	<ul style="list-style-type: none"> <li>• VA is providing OMB with additional information on the outcome of the program's Appraiser Recruitment drive and how this improves the collateral valuation process.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Maintain effective management information reporting</b></li> </ul>	<ul style="list-style-type: none"> <li>• VA established regular quarterly reporting on the status of implementation of the Loan Event Reporting Interface (VALERI) project. This project is expected to be completed in 2007.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Control costs</b></li> </ul>	<ul style="list-style-type: none"> <li>• VA began work to award a contract to develop unit-costing capability.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Comply with Debt Collection Improvement Act</b></li> </ul>	<ul style="list-style-type: none"> <li>• VA began discussions on this issue with OMB.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Customer Satisfaction</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>In 2007</b>, VA will begin work on FY 2006 Lender, Veteran and Specially Adapted Housing customer satisfaction surveys.</li> </ul>



## Program Assessment Rating Tool (PART)

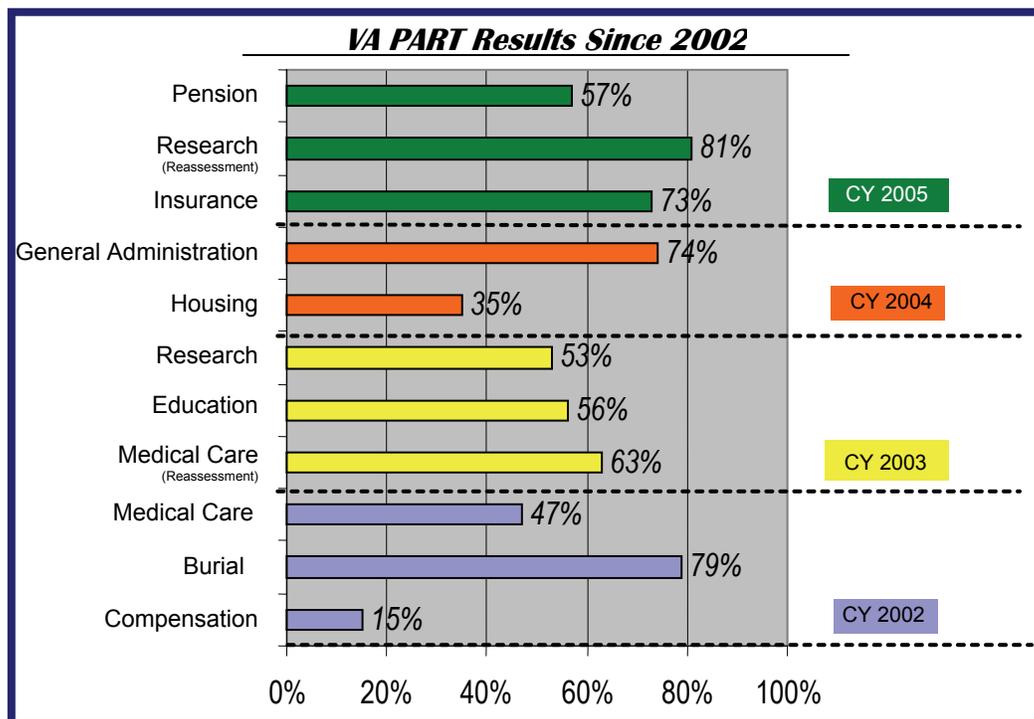
Starting in 2002, OMB began to evaluate all federal programs using a detailed questionnaire-driven methodology called the Program Assessment Rating Tool (PART). The PART contains 25 questions pertaining to a program’s design and purpose, strategic planning capability, quality of performance measurements, financial oversight, and reporting of accurate and consistent performance data.

Once the review is completed, programs are given one of five ratings as follows:

Rating	Score Range
Effective .....	85-100
Moderately Effective.....	70-84
Adequate.....	50-69
Ineffective.....	0-49
Results Not Demonstrated.....	--- *

\* Regardless of the Overall Score, programs that do not have acceptable performance measures or have not yet collected performance data generally receive a rating of Results Not Demonstrated.

By year-end 2006, all federal government programs will have been reviewed. To date, all of VA’s 10 programs have been reviewed. Below is a chart summarizing VA’s PART results by program:



Note: In 2006, VA’s Vocational Rehabilitation and Employment Program was evaluated. The results will be published in February 2007.

Shown on the following pages (sorted by strategic goal) for each program are the ratings, major findings and recommendations, and VA’s actions and responses.



Major Findings & Recommendations	Actions and Responses Through FY 2006
<b>Strategic Goal #1: Restoration and Improved Quality of Life for Disabled Veterans</b>	
<p align="center"><b><u>Disability Compensation Program</u></b>            (Reviewed in CY 2002 and Received a Rating of "Results Not Demonstrated")</p>	
<ul style="list-style-type: none"> <li>Develop capability to begin reporting on five new performance measures</li> </ul>	<ul style="list-style-type: none"> <li>VA developed reporting capability on two of the five measures. Development of a reporting capability for the other three measures is contingent on completion of a program outcome study, which will be scheduled after the Disability Benefits Commission issues its report in October 2007.</li> </ul>
<ul style="list-style-type: none"> <li>Develop analyses of how results information from new measures is used and how this information impacts program performance.</li> </ul>	<ul style="list-style-type: none"> <li>VA is analyzing data from two of the five new measures to determine how the results will impact program performance.</li> </ul>
<ul style="list-style-type: none"> <li>Evaluate recommendations from the Veterans' Disability Benefits Commission</li> </ul>	<ul style="list-style-type: none"> <li>The Veterans' Disability Benefits Commission is scheduled to conclude its review and issue its report in October 2007.</li> </ul>
<ul style="list-style-type: none"> <li>Total disability based on individual unemployability.</li> </ul>	<ul style="list-style-type: none"> <li>VA has reinstated procedures to verify and monitor entitlement based on an individual's potential for employment.</li> <li>VA is also reviewing the potential benefits of using a New Hires database maintained by the Department of Health and Human Services to verify employment status.</li> </ul>
<p align="center"><b><u>Vocational Rehabilitation and Employment Program</u></b>            (Reviewed in CY 2006; Rating has not yet been issued)</p>	
<p align="center">This PART review was completed in 2006; recommendations will be published in February 2007.</p>	



Major Findings & Recommendations	Actions and Responses Through FY 2006
<b>Strategic Goal #2: Smooth Transition to Civilian Life</b>	
<b><u>Education Program</u></b> (Reviewed in CY 2003 and Received a Rating of "Results Not Demonstrated")	
<ul style="list-style-type: none"> <li>Reinstate a cost-effectiveness measure before the 2006 Budget, such as the 'Administrative Cost per Trainee' measure.</li> </ul>	<ul style="list-style-type: none"> <li>VA has developed a proposed cost-effectiveness measure. The result calculation is as follows: Divide the total number of students by the direct FTE. Multiply the result by the payment accuracy rate, and divide this by the average claims timeliness for each year.</li> <li>Prior to implementing this measure, 2 years of validity testing using actual data will be required. Once the testing period is complete, targets will be established.</li> </ul>
<b><u>Housing Program</u></b> (Reviewed in CY 2004 and Received a Rating of "Results Not Demonstrated")	
<ul style="list-style-type: none"> <li>Develop analyses of how results information from new measures is used and how this information impacts program performance.</li> </ul>	<ul style="list-style-type: none"> <li>VA began an analysis of the new measures to determine how they will impact program performance.</li> </ul>
<ul style="list-style-type: none"> <li>Develop capability to begin reporting on the new long-term performance measures focused on outcomes that meaningfully reflect the purpose of the program</li> </ul>	<ul style="list-style-type: none"> <li>VA secured funding for the veterans' home loans program to conduct customer satisfaction surveys in fiscal years 2006 and 2007. The surveys will yield data for the new "specially adapted housing" measure and the existing lender satisfaction measures. Results data will be available in spring 2007, analyzed, and used to make program decisions as appropriate.</li> <li>The program has begun efforts to secure source data and calculate results pertaining to the new "veteran homeownership" outcome measure. The program anticipates that the homeownership data will be available by year-end 2006 and will be used to make program decisions where appropriate.</li> </ul>



Major Findings & Recommendations	Actions and Responses Through FY 2006
<b>Strategic Goal #3: Honoring, Serving, and Memorializing Veterans</b>	
<b>Medical Care Program</b> (Reviewed in CY 2003 and Received a Rating of "Adequate")	
<ul style="list-style-type: none"> <li>Accelerate the collaborative activities with DoD and other Federal agencies, e.g., interoperable computerized patient health data, improved data on insurance coverage, and enrollment and eligibility information.</li> </ul>	<p style="text-align: center;"><b><u>Collaboration with the Department of Defense</u></b></p> <ul style="list-style-type: none"> <li>VA and DoD initiated the Joint Incentive Fund, now in its third year of implementation. The fund's purpose is to identify, implement, fund, and evaluate creative coordination and sharing initiatives at the facility, intra-regional, and nationwide level. Thus far, the Departments have contributed a total of \$90 million to the fund. To date, 47 projects totaling \$89 million have been approved and are in various stages of progress.</li> <li>VA established the Office of Seamless Transition to improve VA/DoD collaboration in the transition of servicemembers to civilian life.</li> <li>VA and DoD currently support the one-way and bidirectional exchange of electronic health data for legacy systems. In June 2006, VA and DoD achieved the successful bidirectional exchange of computable data. VA remains very active with interagency standards development organizations and will soon develop an action plan to work within the new framework set by the American Health Informatics Community.</li> <li>DoD has been providing VA with combat pay information for OIF/OEF and other qualifying veterans since January 2006. This information is shared automatically through the Defense Manpower Data Center (DMDC) interface with VA's VA/DoD Identity Repository (VADIR) database. DoD has agreed to provide VA separation/activation and inactivation information for reserve component members via this same interface.</li> </ul> <hr/> <p style="text-align: center;"><b><u>Collaboration With the Indian Health Service</u></b></p> <ul style="list-style-type: none"> <li>VA signed a formal agreement with the Indian Health Service (IHS) resulting in more than 150 activities and programs undertaken.             <ul style="list-style-type: none"> <li>VA and IHS have signed an interagency agreement to provide for IHS use of VistA Imaging and for IHS to fund VA services in support of IHS test sites.</li> <li>The VHA Employee Education Service is providing training programs for the IHS staff and tribal community.</li> <li>The Behavioral Health workgroup developed a framework for American Indian/American Native (AI/AN) communities to assist returning OIF/OEF AI/AN servicemembers and veterans to reintegrate with their families and communities.</li> <li>Three VHA-HIS Diabetes Prevention programs have been initiated in San Diego, Greater Los Angeles, and Albuquerque.</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Continue the enrollment policy for non-enrolled priority level 8 veterans (higher income, non-disabled), and implement additional programmatic and cost-sharing policies aimed at focusing resources on core veteran populations.</li> </ul>	<ul style="list-style-type: none"> <li>VA is continuing the enrollment policy. The 2007 budget submission included proposals for assessing an annual enrollment fee of \$250 and changing the veteran's share of the pharmacy co-payments from \$8 to \$15 for Priority 7 and Priority 8 enrollees. In this way, VA will be able to bring greater resources to bear on behalf of its core veteran population such as the following:             <ul style="list-style-type: none"> <li>OIF/OEF veterans, who have Priority 6 status for a period of 2 years after their discharge from active duty service.</li> <li>Veterans with a service-connected disability, who have priority when seeking medical care for a service-connected disability (VHA Directives 2002-059; 2003-062; 2003-068).</li> </ul> </li> </ul>



Major Findings & Recommendations	Actions and Responses Through FY 2006
<b>Strategic Goal #3: Honoring, Serving, and Memorializing Veterans, <i>continued</i></b>	
<b>Medical Care Program, <i>continued</i></b> (Reviewed in CY 2003 and Received a Rating of "Adequate")	
<ul style="list-style-type: none"> <li>Develop performance based budgets and clearer resource requests.</li> </ul>	<ul style="list-style-type: none"> <li>Performance measures are evaluated annually and adjusted as necessary to improve the linkage between budgetary resources and desired results.</li> <li>VA has developed a methodology for estimating the marginal costs of changing performance targets. This will be applied to a subset of measures and included in VA's 2008 submission to OMB.</li> </ul>
<b>Insurance Program</b> (Reviewed in CY 2005 and Received a Rating of "Moderately Effective")	
<ul style="list-style-type: none"> <li>Define performance measures for the new traumatic injury protection program.</li> </ul>	<ul style="list-style-type: none"> <li>The Insurance program has established a key measure for the new traumatic injury protection (TSGLI) program. It measures the average number of days to process a TSGLI disbursement. The strategic target is 5 days.</li> </ul>
<ul style="list-style-type: none"> <li>Develop first steps in aligning budget requests to performance.</li> </ul>	<ul style="list-style-type: none"> <li>VA has developed a methodology for estimating the marginal costs of changing performance targets. This will be applied to a subset of measures and included in VA's 2008 submission to OMB.</li> </ul>
<b>Pension Program</b> (Reviewed in CY 2005 and Received a Rating of "Adequate")	
<ul style="list-style-type: none"> <li>Collect and use data to implement three new performance measures regarding access, income and dignity.</li> </ul>	<ul style="list-style-type: none"> <li>Two new performance measures were added to the 2007 budget submission for the purposes of measuring income and dignity, joining the access-related measure, which has been in place for a number of years. In response to GAO Report 05-47 and during the Pension PART process, VA developed a productivity measure as well. Currently, VA is collecting and analyzing data to report the income measure. Dignity is measured by responses to the customer satisfaction survey regarding the processing of a veteran's claim.</li> </ul>
<ul style="list-style-type: none"> <li>Continue to develop more ambitious strategic targets.</li> </ul>	<ul style="list-style-type: none"> <li>Ambitious strategic targets are currently being determined as part of the VA Strategic Plan.</li> </ul>
<ul style="list-style-type: none"> <li>Provide initial steps in linking performance to budget.</li> </ul>	<ul style="list-style-type: none"> <li>The 2007 Compensation and Pension (C&amp;P) budget submission contains detailed information about workload and the FTE needed to manage the workload and maintain performance.</li> <li>VA has developed a methodology for estimating the marginal costs of changing performance targets. This will be applied to a subset of measures and included in VA's 2008 submission to OMB.</li> </ul>
<ul style="list-style-type: none"> <li>Use information derived from new performance measures to identify and make program improvements.</li> </ul>	<ul style="list-style-type: none"> <li>When results data become available, VA will use information from the three new measures to identify and make necessary program improvements. However, for two of the measures pertaining to income and dignity, results reporting will not begin until FY 2007.</li> </ul>



Major Findings & Recommendations	Actions and Responses Through FY 2006
<b>Strategic Goal #4: Contributing to the Nation's Well-Being</b>	
<b>Burial Program</b> (Reviewed in CY 2002 and Received a Rating of "Moderately Effective")	
<ul style="list-style-type: none"> <li>Continue to strengthen methods to link performance, budget, and accountability.</li> </ul>	<ul style="list-style-type: none"> <li>VA established the Organizational Assessment and Improvement (OAI) Program for the national cemeteries.               <ul style="list-style-type: none"> <li>OAI strengthens the link between budget and performance by identifying improvement opportunities for prioritizing resources and providing a scorecard for performance reporting at each of the national cemeteries.</li> <li>OAI strengthens accountability by assessing cemetery performance against operational standards and measures.</li> </ul> </li> <li>VA has developed a methodology for estimating the marginal costs of changing performance targets. This will be applied to a subset of measures and included in VA's 2008 submission to OMB.</li> </ul>
<ul style="list-style-type: none"> <li>Collect and analyze data from two new performance measures to assess processing of burial claims.</li> </ul>	<ul style="list-style-type: none"> <li>VA included data for two new burial claims measures beginning in the 2005 budget. (Data tracked by VBA)</li> </ul>
<ul style="list-style-type: none"> <li>Use data results from three new performance measures to drive improvements in program operations (National Shrine Commitment).</li> </ul>	<ul style="list-style-type: none"> <li>During 2004, VA collected baseline data for the three new National Shrine Commitment measures. As a result, the gap between current performance results and strategic goals has been identified.</li> <li>Data for these measures are now regularly collected and reported, and are helping to drive performance improvements.</li> </ul>
<b>Medical Research and Development Program</b> (Reviewed in CY 2005 and Received a Rating "Moderately Effective")	
<ul style="list-style-type: none"> <li>Continue to refine meaningful and useful performance measures to assist VA in management.</li> </ul>	<ul style="list-style-type: none"> <li>Program-specific performance measures and assessment tools have been developed for Biomedical and Clinical Research Centers, Research Enhancements Award Programs, and the Research Career Scientist Program. Performance measures and assessment tools need to be developed for the Merit Review Program. This will be facilitated when we transition to an electronic project management system. The timeframe for completion is 2 years.</li> </ul>
<ul style="list-style-type: none"> <li>Assess the physical condition of VA medical research infrastructure to determine its adequacy to support high-quality veteran-centric research.</li> </ul>	<ul style="list-style-type: none"> <li>VA developed a business plan; identified staffing needs; performed first pilot survey visit; and scheduled two additional pilot site visits as an initial step towards assessing the physical condition of VA's medical research infrastructure.</li> <li>VA needs to develop a survey schedule for the first year and draft an initial report to Congress by first quarter of FY 2007 based on survey results. Seventy-five sites will be surveyed within the next 3 years, which represents all sites with substantial research programs.</li> </ul>
<ul style="list-style-type: none"> <li>Develop a streamlined process for collecting and analyzing regulatory approval information prior to release of research funds.</li> </ul>	<ul style="list-style-type: none"> <li>VA tested the beta version of a new collection process at pilot sites and recommended changes. Implementation will take place in the fourth quarter of FY 2006 and full implementation will take place in FY2007.</li> </ul>



<b>Major Findings &amp; Recommendations</b>	<b>Actions and Responses Through FY 2006</b>
<b>Enabling Goal: Applying Sound Business Principles</b>	
<b><u>General Administration Program</u></b> (Reviewed in CY 2004 and Received a Rating of "Moderately Effective")	
<ul style="list-style-type: none"><li>• Develop performance based budgets and clearer resource requests.</li></ul>	<ul style="list-style-type: none"><li>• VA is taking initial steps in linking performance to budget by developing an approach that provides senior leadership with information on the marginal costs of improving performance. This approach is being piloted and will be implemented in future budgets.</li></ul>



## Performance Shortfall Analysis

Shown below (sorted by strategic goal) are brief explanations of the reasons for significant deviations between actual and planned performance for those measures where there were significant performance shortfalls. Also provided are resolution strategies being implemented to ensure goal achievement in the future.

<b>Strategic Goal #1</b>			
<b>Restoration and Improved Quality of Life for Disabled Veterans</b>			
	<b>Measure</b>	<b>Target</b>	<b>Result</b>
<b>Appeals resolution time (Days) Board of Veterans' Appeals (BVA) (Joint measure with VBA)</b>		600 days	657 days
<b>Causes</b>	<ul style="list-style-type: none"> <li>Increased workload and remands lengthened the appeals resolution time.</li> </ul>		
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>VA will work to reduce avoidable remands through joint training and information sharing between BVA and VBA field adjudication staff.</li> <li>VA expects improvement once BVA begins reaching cases on its docket that have been subject to VBA's efforts to reduce avoidable remands.</li> </ul>		
<b>BVA Cycle Time</b>		105 days	148 days
<b>Causes</b>	<ul style="list-style-type: none"> <li>By law, appeals generally are considered according to their order on the Board's docket. A docket number is assigned when the VA Form 9 (that is, the appeal) is received by the agency that made the initial VA benefits determination and is entered into BVA's computerized tracking system.</li> </ul> <p>Under the law, cases that have earlier docket numbers or are assigned a higher priority must be considered before cases that may have been received earlier and have been physically present at the Board for a longer period of time. The delay in reviewing these earlier received cases is what increases the Board's cycle time.</p>		
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>BVA provided training to staff hired in 2006. Together with on-the-job experience, these employees will steadily become more productive in 2007 and beyond.</li> </ul>		



<b>Strategic Goal #1</b>		
<b>Restoration and Improved Quality of Life for Disabled Veterans</b>		
	<b>Measure</b>	<b>Target</b>
<b>Result</b>		
<p>In this section of the performance shortfall analysis, the measures shown below have been grouped together because many of their activities are interrelated and deal with the processing of compensation and pension (C&amp;P) claims. Thus, the causes and resolution strategies described are applicable to more than one measure.</p>		
<b>Non-rating compensation actions – average days to process</b>	58 days	76 days
<b>Non-rating compensation actions – average days pending</b>	95 days	116 days
<b>Average days to process - DIC actions (Compensation)</b>	120 days	136 days
<b>Causes</b>	<ul style="list-style-type: none"> <li>• VA received a greater than expected number of claims in 2006. Through August 2006, we received more than 16,000 more claims (738,577) than we received through August 2005 (722,244).</li> <li>• VA's concentration on the resolution of older claims increased the average number of days to process a claim.</li> <li>• VA diverted resources to the training/development of new staff as a result of the attrition of experienced staff.</li> </ul>	
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>• While trying to maintain a proper balance between compensation claims processing and other priorities, VBA plans to recruit additional staff nationwide over the next 2 years. Real progress will be realized as the number of trained staff increases.</li> <li>• The measures will be included in the FY 2007 Regional Office Directors' Performance Standards.</li> <li>• VA will also:                             <ul style="list-style-type: none"> <li>• Evaluate current staffing levels to ensure the workload is appropriately addressed.</li> <li>• Shift work among regional offices as needed to maximize resources and enhance performance.</li> <li>• Continue pursuing improved training initiatives so that employees will receive essential guidance, materials, and tools to meet their changing and increasingly complex responsibilities. For example, VA is providing:                                     <ul style="list-style-type: none"> <li>○ A cycle of core training for all C&amp;P staff.</li> <li>○ Additional training deployed through VA's Training and Performance Support System computer-based training program.</li> <li>○ Electronic Performance Support System job aids.</li> <li>○ Satellite broadcasts at regular intervals to address areas of inconsistency and misunderstanding.</li> <li>○ Training letters for guidance.</li> </ul> </li> </ul> </li> </ul>	



<b>Strategic Goal #1</b>		
Restoration and Improved Quality of Life for Disabled Veterans		
Measure	Target	Result
<b>Average number of days to initiate development of remands at the Appeals Management Center (AMC) (Compensation)</b>	16 days	32 days
<b>Causes</b>	<ul style="list-style-type: none"> <li>There was an unexpected increase in the number of remand receipts from the Board of Veterans' Appeals over the last 4 months of the year.</li> </ul>	
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>The Office of Field Operations will continue oversight of the AMC.</li> <li>The AMC and AMC Resource Centers will use overtime targeted at remand inventory reduction.</li> <li>The AMC experienced FTE losses in 2006 and is actively hiring Veteran Service Representatives and promoting Rating Veteran Service Representatives who recently returned from training.</li> </ul>	

<b>Strategic Goal #2</b>		
Smooth Transition to Civilian Life		
Measure	Target	Result
<b>Average days to complete original education claims</b>	27 days	40 days
<b>Causes</b>	<ul style="list-style-type: none"> <li>A new benefit, the Reserve Educational Assistance Program, significantly increased overall case workload and age of inventory.</li> <li>Available resources were not sufficient to counter the increase in the volume of incoming work as compared to the same period in 2005.</li> </ul>	
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>All Education Regional Processing Offices have hired additional staff to counter increases in workload. Improvements in productivity and timeliness are projected as new hires complete training and become more experienced.</li> <li>A Contract Management Support Center has been established in an effort to reduce the abandoned call rate and allow the Regional Processing Offices to maximize claims processing capacity. In FY 2007, we anticipate receiving positive results.</li> </ul>	



<b>Average days to complete supplemental education claims</b>		<b>13 days</b>	<b>20 days</b>
<b>Causes</b>	<ul style="list-style-type: none"> <li>• A new benefit, the Reserve Educational Assistance Program, significantly increased overall case workload and age of inventory.</li> <li>• Resources were diverted from supplemental claims processing to original Reserve Educational Assistance Program processing to address the aging case backlog.</li> <li>• Available resources were not sufficient to counter the increase in the volume of incoming work as compared to the same period in 2005.</li> </ul>		
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>• All Education Regional Processing Offices have hired additional staff to counter increases in workload. Improvements in productivity and timeliness are projected as new hires complete training and become more experienced.</li> <li>• A Contract Management Support Center has been established in an effort to reduce the abandoned call rate and allow the Regional Processing Offices to maximize claims processing capacity. In FY 2007, we anticipate receiving positive results.</li> </ul>		

<b>Strategic Goal #3</b>		
<b>Honoring, Serving, and Memorializing Veterans</b>		
<b>Measure</b>	<b>Target</b>	<b>Result</b>

In this section of the performance shortfall analysis, the measures shown below have been grouped together because their activities are interrelated.

<b>Non-rating pension actions - average days to process</b>		<b>66 days</b>	<b>92 days</b>
<b>Non-rating pension actions – average days pending</b>		<b>73 days</b>	<b>161 days</b>
<b>Causes</b>	<ul style="list-style-type: none"> <li>• The Pension Maintenance Centers (PMC) traditionally receive one batch of Income Verification Matches (IVM) during the last quarter of the year. In 2006, the PMCs received two releases of IVMs to process instead of one. The earlier release during the first quarter affected cumulative processing timeliness for the year.</li> </ul>		
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>• While trying to maintain a proper balance between pension claims processing and other priorities, VBA plans to recruit additional staff nationwide over the next 2 years. Real progress will be realized as the number of trained staff increases.</li> <li>• The measures will be included in the FY 2007 Regional Office Directors' Performance Standards.</li> <li>• VA will also:                         <ul style="list-style-type: none"> <li>• Evaluate current staffing levels to ensure the IVM workload shift is appropriately addressed.</li> <li>• Standardize training and implement job aides at the PMCs so that employees will receive the essential guidance, materials, and tools to meet their changing and increasingly complex responsibilities.</li> </ul> </li> </ul>		



<b>Strategic Goal #3</b>		
<b>Honoring, Serving, and Memorializing Veterans</b>		
<b>Measure</b>	<b>Target</b>	<b>Result</b>

In this section of the performance shortfall analysis, the measures shown below have been grouped together because many of their activities are interrelated.

<b>Rating-related pension actions – average days pending</b>	69 days	90 days
<b>Average number of days to process a claim for reimbursement of burial expenses</b>	48 days	72 days
<b>Causes</b>	<ul style="list-style-type: none"> <li>VA received a greater than expected number of claims in 2006. Through August 2006, we received 2 percent more claims (738,577) than we received through August 2005 (722,244).</li> <li>VA's concentration on the resolution of older claims increased processing timeliness.</li> <li>VA diverted resources to the training/development of new staff as a result of the attrition of experienced staff.</li> </ul>	
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>While trying to maintain a proper balance between compensation and burial claims processing and other priorities, VBA plans to recruit additional staff nationwide over the next 2 years. Real progress will be realized as the number of trained staff increases.</li> <li>VA will also:               <ul style="list-style-type: none"> <li>Evaluate current staffing levels to ensure the workload is appropriately addressed.</li> <li>Shift work among regional offices as needed to maximize resources and enhance performance.</li> <li>Continue pursuing improved training initiatives so that employees will receive essential guidance, materials, and tools to meet their changing and increasingly complex responsibilities. For example, VA is providing:                   <ul style="list-style-type: none"> <li>A cycle of core training for all C&amp;P staff.</li> <li>Additional training deployed through VA's Training and Performance Support System computer-based training program.</li> <li>Electronic Performance Support System job aids.</li> <li>Satellite broadcasts at regular intervals to address areas of inconsistency and misunderstanding.</li> <li>Training letters for guidance.</li> </ul> </li> </ul> </li> </ul>	



Enabling Goal		
Applying Sound Business Principles		
Measure	Target	Result
<b>Cumulative % of FTEs (compared to total planned) covered by initiated Management Analysis/Business Process Reengineering (MA/BPR) studies of non-core commercial functions</b>	33%	0%
<b>Causes</b>	<ul style="list-style-type: none"> <li>• Early in FY 2006, VHA focus and priority shifted to Hurricane Katrina recovery.</li> <li>• Extensive changes in leadership and key personnel caused delays in MA/BPR program execution.</li> <li>• Slow progress in awarding MA/BPR support contracts caused delays in MA/BPR program execution.</li> </ul>	
<b>Resolution Strategies</b>	<ul style="list-style-type: none"> <li>• All issues causing delays have been resolved.</li> <li>• VA is proceeding with plans for studies in the first quarter of 2007.</li> </ul>	
<b>Percentage of statutory reports that are submitted to Congress within the required timeframe</b>	35%	13%
<b>Causes</b>	Program offices did not know well enough in advance what reports were coming due.	
<b>Resolution Strategies</b>	A continually updated listing of reports due to Congress is now posted on VA's Intranet. The listing enables all program offices to identify those reports that require their response and the respective due dates.	



## Financial Highlights

Pursuant to the requirements of 31 U.S.C. 3515(b), VA's principal financial statements have been prepared to 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 Department in accordance with generally accepted accounting principles for federal entities and 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.

VA received an unqualified opinion on the Department's financial statements for 2006 and 2005 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. VA continues to make significant progress remediating these material weaknesses.

VA programs operated at a net cost of \$101.5 billion in 2006 compared with \$263.4 billion in 2005. The calculation of the actuarial liability for future years' veterans' compensation, which increased by \$31.2 billion during 2006 and increased by \$197.8 billion during 2005, heavily impacts each year's cost. The actuarial liability for future years' veterans' compensation increased in 2006 due to an increase in the rate of the new compensation awards and an increase in the average disability rating for veterans receiving compensation benefits. Excluding the change in this actuarial liability from the net cost would result in an adjusted net cost for VA's

programs of \$70.3 billion and \$65.6 billion for 2006 and 2005, respectively. The majority of the change applies to three programs--medical care increased \$0.7 billion, compensation increased \$2.3 billion, and loan guarantee increased \$0.6 billion.

An examination of assets and liabilities reported on VA's balance sheets reveals two lines with changes greater than \$1 billion. This change is an increase in the Federal Employee and Veterans Benefits Liabilities, which is related to the decrease 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. The other change is a decrease of \$1.2 billion in Federal debt.

Medical Care collections continue to improve. In 2006, collections totaled nearly \$2 billion, which builds on the \$1.8 billion collected in 2005, and is a significant increase over the 2004 total of \$1.7 billion. VA plans to continue to increase these collections, reaching \$2.2 billion in 2007.

In the area of debt management, VA exceeded the goals established with the Department of the Treasury (Treasury) for the Treasury Offset Program (TOP) and the cross-servicing program. VA referred \$331.7 million (99 percent) of eligible debt to Treasury for offset under TOP. Under the cross-servicing program, VA referred \$168.4 million (97 percent) of eligible debt to Treasury for collection.



During 2006 the Department aggressively used the governmentwide commercial purchase card program. Nearly 4 million transactions were processed, representing \$2.1 billion in purchases. The electronic billing and payment process for centrally billed accounts earned VA over \$37 million in refunds, compared to \$35 million during 2005. These refunds are returned to VA entities for use in veterans programs. The increase in refunds is attributed to expanded use of the card and normal increases in the cost of products purchased.

Throughout 2006 VA continued to make operational enhancements, which resulted in improvements in interest paid, discounts earned, and audit recoveries. Interest improvements occurred largely because the Department centralized VHA-certified payments at the Financial Services Center (FSC), while the percentage of discounts earned increased because of operational improvements implemented at the FSC and VA's National Acquisition Center. Interest paid as a percentage of principal remained virtually unchanged from 2005 levels and the percentage of discounts earned improved by 2.3 percent compared to 2005.

In 2006 the FSC's audit recovery program recovered improper payments and unapplied vendor credits totaling nearly \$5.1 million. Since the program's inception in 2001, VA has recovered \$18.3 million in improper payments and cancelled another \$21.1 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 (HAC) for hospital care. In 2006, the National Audit Recovery Program recovered \$9.8 million. The HAC Collections Program collected an additional \$8.3 million.

Additional focus on operational oversight continued in 2006 due to the elevation of this reportable condition to a material weakness. During 2006, VHA formed a task force to perform a root cause analysis of issues that

contributed to the material weakness. Seven areas were identified: Leadership Accountability and Alignment; Ethical Issues; Internal Control Monitoring Process; Directive, Policies and Procedures; Human Resource Issues; Medical Care Collections Fund Receivables; and Non-MCCF Receivables. Work groups are now in place to address the issues. A new VHA National Leadership Board committee, the Business Process Improvement Committee, has been established to track not only the issues raised by the root cause analysis task force and work groups, but also all business operations, to ensure that best business practices, ethical decisions, and internal controls are in place at all VHA facilities. Additionally, in December 2006, VHA is conducting a national training conference targeted to VHA field accounting and fiscal staff to address issues contributing to the material weakness and corrective actions.

VHA also continues to monitor and improve reports, such as the Financial Indicators Report, that monitor facility operations on a monthly basis. In 2006 a Desk Guide for Management Oversight of Financial Operations, designed for senior medical center management, was released. The first two sections addressed reconciliations and follow-up of aging accounts. In early FY 2007, additional sections on purchase card and agent cashier activities will be released.

Finally, in August 2006 at the Senior Management Conference, VHA held multiple sessions on financial management to give all attendees an opportunity to attend one of the sessions. VHA is actively engaged in addressing financial management at all levels of management and in all activities that have direct or indirect impact on financial records.

VBA is continuing its effort to centralize or consolidate finance functions, with a direct line to VBA's CFO. In 2006, VBA completed centralization of all regional office administrative accounting functions to one



location. VBA also completed centralization/consolidation studies for the Committee on Waivers & Compromises (COWC) and Chapter 31 payment process. Consolidation of the COWC function will begin in early 2007 and for the Chapter 31 payment process in late 2007 or early 2008. A joint VHA/VBA team is developing a plan to transfer finance functions related to automobile adaptive equipment to VHA.

NCA implemented its 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 national cemeteries is provided by a VA medical center or regional office. In 2005, NCA created its own finance division, collocated with its procurement office in Quantico, Virginia.



## Management Controls, Systems, and Compliance With Laws and Regulations

### 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 and regulations; protect against loss from waste, fraud, and abuse; and ensure receivables and expenditures are properly recorded.
- Section 2 also seeks management's assessment of internal control over financial reporting.
- Section 4 seeks to assess nonconformance with governmentwide financial systems requirements.

### Management Assurances

The Secretary of Veterans Affairs stressed in his memorandum to key VA officials "the need for strong internal controls" in the Department. He further states, "It is extremely important to me and to our constituents that we have effective internal controls in place to enhance the stewardship of taxpayers' assets and programs. It is imperative that we approach this

responsibility as a Departmentwide initiative, and I will count on you to assume an active leadership role to accomplish this task." Department managers took their responsibility seriously for establishing and maintaining effective internal controls over financial integrity and financial reporting, which includes safeguarding assets and compliance with applicable laws and regulations.

Based on the Statements of Written Assurance provided by the Under Secretaries, Assistant Secretaries, and other Key officials, the Secretary of Veterans Affairs can provide reasonable assurance that internal controls as described in the Federal Managers' Financial Integrity Act and Revisions to OMB Circular A-123, Management's Responsibility for Internal Control were operating effectively, and no material weaknesses were found.

In addition, the Secretary provided a qualified assurance statement reflecting the status of internal controls over financial reporting for 2 of 11 key business processes as of June 30, 2006. VA conducted a limited scope assessment as of June 30, 2006, on the effectiveness of internal controls over financial reporting for two key business processes: Financial Reporting and Funds Management (and Information Technology Management as it relates to these two processes). Based on the results of VA's limited scope assessment, no material weaknesses were identified. VA can provide a qualified statement of assurance that internal controls over financial reporting were operating effectively.



THE SECRETARY OF VETERANS AFFAIRS  
WASHINGTON

November 15, 2006

Statement of Qualified Assurance

The Department of Veterans Affairs' (VA) management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). VA conducted its assessment of the effectiveness of internal controls and financial management systems and it is determined that the results meet the objectives of FMFIA (section 2 and 4). However, I must provide a qualified statement of assurance because VA has three audit-related material weaknesses, two of which are systems non-conformances and are identified under the Federal Financial Management Improvement Act. The details on the audit-related material weaknesses are provided in the chart on pages 83-84.

VA conducted an assessment of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Other than the audit-related material weaknesses noted above, the results of VA's assessment indicated that VA's internal controls were operating effectively and no material weaknesses were found in the effectiveness and efficiency of operations and compliance with applicable laws and regulations, as of September 30, 2006.

In addition, VA conducted a limited scope assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of the evaluation of the limited key business processes, VA's internal controls over financial reporting are operating effectively and no material weaknesses were found as of June 30, 2006.



R. James Nicholson



### Summary of Auditor's Internal Control Assessment

The auditors' report on internal controls, prepared at the completion of VA's 2006 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," is where VA continues to have difficulty assuring key internal controls and reconciliation processes are performed consistently and completely, and at times, fails to assure appropriate management review of the detail in support for the financial statements.

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 made progress on its plans to correct the Integrated Financial Management System material weakness. The Department has implemented the Hyperion Financial Management reporting system to improve the preparation, processing, and analysis of financial information. This system is now completely producing VA consolidated financial statements using a standardized and repeatable process. The cumbersome legacy process to produce the statements has been retired. In addition, VA continues to analyze and improve the major interfaces to and from its core financial system,

and is implementing a data warehouse to assist with monitoring interface functions and status. Final resolution of this weakness is a multi-year effort.

VHA took steps to address the Operational Oversight material weakness this past year by pursuing a root cause analysis to make improvements in seven key areas: Leadership Accountability and Alignment; Ethical Issues; Internal Control Monitoring Process; Directive, Policies and Procedures; Human Resource Issues; Medical Care Collections Fund Receivables; and Non-MCCF Receivables. Internal management performance and policy improvements have been developed and a new VHA National Leadership Board subcommittee has been established to enhance business operations. The elevation of this prior reportable condition has prompted 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 2006 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.



**Progress on Material Weaknesses**

VA managers continue to make progress in correcting existing material weaknesses and non-conformances. The 2006 Consolidated Financial Statements Audit Report disclosed three material weaknesses. There are no new management control material weaknesses disclosed or reported under FMFIA. At the end of 2005, three audit-related material weaknesses<sup>1</sup> (Information Technology Security Controls, Lack of Integrated Financial

Management System, and Operational Oversight) and one management control weakness were carried forward in 2006.

<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.

The three audit-related material weaknesses are shown in the table below, which provides the current status of the Department’s material weaknesses.

**Audit Material Weaknesses**

Description	Current Status	Resolution Target Date
<p><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.</p>	<p>The Data Security—Assessment and Strengthening of Controls Program was established to correct deficiencies and eliminate vulnerabilities in the area of information security. This over-arching program is a cross-cutting effort to complete hundreds of tasks that are necessary to remediate long-standing security weaknesses.</p>	<p>2009</p>
<p><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.</p>	<p>VA is analyzing potential software and provider options to replace the legacy Financial Management and Logistics Systems. This project is identified as FLITE – Financial and Logistics Integrated Technology Enterprise. Under the FLITE umbrella as an interim initiative, VA is aggressively pursuing standardization and centralization to produce financial statements using an industry standard commercial off-the-shelf software product, Hyperion. The software was successfully implemented during 2006 and was used to produce the 2006 consolidated financial statements.</p> <p>VA is also developing and implementing a data warehouse to capture financial data from a myriad of systems throughout the Department. Under this initiative, VA is analyzing financial system interfaces to identify weaknesses and deficiencies and define corrective requirements. This</p>	<p>2009</p>



Description	Current Status	Resolution Target Date
	<p>initiative will ensure that a clear audit trail exists for financial transactions that interface with the core financial system and ensure all interfacing systems to the data warehouse are A-127 compliant.</p> <p>VA is continuing efforts to review and standardize financial and logistics processes, complete the Strategic Asset Management program pilot, and analyze potential software/provider options.</p>	
<p><b>Operational Oversight</b> – Internal controls and reconciliation processes were not performed consistently or completely.</p>	<p>During 2006, VHA formed a task force to perform a root cause analysis of issues that contributed to this material weakness. Seven areas were identified and work groups are now in place to address them. A new committee to VHA’s National Leadership Board, the Business Process Improvement Committee, has been formed and tasked with tracking not only the issues raised by the root cause analysis task force and work groups, but also all business operations to ensure that best business practices, internal controls are in place at all VHA facilities and that ethical decisions are made. Additionally, VHA is conducting a national training conference targeted for VHA field accounting and fiscal staff. The conference will exclusively address the issues contributing to the material weakness and actions to continue corrections.</p>	<p>2009</p>

**Summary of Management’s Assessment of Internal Controls**

Managers assessed the programs for which they are responsible to ensure internal controls are in place over the effectiveness and efficiency of operations and compliance with laws and regulations. As a result of their assessments in this area, no new material weaknesses were identified.

**Management Control Weaknesses**

During FY 2006, management successfully implemented corrective actions and received closure approval for the Section 2 material weakness – Internal Control Weaknesses in the Compensation and Pension Payment Process.

Description	Current Status	Resolution Target Date	Section 2	Section 4
<p><b>Internal Control Weaknesses in the Compensation and Pension Payment Process</b> – Erroneous and fraudulent payments were found.</p>	<p>Closed</p>	<p>December 2005</p> <p>Closed</p>	<p>X</p>	



Management’s assessment of internal controls over non-conformances did not identify any new material non-conformances under Section 4. System-related material weaknesses are identified under the “Summary of Auditors’ Internal Control Assessment” section. The revised OMB Circular A-123 titled Management’s Responsibility for Internal Control, Appendix A, reflects policy recommendations that are intended to strengthen the requirements for conducting management’s assessment of internal control over financial reporting. Implementation of the revised Circular began October 1, 2005.

VA secured contract support from Grant Thornton in December 2005 to assist in the development and implementation of internal control over financial reporting. VA established program governance by establishing a Senior Assessment Team, developing an implementation plan, evaluating the internal controls over financial reporting to determine the key business processes, testing those controls, and developing a corrective action plan

to remediate the 12 findings based on the recommendations.

In FY 2006, VA identified 11 key business processes that impact the internal controls over financial reporting. VA plans to perform an assessment of internal controls over a 3-year cycle using a risk-based approach. During the first-year cycle, VA selected the Financial Reporting and Funds Management key business processes for testing. Information Technology Management was also reviewed specifically as it relates to Financial Reporting and Funds Management.

As a result of the testing of these two key business processes, 12 findings were identified in the “FY 2006 Findings and Recommendations for Internal Controls Improvements Report” issued by Grant Thornton in September 2006. Two of the findings were identified as reportable conditions. Each reportable condition, recommendation to correct each condition, and the anticipated remediation date are identified in the chart below.

**FY 2006 Reportable Conditions Identified in the Findings and Recommendations for Internal Control Improvements Report**

Findings	Recommendations	Remediation Date
Transactions Rejected by VA’s Financial Management System (FMS)	Establish policies and procedures to identify, reconcile, and resolve transactions sitting in the reject file, at a minimum, on a quarterly basis. Also, VA needs to stratify these transactions by dollar value and transaction type in order to properly identify and resolve rejected transactions that may be material to the financial statements.	FY 2007



Findings	Recommendations	Remediation Date
Intragovernmental Transactions	Take the appropriate measures to implement a process to extract trading partner data from its FMS, including an improved query capability that enables meaningful analysis of its trading partner data. Also, VA needs to implement a process to sample its transactions to ensure trading partner “identifiers” are being entered into VA’s FMS correctly when a transaction originates, reducing the likelihood that trading partner variances are being caused by VA.	FY 2007

**Federal Financial Management Improvement Act**

The Federal Financial Management Improvement Act (FFMIA) requires 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 initiated a 4-year remediation program in 2005 to eliminate the existing material weakness-- Lack of an Integrated Financial Management System. This new program is 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 is primarily "functional" in nature, that is, oriented on planning and the standardization of financial and logistics processes and data. This effort is being led by the Chief Financial Officer with support from the Chief Information Officer 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.

In 2006 the Department also implemented the Hyperion Financial Management reporting system to improve the preparation, processing, and analysis of financial information and began implementation of a data warehouse to assist in financial reporting.

In 2006 the VA Systems Quality Assurance Service within the Office of Business Oversight initiated a series of reviews to examine the interfaces between VA’s core FMS and its material feeder systems. The reviews were conducted to identify the systems' compliance with the requirements of FFMIA, as implemented by OMB Circular A-127, Financial Management Systems. VA’s Personnel and Accounting Integrated Data (PAID) and Veterans Health Information Systems and Technology Architecture Accounts Receivable (VistA AR) interfaces were found to be *Substantially Compliant*. The review of the Insurance General Ledger system interface identified opportunities to enhance the functionality of the system to better address requirements for internal control and effective 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 and/or fraud and is in the process of correcting the Information Technology Security Controls material weakness. VA has now implemented a cycle of continuous monitoring, testing, and remediation of vulnerabilities. Staff uses a database tool to help ensure that all vulnerabilities are addressed. In 2006 new systems were certified and accredited prior to implementation. Systems that were certified and accredited in 2003 – 2004 are undergoing recertification and accreditation. VA is institutionalizing both processes.

In addition, VA has developed the Data Security – Assessment and Strengthening Controls Program, a plan to correct deficiencies and eliminate vulnerabilities in information security. The plan places emphasis in the four areas that make up VA’s IT Security Controls material weakness: Access Controls, Segregation of Duties, Service Continuity, and Change Controls.

The establishment of the IT appropriation and the realignment of IT, including the information security staff, creates the centralized environment that promotes the command and control necessary to rectify longstanding problems. The Secretary has also provided the delegation of authority that makes clear the authority of the Assistant Secretary for Information and Technology (CIO) to direct the remediation of IT security deficiencies.

**IG Act Amendments of 1988**

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 20 reports that have been pending final action for over 1 year. 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 “Questioned Costs and Funds to Be Put to Better Use.”

<b>Questioned Costs and Funds to Be Put to Better Use</b> <b>Reporting Period October 1, 2005—September 30, 2006</b> <i>(dollars in millions)</i>				
	Questioned Costs		Funds to Be Put to Better Use	
	Reports	Value	Reports	Value
Balance 9/30/05	0	\$0	58*	\$1,233.1*
New Reports	2	\$0.9	41	\$548.0
Total	2	\$0.9	99	\$1,781.1
Completed	2	\$0.9	40	\$239.2
Balance 9/30/06	0	\$0	59	\$1,541.9

\* Note: These figures include contract review reports issued prior to 10/01/05. Contract review reports issued subsequent to 10/01/05 are not included and will not be included in future reports.

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



### **Prompt Payment Act**

VA continued to enhance its vendor payment processes throughout 2006. The Department processed over 5.6 million Prompt Payment Act-eligible invoices worth over \$9.9 billion, with over 99 percent paid on time. In 2006, interest payments VA-wide increased by \$113,000 (from \$746,000 to \$858,000) – a 15.2 percent increase over 2005 levels, largely attributable to an increase in interest on payments for the delivery of goods during the second quarter of 2006, subsequently corrected through a process improvement. Further, 2006 interest paid as a percentage of total payments remained virtually unchanged from 2005 levels, increasing less than 1 percent. At the same time, the dollar value of discounts earned declined by nearly \$1.4 million to \$4.8 million, a 22.7 percent decrease over 2005 levels, due to fewer available discounts. VA's percentage of discounts actually earned improved from 91.1 percent in 2005 to 93.3 percent in 2006. The improvement in discount processing saved VA \$116,000 in 2006. VA also continued to gain efficiencies and improve performance through an initiative to centralize vendor payment activities at the VA 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 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 \$277,000 during 2006 for reuse by VA entities.

Overall, collections of improper payments and the recovery of unapplied vendor statement credits totaled nearly \$5.1 million. Improved payment oversight also enabled VA to identify and cancel nearly \$7.9 million in potential improper payments prior to disbursement. Since the FSC audit recovery effort's inception in 2001, VA has recovered \$18.3 million in improper payments and prevented the improper payment of another \$21.1 million.

During 2006 the Department aggressively used the governmentwide commercial purchase card program. Over 3.7 million transactions were processed, representing over \$2.1 billion in purchases. The electronic billing and payment process for centrally billed accounts earned VA over \$37 million in refunds, compared to \$35 million during the same period in 2005. These refunds are returned to VA entities for use in veterans programs. The increase in refunds is attributed to expanded use of the card and normal increases in the cost of products purchased.

VA's fee basis credit card program electronically automates Health Care Fee Basis payments, eliminates processing of paper checks, and earns VA additional purchase card refunds. During 2006 the number of Fee Basis purchase card transactions exceeded 200,000 and were valued at \$50 million in payments, earning VA over \$824,000 in additional refunds compared to \$414,000 during 2005.

VA's Prime Vendor Payment System automates payments under a nationwide prime vendor centralized purchasing contract. During 2006, 126 VA medical centers used the Prime Vendor System to electronically process over 430,000 transactions worth over \$3.6 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 2006 the travel



management program processed over 127,000 transactions, disbursed payments of over \$22 million, and earned over \$274,000 in refunds.

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 over 22,000 registered vendors who have made over 400,000 requests in 2006 and over 1.5 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.

Registered users of the VIS now have the ability to submit electronic invoices directly to the FSC. Vendors complete easy-to-use forms to create their invoices and can manage and track them. This online system provides the vendors with a list of valid purchase orders, virtually eliminating the number one error that causes payment delays. Errors identified by the online system are immediately returned to the VIS user, who can instantly correct them prior to submission. This prevents payment delays and results in quicker and more accurate vendor payments. Since our "soft" opening on VIS, we have processed over 4,000 invoices (an average of 50 invoices per business day).

The FSC also continued to improve the Intranet online invoice certification process that allows invoices to be certified electronically by VA facilities and scheduled 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 completed the centralization of certified and matched payments throughout VA in 2006 and implemented OLCS at all facilities as part of the VHA payment centralization initiative.

### **Improper Payments Information Act of 2002 (Summary of Implementation Efforts for FY 2006 and Agency Plans for FY 2007 through 2009)**

#### **Overview**

VA reviewed the requirements of the Improper Payments 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, Preparation and Submission of Budget Estimates, 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. Although the Insurance program was one of the programs identified in Section 57 of OMB Circular A-11, the risk assessment for the program is low. Because the Insurance program does not meet the 2.5 percent or \$10 million threshold in annual erroneous payments, OMB granted reporting relief in the PAR for this



program until FY 2009. 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 or completed statistical samplings in 2006 for 2005 data in accordance with VA's IPIA plan. VA also identified under- and over-payments by program, and provided program assessments and corresponding steps to prevent future erroneous payments in accordance with IPIA. Acceleration in identifying fugitive felons and the agreement between VA and many states allowed VA to identify errors and assisted in identifying erroneous payments.

VA met the improper payment reduction targets in four programs: Compensation, Education, Vocational Rehabilitation, and Loan Guaranty. VA did not meet the reduction target in the Pension program. All programs met or exceeded the recovery targets used for 2006.

### **Plans to Accomplish**

VA aims to reduce the amount of erroneous payments in all programs. 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. The Pension program has aggressively pursued processing improvements in the Income Verification Match. The Vocational Rehabilitation & Employment program continues to move forward in developing and implementing plans to reduce the estimated 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 13 years ago, is based on goals to replace outdated and noncompliant systems with more modern, commercial off-the-shelf (COTS) systems which meet Office of Federal Financial Management (OFFM) core financial system requirements. 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 reviews of financial systems and processes 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 deficiencies identified in reviews.

In 2006 FSRP staff conducted three OMB Circular A-127 compliance reviews as part of a coordinated effort with the Office of Financial Systems & Operations to develop a plan to remediate specific weaknesses associated with integrated financial reporting capability and data quality and timeliness provided by legacy systems. The Department is addressing findings and 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 14 years to achieve VA's strategic goals have included the following:

- The Financial Management System (FMS) was designed 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, Joint Financial Management Improvement Program (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.
- VA's prior initiative to replace VA's 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 has been terminated. 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 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 prior initiative was terminated. VA initiated a 4-year remediation program in 2005 to eliminate the existing material weakness—Lack of an Integrated Financial Management System. This new program is 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 governmentwide 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 payroll provider. System changes to VA's legacy systems and applicable interfaces necessary to migrate VA payroll services to DFAS have been completed as related to Title 5 employees, the first set of VA employees to migrate to DFAS. VA's first migration commenced in August 2006.

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 2006. Due to the suspension of the prior initiative, VA will need to continue operation of FMS as the core accounting system until a suitable replacement is available.

The Department has implemented the Hyperion Financial Management reporting system to improve the preparation, processing, and analysis of financial information. As the source of data for this system, FMS played a crucial role in its implementation. The new system is now completely producing VA consolidated



financial statements using a standardized and repeatable process.

Additionally, VA continues to analyze and improve the major interfaces to and from FMS in an effort to improve integration among the various financial and mixed systems. This effort will assist with the remediation of the Lack of an Integrated Financial Management System material weakness, as well as improve the overall system architecture in preparation for the next generation financial system being planned for in the FLITE effort.

#### **FLITE Accomplishments and Plans**

A board of directors chaired by VA's CIO examined the results of the prior initiative 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 initiative was terminated. VA initiated a 4-year remediation program in 2005, 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 is referred to as VA's Financial and Logistics Integrated Technology Enterprise (FLITE)—the goal of which is to implement an agency-wide integrated financial management system (core and mixed feeders) compliant with the CFO Act and FFMIA, and correct financial and logistics deficiencies throughout the Department. VA efforts will support the FMLOB goals for efficiency and focus on eliminating the material weakness.

The FLITE program will effectively integrate and standardize financial and logistical data and processes across the Department and provide

management with access to timely and accurate financial, logistics, budget, asset, and related information on an enterprise-wide basis.

Activities currently underway to support FLITE include the establishment of a Program Management Office that will provide administrative and managerial support. Another activity within the FLITE program is the Strategic Asset Management (SAM) pilot, which is being conducted at the VAMC in Milwaukee. The SAM project, using the Maximo asset management software, will establish a VA Enterprise Asset Management System capable of managing all classes of physical assets, supply inventories, and related workforce management in a single integrated database accessible throughout VA. Additionally, the Financial Reports/Data Warehouse team is performing analyses of VA's legacy system interfaces to correct the inherent deficiencies and ensure that an audit trail exists to the source document. The final effort and one of the most critical is the creation and validation of functional requirements and standard business processes being led by VHA.

#### **PAID Accomplishments and Plans**

VA continued production support and maintenance of PAID during 2006 in support of Federal-wide programs such as the Thrift Savings Plan and Electronic Human Resources Information. System changes were also completed to implement legislative changes affecting Title 38 employee pay and leave benefits in 2006.

VA will continue production support and maintenance of PAID during the Department's migration to the new payroll provider, DFAS, and the eHR Line of Business providers and systems. As a result of continued operations, accreditation and the authority to operate the PAID system must be maintained. Efforts are currently underway to complete the activities needed to maintain this status.



### **e-Payroll Accomplishments and Plans**

VA completed 60 system changes needed to support the migration of the first group of employees to DFAS. The system changes were tested internally and externally by completing payroll cycles in both VA and DFAS and comparing results.

The first group of VA employees was successfully migrated to DFAS in 2006. Planning for the migration of the remaining 230,000 VA employees is underway. The second group, which will include Title 38 employees, will migrate in 2007. VA will need to complete additional system changes to support the migration initiative.

VA had planned to complete changes to the legacy time and attendance system to support the migration to DFAS; however, it was determined that the current output from the legacy time and attendance system will support the migration to DFAS until a replacement system can be implemented. VA is completing the planning and analysis of system changes needed to the National Institutes of Health (NIH) time and attendance system, which interfaces with DFAS. The NIH system will be implemented in VA, using a phased approach, during the migration to DFAS.

### **e-Travel Accomplishments and Plans**

The FSC continues to be challenged by one of the President's 24 E-Gov initiatives, E-Gov Travel Services (ETS). This initiative continues to have a significant impact on one of our major product lines. The FSC, working with EDS as the prime contractor, continues to lead the ETS Fedtraveler.com effort for VA. In 2005 and 2006, slippage occurred due to delays by the vendor. The FSC continued to adjust the ETS budget and resources as a result of these delays. Use of VA's existing travel systems continued in 2006, including PCTravel, Gelco, and Zegato. VA submitted a request for extension to the September 30, 2006, deployment deadline. GSA approved the request. During the fourth quarter of 2006, VA resumed testing of gap items and

the accounting interface. Upon acceptance of the interface and gap items, VA plans to conduct a load test to ensure FedTraveler.com can support VA requirements. After a successful completion of the load test, implementation will proceed in 2007 and through the first quarter of 2008.

### **Other Systems Accomplishments and Plans**

Electronic Commerce (EC)/Electronic Data Interchange (EDI). Using COTS software and national standards, the FSC processes transactions such as invoices, purchase orders, and payments for customers, including the Veterans Canteen Service, Denver Distribution Center, and VA Subsistence Prime Vendor program. The FSC continues its support of the VHA Chief Business Office e-Business initiatives (e-Claims enhancements, e-Insurance Verification, e-Medicare Remittance Advice, e-Payments, and e-Pharmacy), as well as the National Provider Identifier and Patient Financial Services System projects.

The FSC began work on behalf of their first non-VA EC/EDI customer -- the U.S. Department of Agriculture (USDA) -- in 2006. Under a franchise agreement, the FSC accepts invoices from USDA Utility and Telecommunications providers, translates them to a USDA-approved file format, and transfers these invoices to USDA via a secure connection. USDA inputs these invoices into its legacy systems for processing and payment. This processing takes place using FSC-owned translator software rather than the mainframe translator, which ensures license compliancy and reduces processing cost for USDA.

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 compliance.

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. The portal will be updated to include new reports as requested.

**Major EC/EDI Initiatives Planned**

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.

Tasks	Target Dates
Support MCCR lockbox receipt of payments.	2007-2011
Support (by providing both development and production support services) VHA’s HIPAA compliance efforts.	2007 – 2011
Support EDI production projects on a continuing basis.	2007 – 2011
Support reports portal.	2007 – 2011
Implement the Trusted Link Enterprise translation software.	2007

On Line Certification System (OLCS) (payment certification). The FSC’s OLCS application, an *e-GOV 2000 Trailblazer* award winner, allows certifying officials to view and certify invoices electronically. Vendors send invoices directly to the FSC where they are scanned into the FSC’s document management optical imaging system and electronically stored with the information required to process the invoice. The OLCS system then sends an e-mail notification to certifying officials with information on how to access and certify the pending invoice(s) online. 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 paid by the FSC. As a result, VA has realized a tremendous increase in the efficiency of the payment process. At the same time, the OLCS and centralization have substantially reduced interest penalties and increased discounts earned.

The FSC’s certified payments process represents a full life cycle of services performed from receipt of the invoice until the Department of the

Treasury (Treasury) renders 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 that comply with applicable VA regulations and directives and the Prompt Payment Act. During 2006 the FSC enhanced system functionality by providing field stations the option to certify all invoices via OLCS or allow automatic payment for those invoices under \$2,500 with appropriate post-payment audits.

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, storing payroll folder data for VA employees

who receive local payroll services from the FSC, and OLCS. Additionally, DMS has shown potential in storing and retrieving other financial records; OGA telephone, utility, and acquisition invoice documents; payroll folder data; and legal documents.

**Planned DMS Expansion and Support**

Tasks	Target Dates
Add new OGA and VA customers.	FY 2007 – FY 2011
Provide program support for DMS.	FY 2007 – FY 2011



## Performance Summaries

### by Strategic Objective

The following sections of the report describe VA's accomplishments associated with each of the objectives identified in the Department's strategic plan. This information complements and provides additional detail beyond the summaries of performance associated with each strategic goal (refer to the Performance Overview and Performance Results by Strategic Goal sections on pages 18-46). For each objective, we include the following:

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

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

Finally, in 2006 there were 14 measures for which performance results were significantly below expectations and, as a consequence, had a significant impact on program performance. For each of these measures, we have provided explanations of why the shortfall occurred and descriptions of resolution strategies being employed to improve performance. Please see the Performance Shortfalls tables beginning on page 71 for this information. In the measures tables beginning on page 195, these results are color-coded in red.

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

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



## Strategic Goal One

### *Restoration and Improved Quality of Life for Disabled Veterans*

#### STRATEGIC OBJECTIVE 1.1

##### *Specialized Health Care Services*

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

### Making a Difference for the Veteran

#### **New Amputee Rehabilitation Center Opens at Miami VA Medical Center**



*Army Sgt. 1<sup>st</sup> Class Mike McNaughton in the VA's new amputee center in Miami, FL. McNaughton lost his leg in a land mine explosion in Afghanistan.*

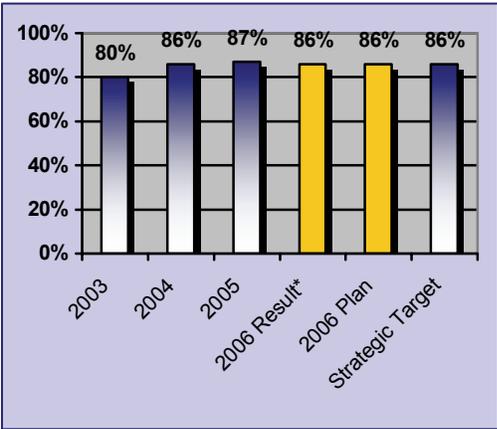
A new million-dollar amputee rehabilitation center at the Miami VA Medical Center aims to bring to older veterans the aggressive, high-tech rehabilitation given to many of the troops coming back from the Middle East. The center, which opened in March 2006, has physical therapy beds alongside treadmills and weight machines. In a nearby room, computerized machines test patients' ability to stand, balance, and walk.

Physical therapist Bob Gailey helped design the center to meet the needs of all veteran amputees, young and old. According to Gailey, in the past 5 years, more than 400 U.S. troops have returned as amputees from Iraq and Afghanistan. During that time, he said, more than 40,000 veterans have lost feet or limbs because of diabetes, other vascular diseases, and injuries. "Everybody wants to take care of amputees who are coming back from Afghanistan and Iraq," Gailey said, "but there's also this large population of veteran amputees who want the same level of care."

Gailey has worked with athletes training for the Paralympics and other events for disabled athletes. In recent years he spent time at Walter Reed Army Medical Center in Washington, DC, helping to create training regimens for amputees returning from the Operation Enduring Freedom and Operation Iraqi Freedom.



**Significant Trends, Impacts, and VA's Use of FY 2006 Results**

Performance Trend	2006 Impact on Veterans	How VA Uses The Data
<p><b>Supporting Measure</b> Prevention Index II (Special Populations)</p>  <p>* Actual data through May 2006. Final data are not yet available.</p>	<p>Meeting the 2006 target means that VA efforts to promote healthy lifestyle changes and health promotion activities such as immunizations, smoking cessation, and early screening for chronically disabling diseases for our most vulnerable populations (traumatic brain injured, amputees, spinal cord injured, etc.) are having the desired impact. This index is an average of nationally recognized primary prevention and early detection interventions for nine diseases or health factors that significantly determine health outcomes. For this measure, the index is applied to those patients who meet the definition of a special population as a sub-group.</p>	<p>This measure serves as a tool for early identification and intervention for risky behaviors and for disease prevention; the measure also enables VA to target education and immunization programs and enhance clinic access to prevent and or limit potential disabilities and diseases.</p>

**Related Performance Information**

**Major Management Challenges**

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

OIG

- Access to Long-Term Health Care in Community Settings (see page 226 for more details)
- Access to Health Care in VA Medical Facilities (see page 227 for more details)
- Clinical Staffing Guidelines (see page 229 for more details)

- Medical Outcome Measures (see page 231 for more details)
- Budget Process (see page 232 for more details)

GAO

- Access to Acute Care, Long-Term Care, and Specialized Health Care Services (see page 248 for more details)
- Patient Safety (see page 252 for more details)
- Resources and Workload Management (see page 261 for more details)
- Health Care Delivery (see page 265 for more details)



## Program Evaluations

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

### Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Medical Care program during 2003, which resulted in a rating of "Adequate." Please see OMB PART reviews on page 67 for more information.

### New Policies and Procedures

Each Polytrauma Rehabilitation Center must provide social work case management services for the OIF/OEF polytrauma patients, with a ratio of one social worker case manager to no more than six polytrauma inpatients.

VA is collaborating with DoD and its medical treatment facilities (MTFs) to seamlessly transition the health care of injured or ill returning combat active duty servicemembers and veterans from the MTF to a VA facility. VA has assigned part-time and full-time social workers to major MTFs to serve as liaisons. Each VA facility has selected a point of contact who works closely with these liaisons and with VBA representatives to ensure a seamless transition and transfer of care. While this initiative pertains primarily to military personnel returning from Iraq and Afghanistan, it also includes active duty military personnel returning from other combat theater assignments. It does not include active duty military personnel who are serving in non-combat theaters of operation.

VA supports the DoD Post Deployment Health Reassessment program for returning deployed servicemembers. The program is a force health protection program designed to enhance and extend the post-deployment continuum of care. It offers education, screening, and a global

health assessment to identify and facilitate access to care for deployment-related physical health, mental health, and re-adjustment concerns for all servicemembers, including the Reserve Component personnel deployed for over 30 days in a contingency operation. At this time, VA's involvement is focused on managing referrals from the Reserve Component servicemembers and separated veterans.

### Data Quality

VA's data quality improvement efforts, including its work on data verification and validation, are described in the Assessment of Data Quality on page 166.



## STRATEGIC OBJECTIVE 1.2

### *Decisions on Disability Compensation Claims*

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

## Making a Difference for the Veteran

### **Regional Office's Support Services Division Receives Customer Service Team Award for Hurricane Katrina Response**



L-R: Rick Madison, Patricia Ford, Lynda Armstrong, Nancy Cowan, Scott Bargsten, Bettina Fuller, and Gary Holland

The Muskogee, Oklahoma, VA Regional Office (VARO) Support Services Division is this year's recipient of the Veterans Benefits Administration Leo C. Wurschmidt, Jr., Customer Service Team Award. The award recognizes the team effort of employees who are "Making a Difference in VBA" through their commitment to provide the highest level of customer service.

The Muskogee team, responsible for the day-to-day financial operations of the Muskogee VARO, was cited for its quick response to the needs of veterans and VA employees affected by Hurricane Katrina. Immediately after Katrina struck and

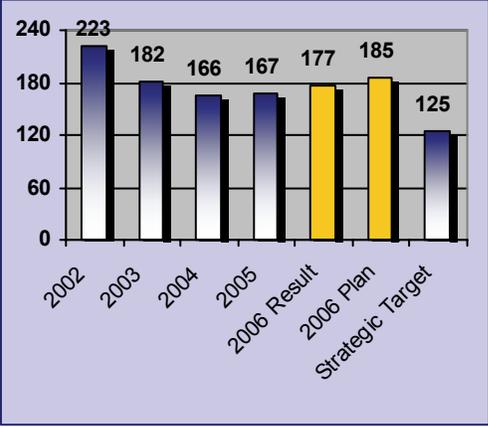
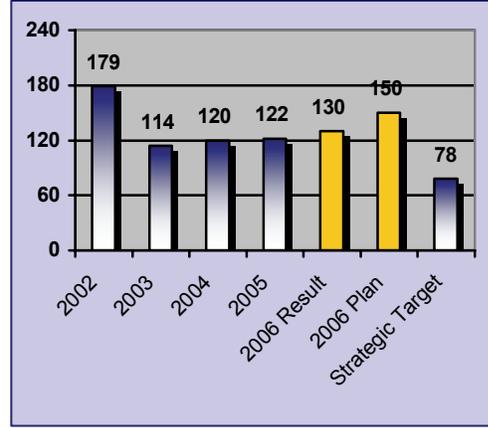
the levees surrounding New Orleans broke, the New Orleans Regional Office was closed and its active case workload transferred to Muskogee.

The Muskogee VARO was also one of four offices chosen to field customer service calls for the New Orleans office, and the team handled numerous requests for special payments from displaced veterans unable to receive benefit payments. This generated a 1,500 percent workload increase for the finance team in September 2005.

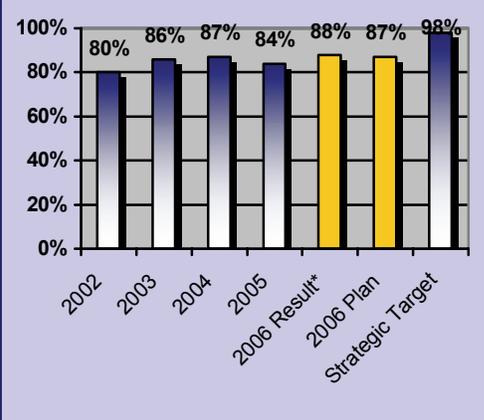
In addition to the 532 employees this team normally serves, it processed payroll for 190 New Orleans VARO employees for 7 consecutive pay periods, while beginning the transfer to the new Enhanced Time and Attendance system. "This unbelievable demand for support was met with an even more unbelievable response," said Lynda Armstrong, the team's coach. "This group never once complained about the additional workload. We all felt it was extremely gratifying to be able to help the folks in New Orleans. This team would not hesitate to do the same amount of work again."



**Significant Trends, Impacts, and VA’s Use of FY 2006 Results**

Performance Trend	2006 Impact on Veterans	How VA Uses The Data																
<p data-bbox="370 434 537 464"><b>Key Measure</b></p> <p data-bbox="215 470 690 527">Average Days to Process Compensation and Pension Rating-Related Actions</p>  <table border="1" data-bbox="207 533 695 961"> <caption>Average Days to Process Compensation and Pension Rating-Related Actions</caption> <thead> <tr> <th>Year/Target</th> <th>Days</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>223</td> </tr> <tr> <td>2003</td> <td>182</td> </tr> <tr> <td>2004</td> <td>166</td> </tr> <tr> <td>2005</td> <td>167</td> </tr> <tr> <td>2006 Result</td> <td>177</td> </tr> <tr> <td>2006 Plan</td> <td>185</td> </tr> <tr> <td>Strategic Target</td> <td>125</td> </tr> </tbody> </table>	Year/Target	Days	2002	223	2003	182	2004	166	2005	167	2006 Result	177	2006 Plan	185	Strategic Target	125	<p>Although VA met its 2006 target by 8 days, the timeliness increased from 167 days in 2005 to 177 days in 2006. Therefore, it took an average of 10 additional days for veterans to receive their benefits.</p>	<p>VA uses the results data to manage the compensation and pension programs and to implement performance improvement strategies. For example, as performance is monitored during the year, if performance declines are manifested in certain field offices, management takes corrective actions such as providing additional training and realigning workload or staffing levels.</p>
Year/Target	Days																	
2002	223																	
2003	182																	
2004	166																	
2005	167																	
2006 Result	177																	
2006 Plan	185																	
Strategic Target	125																	
<p data-bbox="370 1001 537 1031"><b>Key Measure</b></p> <p data-bbox="215 1037 690 1094">Average Days Pending for Rating-Related Compensation Actions</p>  <table border="1" data-bbox="207 1100 695 1528"> <caption>Average Days Pending for Rating-Related Compensation Actions</caption> <thead> <tr> <th>Year/Target</th> <th>Days</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>179</td> </tr> <tr> <td>2003</td> <td>114</td> </tr> <tr> <td>2004</td> <td>120</td> </tr> <tr> <td>2005</td> <td>122</td> </tr> <tr> <td>2006 Result</td> <td>130</td> </tr> <tr> <td>2006 Plan</td> <td>150</td> </tr> <tr> <td>Strategic Target</td> <td>78</td> </tr> </tbody> </table>	Year/Target	Days	2002	179	2003	114	2004	120	2005	122	2006 Result	130	2006 Plan	150	Strategic Target	78	<p>Although VA met its 2006 target by 20 days, the average increased from 122 days in 2005 to 130 days in 2006. An increase in the average age of the pending claims inventory indicates veterans are waiting longer for decisions on their claims.</p>	<p>VA uses the results data to manage the compensation and pension programs and to implement performance improvement strategies. For example, as performance is monitored during the year, if performance declines are manifested in certain field offices, management takes corrective actions such as providing additional training and realigning workload or staffing levels.</p>
Year/Target	Days																	
2002	179																	
2003	114																	
2004	120																	
2005	122																	
2006 Result	130																	
2006 Plan	150																	
Strategic Target	78																	



Performance Trend	2006 Impact on Veterans	How VA Uses The Data
<p data-bbox="370 323 537 352"><b>Key Measure</b></p> <p data-bbox="224 354 678 411">National Accuracy Rate for Compensation Core Rating Work</p>  <p data-bbox="203 871 673 907">* Actual data through July 2006. Final data are not yet available.</p>	<p data-bbox="727 323 1057 516">The veteran is entitled to an accurate decision on his or her compensation claim. Despite increased workload, VA has improved its accuracy.</p>	<p data-bbox="1084 323 1409 653">VA uses technical accuracy reviews to identify areas where specialized training is needed on either a local or national level. Over the last several years, VA has placed great emphasis on helping employees deal with increasingly complex compensation claims.</p>

## Related Information

### Major Management Challenges

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

#### OIG

- State Variances in VA Disability Compensation Payments (see page 224 for more details)
- Fiduciary Program (see page 225 for more details)

#### GAO

- Timeliness and Accuracy (see page 255 for more details)
- Consistency of Claims Decisions (see page 255 for more details)
- Staffing Level Justification (see page 258 for more details)
- Program Transformation and Modernization (see page 259 for more details)

### Program Evaluations

The Veterans' Disability Benefits Commission, established under Public Law 108-136, is

conducting a comprehensive evaluation and assessment of benefits provided under current federal laws to compensate veterans and their survivors for disability or death attributable to military service. The Commission will make recommendations concerning the appropriateness of such benefits under existing laws, the appropriateness of the level of such benefits, and the appropriate standards for determining whether a veteran's disability or death should be compensated. The Commission began the study in May 2005 and will conclude its work in October 2007.

### Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Compensation program during 2002, which resulted in a rating of "Results Not Demonstrated." Please see OMB PART reviews on page 65 for more information.



### **New Policies and Procedures**

Three VA forms have been reinstated to verify and monitor entitlement to individual unemployability. Additionally, VA now sends a motivational letter to all new individual unemployability recipients to advise them of possible eligibility for Vocational Rehabilitation and Employment benefits.

In March 2006 VA completed the final consolidation of all Benefits Delivery at Discharge rating activity sites for processing claims from separating servicemembers.

### **Other Important Results**

The Board of Veterans' Appeals (BVA) introduced a number of employee incentives and training programs to increase productivity while maintaining high decisional quality. BVA trains

Veterans Law Judges and staff counsel to write clear, correct, coherent, and concise decisions and employs a quality review process that translates "lessons learned" into directed training through quarterly "Grand Rounds" training sessions. BVA has a full-time training coordinator who oversees training sessions on specific legal issues, writing skills, and other matters. Grand Rounds and other training keep the legal staff current with continuing changes in the law. The ultimate benefit to our Nation's veterans is improved decisional quality, reduced remands, and quicker resolution of appeals.

### **Data Verification and Measure Validation**

Verification and validation information for the three key measures that support this objective is provided in the Key Measures Data Table on page 178.



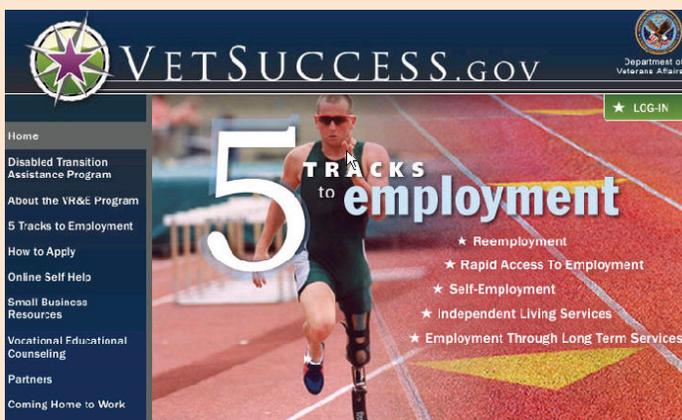
## STRATEGIC OBJECTIVE 1.3

### *Suitable Employment and Special Support*

*Provide eligible service-connected disabled veterans with the opportunity to become employable and obtain and maintain employment, while delivering special support to veterans with serious employment handicaps.*

## Making a Difference for the Veteran

### Maximizing a Veteran's Potential Through the 5 Tracks to Employment Program

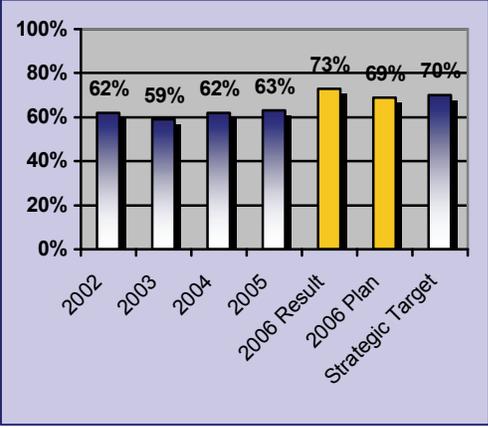


A critical component of the Vocational Rehabilitation and Employment (VR&E) program's new focus on employment is the "5 Tracks to Employment" initiative. A key element of this effort has been the establishment of Job Resource Labs in each VBA regional office jurisdiction to provide veterans and their counselors with the tools and resources required to enable a timely return to work.

In addition to the Labs, a newly developed VetSuccess.gov Web site provides access to numerous on-line employment tools including expert advice on writing cover letters and resumes and preparing for job interviews, links to labor market information and small business information, and detailed information about the VR&E program.



**Significant Trends, Impacts, and VA’s Use of FY 2006 Results**

Performance Trend	2006 Impact on Veterans	How VA Uses The Data																
<p data-bbox="217 434 688 527"><b>Key Measure</b> Vocational Rehabilitation and Employment (VR&amp;E) Rehabilitation Rate</p>  <table border="1" data-bbox="207 533 695 961"> <caption>Vocational Rehabilitation and Employment (VR&amp;E) Rehabilitation Rate</caption> <thead> <tr> <th>Year/Target</th> <th>Rate (%)</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>62%</td> </tr> <tr> <td>2003</td> <td>59%</td> </tr> <tr> <td>2004</td> <td>62%</td> </tr> <tr> <td>2005</td> <td>63%</td> </tr> <tr> <td>2006 Result</td> <td>73%</td> </tr> <tr> <td>2006 Plan</td> <td>69%</td> </tr> <tr> <td>Strategic Target</td> <td>70%</td> </tr> </tbody> </table>	Year/Target	Rate (%)	2002	62%	2003	59%	2004	62%	2005	63%	2006 Result	73%	2006 Plan	69%	Strategic Target	70%	<p data-bbox="727 434 1073 800">A “rehabilitated” veteran is one who enters the rehabilitation program and successfully completes the program plan with the objective to obtain employment or gain independence in daily living. This rate is a critical indicator of success for VA’s VR&amp;E program.</p>	<p data-bbox="1101 434 1414 867">The effectiveness of the VR&amp;E program and how well the program is meeting the needs of the veteran is measured by this rate. The measure is also used to assess individual performance for all vocational rehabilitation counselors, counseling psychologists, VR&amp;E officers, and regional office directors.</p>
Year/Target	Rate (%)																	
2002	62%																	
2003	59%																	
2004	62%																	
2005	63%																	
2006 Result	73%																	
2006 Plan	69%																	
Strategic Target	70%																	

**Related Performance Information**

**Major Management Challenges**

The following major management challenge has been identified for this strategic objective:

OIG

- Vocational Rehabilitation and Employment Contracts (see page 241 for more details)

**Program Evaluations**

The Secretary’s Task Force Report of 2004 on the Vocational Rehabilitation and Employment program made over 100 recommendations. Over 72 recommendations have been completed/implemented. One of the major recommendations was to implement the Five-Track Employment Model, which was completed during 2006.

**Program Assessment Rating Tool (PART) Evaluation**

In relation to this strategic objective, the Administration conducted a PART evaluation of VA’s Vocational Rehabilitation and Employment program during 2006. The rating has not yet been issued.

**New Policies and Procedures**

The formula to calculate the rehabilitation rate was modified beginning with the 2006 fiscal year. The rehabilitation rate previously included all discontinued cases; now any discontinued case that falls under one of the three Maximum Rehabilitation Gain categories as follows is excluded from the formula:

- The veteran accepted a position incompatible with disability limitations.
- The veteran is employable but has informed VA that he/she is not interested in seeking employment.



- The veteran is not employed and not employable for medical or psychological reasons.

VBA produced an orientation video, “Veterans & VR&E Working Together: VR&E’s 5-Track Employment Program,” which was disseminated to all VA regional offices. In addition to using the video in Disabled Transition Assistance Program presentations, all VR&E offices are using this standardized information about the VR&E program as part of the veterans’ orientation process.

Evaluation and planning (E/P) guidelines were developed to address concerns pertaining to the consistency of the entitlement determinations made during the E/P phase of the Vocational Rehabilitation and Employment program. The standard of practice outlines the steps counselors and case managers must follow. Each section has mandatory and/or optional job aids. The job aids provide both structure and assistance to counselors and case managers as they complete required actions.

### **Other Important Results**

VBA conducted an Employment Coordinators Training Conference and Five Tracks to Employment Model training sessions. These focused on the success of the recently completed Five Tracks to Employment pilot, which was the first step in the national deployment of the Five Tracks to Employment process. The conferences focused on topics including:

- The role and function of the employment coordinator.
- Job Resource Lab functionality.
- Vetsuccess.gov Web site functionality.
- Partnership with the Department of Labor’s Veterans Employment and Training Service.

### **Data Verification and Measure Validation**

Verification and validation information for the key measure that supports this objective is provided in the Key Measures Data Table on page 180.



## STRATEGIC OBJECTIVE 1.4

### *Improved Standard of Living for Eligible Survivors*

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

## Making a Difference for the Veteran

### “The Little Things”



Tom Visser, Casualty Assistance Officer, Pittsburgh VA regional office, shares his visit with the surviving spouse of an Iraqi Freedom casualty and her young daughter in the spring of 2006.

“I knew it was the right house as I saw two large flags on the front porch. One flag was a U.S. Army flag and the other a flag of the United States of America. While waiting, the little girl asked if I wanted to hear a song. I said sure. She held a small flag up in front of her and began singing “God Bless the USA.” She was so careful to hit every note and sing the words just right. Here is a little child who has lost her father to war and yet she’s so proud of him that she sings this song. The mother came down to the living room and she must have noticed my red eyes. She said, “Oh, did she sing ‘God Bless the USA’ to you too?”

We finished the paperwork for Dependency and Indemnity Compensation and discussed other benefits. Almost a week had gone by when I received a telephone call from the surviving spouse. She just wanted to say thank you. She mentioned that she was so impressed by VA making the time to provide the briefing and for the quick service provided by the insurance center. She also thanked me for listening to her daughter sing. The spouse explained that it must have left an impression on her daughter because she told the neighbors that she had gotten the chance to sing “to the government guy.”

It is the little things that make the biggest differences, and it is the little things that people remember.



## Significant Trends, Impacts, and VA's Use of FY 2006 Results

Performance Trend	2006 Impact on Veterans	How VA Uses The Data																
<p><b>Key Measure</b> Average Days to Process Dependency and Indemnity Compensation (DIC) Actions</p> <table border="1"> <caption>Average Days to Process Dependency and Indemnity Compensation (DIC) Actions</caption> <thead> <tr> <th>Year/Target</th> <th>Days</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>172</td> </tr> <tr> <td>2003</td> <td>153</td> </tr> <tr> <td>2004</td> <td>125</td> </tr> <tr> <td>2005</td> <td>124</td> </tr> <tr> <td>2006 Result</td> <td>136</td> </tr> <tr> <td>2006 Plan</td> <td>120</td> </tr> <tr> <td>Strategic Target</td> <td>90</td> </tr> </tbody> </table>	Year/Target	Days	2002	172	2003	153	2004	125	2005	124	2006 Result	136	2006 Plan	120	Strategic Target	90	<p>VA missed the 2006 target by 16 days. The timeliness increased from 124 days in 2005 to 136 days in 2006. Thus, compared with 2005, survivors and dependents waited on average an additional 12 days to receive their benefits.</p>	<p>VA uses the results data to manage the compensation and pension programs and to implement performance improvement strategies. For example, as performance declines are manifested in certain field offices, management takes corrective actions such as providing additional training and realigning workload or staffing levels.</p>
Year/Target	Days																	
2002	172																	
2003	153																	
2004	125																	
2005	124																	
2006 Result	136																	
2006 Plan	120																	
Strategic Target	90																	

### Related Information

#### Major Management Challenges

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

#### OIG

- Fiduciary Program (see page 225 for more details)

#### GAO

- Timeliness and Accuracy (see page 255 for more details)
- Consistency of Claims Decisions (see page 255 for more details)
- Staffing Level Justification (see page 258 for more details)
- Program Transformation and Modernization (see page 259 for more details)

#### Program Evaluations

The Veterans' Disability Benefits Commission, established under Public Law 108-136, is

conducting a comprehensive evaluation and assessment of benefits provided under current federal laws to compensate veterans and their survivors for disability or death attributable to military service. The Commission will make recommendations concerning the appropriateness of such benefits under existing laws, the appropriateness of the level of such benefits, and the appropriate standards for determining whether a veteran's disability or death should be compensated. The Commission began the study in May 2005 and will conclude its work in October 2007.

#### Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Compensation program during 2002, which resulted in a rating of "Results Not Demonstrated." Please see OMB PART reviews on page 65 for more information.



### **Data Verification and Measure Validation**

Verification and validation information for the key measure that supports this objective is provided in the Key Measures Data Table on page 180.



## Strategic Goal Two

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

### STRATEGIC OBJECTIVE 2.1

#### *Reentry into Civilian Life*

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

### Making a Difference for the Veteran

#### **VA Holds Summit to Help Veterans' Transition to Civilian Life**



*Signing of the Memorandum of Understanding creating the Arizona OEF/OIF Summit.*

More than 9,000 active duty, National Guard, and reserve military personnel have returned to Arizona after serving in Operation Enduring Freedom/Operation Iraqi Freedom (OEF/OIF). In order to assist them with a seamless transition from military to civilian life, VA facilities throughout the state – regional office, medical centers, Vet Centers, and national cemeteries – have formed the Arizona OEF/OIF Summit. Summit members Larry Johnson, Tucson Vet Center, and Annette Lavelle, Phoenix Vet Center, are OEF/OIF veterans who are able to provide insight to the

needs of returning servicemembers.

The goal of the Summit is to enhance communications, review shared services, and provide outreach to servicemembers and their families. The Summit created a One VA package to distribute at outreach events and National Guard and Reserve briefings.

The package includes information and contact information for all VA facilities and programs in Arizona. At a recent Summit meeting, an advocate for severely injured veterans presented an overview of the benefits offered by the Military Severely Injured Center. The Summit's membership of caring VA employees representing diverse professions and programs is making a difference in the quality of service delivered to our newest combat veterans.



**Significant Trends, Impacts, and VA’s Use of FY 2006 Results**

Performance Trend	2006 Impact on Veterans	How VA Uses The Data										
<p><b>Supporting Measure</b>            Number of Implementation Guides developed for those Consolidated Health Informatics Standards adopted by VA and DoD</p> <table border="1"> <caption>Implementation Guides Data</caption> <thead> <tr> <th>Year/Target</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>2005</td> <td>2</td> </tr> <tr> <td>2006 Result</td> <td>3</td> </tr> <tr> <td>2006 Plan</td> <td>3</td> </tr> <tr> <td>Strategic Target</td> <td>9</td> </tr> </tbody> </table>	Year/Target	Count	2005	2	2006 Result	3	2006 Plan	3	Strategic Target	9	<p>The development of additional implementation guides further enhanced the ability of VA to share electronic health data with DoD by advancing the implementation of the Joint Electronic Health Records, thus facilitating the transfer of medical records between the two agencies.</p>	<p>The electronic health data that are currently shared and will be shared with DoD directly support the ability of VHA clinicians and VBA claims adjudicators to deliver medical care and benefits to veterans.</p>
Year/Target	Count											
2005	2											
2006 Result	3											
2006 Plan	3											
Strategic Target	9											

**Related Performance Information**

**Major Management Challenges**

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

**GAO**

- VA/DoD Efficiencies (see page 262 for more details)
- VA/DoD Information Sharing (see page 270 for more details)

**Program Evaluations**

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

**Program Assessment Rating Tool (PART) Evaluation**

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

**Other Important Results**

The continuing success of its industry-leading electronic medical record system has earned VA a prestigious national award in information technology. The Excellence.Gov award cites VA's collaboration with the Department of Defense on an innovative capability to exchange electronic medical record data for patients receiving care from both Departments. Competition was among more than 80 federal executive branch information technology projects. The award was given by the American Council for Technology, a non-profit organization of industry and government executives who work together to improve the government's computerized programs.

**Data Quality**

VA's data quality improvement efforts, including its work on data verification and validation, are described in the Assessment of Data Quality on page 166.



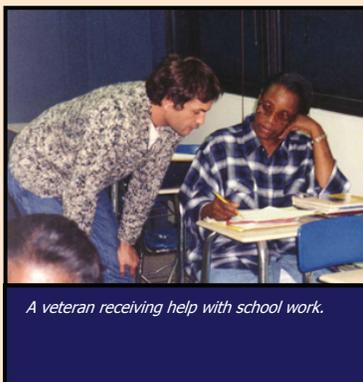
## STRATEGIC OBJECTIVE 2.2

### *Decisions on Education Claims*

*Enhance the ability of veterans and servicemembers to achieve educational and career goals by providing timely and accurate decisions on education claims and continuing payments at appropriate levels.*

## Making a Difference for the Veteran

### VA Develops New Education Outreach Program

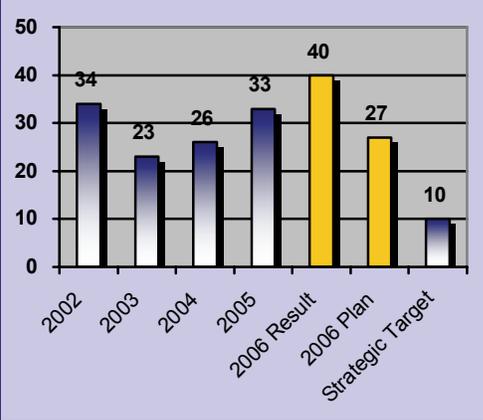
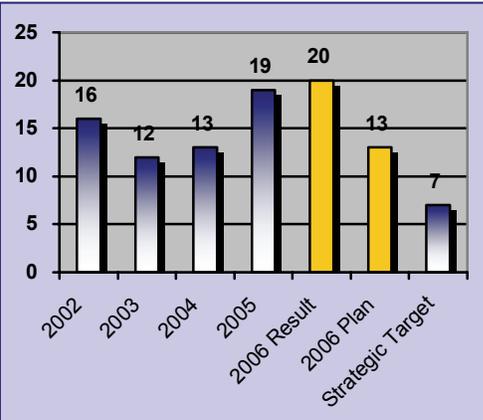


During the past five decades, the GI Bill has made possible the investment of billions of dollars in education and training for millions of veterans, and the Nation has in return earned many times the investment in increased taxes and a dramatically changed society.

In May 2006, VA's Education Service implemented a pilot program entitled "VA Education Benefit Outreach Program" that VA is hoping will increase the outreach efforts to veterans. The purpose of the pilot is to provide veterans, reservists, and dependents who are potentially eligible for benefits with information about VA's education benefits. In order to communicate information, we are inviting faith-based and community organizations to partner with us in expanding current outreach efforts. The pilot program began in Bay Pines, Florida.



**Significant Trends, Impacts, and VA’s Use of FY 2006 Results**

Performance Trend	2006 Impact on Veterans	How VA Uses The Data																
<p data-bbox="370 428 537 457"><b>Key Measure</b></p> <p data-bbox="258 464 646 520">Average Days to Complete Original Education Claims</p>  <table border="1" data-bbox="212 548 695 968"> <caption>Average Days to Complete Original Education Claims</caption> <thead> <tr> <th>Year/Target</th> <th>Days</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>34</td> </tr> <tr> <td>2003</td> <td>23</td> </tr> <tr> <td>2004</td> <td>26</td> </tr> <tr> <td>2005</td> <td>33</td> </tr> <tr> <td>2006 Result</td> <td>40</td> </tr> <tr> <td>2006 Plan</td> <td>27</td> </tr> <tr> <td>Strategic Target</td> <td>10</td> </tr> </tbody> </table>	Year/Target	Days	2002	34	2003	23	2004	26	2005	33	2006 Result	40	2006 Plan	27	Strategic Target	10	<p>VA missed the 2006 target by 13 days. The timeliness increased from 33 days in 2005 to 40 days in 2006. Thus, compared with 2005, veterans waited on average an additional 7 days to receive their initial award notification and payment. The importance of making timely payments to veterans for educational claims is critical to helping them meet their educational goals.</p>	<p>VA management uses performance results information to pinpoint areas of performance weakness and then takes appropriate corrective actions. Such actions include hiring additional employees to process claims and authorizing additional funding at the processing offices to enable employees to work overtime.</p>
Year/Target	Days																	
2002	34																	
2003	23																	
2004	26																	
2005	33																	
2006 Result	40																	
2006 Plan	27																	
Strategic Target	10																	
<p data-bbox="370 1058 537 1087"><b>Key Measure</b></p> <p data-bbox="258 1094 675 1150">Average Days to Complete Supplemental Education Claims</p>  <table border="1" data-bbox="212 1178 695 1598"> <caption>Average Days to Complete Supplemental Education Claims</caption> <thead> <tr> <th>Year/Target</th> <th>Days</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>16</td> </tr> <tr> <td>2003</td> <td>12</td> </tr> <tr> <td>2004</td> <td>13</td> </tr> <tr> <td>2005</td> <td>19</td> </tr> <tr> <td>2006 Result</td> <td>20</td> </tr> <tr> <td>2006 Plan</td> <td>13</td> </tr> <tr> <td>Strategic Target</td> <td>7</td> </tr> </tbody> </table>	Year/Target	Days	2002	16	2003	12	2004	13	2005	19	2006 Result	20	2006 Plan	13	Strategic Target	7	<p>VA missed the 2006 target by 7 days. The timeliness increased from 19 days in 2005 to 20 days in 2006. Thus, compared with 2005, veterans waited on average one additional day to receive their award notification and payment. The importance of making timely payments to veterans for educational claims is critical to helping them meet their educational goals.</p>	<p>VA management uses performance results information to pinpoint areas of performance weakness and then takes appropriate corrective actions. Such actions include hiring additional employees to process claims and authorizing additional funding at the processing offices to enable employees to work overtime.</p>
Year/Target	Days																	
2002	16																	
2003	12																	
2004	13																	
2005	19																	
2006 Result	20																	
2006 Plan	13																	
Strategic Target	7																	



Performance Trend	2006 Impact on Veterans	How VA Uses The Data																
<p style="text-align: center;"><b>Supporting Measure</b></p> <p style="text-align: center;">Payment Accuracy Rate (Education)</p> <table border="1"> <caption>Payment Accuracy Rate (Education) Data</caption> <thead> <tr> <th>Year/Category</th> <th>Accuracy Rate (%)</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>93%</td> </tr> <tr> <td>2003</td> <td>94%</td> </tr> <tr> <td>2004</td> <td>94%</td> </tr> <tr> <td>2005</td> <td>96%</td> </tr> <tr> <td>2006 Result</td> <td>95%</td> </tr> <tr> <td>2006 Plan</td> <td>95%</td> </tr> <tr> <td>Strategic Target</td> <td>97%</td> </tr> </tbody> </table>	Year/Category	Accuracy Rate (%)	2002	93%	2003	94%	2004	94%	2005	96%	2006 Result	95%	2006 Plan	95%	Strategic Target	97%	<p>The payment accuracy rate assesses whether payments are made at the proper rate for the correct period of time. This is critical to the veteran who is dependent on VA for educational assistance. Meeting the target means that the veteran is obtaining the correct educational payment.</p>	<p>VA management uses performance results information to pinpoint areas of performance weakness and then takes appropriate corrective actions. With regards to payment accuracy, this measure helps VA assess the quality of benefits delivery and identify where additional training is needed.</p>
Year/Category	Accuracy Rate (%)																	
2002	93%																	
2003	94%																	
2004	94%																	
2005	96%																	
2006 Result	95%																	
2006 Plan	95%																	
Strategic Target	97%																	

### Related Performance Information

#### Major Management Challenges

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

#### Program Evaluations

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

#### Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Education program during 2003, which resulted in a rating of "Results Not Demonstrated." Please see OMB PART reviews on page 66 for more information.

### Other Important Results

The new Contact Management Support Center (CMSC), established in September 2006, is designed to assist customers with their education claims. The CMSC staff responds to all telephone and electronic inquiries about payments, claims status, and other questions about the education programs. Telephone workload is directly related to pending claims inventory. The heaviest times of the year are during fall and spring enrollment. Since both equipment and staffing remain relatively constant, the level of performance achieved is inversely related to workload.

At times, in 2005 the abandoned call rate was above 40 percent because claims examiners were required to process claims and respond to all telephone and electronic inquiries. During the 2007 academic enrollment period, CMSC staff will handle all inquiries. The CMSC's goal is to reduce its abandoned call rate to 4 percent or below.



### **Data Quality**

VA's data quality improvement efforts including its work on data verification and validation are described in the Assessment of Data Quality on page 166.

### **Data Verification and Measure Validation**

Verification and validation information for the two key measures that support this objective is provided in the Key Measures Data Table on page 180.



## STRATEGIC OBJECTIVE 2.3

### *Home Purchase and Retention*

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

## Making a Difference for the Veteran

### VA Marks its 18 Millionth Home Loan Guaranty

One of the most widely used veterans benefits in America reached a major milestone on May 13, 2006, when Secretary of Veterans Affairs R. James Nicholson announced that an Operation Iraqi Freedom veteran from Texas was the recipient of the 18 millionth home loan guaranteed by the Department of Veterans Affairs.

“VA’s home loan guaranty program has been helping veterans purchase homes for more than 60 years,”

Secretary Nicholson said. “This VA no-downpayment loan program was presented to veteran Robert A. Laurent of Kyle, Texas.”



#### ***The 18 Millionth Home***

*Laurent holds son Cameron, and wife, Briley, holds son Robert Casey outside their new VA-backed home in Kyle, Texas, the 18 millionth to receive a VA home loan guaranty since 1944.*

Laurent, an Army veteran and Purple Heart recipient, was discharged after four years in uniform because of combat-related injuries in Iraq. His family's new home was built by Legacy Homes of Plano, Texas, a division of Meritage Homes Corporation of Scottsdale, Arizona, and purchased through First Continental Mortgage, Ltd. of Houston.

“The no-downpayment VA program has been a cornerstone of the Nation’s housing finance system for more than 60 years,” said National Association of Home Builders

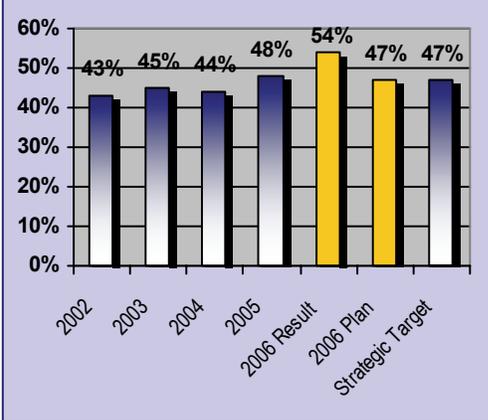
President David Pressly, a home builder from Statesville, North Carolina. “It has opened the door to homeownership for millions of veterans who have, in turn, been able to build equity and household wealth, put down roots in the communities where they live, and enjoy the many benefits of owning a home.”

Since 1944 when President Franklin Roosevelt signed the Servicemen's Readjustment Act into law, the GI Bill, as it is popularly known, has secured more than \$892 billion of financing for veterans' and servicemembers' home loans. In 2005 alone, VA guaranteed more than 165,000 loans for mortgages valued at more than \$24.9 billion.

VA-guaranteed home loans are made by banks and mortgage companies to veterans, servicemembers, and eligible reservists. With VA backing a portion of the loan, veterans can receive a competitive interest rate without a downpayment, making it easier to buy a home. On January 1, 2006, the VA loan guaranty limit for no-downpayment loans was increased to \$417,000. The previous ceiling was \$359,650.



**Significant Trends, Impacts, and VA’s Use of FY 2006 Results**

Performance Trend	2006 Impact on Veterans	How VA Uses The Data																
<p data-bbox="370 438 537 464"><b>Key Measure</b></p> <p data-bbox="224 470 680 527">Foreclosure Avoidance Through Servicing (FATS) Ratio</p>  <table border="1" data-bbox="207 541 695 961"> <caption>FATS Ratio Data</caption> <thead> <tr> <th>Year/Category</th> <th>FATS Ratio (%)</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>43%</td> </tr> <tr> <td>2003</td> <td>45%</td> </tr> <tr> <td>2004</td> <td>44%</td> </tr> <tr> <td>2005</td> <td>48%</td> </tr> <tr> <td>2006 Result</td> <td>54%</td> </tr> <tr> <td>2006 Plan</td> <td>47%</td> </tr> <tr> <td>Strategic Target</td> <td>47%</td> </tr> </tbody> </table>	Year/Category	FATS Ratio (%)	2002	43%	2003	45%	2004	44%	2005	48%	2006 Result	54%	2006 Plan	47%	Strategic Target	47%	<p>The 2006 FATS ratio means that 54 percent of veterans who otherwise could have lost their homes through foreclosure were able to retain ownership with VA assistance, or at least had the impact of loss lessened by either tendering a deed in lieu of foreclosure or arranging a private sale with VA claim payment to help close the sale. VA avoided claim payments in most of the FATS cases or else paid smaller claims than if foreclosure had occurred.</p>	<p>VA uses the data to measure the effectiveness of field station efforts to assist veterans in avoiding foreclosure.</p> <p>Since veterans benefit substantially from foreclosure avoidance and at the same time VA realizes cost savings, VA has begun to redesign the program to promote greater loss mitigation efforts by primary servicers.</p>
Year/Category	FATS Ratio (%)																	
2002	43%																	
2003	45%																	
2004	44%																	
2005	48%																	
2006 Result	54%																	
2006 Plan	47%																	
Strategic Target	47%																	

**Related Performance Information**

**Major Management Challenges**

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

**Program Evaluations**

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

**Program Assessment Rating Tool (PART) Evaluation**

In relation to this strategic objective, the Administration conducted a PART evaluation of VA’s Loan Guaranty program during 2004, which resulted in a rating of “Results Not Demonstrated.” Please see OMB PART reviews on page 66 for more information.

**Other Important Results**

VA began a complete review and redesign of the guaranteed loan default servicing in 2002. New processes and procedures will be fully implemented by 2008. This will bring VA very close to performance and operational standards used by large private sector servicers and lenders. The emphasis will be on providing financial incentives and greater flexibility to primary servicers of VA-guaranteed loans to prevent foreclosures, which will in turn improve the FATS ratio.

**Data Verification and Measure Validation**

Verification and validation information for the key measure that supports this objective is provided in the Key Measures Data Table on page 182.



## Strategic Goal Three

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

### STRATEGIC OBJECTIVE 3.1

#### *Delivering Health Care*

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

### Making a Difference for the Veteran

## VA Receives 2006 Innovations in Government Award



*Secretary James Nicholson accepts congratulations from Carl Fillichio, Vice President, Council for Excellence in Government, at a news conference announcing that VA had won the Innovations in American Government Award for its development and use of VistA.*

The Department of Veterans Affairs' model system of electronic health records, developed with extensive involvement of front-line health-care providers, has won the prestigious "Innovations in American Government Award." The annual award, sponsored by Harvard University's Ash Institute for Democratic Governance and Innovation at the Kennedy School of Government and administered in partnership with the Council for Excellence in Government, honors excellence and creativity in the public sector.

"This great honor is testimony to the vision of health-care professionals throughout VA," said the Honorable R. James Nicholson, Secretary of Veterans Affairs. "Our electronic health records are without peer and ensure that our Nation's veterans receive the best care this country can provide." While health-care costs in the United States continue to soar, VA is reducing costs and errors while increasing safety and efficiency.

Outside of VA, because patient records are not readily available, one out of seven Americans ends up hospitalized when outpatient care is all that's needed. For the same reason, one out of five lab tests is needlessly repeated outside the VA system. And while the costs of health care continue to soar for most Americans, VA is reducing costs, reducing errors, and becoming the model for what modern health care management and delivery should look like.

"The involvement of front-line providers, use of performance measures, and universal use of electronic health records have enabled VA to set the national benchmark in quality of care," said VA's Under Secretary for Health. "The electronic records system is called VistA, and it is an essential part of VA's commitment to giving every patient safe, effective, efficient, compassionate health care."

*continued...*



VA's complete adoption of electronic health records and performance measures has resulted in high-quality, low-cost health care with high patient satisfaction. A recent RAND study found that VA outperforms all other sectors of American health care across a spectrum of 294 measures of quality in disease prevention and treatment. For 6 straight years, VA has led private-sector health care in the independent American Customer Satisfaction Index.



Electronic health records also provide numerous other benefits in cost, quality, and access to care. The cost of maintaining the system is \$80 per patient per year, less than the cost of one unnecessarily repeated lab test. In the last 10 years, VistA's efficiencies have offset cost increases associated with a 100 percent increase in the number of veterans receiving VA care. For example, VistA has helped VA save 6,000 lives by improving rates of pneumonia vaccination among veterans with emphysema, cutting pneumonia hospitalizations in half, and reducing costs by \$40 million per year. Patient waiting times have declined while customer service improved, and access to care has increased because of on-line availability of health information.

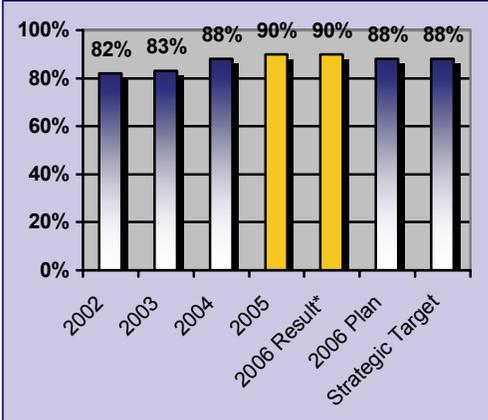
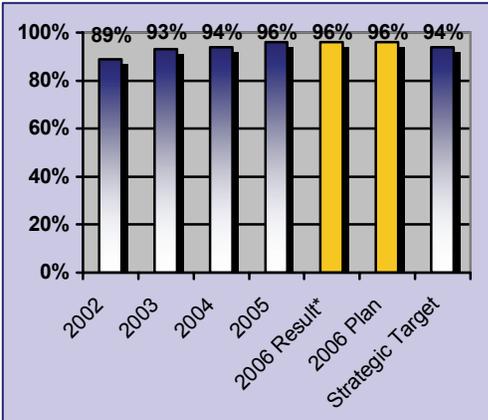
In addition to saving money, VistA saves lives and ensures continuity of care even under the most extreme circumstances. Many of the thousands of residents who fled the Gulf Coast because of Hurricane Katrina left behind vital health records. Records for the 40,000 veterans in the area were almost immediately available to clinicians across the country, even though the VA Medical Center in Gulfport, Mississippi, was destroyed and the New Orleans VA Medical Center was closed and evacuated. Veterans were able to resume their treatments, refill their prescriptions, and get the care they needed because their medical records were immediately accessible to providers at other VA facilities.

VistA is 1 of 7 government initiatives chosen from 1,000 applications to receive this year's Innovations awards. Because the programs are models for government's capacity to do good and do it well, the \$100,000 grant specifically supports sharing of program information with other organizations.

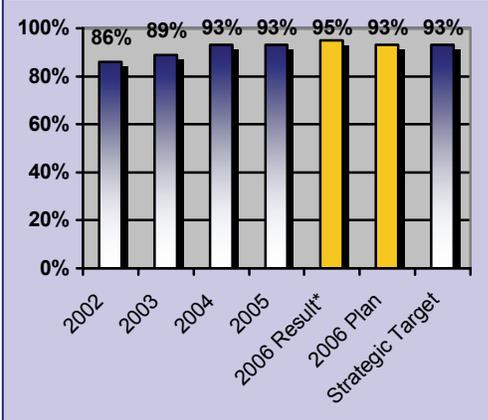
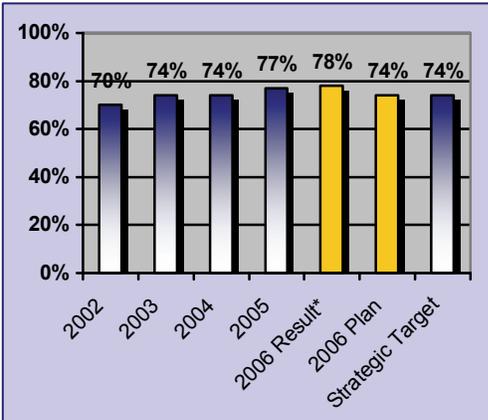
## Significant Trends, Impacts, and VA's Use of FY 2006 Results

Performance Trend	2006 Impact on Veterans	How VA Uses The Data
<p><b>Key Measure</b> Clinical Practice Guidelines Index</p> <p>* Actual data through May 2006. Final data are not yet available.</p>	<p>This measure targets promotion of early identification and treatment of potentially disabling and/or deadly diseases such as acute cardiac diseases, hypertension, diabetes, major depressive disorder, schizophrenia, and tobacco use cessation.</p>	<p>Early identification and intervention of acute and potentially disabling chronic diseases enables VA to target education, disease management, and care access to prevent and/or limit the effects of potentially disabling diseases and improve the quality of life for the veteran.</p>



Performance Trend	2006 Impact on Veterans	How VA Uses The Data
<p data-bbox="367 323 537 352"><b>Key Measure</b></p> <p data-bbox="347 354 557 384">Prevention Index II</p>  <p data-bbox="201 852 682 898">* Actual data through May 2006. Final data are not yet available.</p>	<p data-bbox="727 323 1057 617">This measure targets promotion of healthy lifestyle changes and health promotion activities such as immunizations, smoking cessation, and early screening for chronically disabling diseases for our many veterans.</p>	<p data-bbox="1084 323 1414 653">Early identification and intervention for risky behaviors and disease risk enables VA to target education, immunization programs, and clinic access to prevent and/or limit potential disabilities resulting from these activities and/or diseases.</p>
<p data-bbox="367 911 537 940"><b>Key Measure</b></p> <p data-bbox="224 942 683 1003">Percent of <i>Primary</i> Care Appointments Scheduled Within 30 Days of Desired Date</p>  <p data-bbox="201 1463 682 1509">* Actual data through May 2006. Final data are not yet available.</p>	<p data-bbox="727 911 1052 1276">Delivery of primary care is critical to preventative health care and timely disease identification and management as well as being the source of entry for specialty care. Timely access to primary health care services is critical to providing high-quality care to veterans.</p>	<p data-bbox="1084 911 1419 1276">VA uses the results of this measure to inform and drive quality improvement activities that promote shorter waiting times by improving efficiencies, addressing missed opportunities, and providing management with information to make resource decisions.</p>



Performance Trend	2006 Impact on Veterans	How VA Uses The Data																
<p data-bbox="198 323 703 415"><b>Key Measure</b> Percent of <i>Specialty Care</i> Appointments Scheduled Within 30 Days of Desired Date</p>  <table border="1" data-bbox="207 426 695 846"> <caption>Percent of Specialty Care Appointments Scheduled Within 30 Days of Desired Date</caption> <thead> <tr> <th>Year/Target</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>86%</td> </tr> <tr> <td>2003</td> <td>89%</td> </tr> <tr> <td>2004</td> <td>93%</td> </tr> <tr> <td>2005</td> <td>93%</td> </tr> <tr> <td>2006 Result*</td> <td>95%</td> </tr> <tr> <td>2006 Plan</td> <td>93%</td> </tr> <tr> <td>Strategic Target</td> <td>93%</td> </tr> </tbody> </table> <p data-bbox="198 877 686 919">* Actual data through May 2006. Final data are not yet available.</p>	Year/Target	Percentage	2002	86%	2003	89%	2004	93%	2005	93%	2006 Result*	95%	2006 Plan	93%	Strategic Target	93%	<p data-bbox="724 323 1060 688">Specialty care appointments are the vehicle by which VA treats veterans with diseases and disabilities requiring specialized medical, rehabilitation, surgical, and other unique resources. Timely access is therefore critical to those veterans in need of specialty care.</p>	<p data-bbox="1081 323 1417 688">VA uses the results of this measure to inform and drive quality improvement activities that promote shorter waiting times by improving efficiencies, addressing missed opportunities, and providing management with information to make resource decisions.</p>
Year/Target	Percentage																	
2002	86%																	
2003	89%																	
2004	93%																	
2005	93%																	
2006 Result*	95%																	
2006 Plan	93%																	
Strategic Target	93%																	
<p data-bbox="198 926 703 1018"><b>Key Measure</b> Percent of Patients Rating VA <i>Inpatient</i> Service as “Very Good” or “Excellent”</p>  <table border="1" data-bbox="207 1029 695 1449"> <caption>Percent of Patients Rating VA Inpatient Service as “Very Good” or “Excellent”</caption> <thead> <tr> <th>Year/Target</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>70%</td> </tr> <tr> <td>2003</td> <td>74%</td> </tr> <tr> <td>2004</td> <td>74%</td> </tr> <tr> <td>2005</td> <td>77%</td> </tr> <tr> <td>2006 Result*</td> <td>78%</td> </tr> <tr> <td>2006 Plan</td> <td>74%</td> </tr> <tr> <td>Strategic Target</td> <td>74%</td> </tr> </tbody> </table> <p data-bbox="198 1480 686 1522">* Actual data through May 2006. Final data are not yet available.</p>	Year/Target	Percentage	2002	70%	2003	74%	2004	74%	2005	77%	2006 Result*	78%	2006 Plan	74%	Strategic Target	74%	<p data-bbox="724 926 1060 1560">Veterans are entitled to health care that includes emotional support, education, shared decision-making, safe environments, family involvement, respect, and management of pain and discomfort. The veteran’s level of overall satisfaction is impacted by the extent to which his or her needs are met. Satisfaction is a key indicator of how well VA rises to these expectations. This measure addresses how well these expectations are met in the <i>inpatient</i> setting.</p>	<p data-bbox="1081 926 1417 1192">VA facilities target improvement efforts on areas where scores were less than “very good.” Facilities that achieve high scores serve as models and mentors for lower-scoring facilities.</p>
Year/Target	Percentage																	
2002	70%																	
2003	74%																	
2004	74%																	
2005	77%																	
2006 Result*	78%																	
2006 Plan	74%																	
Strategic Target	74%																	



Performance Trend	2006 Impact on Veterans	How VA Uses The Data
<p><b>Key Measure</b> Percent of Patients Rating VA <i>Outpatient</i> Service as “Very Good” or “Excellent”</p> <p>* Actual data through May 2006. Final data are not yet available.</p>	<p>Veterans are entitled to health care that includes emotional support, education, shared decision-making, safe environments, family involvement, respect, and management of pain and discomfort. The veteran’s level of overall satisfaction is impacted by the extent to which his or her needs are met. Satisfaction is a key indicator of how well VA rises to these expectations. This measure addresses how well these expectations are met in the <i>outpatient</i> setting.</p>	<p>VA facilities target improvement efforts on areas where scores were less than “very good.” Facilities that achieve high scores serve as models and mentors for lower scoring facilities. These improvement efforts may target any level of the facility from programs to individual clinics based on performance.</p>
<p><b>Key Measure</b> Number of Patients under Non-Institutional Long-Term Care as Expressed by Average Daily Census</p> <p>* Estimated data. Final data are not yet available.</p>	<p>Increasing the number of veterans receiving Home and Community-Based Care (HCBC) services provides veterans with an opportunity to improve the quality of their lives. HCBC promotes independent physical, mental, and social functioning of veterans in the least restrictive settings.</p>	<p>VA uses the data to project the need for services, evaluate existing services, and promote access to required services.</p>

**Related Performance Information**

**Major Management Challenges**

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

OIG

- Access to Long-Term Health Care in Community Settings (see page 226 for more details)
- Access to Health Care in VA Medical Facilities (see page 227 for more details)
- Clinical Staffing Guidelines (see page 229 for more details)



- Medical Outcome Measures (see page 231 for more details)
- Budget Process (see page 232 for more details)

#### GAO

- Access to Acute Care, Long-Term Care, and Specialized Health Care Services (see page 248 for more details)
- Patient Safety (see page 252 for more details)
- Resources and Workload Management (see page 261 for more details)
- Health Care Delivery (see page 265 for more details)

#### Program Evaluations

In 2006 VA continued an independent evaluation of its oncology program. The program evaluation focuses on lung, colorectal, prostate, hematologic, and breast cancers. The results of the program evaluation will help VA determine how well it is meeting the oncology program goals and objectives and will provide a comparison of how VA is performing compared to the private sector.

#### Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Medical Care Program during 2003, which resulted in a rating of "Adequate." Please see OMB PART reviews on page 67 for more information.

#### Other Important Results

Tens of thousands of veterans are now receiving their prescription drug refills from VA with greater convenience, speed, and security because of a new service available to veterans over the Internet. More than 70,000 prescriptions have been refilled using the latest service added to VA's "MyHealtheVet," the personal online

health record system designed for veterans in the VA health care system. The prescription refill service began in August 2006.

Veterans continue to be more satisfied with their health care than the average American, according to an annual report on customer satisfaction that compares the VA health care system with private-sector health care. The ratings came in the annual American Customer Satisfaction Index (ACSI), which ranks "customer satisfaction" with various federal programs and private-sector industries. The latest findings mark the 6th consecutive year VA's health-care system has outranked the private sector for customer satisfaction.

The computerized patient record system of the Department, already a world leader among health-care providers, has achieved a major milestone with the entry of its billionth "vital sign."

#### Data Verification and Measure Validation

Verification and validation information for the key measures that support this objective is provided in the Key Measures Data Table on pages 182-187.



## STRATEGIC OBJECTIVE 3.2

### Decisions on Pension Claims

*Provide eligible veterans and their survivors a level of income that raises their standard of living and sense of dignity by processing pension claims in a timely and accurate manner.*

## Making a Difference for the Veteran

### Virtual VA - - Benefits Information On-Line

The screenshot shows a web browser window titled "Virtual VA - Microsoft Internet Explorer". The address bar shows "http://virtualva/". The page header identifies the user as "#123456789 VETERAN, JOE" and displays fields for Date of Birth, Jurisdictional RC, Social Security, Current RC, Service Number, and Created On. Below the header is a "Documents" section with a table listing documents. The table has columns for Doc ID, Date of Receipt, Doc Type, Document Date, and Read status. The table contains 8 rows of data.

X	Doc ID	Date of Receipt	Doc Type	Document Date	Read
1	1263033330	06/02/2006	SHARE Print Screens	06/02/2006	Y
2	1263033330	05/04/2006	DIC - First Demand Letter	05/04/2006	N
3	1271946330	04/20/2006	Notification Letter (e.g. VA 20-8993, VA 21-0290, PCGL)	04/20/2006	Y
4	1604410330	02/18/2006	DIC - First Demand Letter	02/18/2006	Y
5	1569760330	02/03/2006	Notification Letter (e.g. VA 20-8993, VA 21-0290, PCGL)	02/03/2006	Y
6	1566325330	02/02/2006	SHARE Print Screens	02/02/2006	Y
7	1484903330	12/07/2005	Notification Letter (e.g. VA 20-8993, VA 21-0290, PCGL)	12/07/2005	Y
8	1244675330	06/29/2005	Notification Letter (e.g. VA 20-8993, VA 21-0290, PCGL)	06/29/2005	Y

Virtual VA provides significantly improved information access for veterans and their families inquiring about their pension benefits eligibility. It houses more than 1.7 million e-folders and is available to nearly 6,500 registered users nationally across VA's 58 regional offices, satellite extensions, and medical centers.

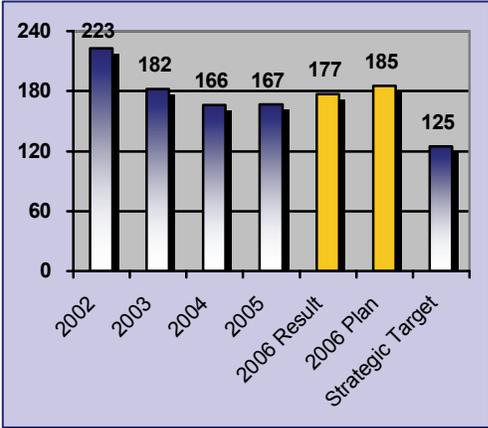
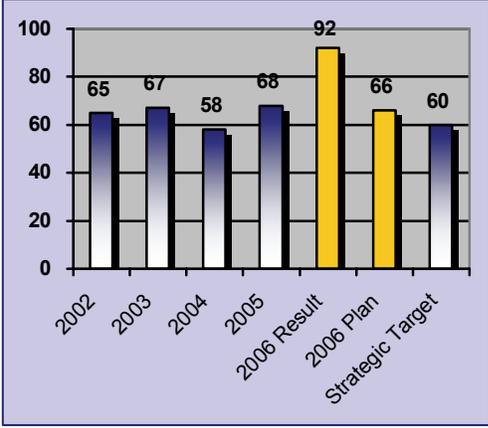
In recognition of the positive benefit of the system, VA designated Virtual VA a "mission-critical" application in 2004. This categorization recognizes the benefits

of Virtual VA in enabling VBA to provide veterans and family beneficiaries with on-time, accurate delivery of benefit payments, as well as rapid, complete customer service.

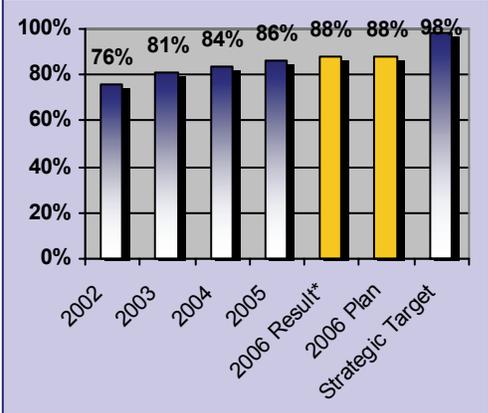
Virtual VA offers a complete, highly accessible repository for pension-related information that enables streamlined benefits processing and decision-making.



**Significant Trends, Impacts, and VA’s Use of FY 2006 Results**

Performance Trend	2006 Impact on Veterans	How VA Uses The Data																
<p data-bbox="370 434 537 464"><b>Key Measure</b></p> <p data-bbox="215 470 690 527">Average Days to Process Compensation and Pension Rating-Related Actions</p>  <table border="1" data-bbox="207 533 695 961"> <caption>Average Days to Process Compensation and Pension Rating-Related Actions</caption> <thead> <tr> <th>Year/Target</th> <th>Average Days</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>223</td> </tr> <tr> <td>2003</td> <td>182</td> </tr> <tr> <td>2004</td> <td>166</td> </tr> <tr> <td>2005</td> <td>167</td> </tr> <tr> <td>2006 Result</td> <td>177</td> </tr> <tr> <td>2006 Plan</td> <td>185</td> </tr> <tr> <td>Strategic Target</td> <td>125</td> </tr> </tbody> </table>	Year/Target	Average Days	2002	223	2003	182	2004	166	2005	167	2006 Result	177	2006 Plan	185	Strategic Target	125	<p>Although VA met its 2006 target by 8 days, the average number of days to process a claim increased from 167 days in 2005 to 177 days in 2006. Therefore, it took an average of 10 additional days for veterans to receive their benefits.</p>	<p>VA uses the results data to manage the compensation and pension programs and to implement performance improvement strategies. For example, as performance is monitored during the year, if performance declines are manifested in certain field offices, management takes corrective actions such as providing additional training and realigning workload or staffing levels.</p>
Year/Target	Average Days																	
2002	223																	
2003	182																	
2004	166																	
2005	167																	
2006 Result	177																	
2006 Plan	185																	
Strategic Target	125																	
<p data-bbox="370 1022 537 1052"><b>Key Measure</b></p> <p data-bbox="215 1058 690 1115">Average Days to Process Non-Rating Pension Actions</p>  <table border="1" data-bbox="207 1121 695 1549"> <caption>Average Days to Process Non-Rating Pension Actions</caption> <thead> <tr> <th>Year/Target</th> <th>Average Days</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>65</td> </tr> <tr> <td>2003</td> <td>67</td> </tr> <tr> <td>2004</td> <td>58</td> </tr> <tr> <td>2005</td> <td>68</td> </tr> <tr> <td>2006 Result</td> <td>92</td> </tr> <tr> <td>2006 Plan</td> <td>66</td> </tr> <tr> <td>Strategic Target</td> <td>60</td> </tr> </tbody> </table>	Year/Target	Average Days	2002	65	2003	67	2004	58	2005	68	2006 Result	92	2006 Plan	66	Strategic Target	60	<p>VA missed the 2006 target by 26 days. The average number of days to process a claim increased from 68 days in 2005 to 92 days in 2006. Thus, compared with 2005, veterans waited on average an additional 24 days to receive their benefits.</p>	<p>VA uses the results data to manage the compensation and pension programs and to implement performance improvement strategies. For example, as performance is monitored during the year, if performance declines are manifested in certain field offices, management takes corrective actions such as providing additional training and realigning workload or staffing levels.</p>
Year/Target	Average Days																	
2002	65																	
2003	67																	
2004	58																	
2005	68																	
2006 Result	92																	
2006 Plan	66																	
Strategic Target	60																	



Performance Trend	2006 Impact on Veterans	How VA Uses The Data
<p data-bbox="370 323 537 352"><b>Key Measure</b></p> <p data-bbox="228 354 678 411">National Accuracy Rate for Authorization Pension Work</p>  <p data-bbox="207 852 678 884">* Actual data through July 2006. Final data are not yet available.</p>	<p data-bbox="727 323 1057 485">The veteran is entitled to an accurate decision on his or her pension claim. Despite increased workload, VA has improved its accuracy.</p>	<p data-bbox="1084 323 1409 646">VA uses technical accuracy reviews to identify areas where specialized training is needed on either a local or national level. Over the last several years, VA has placed great emphasis on helping employees deal with increasingly complex claims.</p>

## Related Performance Information

### Related Information

#### Major Management Challenges

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

##### OIG

- Fiduciary Program (see page 225 for more details)

##### GAO

- Timeliness and Accuracy (see page 255 for more details)
- Consistency of Claims Decisions (see page 255 for more details)
- Staffing Level Justification (see page 258 for more details)
- Program Transformation and Modernization (see page 259 for more details)

#### Program Evaluations

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

#### Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Pension program during 2005, which resulted in a rating of "Adequate." Please see OMB PART reviews on page 68 for more information.

#### New Policies and Procedures

VA's Pension Maintenance Centers (PMC) traditionally receive one batch of Income Verification Matches (IVM) during the last quarter of the year. In 2006 the PMCs received two releases of IVMs to process instead of one. The earlier release during the first quarter had a negative impact on cumulative processing timeliness for the year.

#### Data Verification and Measure Validation

Verification and validation information for the three key measures that support this objective is provided in the Key Measures Data Table on pages 186-189.



## STRATEGIC OBJECTIVE 3.3

### *Providing Insurance Service*

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

## Making a Difference for the Veteran

### Traumatic Injury Protection Under the New Servicemembers' Group Life Insurance Program



*TSGLI recipient John Keith addresses VA employees at the VA Regional Office and Insurance Center in Philadelphia to share how TSGLI benefited him and his family.*

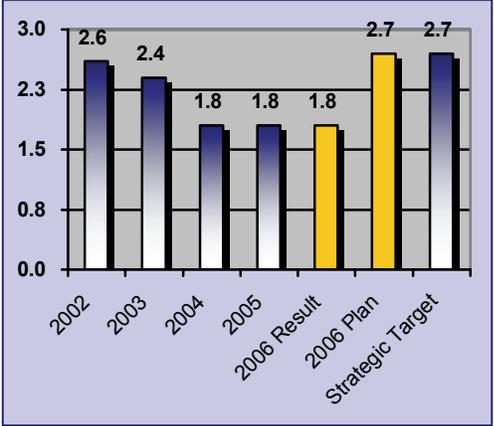
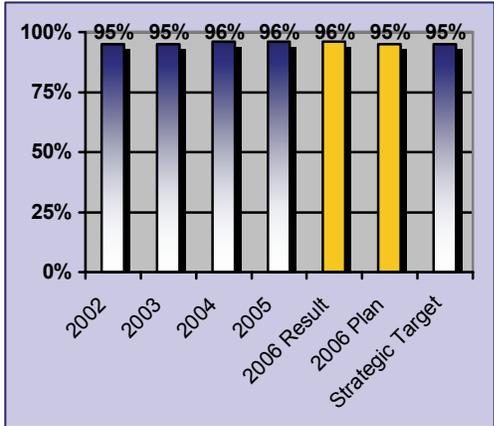
American troops and their families now have more financial security, thanks to VA's new Servicemembers' Group Life Insurance Traumatic Injury Protection (TSGLI) program. The new insurance program became effective December 1, 2005, and is designed to provide financial help to military families through extended periods of medical care and healing. "Injured servicemembers should be able to focus on their recovery and adjustment back to military or civilian life, as well as spending time with their families," said the Honorable R. James Nicholson, Secretary of Veterans Affairs. "This new insurance program will help families focus on what's most important without having to worry about financial difficulties."

The TSGLI payments, ranging from \$25,000 to \$100,000, are made to servicemembers who carry Servicemembers' Group Life Insurance (SGLI) coverage and who have suffered certain traumatic injuries. Benefits are also payable retroactively to October 7, 2001, for servicemembers and veterans who suffered certain traumatic injuries while serving in Operation Enduring Freedom or Operation Iraqi Freedom. TSGLI covers a range of traumatic injuries that are defined in the law and regulations. Some examples of the types of injuries covered include blindness or loss of limbs. The complete schedule of payments for traumatic losses can be found on the VA Insurance Web site at [www.insurance.va.gov](http://www.insurance.va.gov). Since the legislation was enacted, VA has paid approximately 2,700 traumatic injury claims, averaging \$62,000 per claim.

Eligible members can obtain a TSGLI certification form from the Web site or contact their service branch to begin the certification process. A list of service branch contacts is provided on the Web site.



**Significant Trends, Impacts, and VA's Use of FY 2006 Results**

Performance Trend	2006 Impact on Veterans	How VA Uses The Data																
<p data-bbox="198 464 701 554"><b>Key Measure</b> Average Number of Days to Process Insurance Disbursements</p>  <table border="1" data-bbox="207 569 701 995"> <caption>Average Number of Days to Process Insurance Disbursements</caption> <thead> <tr> <th>Year/Target</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>2.6</td> </tr> <tr> <td>2003</td> <td>2.4</td> </tr> <tr> <td>2004</td> <td>1.8</td> </tr> <tr> <td>2005</td> <td>1.8</td> </tr> <tr> <td>2006 Result</td> <td>1.8</td> </tr> <tr> <td>2006 Plan</td> <td>2.7</td> </tr> <tr> <td>Strategic Target</td> <td>2.7</td> </tr> </tbody> </table>	Year/Target	Value	2002	2.6	2003	2.4	2004	1.8	2005	1.8	2006 Result	1.8	2006 Plan	2.7	Strategic Target	2.7	<p data-bbox="725 464 1058 961">By processing these disbursements in an average of 1.8 days, VA ensures that death claim benefits, policy loans, or cash surrenders are paid in a timely manner so that veterans and their families receive cash proceeds when needed either at the time of the veteran's death or as a quick influx of cash in the form of a policy loan or cash surrender to the policyholder.</p>	<p data-bbox="1083 464 1416 1094">VA performance is considerably better than the insurance industry average of 5.7 workdays to process disbursements. VA uses this data to track the progress of this important product and to support the continued development and implementation of the Paperless Electronic Workflow System. This system has significantly cut processing time by providing employees with the capability of processing disbursements in a paperless electronic environment.</p>
Year/Target	Value																	
2002	2.6																	
2003	2.4																	
2004	1.8																	
2005	1.8																	
2006 Result	1.8																	
2006 Plan	2.7																	
Strategic Target	2.7																	
<p data-bbox="198 1100 701 1190"><b>Supporting Measure</b> High Veterans' Satisfaction Ratings on Services Delivered</p>  <table border="1" data-bbox="207 1205 701 1631"> <caption>High Veterans' Satisfaction Ratings on Services Delivered</caption> <thead> <tr> <th>Year/Target</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>95%</td> </tr> <tr> <td>2003</td> <td>95%</td> </tr> <tr> <td>2004</td> <td>96%</td> </tr> <tr> <td>2005</td> <td>96%</td> </tr> <tr> <td>2006 Result</td> <td>96%</td> </tr> <tr> <td>2006 Plan</td> <td>95%</td> </tr> <tr> <td>Strategic Target</td> <td>95%</td> </tr> </tbody> </table>	Year/Target	Value	2002	95%	2003	95%	2004	96%	2005	96%	2006 Result	96%	2006 Plan	95%	Strategic Target	95%	<p data-bbox="725 1100 1058 1570">This performance score measures how well VA is meeting its strategic objective to maintain a high level of service to insurance policyholders and their beneficiaries, thus enhancing the financial security of veterans' families. Insurance will continue to maintain high levels of customer satisfaction by providing quality services.</p>	<p data-bbox="1083 1100 1416 1535">VA management uses customer satisfaction ratings as a basis for improving services. Staff consistently reviews responses in order to improve work processes in areas where our customers point out deficiencies. VA has also made adjustments based on responses to a survey question that asks, "What could we do better?"</p>
Year/Target	Value																	
2002	95%																	
2003	95%																	
2004	96%																	
2005	96%																	
2006 Result	96%																	
2006 Plan	95%																	
Strategic Target	95%																	



## Related Performance Information

### Major Management Challenges

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

### Program Evaluations

A program evaluation of the Insurance program was completed by ORC Macro; Economic Systems, Incorporated; the Hay Group; and Systems Flow, Incorporated in May 2001. The evaluation concluded the program was effective in meeting its Congressional intent. However, there were several recommendations for improvement, many of which were implemented in previous years.

In 2006 the Insurance Service continued to implement recommendations resulting from the program evaluation. For example, VA developed a formal Veterans' Mortgage Life Insurance (VMLI) outreach program, offering personal contact via telephone calls and letters to inform eligible veterans about the program.

### Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Insurance program during 2005, which resulted in a rating of "Moderately Effective." Please see OMB PART reviews on page 68 for more information.

### New Policies and Procedures

VA's Paperless Processing initiative allows VA to image the Loan and Surrender applications as soon as they are received and immediately create a loan or surrender workflow task for employees of the Policyholders Services. Additionally there are new internal controls reports and tools

for monitoring Loan and Surrender disbursements and accounting actions. These improvements have resulted in a decrease in the processing time of disbursements.

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

The Insurance Web site has several new enhancements including information for Hurricane Katrina victims, comprehensive information about TSGLI, file transfer software to support uploading of documents by Web users, and the VA life insurance handbook. All of these features provide up-to-date information and improve veterans' access to insurance information.

### Other Important Results

In February 2006 the Insurance Service began "combo printing" for insurance disbursements, such as dividends and insurance proceeds. Combo printing is initiated when VBA transmits a daily file to the Department of the Treasury (Treasury) in Austin, Texas. Treasury uses this file to print a letter to the policyholder and enclose it in the same envelope with a matching check. Previously, letters and checks were mailed in separate envelopes.

The "combo printing" process saves postage and is more customer-friendly than mailing a check and letter separately. This results in less confusion for the veteran and beneficiary customers and reduces the number of calls to VBA's telephone units.



## **Data Quality**

VA's data quality improvement efforts, including its work on data verification and validation, are described in the Assessment of Data Quality on page 166.

## **Data Verification and Measure Validation**

Verification and validation information for the key measure that supports this objective is provided in the Key Measures Data Table on page 188.



## STRATEGIC OBJECTIVE 3.4

### *Meeting Burial Needs*

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

## Making a Difference for the Veteran

### Increasing Access to Burial Options



*Barrancas National Cemetery in Pensacola, Florida.*

VA continues to increase the percent of veterans served by a burial option. Two new national cemeteries began interment operations, providing service to veterans in the areas of Atlanta, Georgia, and Detroit, Michigan. With the opening of Georgia and Great Lakes National Cemeteries in 2006, VA operated and maintained 123 national cemeteries in 39 states and Puerto Rico. In 2006 VA national cemeteries interred nearly 97,000 veterans and eligible family members.

VA also administers the State Cemetery Grants program, which provides aid to states to establish, expand, or improve state veterans cemeteries. State veterans cemeteries complement VA national cemeteries by providing a burial option for veterans or eligible family members in areas of the country which may not be served by a national cemetery. In 2006 two new state veterans cemeteries opened in Killeen, Texas, and Redding, California. Overall, 63 operating state veterans cemeteries that have received grants from VA performed more than 20,000 interments in 2006.

With the establishment of these two new national cemeteries and two new state veterans cemeteries, VA now provides reasonable access to a burial option in a national or state veterans cemetery to more than 80 percent of the U.S. veteran population.



**Significant Trends, Impacts, and VA's Use of FY 2006 Results**

Performance Trend	2006 Impact on Veterans	How VA Uses The Data																
<p><b>Key Measure</b> Percent of Veterans Served by a Burial Option Within a Reasonable Distance (75 miles) of Their Residence</p> <table border="1"> <caption>Percent of Veterans Served by a Burial Option Within a Reasonable Distance (75 miles) of Their Residence</caption> <thead> <tr> <th>Year/Target</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>73.9%</td> </tr> <tr> <td>2003</td> <td>75.2%</td> </tr> <tr> <td>2004</td> <td>75.3%</td> </tr> <tr> <td>2005</td> <td>77.1%</td> </tr> <tr> <td>2006 Result</td> <td>80.2%</td> </tr> <tr> <td>2006 Plan</td> <td>81.6%</td> </tr> <tr> <td>Strategic Target</td> <td>90.0%</td> </tr> </tbody> </table>	Year/Target	Percentage	2002	73.9%	2003	75.2%	2004	75.3%	2005	77.1%	2006 Result	80.2%	2006 Plan	81.6%	Strategic Target	90.0%	<p>By the end of 2006, more than 19 million veterans and their families had reasonable access to a burial option. One of VA's primary objectives is to ensure that the burial needs of veterans and eligible family members are met. Having reasonable access is integral to realizing this objective.</p>	<p>VA analyzes census data to determine areas of the country that have the greatest unmet need for service by a burial option. This information is used in planning for new national cemeteries and for gravesite expansion projects to extend the service lives of existing national cemeteries, as well as in prioritizing funding requests for state veterans cemetery grants.</p>
Year/Target	Percentage																	
2002	73.9%																	
2003	75.2%																	
2004	75.3%																	
2005	77.1%																	
2006 Result	80.2%																	
2006 Plan	81.6%																	
Strategic Target	90.0%																	
<p><b>Key Measure</b> Percent of Respondents Who Rate the Quality of Service Provided by National Cemeteries as Excellent</p> <table border="1"> <caption>Percent of Respondents Who Rate the Quality of Service Provided by National Cemeteries as Excellent</caption> <thead> <tr> <th>Year/Target</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>91%</td> </tr> <tr> <td>2003</td> <td>94%</td> </tr> <tr> <td>2004</td> <td>94%</td> </tr> <tr> <td>2005</td> <td>94%</td> </tr> <tr> <td>2006 Result</td> <td>94%</td> </tr> <tr> <td>2006 Plan</td> <td>96%</td> </tr> <tr> <td>Strategic Target</td> <td>100%</td> </tr> </tbody> </table>	Year/Target	Percentage	2002	91%	2003	94%	2004	94%	2005	94%	2006 Result	94%	2006 Plan	96%	Strategic Target	100%	<p>Cemetery service goals are set high consistent with expectations of the families of individuals who are interred as well as other visitors. High-quality, courteous, and responsive service to veterans and their families is reflected in VA's 2006 satisfaction rating. VA continuously strives to improve the quality of service provided by national cemeteries.</p>	<p>VA's annual Survey of Satisfaction with National Cemeteries is the source of data for this key measure. The survey collects data from family members and funeral directors who have recently received services from a national cemetery. These data are shared with NCA managers at the Central Office, Memorial Service Network, and national cemetery levels who use the data to improve the quality of service provided by the national cemeteries.</p>
Year/Target	Percentage																	
2002	91%																	
2003	94%																	
2004	94%																	
2005	94%																	
2006 Result	94%																	
2006 Plan	96%																	
Strategic Target	100%																	



## Related Performance Information

### Major Management Challenges

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

### Program Evaluations

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

In 2006 NCA continued a joint effort with VBA and VA's Office of Policy and Planning to perform a comprehensive program evaluation of the full array of burial benefits and services that VA provides to veterans and their families. The program evaluation will assess, develop, and update program outcomes, goals, and objectives and compare actual program results with established goals.

### Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Burial program during 2002, which resulted in a rating of "Moderately Effective." Please see OMB PART reviews on page 69 for more information.

### New Policies and Procedures

From 2006 through 2009, NCA will establish 10 new national cemeteries. The development of these cemeteries is consistent with current policy to locate national cemeteries in areas with the largest concentration of veterans. Each location will provide a burial option to at least 170,000 veterans not currently served.

In 2006 Georgia and Great Lakes National Cemeteries began interment operations, providing service to veterans in the areas of Atlanta, Georgia, and Detroit, Michigan. A new national cemetery that will provide service to veterans in the Sacramento, California, area began interment operations in October 2006. Another new national cemetery that will provide service to veterans in the South Florida area will begin interment operations in 2007. These four new cemeteries will provide reasonable access to a burial option to 1.5 million veterans.

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

### Other Important Results

In 2006 VA continued to take actions necessary to establish new national cemeteries to provide service to veterans in the areas of greatest need. VA also completed construction projects to extend burial operations at three currently operational national cemeteries.

In addition to building, operating, and maintaining national cemeteries, VA also administers the State Cemetery Grants program, which provides grants to states for up to 100



percent of the cost of establishing, expanding, or improving state veterans cemeteries. Increasing the availability of state veterans cemeteries is a means to provide a burial option to those veterans who may not have reasonable access to a national cemetery. In 2006, 63 operating state veterans cemeteries performed more than 20,000 interments of veterans and eligible family members, and grants were obligated to establish, expand, or improve state veterans cemeteries in 4 states.

### **Data Verification and Measure Validation**

Verification and validation information for the two key measures that support this objective is provided in the Key Measures Data Table on page 190.



## STRATEGIC OBJECTIVE 3.5

### *Symbolic Expressions of Remembrance*

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

## Making a Difference for the Veteran

### Headstones and Markers



*Camp Butler National Cemetery in Springfield, Illinois.*

VA provides headstones and markers for the graves of eligible persons in national, state, other public, and private cemeteries. VA also provides memorial headstones and markers bearing the inscription “In Memory of” to memorialize eligible veterans whose remains were not recovered or identified, were buried at sea, donated to science, or cremated and scattered. VA furnishes approximately 350,000 headstones and markers annually, over 70 percent of which go to cemeteries other than VA national cemeteries.

## Significant Trends, Impacts, and VA’s Use of FY 2006 Results

Performance Trend	2006 Impact on Veterans	How VA Uses The Data																
<p><b>Key Measure</b></p> <p>Percent of Graves in National Cemeteries Marked Within 60 Days of Interment</p> <table border="1"> <caption>Performance Trend Data</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>49%</td> </tr> <tr> <td>2003</td> <td>72%</td> </tr> <tr> <td>2004</td> <td>87%</td> </tr> <tr> <td>2005</td> <td>94%</td> </tr> <tr> <td>2006 Result*</td> <td>95%</td> </tr> <tr> <td>2006 Plan</td> <td>90%</td> </tr> <tr> <td>Strategic Target</td> <td>90%</td> </tr> </tbody> </table>	Year	Percentage	2002	49%	2003	72%	2004	87%	2005	94%	2006 Result*	95%	2006 Plan	90%	Strategic Target	90%	<p>The amount of time it takes to mark the grave after an interment is extremely important to veterans and their families. The headstone or marker is a lasting memorial that serves as a focal point not only for present-day survivors, but also for future generations. In addition, it may bring a sense of closure to the grieving process to see the grave marked. The 2006 achievement not only represents continued improvement, but also indicates that VA is serving veterans and their families well in this area.</p>	<p>NCA field and Central Office employees have on-line access to monthly and fiscal year-to-date tracking reports on timeliness of marking graves in national cemeteries. Increasing the visibility and access of this information reinforces the importance of marking graves in a timely manner. This information is also used to drive process improvements, such as the development of NCA’s local inscription program, which further improve NCA’s ability to provide veterans and their families with these symbolic expressions of remembrance.</p>
Year	Percentage																	
2002	49%																	
2003	72%																	
2004	87%																	
2005	94%																	
2006 Result*	95%																	
2006 Plan	90%																	
Strategic Target	90%																	



## Related Performance Information

### Major Management Challenges

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

### Program Evaluations

In 2006 NCA continued a joint effort with VBA and VA's Office of Policy and Planning to perform a comprehensive program evaluation of the full array of burial benefits and services that VA provides to veterans and their families. The program evaluation will assess, develop, and update program outcomes, goals, and objectives and compare actual program results with established goals.

### Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Burial program during 2002, which resulted in a rating of "Moderately Effective." Please see OMB PART reviews on page 69 for more information.

### New Policies and Procedures

The Veterans Education and Benefits Expansion Act of 2001, Public Law 107-103, as amended by the Veterans Benefits Improvement Act of 2002, Public Law 107-330, allows VA to furnish an appropriate marker for the graves of eligible veterans buried in private cemeteries whose deaths occur on or after September 11, 2001, regardless of whether the grave is already marked with a non-government marker. The authority expires on December 31, 2006. In February 2006, VA submitted a report to Congress recommending the extension of the authority. VA also recommended that it be granted permanent authority to furnish

headstones and markers for graves in private cemeteries previously marked with a non-government marker, and that the date of death clause under the authority be changed to November 1, 1990.

### Other Important Results

In addition to VA national cemeteries, VA also furnishes headstones and markers for national cemeteries administered by the Department of the Army and the Department of the Interior and contracts for all columbaria niche inscriptions at Arlington National Cemetery. In 2006 VA processed over 336,000 applications for headstones and markers for placement in national, state, other public, or private cemeteries. Since 1973 VA has furnished more than 9 million headstones and markers for the graves of veterans and other eligible persons.

VA has established a new performance measure that will help ensure timely and accurate symbolic expressions of remembrance are provided for veterans who are not buried in national cemeteries. NCA receives and processes applications to order headstones and markers for the graves of such veterans. In 2005 (the baseline year), VA processed 13 percent of these applications within 20 days of receipt. In 2006 VA improved this performance to process 62 percent of these applications within 20 days of receipt. VA's long-range performance goal is to process 90 percent of the applications within 20 days of receipt.

Headstones and markers must be replaced when either the government or the contractor makes errors in the inscription, or if the headstone or marker is damaged during installation. When headstones and markers must be replaced, it further delays the final portion of the interment process, the placing of the headstone or marker at the gravesite. NCA will continue to improve accuracy and operational processes in order to reduce the number of inaccurate or damaged headstones and markers delivered to the gravesite. In 2006, 96 percent of headstones and



markers were delivered undamaged and correctly inscribed. In 2006 inscription data for 99 percent of headstones and markers ordered by national cemeteries were accurate and complete. VA will continue to focus on business process reengineering, including improving accuracy and operational processes, in order to reduce delays in marking graves caused by inaccurate or damaged headstones and markers.

In 2006 VA issued nearly 406,000 Presidential Memorial Certificates (PMCs), bearing the President's signature, to convey to the family of the veteran the gratitude of the Nation for the

veteran's service. To convey this gratitude, it is essential that the certificate be accurately inscribed. The accuracy rate for PMCs provided by VA is consistently 98 percent or better.

#### **Data Verification and Measure Validation**

Verification and validation information for the key measure that supports this objective is provided in the Key Measures Data Table on page 190.



## Strategic Goal Four

### *Contributing to the Nation's Well-Being*

#### STRATEGIC OBJECTIVE 4.1

##### *Emergency Preparedness*

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

#### Making a Difference for the Veteran

### The Secretary's Valor Award

Dedication, selflessness, and heroism took center stage at VA Central Office as Secretary of Veterans Affairs R. James Nicholson recognized the efforts of 73 VA police officers and security staff during hurricanes Katrina and Rita. "Our employees are true heroes," Secretary Nicholson said, as he presented them with the Department's Valor Award. "Their professionalism and bravery during an unprecedented catastrophe allowed us to focus on the well-being of our veterans. Even as they endured personal tragedy, they showed a commitment to their patients that never wavered."



*The honorees in front of the White House*

The Secretary's Valor Award recognizes employees and citizens for heroic efforts displayed during a major catastrophe. The Valor Award is the highest level of recognition and is given to VA employees who exhibit courage and who put their lives in jeopardy to save others. These employees were nominated because they exhibited great courage by voluntarily risking their personal safety to prevent the loss of human life or government property. As a result of their efforts, VA maintained continuity of care for several hundred acutely ill veterans under difficult conditions.

In addition to exhibiting heroism in catastrophic situations, hundreds of VA police officers across the country are working day to day in VA hospitals to ensure that they are a safe place for our patients, their families, and VA employees.



**Significant Trends, Impacts, and VA’s Use of FY 2006 Results**

Performance Trend	2006 Impact on Veterans	How VA Uses The Data										
<p><b>Supporting Measure</b> Percent of Emergency Planners Who Have Completed Orientation</p> <table border="1"> <caption>Percent of Emergency Planners Who Have Completed Orientation</caption> <thead> <tr> <th>Year/Target</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2005</td> <td>100%</td> </tr> <tr> <td>2006 Result</td> <td>90%</td> </tr> <tr> <td>2006 Plan</td> <td>100%</td> </tr> <tr> <td>Strategic Target</td> <td>100%</td> </tr> </tbody> </table>	Year/Target	Percentage	2005	100%	2006 Result	90%	2006 Plan	100%	Strategic Target	100%	<p>The decrease in the percent of emergency planners completing orientation was due to personnel turnover at the end of the year. With the exception of the month of December, all emergency planners had received orientation.</p> <p>Continuity of operations (COOP) plans in most VA organizations are fully developed and routinely exercised. The slight reduction in results should not impact the veteran.</p>	<p>VA uses the data to determine contingency planning areas that may need increased attention.</p>
Year/Target	Percentage											
2005	100%											
2006 Result	90%											
2006 Plan	100%											
Strategic Target	100%											
<p><b>Supporting Measure</b> Percent of VA Leadership Who Self-Certify Their Teams “Ready to Deploy” to their COOP Site</p> <table border="1"> <caption>Percent of VA Leadership Who Self-Certify Their Teams “Ready to Deploy” to their COOP Site</caption> <thead> <tr> <th>Year/Target</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2005</td> <td>85%</td> </tr> <tr> <td>2006 Result</td> <td>85%</td> </tr> <tr> <td>2006 Plan</td> <td>100%</td> </tr> <tr> <td>Strategic Target</td> <td>100%</td> </tr> </tbody> </table>	Year/Target	Percentage	2005	85%	2006 Result	85%	2006 Plan	100%	Strategic Target	100%	<p>Most of VA leadership has certified that their teams are ready to deploy to their COOP site. Those who have not done so are in offices undergoing significant reorganizations. However, these organizations still routinely exercise deployment to their COOP site and demonstrate their ability to perform essential functions. Thus, this result should not impact the veteran.</p>	<p>VA uses the data to determine the need for additional exercises and leadership training. VA expects its leaders to be cognizant of COOP requirements and to gain hands-on experience.</p>
Year/Target	Percentage											
2005	85%											
2006 Result	85%											
2006 Plan	100%											
Strategic Target	100%											

**Related Performance Information**

**Major Management Challenges**

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

**GAO**

- Prepare for Biological and Chemical Acts of Terrorism (see page 266 for more details)
- Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security: A Governmentwide High-Risk Area (see page 279 for more details)



### **Program Evaluations**

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

### **Program Assessment Rating Tool (PART) Evaluation**

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

### **New Policies and Procedures**

As a result of lessons learned from Hurricane Katrina across the federal government, the National Response Plan has been revised to improve command and coordination. Under the new Natural Disaster Incident Management Unified Command and Coordination Structure that is employed during a national-level disaster, VA is represented at every level including the White House Homeland Security Council, the Department of Homeland Security National Operations Center, and the Joint Field Office involved in providing federal assistance at the site of the disaster or incident. The Department is positioned to ensure that minimum essential services to our veterans are maintained under all circumstances. VA will assist our Nation's veterans by providing support, along with all other federal partners involved with the National Response Plan, in those areas where our veterans and their families live and work.

### **Data Quality**

VA's data quality improvement efforts including its work on data verification and validation are described in the Assessment of Data Quality on page 166.



## STRATEGIC OBJECTIVE 4.2

### *Medical Research and Development*

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

## Making a Difference for the Veteran

### **Senior VA Research Scientist Receives “Distinguished Scientist Award” from Hepatitis B Foundation**



Raymond Schinazi, Ph.D., one of the Atlanta VA Medical Center's prestigious Senior Career Research Scientists, received the “Distinguished Scientist Award” from the Hepatitis B Foundation during a ceremony on March 25, 2006, in New Hope, Pennsylvania.

Dr. Schinazi was honored with the foundation's highest scientific award in recognition of his extraordinary contributions to the science and discovery of new drugs for the treatment of chronic hepatitis B and his strong commitment to finding a cure for this chronic liver disease.

“The Hepatitis B Foundation is proud to recognize the accomplishments and commitment of Dr. Raymond Schinazi whose work is bringing hope to the 400 million people living with chronic hepatitis B worldwide – a liver disease that infects silently and can progress to fatal cirrhosis and/or liver cancer,” said Timothy M. Block, Ph.D., President of the Hepatitis B Foundation.

“It is estimated that as many as 70% of all people treated for HIV and HBV have been treated by a drug discovered all or in part by Dr. Schinazi, a record not equaled by any other university scientist,” Dr. Block said.

Dr. Schinazi, who is also a Professor of Pediatrics and Director of the Laboratory of Biochemical Pharmacology at Emory University School of Medicine, was one of three celebrated Emory researchers who helped discover a widely-used drug to treat HIV and hepatitis C. In July 2005 their discovery resulted in the single largest payout exceeding \$525 million for intellectual property ever awarded to an American university.



**Significant Trends, Impacts, and VA's Use of FY 2006 Results**

Performance Trend	2006 Impact on Veterans	How VA Uses The Data
<p><b>Key Measure</b> Number of Peer-Reviewed Publications Authored by VA Investigators</p> <p>* Estimated data. Final data are not yet available.</p>	<p>VA's medical research directly impacts the health of veterans. An example of the impact VA research has on the quality of life of veterans and the general population, VA researchers and colleagues found that an experimental vaccine for shingles reduced the incidence by more than half. The results were published in the <u>New England Journal of Medicine</u> in June of 2005. The Food and Drug Administration approved the vaccine in May 2006.</p>	<p>The use of research results to improve health care usually involves publication of significant findings in peer-reviewed scientific journals. Following publication, VA may incorporate the results into VHA Clinical Practice Guidelines.</p>

**Related Performance Information**

**Major Management Challenges**

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

**Program Evaluations**

An independent evaluation of the VA Research program was conducted in July 2006 by the National Research Advisory Council (NRAC), a federal advisory committee. The NRAC was instructed to consider the appropriateness of the research conducted to the VA health care mission. It was also to consider the balance of this research between the burden of disease and the special responsibilities of VA in the areas of mental health, central nervous system injury, and deployment health. The VA Research program was rated "Fully successful." The NRAC recommended that VA research should

include an emphasis on genomics research and research in areas of concern for OIF/OEF veterans.

**Program Assessment Rating Tool (PART) Evaluation**

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Medical Research and Development program during 2005, which resulted in a rating of "Moderately Effective." Please see OMB PART reviews on page 69 for more information.

**New Policies and Procedures**

- VA has established Master Clinical Trial Cooperative Research and Development Agreements to provide a template and set the essential terms for negotiating study-specific agreements with major pharmaceutical companies. These agreements will streamline negotiations with companies that support VA clinical research.



- The Department has developed a streamlined process for collecting and analyzing regulatory approval information prior to the release of research funds.
- VA is publicizing clinical trials that veterans can participate in via a Web site:  
[www.csp.research.med.va.gov](http://www.csp.research.med.va.gov)

### **Data Verification and Measure Validation**

Verification and validation information for the key measure that supports this objective is provided in the Key Measures Data Table on page 192.



## STRATEGIC OBJECTIVE 4.3

### *Academic Partnerships*

*Enhance the quality of care to veterans and provide high-quality educational experiences for health profession trainees, created internally in VA and via partnerships with the academic community.*

## Making a Difference for the Veteran

### Interprofessional Fellowship Program in Patient Safety



*James A. Haley VA Medical Center in Tampa, Florida*

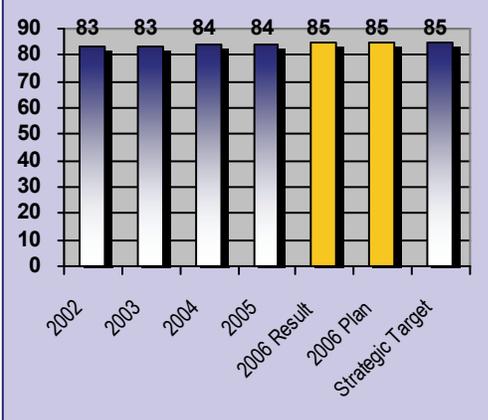
The Patient Safety Center of Inquiry, located at the James A. Haley VA Medical Center in Tampa, Florida, has been approved by the Office of Academic Affiliations as a site for the Interprofessional Fellowship Program in Patient Safety. Two fellows will be funded.

The purpose of this program is to provide post-residency trained physicians and post-doctoral or post-master's degree trained associated health professionals in-depth education in patient safety practice and leadership.

This program takes advantage of the resources of the internationally renowned VHA National Center for Patient Safety both to provide outstanding training opportunities and to contribute to the improvement of patient safety within the VA system, the body of knowledge of research in patient safety, patient safety education to clinicians in training and practice, and the recruitment and retention of patient safety practitioners, officers, managers, researchers, and administrators.



**Significant Trends, Impacts, and VA’s Use of FY 2006 Results**

Performance Trend	2006 Impact on Veterans	How VA Uses The Data																
<p data-bbox="198 428 704 548"><b>Supporting Measure</b> Medical Residents’ and Other Trainees’ Scores on a VHA Survey Assessing Their Clinical Training Experience</p>  <table border="1" data-bbox="207 562 695 982"> <caption>Medical Residents’ and Other Trainees’ Scores on a VHA Survey</caption> <thead> <tr> <th>Year/Target</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>83</td> </tr> <tr> <td>2003</td> <td>83</td> </tr> <tr> <td>2004</td> <td>84</td> </tr> <tr> <td>2005</td> <td>84</td> </tr> <tr> <td>2006 Result</td> <td>85</td> </tr> <tr> <td>2006 Plan</td> <td>85</td> </tr> <tr> <td>Strategic Target</td> <td>85</td> </tr> </tbody> </table>	Year/Target	Score	2002	83	2003	83	2004	84	2005	84	2006 Result	85	2006 Plan	85	Strategic Target	85	<p data-bbox="724 428 1062 621">In general, for all types of businesses, there is considerable evidence that employee satisfaction impacts customer satisfaction.</p> <p data-bbox="724 659 1062 989">The VA clinical training survey measures the satisfaction of VA clinical trainees who come in contact with veteran patients, the customers. Clinical trainees who are satisfied with their clinical training can impact how veterans view their care.</p>	<p data-bbox="1081 428 1419 621">The survey results are used by VA medical facilities, VA’s Integrated Service Networks (VISNs), and VA leadership to assess the VA clinical training program.</p> <p data-bbox="1081 659 1419 1591">At the facility level, the survey data are available in such granularity that VA program officials are able to identify areas of strength and opportunities for improvement in clinical training programs. The survey reports on the perceptions of the trainees concerning specific domains (quality of the faculty, learning environment, working environment, physical environment, and personal experience) and provides trend data so that program officials can monitor changes in specific areas over time. In order to maintain VA as a preferred training site for future health care professionals, it is important to know how trainees view VA training versus training in non-VA settings.</p>
Year/Target	Score																	
2002	83																	
2003	83																	
2004	84																	
2005	84																	
2006 Result	85																	
2006 Plan	85																	
Strategic Target	85																	

**Related Performance Information**

**Major Management Challenges**

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

OIG

- VA Disbursement Agreements with Affiliated Medical Schools (see page 232 for more details)



## **Program Evaluations**

The Secretary of Veterans Affairs established a Federally Chartered Advisory Committee on Resident Education. The Advisory Committee was charged with examining the philosophy and deployment of VA's residency training positions and undertook a broad assessment of graduate medical education in relationship to veterans' future health-care needs. The Advisory Committee affirmed the critical role that VA plays in providing high-quality graduate medical education from the general perspective of the preparation of the Nation's future physicians and, more specifically, from the perspective of meeting VA health-care delivery needs. The Advisory Committee recommended, "VA should restore and maintain its historic support for 11 percent of total U.S. physician resident positions." The Under Secretary for Health tasked the Chief Academic Affiliations Officer to develop an implementation plan to increase the number of physician resident positions and the proportionate share of total U.S. positions funded by VA.

### **Program Assessment Rating Tool (PART) Evaluation**

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

### **Data Quality**

VA's data quality improvement efforts including its work on data verification and validation are described in the Assessment of Data Quality on page 166.



## STRATEGIC OBJECTIVE 4.4

### *Socioeconomic Well-Being of Veterans*

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

## Making a Difference for the Veteran

### **VA Leads Federal Government in Contracting with Disabled Veterans**



*Scott Denniston, left, director of VA's Center for Veterans Enterprise, talks with Danny Cobb, a Marine Corps veteran who recently started his own business in Frederick, Maryland, at the center's open house held in March 2006.*

Edging closer to its target for contracting with service-disabled, veteran-owned businesses, the Department of Veterans Affairs has bested other federal agencies, according to a report on last year's federal contracting program.

Of 18 federal agencies that procured at least \$1 billion through contracts, VA led in its percentage – 2.15 percent – of total procurement dollars awarded to small businesses run by veterans disabled during military service. VA awarded more than \$200 million to these veteran-owned businesses in fiscal year 2005 – the most recent year for which complete data are available. Through July 2006, VA had awarded 3.68% of its total procurement dollars to service-disabled veteran-owned small businesses.

“VA is committed to helping veterans, not just with health care and other benefits, but in experiencing the opportunities of entrepreneurship,” said the Honorable R. James Nicholson, Secretary of Veterans Affairs.

VA's leadership role in supporting service-disabled, veteran-owned businesses was cited in the Small Business Goaling Report issued by the Small Business Administration in June 2006. According to the report, VA's \$9.8 billion in total acquisitions last year made it the fourth largest purchaser of goods and services within the federal government, behind the Department of Defense, the Department of Energy, and the National Aeronautics and Space Administration.

Across the federal government, the report said contracts with service-disabled veterans increased to \$1.9 billion last year, up by 58 percent since 2004.



**Significant Trends, Impacts, and VA's Use of FY 2006 Results**

Performance Trend	2006 Impact on Veterans	How VA Uses The Data																
<p><b>Supporting Measure</b></p> <p>Attainment of statutory minimum goals for service-disabled veteran-owned small businesses expressed as a percent of total procurement dollars</p> <table border="1"> <caption>Supporting Measure Data</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>0.61%</td> </tr> <tr> <td>2003</td> <td>0.49%</td> </tr> <tr> <td>2004</td> <td>1.25%</td> </tr> <tr> <td>2005*</td> <td>2.15%</td> </tr> <tr> <td>2006 Result**</td> <td>3.68%</td> </tr> <tr> <td>2006 Plan</td> <td>3.00%</td> </tr> <tr> <td>Strategic Target</td> <td>3.00%</td> </tr> </tbody> </table> <p>* Corrected ** Actual data through July 2006. Final data are not yet available.</p>	Year	Percentage	2002	0.61%	2003	0.49%	2004	1.25%	2005*	2.15%	2006 Result**	3.68%	2006 Plan	3.00%	Strategic Target	3.00%	<p>VA continues to be a leader in contracting with veteran-owned and service-disabled veteran-owned small businesses. Contracting with these firms is a logical extension of the VA mission and contributes to the economic vitality of this important business community. Increased spending also makes entrepreneurship a viable and attractive career option for America's veterans.</p>	<p>These data assist VA leadership, the Congress, the veteran entrepreneurial community, and other stakeholders in gauging the extent of VA compliance and success in implementing the Veterans Entrepreneurship and Small Business Development Act of 1999 (P.L. 106-50); the Veterans Benefits Act of 2003; and Executive Order 13360, <i>Providing Opportunities for Service-Disabled Veteran Businesses to Increase Their Federal Contracting and Subcontracting</i>, issued in October 2004.</p> <p>The results help VA program management identify areas for improvement and assist in identifying training and vendor outreach needs.</p>
Year	Percentage																	
2002	0.61%																	
2003	0.49%																	
2004	1.25%																	
2005*	2.15%																	
2006 Result**	3.68%																	
2006 Plan	3.00%																	
Strategic Target	3.00%																	

**Related Performance Information**

**Major Management Challenges**

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

**Program Evaluations**

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

**Program Assessment Rating Tool (PART) Evaluation**

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

**Data Quality**

VA's data quality improvement efforts including its work on data verification and validation are described in the Assessment of Data Quality on page 166.



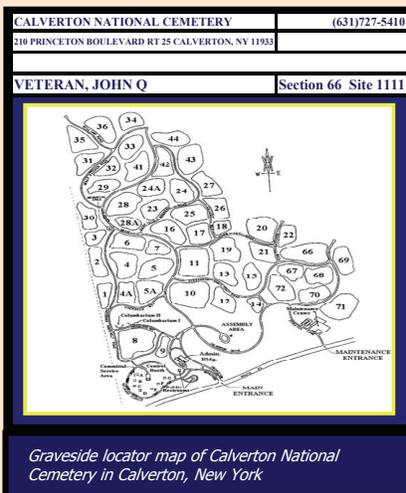
## STRATEGIC OBJECTIVE 4.5

### *Maintaining National Cemeteries as Shrines*

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

## Making a Difference for the Veteran

### VA Adds Maps to Online Nationwide Gravesite Locator



The grave locations of more than 3 million veterans and dependents buried in national cemeteries can be found more easily now because the Department of Veterans Affairs has added maps of burial sections online that can be printed from home computers and at national cemetery kiosks.

The latest improvement builds upon a service begun 2 years ago, in which a VA online feature permits family members to find the cemetery in which their loved one is buried.

“This new map feature makes it easier for families, friends, and researchers to find the exact location of a veteran’s grave in all national cemeteries and some state veterans cemeteries,” said the Honorable R. James Nicholson, Secretary of Veterans Affairs. “It enhances VA’s service

at national cemeteries, already highly regarded, and our commitment to them as national shrines and historic treasures.”

The Nationwide Gravesite Locator (<http://gravelocator.cem.va.gov>), online since April 2004, makes it easier for anyone with Internet access to search for the gravesite locations of deceased family members and friends, and to conduct genealogical research. Making it easier to identify burial locations may bring more visitors to the honored resting places that VA considers national shrines and historic treasures.



**Significant Trends, Impacts, and VA's Use of FY 2006 Results**

Performance Trend	2006 Impact on Veterans	How VA Uses The Data																
<p data-bbox="370 422 537 449"><b>Key Measure</b></p> <p data-bbox="220 455 683 512">Percent of Respondents Who Rate National Cemetery Appearance as Excellent</p> <table border="1"> <caption>Performance Trend Data</caption> <thead> <tr> <th>Year/Target</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>97%</td> </tr> <tr> <td>2003</td> <td>97%</td> </tr> <tr> <td>2004</td> <td>98%</td> </tr> <tr> <td>2005</td> <td>98%</td> </tr> <tr> <td>2006 Result</td> <td>97%</td> </tr> <tr> <td>2006 Plan</td> <td>99%</td> </tr> <tr> <td>Strategic Target</td> <td>100%</td> </tr> </tbody> </table>	Year/Target	Percentage	2002	97%	2003	97%	2004	98%	2005	98%	2006 Result	97%	2006 Plan	99%	Strategic Target	100%	<p>National cemeteries carry expectations of appearance that set them apart from private cemeteries. Our Nation is committed to create and maintain these sites as national shrines. The 2006 score reflects VA's commitment to maintain the appearance of national cemeteries as national shrines so that bereaved family members are comforted when they come to the cemetery for the interment, or later to visit the grave(s) of their loved one(s). Our Nation's veterans have earned the appreciation and respect not only of their friends and families, but also of the entire country and our allies.</p>	<p>VA's annual Survey of Satisfaction with National Cemeteries is the source of data for this key measure. The survey collects data from family members and funeral directors who have recently received services from a national cemetery. These data are shared with NCA managers at VA Central Office, Memorial Service Network, and national cemetery levels who use these data to improve the appearance of national cemeteries.</p>
Year/Target	Percentage																	
2002	97%																	
2003	97%																	
2004	98%																	
2005	98%																	
2006 Result	97%																	
2006 Plan	99%																	
Strategic Target	100%																	

**Related Performance Information**

**Major Management Challenges**

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

**Program Evaluations**

The Veterans Millennium Health Care and Benefits Act, Public Law 106-117, directed VA to contract for an independent study to look at various issues related to the National Shrine Commitment and its focus on cemetery appearance. Volume 3: Cemetery Standards of Appearance was published in March 2002. This

report served as a planning tool and reference guide in the task of reviewing and refining VA's operational standards and measures.

In August 2002, Volume 2: National Shrine Commitment was completed. This report identified the one-time repairs needed to ensure a dignified and respectful setting appropriate for each national cemetery. VA is using the information in this report to address repair and maintenance needs at national cemeteries. Through 2006 NCA has addressed approximately 25 percent of the total repairs identified in this report.



## Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Burial program during 2002, which resulted in a rating of "Moderately Effective." Please see OMB PART reviews on page 69 for more information.

## New Policies and Procedures

In order to ensure a high-performing, well-trained workforce, VA established the National Cemetery Administration Training Center in 2004. Initially focused on training cemetery directors and assistant directors, the new facility has expanded its classes to train supervisors, foremen, gardeners, cemetery representatives, and contracting officer technical representatives. As the facility continues to expand its classes, training for other employees, such as equipment operators, will be added to the curriculum. As eight more new national cemeteries become operational by the end of this decade, the center's efforts will help ensure consistency in operations throughout the national cemetery system as well as a high-performing workforce and well-trained staff for key positions.

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

In 2006 VA improved its Web-based (Internet) Nationwide Gravesite Locator (NGL) system to include a mapping feature that shows the burial

sections of each VA national cemetery and some state veterans cemeteries. This feature enables families, friends, and researchers to more easily find an exact grave location in these cemeteries. The NGL, originally launched in 2004, contains more than 3 million records of veterans and dependents buried in VA's 123 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.

## Other Important Results

The willingness to recommend the national cemetery to veteran families during their time of need is an expression of loyalty toward that national cemetery. In 2006, 98 percent of survey respondents (family members and funeral directors who have recently received services from a national cemetery) indicated they would recommend the national cemetery to veteran families in their time of need.

VA has established standards and measures by which NCA can determine the effectiveness and efficiency of its operations. These standards and measures identify performance expectations in key operational processes including interments, grounds maintenance, and headstones and markers.

To ensure the appearance of national cemeteries meets the standards our Nation expects of its national shrines, VA performed a wide variety of grounds management functions including raising, realigning, and cleaning headstones to ensure uniform height and spacing and to improve appearance. The rows of pristine, white headstones that are set at the proper height and correct alignment provide the vista that is the hallmark of many VA national cemeteries. In 2006 VA collected data that showed that 67 percent of headstones and/or markers in national cemeteries are at the proper height and alignment; 77 percent of headstones, markers, and niche covers are clean and free of debris or objectionable accumulations; and 86 percent of



gravesites in national cemeteries had grades that were level and blended with adjacent grade levels. In 2006 VA initiated National Shrine Commitment projects at 11 national cemeteries. These projects will raise, realign, and clean more than 145,000 headstones and markers and renovate gravesites in nearly 65 acres. While attending to these highly visible aspects of our national shrines, VA also maintained roads, drives, parking lots, and walks; painted buildings, fences, and gates; and repaired roofs, walls, and irrigation and electrical systems.

In 2006 more than 97 percent of survey respondents (family members and funeral directors combined) agreed that the overall appearance of national cemeteries was excellent. The response rate solely among family members was slightly higher at nearly 98 percent. Performance on this key initiative is statistically unchanged from the previous year, and the results demonstrate VA's continued commitment to maintaining national cemeteries as shrines dedicated to preserving our Nation's history, nurturing patriotism, and honoring the service and sacrifice veterans have made.

NCA has also established an Organizational Assessment and Improvement Program to identify and prioritize improvement opportunities and to enhance program accountability by providing managers and staff at all levels with one NCA "scorecard." As part of the program, assessment teams conduct site visits to all national cemeteries on a rotating basis to validate performance reporting. NCA schedules 12 visits each year to a representative group of national cemeteries from each Memorial Service Network that illustrates the diversity of our system in terms of age, size, workload, and climate. To date, NCA has completed 25 site visits assessing 43 national cemeteries. Ten visits assessing 16 national cemeteries were conducted in 2006.

VA continued its partnerships with various civic organizations that provide volunteers and other participants to assist in maintaining the

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

### Data Verification and Measure Validation

Verification and validation information for the key measure that supports this objective is provided in the Key Measures Data Table on page 192.



## Enabling Goal

### *Applying Sound Business Principles*

#### **ENABLING OBJECTIVE E-1**

##### ***Development and Retention of a Competent Workforce***

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

### **Making a Difference for the Veteran**

#### **VA Medical Center Named as a *Nursing Magnet Facility***



*Portland VA Medical Center  
Nurse Magnet Team*

In May 2006 the Portland, Oregon, VA Medical Center joined an elite group of only 3 percent of the Nation's hospitals by being named a nursing "magnet facility." It shares this distinction with VA medical centers in Tampa and Houston. Magnet designation recognizes facilities that provide the very best nursing care and encourage an environment where nurses do quality work.

The Magnet Recognition Program for Excellence in Nursing Services comes from the American Nurses Credentialing Center, the Nation's largest and most respected nursing accrediting and credentialing organization. As the professional nursing Gold Standard, the magnet program grew up around the study of what attracts nurses to a given institution, what contributes to their decision to stay or leave, and the associated quality of patient care.

Sherri Atherton, MS, RN, CNS, CIC, and Nadine Johnson, MSN, RN, CPHQ, led the Magnet team, which included nurses representing every unit in the medical center. They meticulously compiled documentation for the application process—documentation that ultimately stood 15.5 inches tall and weighed 40 pounds. In June 2005 the application was submitted, with more information requested and submitted in November.

After initial evaluation, two nurse surveyors visited the medical center in March 2006 to verify the documentation and meet with a variety of people at the medical center, including patients and their families, representatives from affiliated health-care and teaching institutions, and others outside the medical center to learn more about the facility and quality of care. "This formal recognition only validates what I have known for a long time: our nurses are world class, supported by an environment of world-class colleagues," said Medical Center Director James Tuchs Schmidt, MD, MM.



**Significant Trends, Impacts, and VA's Use of FY 2006 Results**

Performance Trend	2006 Impact on Veterans	How VA Uses The Data														
<p data-bbox="321 434 581 464"><b>Supporting Measure</b></p> <p data-bbox="250 468 652 520">Percentage of VA employees who are veterans</p> <table border="1"> <caption>Percentage of VA employees who are veterans</caption> <thead> <tr> <th>Year/Target</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2003</td> <td>24%</td> </tr> <tr> <td>2004</td> <td>26%</td> </tr> <tr> <td>2005</td> <td>28%</td> </tr> <tr> <td>2006 Result</td> <td>30.6%</td> </tr> <tr> <td>2006 Plan</td> <td>30%</td> </tr> <tr> <td>Strategic Target</td> <td>36%</td> </tr> </tbody> </table>	Year/Target	Percentage	2003	24%	2004	26%	2005	28%	2006 Result	30.6%	2006 Plan	30%	Strategic Target	36%	<p>In 2006 the National Veterans Employment Program continued to develop and implement effective outreach and recruiting strategies to increase the number of veterans capable of filling vacancies in VA. Increased emphasis was given to returning servicemembers from Operation Enduring Freedom and Operation Iraqi Freedom.</p>	<p><b>Background:</b> A 2006 report submitted to Congress cited a “lack of knowledge of special appointing authorities” as a key barrier to the hiring of veterans in the federal sector. To help facilitate the hiring of veterans, VA human resources (HR) offices have been asked to designate an HR specialist as a Veterans Employment Coordinator (VEC). The VEC will help guide the facility’s effort to attract, recruit, and select veteran applicants for employment.</p> <p><b>Use:</b> This measure is a critical success indicator. Continual results monitoring will become increasingly important as the pace of retirements of Vietnam-era veterans quickens and thus makes it more difficult for VA to maintain its veteran employment level.</p>
Year/Target	Percentage															
2003	24%															
2004	26%															
2005	28%															
2006 Result	30.6%															
2006 Plan	30%															
Strategic Target	36%															

**Related Performance Information**

**Major Management Challenges**

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

GAO

- Strategic Human Capital Management: A Governmentwide High-Risk Area (see page 277 for more details)

**Program Evaluations**

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

**Program Assessment Rating Tool (PART) Evaluation**

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



### **New Policies and Procedures**

HR offices are designating an HR specialist as the Veterans Employment Coordinator.

VA produced and distributed CD-ROMs providing information on VA careers to military separation centers.

### **Other Important Results**

Retirements of Vietnam-era veteran employees are accelerating, compounding the difficulties in maintaining veteran employment levels.

### **Data Quality**

VA's data quality improvement efforts including its work on data verification and validation are described in the Assessment of Data Quality on page 166.



## ENABLING OBJECTIVE E-2

### *Outreach and Communications*

*Improve communication with veterans, employees, and stakeholders about VA's mission, goals, and current performance, as well as benefits and services that the Department provides.*

## Making a Difference for the Veteran

### Emissary of Hope Honored for Aid to Combat Veterans



*Army Specialist Brian Anderson delivers the milkshake he promised Jim Mayer while hospitalized at Walter Reed. Anderson lost both legs and an arm in an IED explosion in Iraq. At right is Army Maj. David Rozelle, who lost a foot in a land mine explosion and later became the first Iraq war amputee to return to combat.*

On April 13, 2006, veterans honored the real-life volunteer introduced to 75 million Doonesbury readers as "Jim the Milkshake Man" for his bedside visits to wounded vets at the Walter Reed Army Medical Center.

Jim Mayer was recognized at Walter Reed for his 500th peer visit. It's called a peer visit because Mayer, like many of the war-wounded veterans in hospital beds, lost his legs in a land mine explosion.

Mayer's amputations arose from the Vietnam War. Besides the occasional milkshake, he brings to their bedside a message of hope based on lessons learned since his own traumatic injuries 37 years ago.

In a recognition ceremony, the Honorable R. James Nicholson, Secretary of Veterans Affairs, told Mayer, "Jim has a unique perspective; he has been through what these young troopers are enduring. He really helps them come to a renewed belief in themselves, in their capacity for challenge, change and opportunity -- and in their ability to do what they may have thought impossible."

The Milkshake Man became a household name after the Doonesbury character B.D. was depicted losing his leg in a 2004 cartoon. In B.D.'s recovery in Walter Reed's ward 57, he finds inspiration from dedicated staff and trained volunteers like Mayer.

A native of St. Louis who joined VA in 1974, Mayer currently is an outreach official in the Office of Seamless Transition, working to ensure that as combat veterans separate from military service, they can move seamlessly into VA programs.

But it is Mayer's volunteer work with wounded servicemembers that earned him special recognition. He is one of a group of Vietnam veteran volunteers who work together to help today's severely wounded veterans before and after their discharge by providing support and friendship.

Nicholson applauded him for making an "inspiring impact on the lives of all the young heroes you've cared for, cajoled, kidded, consoled and loved."



**Significant Trends, Impacts, and VA’s Use of FY 2006 Results**

Performance Trend	2006 Impact on Veterans	How VA Uses The Data																
<p><b>Supporting Measure</b> Percentage of Statutory Reports that are Submitted to Congress by the Due Date</p> <table border="1"> <caption>Percentage of Statutory Reports Submitted to Congress by the Due Date</caption> <thead> <tr> <th>Year/Target</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2005</td> <td>21%</td> </tr> <tr> <td>2006 Result</td> <td>13%</td> </tr> <tr> <td>2006 Plan</td> <td>35%</td> </tr> <tr> <td>Strategic Target</td> <td>100%</td> </tr> </tbody> </table>	Year/Target	Percentage	2005	21%	2006 Result	13%	2006 Plan	35%	Strategic Target	100%	<p>Congressionally mandated reports are used by Congress to determine how successful new legislative initiatives are or to monitor the continued appropriateness of other programs.</p> <p>By providing these reports to Congress in a timely manner, the Office of Congressional and Legislative Affairs (OCLA) is able to impact the passage of legislation that will benefit veterans.</p>	<p>In 2006 this measure was elevated to a “Departmental Management” measure in order to increase the Department’s emphasis on the need to improve the timeliness of the Department’s submissions of statutory reports to Congress.</p>						
Year/Target	Percentage																	
2005	21%																	
2006 Result	13%																	
2006 Plan	35%																	
Strategic Target	100%																	
<p><b>Supporting Measure</b> Percent of Newly Elected/Appointed State Officials Briefed Within 60 days of Taking Office Regarding VA Programs/Services</p> <table border="1"> <caption>Percent of Newly Elected/Appointed State Officials Briefed Within 60 days of Taking Office Regarding VA Programs/Services</caption> <thead> <tr> <th>Year/Target</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>75%</td> </tr> <tr> <td>2003</td> <td>80%</td> </tr> <tr> <td>2004</td> <td>90%</td> </tr> <tr> <td>2005</td> <td>100%</td> </tr> <tr> <td>2006 Result</td> <td>100%</td> </tr> <tr> <td>2006 Plan</td> <td>100%</td> </tr> <tr> <td>Strategic Target</td> <td>100%</td> </tr> </tbody> </table>	Year/Target	Percentage	2002	75%	2003	80%	2004	90%	2005	100%	2006 Result	100%	2006 Plan	100%	Strategic Target	100%	<p>As the Chief Executive Officer and Commander-in-Chief for the National Guard of their respective states, governors serve as important outreach force multipliers and opinion leaders for veterans’ issues across the Nation. Establishing contact with each governor following election or appointment is essential to maintaining effective intergovernmental relationships. Governors’ appointed representatives, the State Directors of Veterans Affairs, work directly with VA and with state veterans programs to ensure that veterans in their states receive both federal and state earned benefits.</p>	<p>VA leadership uses these data to focus on initiating and maintaining continuous and productive relationships with key state leaders and to encourage their support of veterans and veterans’ programs both at the state and federal level.</p>
Year/Target	Percentage																	
2002	75%																	
2003	80%																	
2004	90%																	
2005	100%																	
2006 Result	100%																	
2006 Plan	100%																	
Strategic Target	100%																	



## **Related Performance Information**

### **Major Management Challenges**

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

### **Program Evaluations**

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

### **Program Assessment Rating Tool (PART) Evaluation**

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

### **New Policies and Procedures**

In 2006 OCLA implemented a Congressionally Mandated Reports Web site to provide information to all VA offices on what reports are coming due.

### **Other Important Results**

In 2006 VA submitted mandatory reports to Congress closer to the actual due dates.

### **Data Quality**

VA's data quality improvement efforts including its work on data verification and validation are described in the Assessment of Data Quality on page 166.



## ENABLING OBJECTIVE E-3

### Reliable and Secure Information Technology

Implement a One-VA information technology framework that enables the consolidation of IT solutions and the creation of cross-cutting common services to support the integration of information across business lines and provides secure, consistent, reliable, and accurate information to all interested parties.

## Making a Difference for the Veteran

### VA Receives Major Award for Electronic Information Sharing

The continuing success of its industry-leading electronic medical records has earned VA a prestigious national award in information technology. The award was given in March 2006.

The award cites VA's collaboration with the Department of Defense (DoD) on electronic medical records for patients receiving care from both departments. The award was given by the American Council for Technology, an organization of industry and government executives who work together to improve the government's computerized programs.

"VA patients see the benefits of our electronic patient records every time a lab test isn't repeated because the results were lost, when health care professionals can see x-rays on their

The screenshot displays a medical software interface with a menu bar (File, Options, View, Reports, Help, Testing), a patient information section (Patient: 1924 50050000 NON-VETERAN (OTHER)), and a central window titled 'MADTLF F: 4 Images found.' Below this, there are sections for 'Lab Results' and 'Laboratory Results: Worksheet - All Results'. A table of lab results is visible, including columns for Date/Time, Specimen, PCV, HGB, HCT, RBC, and WBC. A line graph is also present, showing trends over time. At the bottom of the screenshot, a yellow box contains the text: 'Electronic Medical Record used in Bidirectional Health Information Exchange'.

laptops, when pharmacy prescriptions don't conflict with other medication," said the Honorable R. James Nicholson, Secretary of Veterans Affairs. "The VA-DoD partnership will provide the same high-quality records for all the patients treated by both departments."

Called the Bidirectional Health Information Exchange, the VA-DoD system permits the secure exchange of medical records, thereby avoiding duplicate testing or even surgeries. Currently, nine military medical centers are able to accept data from VA. All VA facilities can receive the military's health-care information electronically.

The kinds of data exchanged so far include demographic information on patients, outpatients' pharmaceuticals, laboratory and radiology test results, and drug and food allergies.

"An integrated health technology system that allows for the real-time transfer of patient information is the future of medicine," said VA's Under Secretary for Health. "We will continue to collaborate with DoD and all our federal health-care partners until that future becomes reality."

The Excellence.Gov award is for collaborative technologies proven effective in meeting objectives in business and service improvements and using accepted best standards and practices for shared information.



**Significant Trends, Impacts, and VA's Use of FY 2006 Results**

Performance Trend	2006 Impact on Veterans	How VA Uses The Data												
<p><b>Supporting Measure</b> Number of Distinct Data Exchanges Between VA and DoD</p> <table border="1"> <caption>Data for Supporting Measure Chart</caption> <thead> <tr> <th>Category</th> <th>From VA to DoD</th> <th>From DoD to VA</th> </tr> </thead> <tbody> <tr> <td>2006 Result</td> <td>8</td> <td>20</td> </tr> <tr> <td>2006 Plan</td> <td>10</td> <td>20</td> </tr> <tr> <td>Strategic Target</td> <td>1</td> <td>1</td> </tr> </tbody> </table>	Category	From VA to DoD	From DoD to VA	2006 Result	8	20	2006 Plan	10	20	Strategic Target	1	1	<p>The gradual reduction in data exchanges between VA and DoD systems will eliminate data inconsistencies between the two agencies. This is critical, particularly in areas such as separation data and medical records.</p> <p>Our long-term effort will focus on establishing a central One VA data service that provides one-stop access to all data required in the processing of VA benefits.</p>	<p>The degree to which VA and DoD are successful in the consolidation of the many distinct data exchanges is an indication of the progress being made towards adapting legacy applications to a more modern enterprise data service-oriented architecture. In the long-term, this will have the following impact:</p> <ul style="list-style-type: none"> <li>▪ Less architecture complexity.</li> <li>▪ Less redundant systems.</li> <li>▪ Streamlined change request processes.</li> <li>▪ Improved data quality.</li> <li>▪ More automation potential for processing work.</li> </ul>
Category	From VA to DoD	From DoD to VA												
2006 Result	8	20												
2006 Plan	10	20												
Strategic Target	1	1												

**Related Performance Information**

**Major Management Challenges**

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

**OIG**

- VA Information Security Program Reviews (see page 242 for more details)
- VA Information Security Controls (see page 244 for more details)

**GAO**

- Financial Management Weaknesses: Information Systems Security and Financial Management System Integration (see page 267 for more details)
- Enterprise Architecture Documentation (see page 269 for more details)

- Performance Measures (OIT) (see page 269 for more details)
- VA-DoD Information Sharing (see page 270 for more details)
- Protecting The Federal Government's Information Systems and the Nation's Critical Infrastructures: A Governmentwide High-Risk Area (see page 271 for more details)
- Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security: A Governmentwide High-Risk Area (see page 279 for more details)

**Program Evaluations**

During the summer of 2006, the Office of Cyber and Information Security contracted for and began an independent verification and validation



of its Certification and Accreditation (C&A) program to assess the quality of C&As conducted on 585 systems in 2005. Preliminary results have provided feedback for improvements that are being implemented in the C&A program.

### **Program Assessment Rating Tool (PART) Evaluation**

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

### **New Policies and Procedures**

The Office of Cyber and Information Security published two new policies: VA Directive 6500 entitled “Information Security Program,” establishes the VA’s information security program and assigns Department roles and responsibilities. VA Directive 6504 entitled “Restrictions on Transmission, Transportation and Use of, and Access to, VA Data Outside VA Facilities,” outlines the policy and procedures for protecting sensitive information when it is removed from VA facilities.

### **Other Important Results**

The One VA IT Enterprise Program Management Office (EPMO) initiative proposes to achieve proactive oversight of information technology (IT) development and steady state programs through mentoring and assistance, tracking program execution, and establishing consistent, repeatable processes. To accomplish this, VA has begun to implement regularly scheduled program management reviews (PMRs), using a clear, uniform reporting format, to capture essential information regarding obligations and expenditures, adequacy of staffing, and schedule, risk, and performance assessments. The PMRs ensure that program officials have considered all tenets of good program management while allowing the program manager flexibility to tailor materials to meet specific program requirements. The PMR

process is a key step in maturing and improving VA’s IT program oversight.

In addition, EPMO has conducted extensive integrated baseline reviews (IBRs) on 75 percent of VA’s major development IT programs. The Office of Management and Budget has recently mandated IBRs, which are considered to be a best practice in program management oversight.

### **Data Quality**

VA’s data quality improvement efforts, including its work on data verification and validation, are described in the Assessment of Data Quality on page 166.



## ENABLING OBJECTIVE E-4

### *Sound Business Principles*

*Improve the overall governance and performance of VA by applying sound business principles; ensuring accountability; employing resources effectively through enhanced capital asset management, acquisition practices, and competitive sourcing; and linking strategic planning to budgeting and performance.*

## Making a Difference for the Veteran

### VA Earns “Green” for PMA Real Property Initiative



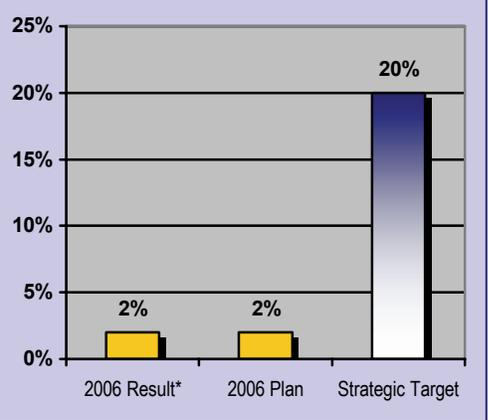
*Palo Alto VA Medical Center*

VA's inventory of real property includes over 5,000 owned buildings, approximately 1,000 operational leases, and nearly 33,000 acres of land. The Department's vast portfolio of capital assets is tracked and reported by the Capital Asset Management System (CAMS), a comprehensive performance portfolio management system. CAMS and its source systems have enabled VA to meet Federal Real Property Council requirements for reporting federal real property inventory and performance.

VA annually updates its five-year capital plan, which is the culmination of the Department's capital investment process. VA's three-tiered approach, including the use of CAMS and the five-year capital plan, ensures that assets fully support the mission, vision, and goals of the Department as well as the President's Management Agenda. VA's initiatives to improve and strengthen its capital asset management program earned the Department a “green” status for the President's Management Agenda Real Property Initiative. VA was the third agency to accomplish this important achievement.



**Significant Trends, Impacts, and VA’s Use of FY 2006 Results**

Performance Trend	2006 Impact on Veterans	How VA Uses The Data								
<p><b>Supporting Measure</b> Total Annual Value of Joint VA/DoD Procurement Contracts for High-Cost Medical Equipment (\$ millions)</p>  <table border="1"> <caption>Total Annual Value of Joint VA/DoD Procurement Contracts for High-Cost Medical Equipment (\$ millions)</caption> <thead> <tr> <th>Category</th> <th>Value (\$ millions)</th> </tr> </thead> <tbody> <tr> <td>2006 Result</td> <td>\$150</td> </tr> <tr> <td>2006 Plan</td> <td>\$150</td> </tr> <tr> <td>Strategic Target</td> <td>\$200</td> </tr> </tbody> </table>	Category	Value (\$ millions)	2006 Result	\$150	2006 Plan	\$150	Strategic Target	\$200	<p>VA/DoD use of joint contracting saves money when compared to using individual contracting methods. Money saved can be devoted to the care of the veteran.</p>	<p>VA uses the data to verify that joint contracting vehicles are being used by the facilities as intended.</p>
Category	Value (\$ millions)									
2006 Result	\$150									
2006 Plan	\$150									
Strategic Target	\$200									
<p><b>Supporting Measure</b> Cumulative Percentage Decrease in Facility Traditional Energy Consumption per Gross Square Foot from the 2003 Baseline</p>  <table border="1"> <caption>Cumulative Percentage Decrease in Facility Traditional Energy Consumption per Gross Square Foot from the 2003 Baseline</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2006 Result*</td> <td>2%</td> </tr> <tr> <td>2006 Plan</td> <td>2%</td> </tr> <tr> <td>Strategic Target</td> <td>20%</td> </tr> </tbody> </table> <p><small>* Estimated data. Final data are not yet available.</small></p>	Category	Percentage	2006 Result*	2%	2006 Plan	2%	Strategic Target	20%	<p>Increased savings in energy-related costs can be devoted to providing improved veteran services.</p>	<p>VA uses the data to monitor and report energy efficiency at facilities. The data help identify good energy performance practices for possible nationwide replication. Conversely, management also uses the data to identify where energy efficiency improvements may be needed.</p>
Category	Percentage									
2006 Result*	2%									
2006 Plan	2%									
Strategic Target	20%									

**Related Performance Information**

**Major Management Challenges**

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

OIG

- VHA Budget Process (see page 232 for more details)
- Financial Management Controls (see page 233 for more details)



- Medical Care Collections Fund (see page 234 for more details)
- Permanent Change of Station Travel Program (see page 236 for more details)
- Data Validity in Outpatient Scheduling (see page 237 for more details)
- VA Acquisitions for Other Government Agencies (see page 237 for more details)
- Acquisition of Medical Transcription Services (see page 238 for more details)
- VA Central Office Acquisition Issues (see page 239 for more details)
- Vocational Rehabilitation and Employment Contracts (see page 241 for more details)
- VHA Sole Source Contracts (see page 241 for more details)

#### GAO

- VA/DoD Efficiencies (see page 262 for more details)
- Financial Management Weaknesses: Information Systems Security and Financial Management System Integration (see page 267 for more details)
- VA/DoD Information Sharing (see page 270 for more details)
- Federal Real Property: A Governmentwide High-Risk Area (see page 273 for more details)
- Management of Interagency Contracting: A Governmentwide High-Risk Area (see page 281 for more details)

#### Program Evaluations

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

#### Program Assessment Rating Tool (PART) Evaluation

In relation to this strategic objective, the Administration conducted a PART evaluation of VA's Medical Care program during 2003, which resulted in a rating of "Adequate." The Administration also conducted a PART evaluation of VA's General Administration

program during 2004, which resulted in a rating of "Moderately Effective." Please see OMB PART reviews on pages 67 and 70 for more information.

#### New Policies and Procedures

VA's Office of General Counsel (OGC) is partnering with VHA to improve the timeliness of medical reviews of medical malpractice tort claims. This includes providing OGC attorneys remote access to medical records of patients who have filed medical malpractice claims. This should have a positive impact on the ability of OGC to resolve claims at the administrative level with greater accuracy. New procedures are in place regarding neurosurgery and orthopedic review requests.

VA Directive and Handbook 7633, Managing Underutilized Real Property, Including Disposal, established policy that requires development of short- and long-term disposal plans. Effective May 2006, a disposal application must be completed in CAMS for any disposal request with a fair market value of \$7 million or more. The handbook outlines several management options, including disposal, steps for implementation, and requirements for an annual disposal plan mandated by Congress. Options for decreasing underutilized real property are to be considered in the order prescribed as feasible.

CAMS was updated to be in compliance with the Federal Real Property Council requirement to track and report real property inventory and Tier 1 performance at the constructed asset level. The Department fully complied through system changes, OMB-approved reporting methodologies, and comprehensive inventory and performance data updates.

VA's Office of Management reports on capital asset performance quarterly at the Department's Monthly Performance Review. The reports focus on performance in relation to Federal Real Property Council measures with performance



exceptions highlighted for possible best practices or corrective actions.

### **Other Important Results**

VA earned a “green” status indicator for the President’s Management Agenda Real Property Initiative. Achieving this status requires that a department cohesively use a current asset management plan, have an accurate and current inventory, and use real property performance measures. VA was the third agency to achieve a green status for the Real Property Initiative.

### **Data Quality**

VA’s data quality improvement efforts including its work on data verification and validation are described in the Assessment of Data Quality on page 166.



## Assessment of Data Quality

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

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

### Veterans Health Administration

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

VHA's commitment to quality data was confirmed by the results of an OIG audit of the validity of data collection of the quality

measures that VHA tracks – Clinical Practice Guidelines Index and Prevention Index II. The report acknowledged a high degree of accuracy. The OIG made no recommendations. VHA continuously monitors data accuracy to ensure these high standards are maintained.

VHA has long been recognized as a leader in documenting credentials and privileges of VA health-care professionals. In 2001 VHA implemented a new electronic data bank, VetPro. This database dramatically improved VHA's ability to ensure timely and appropriate credentialing of health-care professionals. VetPro promotes and demonstrates to other federal and private agencies the value of a secure, easily accessible, valid data bank of health professionals' credentials. In 2004 VHA and DoD launched a study into the merits of integrating DoD's system for credentialing and privileging, Centralized Credentials and Quality Assurance System, with VHA VetPro. The study resulted in recommendations favoring continued collaboration with a goal of accomplishing future integration. In 2006, VHA and the Indian Health Service (IHS) began in earnest to plan coordinating and sharing of VetPro capabilities for IHS.

VetPro improves the process of credentialing and privileging by:

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

The VHA Data Consortium addresses organizational issues and basic data quality assumptions. The consortium works collaboratively to improve information reliability and customer access for the purposes of quality measurement, planning, policy



analyses, and financial management. The ongoing initiatives and strategies address data quality infrastructure, training and education, personnel issues, policy guidance, and data systems.

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

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

To support the need for guidance in medical coding, VHA established the Health Information Management (HIM) Coding Council, comprised of credentialed expert coders with support from VHA HIM Central Office staff to provide research and response to coding questions within

24 hours. The council completes regular updates to the national coding handbook, which provides expert guidance to field facilities. Additional initiatives include:

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

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

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

- What a high-performance automated health system needs to provide.
- What the ideal health and information system would look like.



- What are the advantages and disadvantages of our current system.
- How best to use a phased approach for moving from the current to the ideal environment.

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

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

VHA's HealtheVet-VistA project is focused on replacing the existing VistA legacy health-care information system by rehosting, enhancing, and/or reengineering current health information applications on a modern robust technology platform. This effort will enrich the functionality currently available, benefiting veterans, clinical care providers, and the general public by expanding the availability and use of health-care information. When fully implemented, HealtheVet-VistA will provide veterans access to their personal health record through the MyHealtheVet component. This

will enable veterans and veterans' health care providers to access and share the health record, trusted health information, and key supportive services including prescription drugs and appointments. HealtheVet-VistA will provide the transition to a veteran-centered health care system that will establish longitudinal electronic health records and track veteran visit history including their problems, orders, results, and treatments, and documentation across all visits enabling VA clinical care providers to have immediate access to critical information regardless of which facility the veteran visited.

VHA's Administrative Data Quality (ADQ) Council was formed in 2004. The council has business authority over quality of the administrative data. This group has the primary responsibility for reviews of performance results, guideline implementation, risk management trends, and customer satisfaction information. They also determine appropriate actions, those accountable for implementing those actions, and the method to track implementation to completion. The ADQ Council is responsible for education and training as it relates to ADQ. Two national policy directives have been published to improve the quality of administrative data (Data Entry Requirements for Administrative Data and Data Quality Requirements for Identity Management and the Master Patient Index).

### **Veterans Benefits Administration**

VBA continues to focus on data reliability and validity in all facets of its operations from claims processing to FTE hiring patterns. Whether data are collected and housed in legacy systems or an enterprise data warehouse environment, the output must be accurate and consistent to be effective. Managing the accuracy of these data requires an ongoing commitment to data quality methods and strategies across all business lines. In 2006 VBA again invested resources in support of this commitment.



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

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

- VBA continues to use an online application, which allows all field offices to download timely and consistent information useful to the operations of that office. The enterprise data warehouse integrates the ability to convert large quantities of select information into a spreadsheet format for further analysis. This eliminates the need to develop and maintain individual databases or data marts, which negatively impact centralized data quality measures.
- The Gulf War Veteran Information System affords trend data on population growth for policy and legislation purposes, including those dealing with post-traumatic stress disorder and amyotrophic lateral sclerosis. Both VBA and VHA use these data routinely for operations and analysis. Data are analyzed for variations within the sub-cohorts as well as consistency across the

entire population from a longitudinal perspective.

- The Inventory Management System (IMS) allows employees, coaches, and Veterans Service Center managers to be proactive in workload management through timely and accurate access to integrated information. In order to continually improve IMS, VBA regularly reviews the system for accuracy.
- The Fiduciary-Beneficiary System (FBS) provides Fiduciary program personnel and their managers with a database and diary system for the records of incompetent beneficiaries. It also generates field examination requests and accounting-due letters, as well as maintains workload and timeliness data. Through a series of standard listings and reports, as well as specialized query requests to the database, it allows for systematic workload and inventory management. FBS can generate monthly random samples of claims for local review, and the completed work products for the prior month are used to select cases for national review. This random sample approach allows managers and field staff to review claims systematically, saving both time and resources. A review of the methodology used in calculating the completed and pending cases in this system determined that all data and reports were complete and valid.
- Corporate WINRS is a comprehensive case management system used to maintain complete case histories, generate forms and letters, control payments, and assist in scheduling and tracking appointments for the Vocational Rehabilitation and Employment (VR&E) program. VR&E Intranet reports are continuously refined for regional offices and Central Office to monitor and track this workload data. These reports and other data are released to the regional offices and provide a mechanism to



validate the information for accuracy and discrepancies.

- The Insurance Payment System ensures all manual transactions that result in disbursement (e.g., death award, loan, cash surrender) and all changes to bank data used for direct deposit are second-party verified by an independent staff. This system maintains daily counts of receipts and disbursements by the Insurance fund. Each year random system payments are sampled for accuracy and quarterly reports are reviewed to resolve questionable conditions, such as payments to two veterans at the same address.
- Since the mid-1990's, VBA has developed a comprehensive program of customer satisfaction surveys for all of its major business lines. Surveys provide feedback on all aspects of the compensation and pension claims process, education benefits, VA home loans, transactions related to insurance policyholders, and the VR&E program. These surveys produce statistically valid performance data at the national and local regional office levels. The surveys are professionally designed to measure all aspects of the business process as experienced by the veteran or family member. Through extensive use of focus groups, cognitive labs, piloting, and pre-testing, the surveys are thoroughly tested and modified, and continue to be improved. These annual mail surveys follow the industry standard for pre-notification and follow-up reminders, resulting in high response rates. Capturing these comparable data within each business line facilitates trend analyses. OPA&I conducts special analyses showing key drivers of customer satisfaction and comparisons of performance among regional offices to continue the focus on service improvements.

In addition, OPA&I conducts workload and performance reviews on a regular basis. This

information is reported at the Deputy Secretary's monthly performance reviews where data are discussed for accuracy and consistency.

### **National Cemetery Administration**

Experience and recent historical data show that about 80 percent of those interred in national cemeteries resided within 75 miles of the cemetery at the time of death. From this experience, NCA considers eligible veterans to have reasonable access if a burial option (whether for casketed or cremated remains) is available within 75 miles of the veteran's place of residence. NCA determines the percent of veterans served by existing national and state veterans cemeteries within a reasonable distance of their residence by analyzing census data on the veteran population. Arlington National Cemetery, operated by the Department of the Army, and Andrew Johnson National Cemetery and Andersonville National Cemetery, operated by the Department of the Interior, are included in this analysis. For 2002, actual performance was based on the VetPop2000 model using updated 1990 census data. For 2003 through 2005, actual performance was based on a revised VetPop2000 model using 2000 census data. Actual and target levels of performance for 2006 were based on the VetPop2004 version 1.0 model using 2000 census data. Projected openings of new national or state veterans cemeteries and changes in the service delivery status of existing cemeteries are also considered in determining the veteran population served. (Multiple counts of the same veteran population are avoided in cases of service-area overlap.) In 1999 the OIG performed an audit assessing the accuracy of the data used for this measure. Audit results showed that NCA personnel generally made sound decisions and accurate calculations in determining the percent of veterans served by a burial option. Data were revalidated in the 2002 report entitled Volume 1: Future Burial Needs, prepared by an independent contractor as required by the Veterans Millennium Health Care and Benefits Act, P.L. 106-117.



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

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

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



## Veterans Benefits Administration

### Quality Assurance Program (Millennium Act)

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

Cases Reviewed and Employees Assigned by Program		
	Cases Reviewed	Employees Assigned
Compensation and Pension (C&P)	15,200	18
Education	1,189	4
Vocational Rehabilitation and Employment	4,669	5
Loan Guaranty (Housing)	4,530	14
Insurance	11,040	4

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

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

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

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

Results for C&P rating and authorization reviews for the 12-month period ending May 31, 2006, are as follows:

	Rating Reviews		Authorization Reviews	
	Reviewed	Accuracy	Reviewed	Accuracy
Benefit Entitlement	6,458	88%	5,074	91%
Decision Documentation & Notification	6,458	92%	5,074	90%

The third type of review pertains to fiduciary work. The fiduciary review for 2006 was based on 3,668 cases with an accuracy rate of 84 percent. Most of the errors were found in the area of protection. "Protection" includes

oversight of the fiduciary/beneficiary arrangement, analysis of accounting, adequacy of protective measures for the residual estate, and any measures taken to ensure that VA funds are used for the welfare and needs of the



beneficiary and recognized dependents. If any of the individual components is in error, the entire case is in error.

### **Actions Taken to Improve Quality – Compensation and Pension**

Regional offices are required to certify corrective actions taken quarterly for errors documented by STAR. Reports on the corrective actions are submitted to VBA Headquarters, where they are reviewed to determine the adequacy of such actions. Reliability of the reports is monitored during cyclical management site visits. Area offices continue to provide oversight for regional offices, directing the development and implementation of wellness plans as needs arise.

Enhancements to the STAR database and improved procedures to maintain adequate sample size increase feedback provided to the field offices for training purposes. STAR maintains a national review database available through an Intranet Web site. Monthly data reports are provided on a 12-month cumulative basis.

The fiduciary STAR team uses a philosophy of consistency in review and a policy of assigning a dedicated STAR reviewer to specific field stations. Common STAR error findings are used for discussion and training during scheduled site visits and as agenda items for quarterly fiduciary program teleconference calls.

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

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

VBA continues to work closely with VHA to improve the quality of examination requests and reports. Efforts include measuring request and report accuracy, developing CD-ROM and Web-based training materials, and sponsoring quality improvement training sessions for key medical center and regional office staff. The STAR staff, out-based/hospital liaison RVSRs, and C&P Examination Program employees perform examination quality reviews. Another collaborative VBA/VHA initiative in the examination improvement process is the creation of standardized computerized templates for all 57 VBA examination worksheets. VBA will complete a review and approval process of the content in all templates during fiscal year 2007. Revised templates have been and will continue to be distributed to all VHA examination facilities on targeted release dates.

### **Summary of Findings and Trends – Education**

Education Service reviewed 1,189 cases in 2006. Of these, there were 45 decisions with payment errors and 131 with service errors (note: some cases had more than 1 service error). Eligibility and entitlement determinations constituted approximately 3.1 percent of the service errors, while development and due process notification errors were 16.8 and 24.4 percent, respectively. From 2005 to 2006, payment accuracy declined slightly from 96.9 to 96.2 percent.

### **Actions Taken to Improve Quality – Education**

As in previous years, the 2006 quarterly quality results identified error trends and causes that became topics for refresher training in regional processing offices. In addition, annual appraisal and assistance visits provided recommendations for improving specific quality areas.



Education Service is continuing to develop standardized training and certification for employees. The project is expected to have a

significant impact in raising quality scores and maintaining them at high levels as the initiative is fully implemented over the next few years.

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

For 2006 VR&E completed quality assurance (QA) reviews on 4,669 cases. The reviews were conducted over a 12-month period, with each regional office having been reviewed twice during the fiscal year. The goal was to review at least 76 cases from each regional office.

Accuracy Elements (As of July 2006)	Target Score 2006	Actual Score 2006
Accuracy of Entitlement Determinations	96%	97.4%
Accuracy of Evaluation, Planning, and Rehabilitation Services	87%	82.8%
Accuracy of Fiscal Decisions	94%	79.3%
Accuracy of Outcome Decisions	92%	94.8%

In addition to review of cases from each regional office, the QA & Field Survey Team conducts site visits of regional offices. There were 15 offices surveyed this fiscal year.

**Actions Taken to Improve Quality – Vocational Rehabilitation and Employment**

The VR&E accuracy scores met or exceeded the target scores for FY 2006 in the following two elements: Accuracy of Entitlement Decisions and Accuracy of Outcome Decisions. These scores are attributed to the following initiatives implemented over the last 3 years:

- Local QA reviews continue to be implemented in all regional offices. Each regional office conducts a review of 10 percent of its caseload each year. This ensures consistency in the QA review process and office procedures.
- The QA Reconsideration Review Board continues to provide resolutions on any station’s request for reconsideration of decisions made during a review. This auxiliary review process clarifies implementation of VR&E policies and regulatory guidelines.

- The QA review results for national and local reviews have been made available through an Intranet Web site. These data enable regional offices to assess individual quality and to identify training needs.
- The redesign of the Site Survey Protocol now includes the review of contracting activities.

**Summary of Findings and Trends – Loan Guaranty (Housing)**

The Loan Guaranty housing program reviewed 4,530 cases under its statistical quality control program during 2006. The defect rate equaled 1.5 percent, with the current national accuracy index being 98.5 percent. This is an improvement of a 0.1 percentage point from 2005.

The housing quality assurance program includes elements beyond the review of cases. The VBA Lender Monitoring Unit performed 51 on-site audits and 44 in-house audits of lenders participating in VA’s home loan program.



The Portfolio Loan Oversight Unit (PLOU) conducts two types of reviews: in-house and on-site. PLOU reviewed 83 billing invoices and completed 6,622 associated invoice reviews of the portfolio services contractor, as well as 18,579 non-invoice reviews related to contract compliance. PLOU also conducted special detailed analyses and research on 5,839 portfolio loans and Real Estate Owned properties, with a total of \$203,545 in associated dollar adjustments. Additionally, PLOU conducted research and tracking on funds due the Department based on monies flowing through the Department of Justice to VA. The amount traced and recovered for VA to date exceeds \$4.6 million.

Loan Guaranty staff conducted 10 on-site reviews of regional loan centers. On-site performance reviews are generally conducted in cooperation with VA's oversight review team, whose members include: Loan Guaranty Service (Loan Management); the Indianapolis regional office-based branch of Loan Management (PLOU); the Office of Inspector General (Financial Audit Division); the Office of Business Oversight (Management Quality Assurance Service and Systems Quality Assurance Service); and the Office of Resource Management (Finance and Administrative Services).

In 2006 the reviews by Loan Management/PLOU recovered excessive contractor charges in the amount of \$12,694. PLOU identified additional amounts relating to real estate tax penalties on GI loan property conveyances of some \$44,164 as of the end of 2006, and also identified or recovered taxes and penalties of approximately \$25,975. PLOU also discovered approximately \$295,200 of potentially recoverable amounts from GI lenders in connection with title issues. Additionally, PLOU has now identified in excess of \$3 million in unwarranted costs resulting from delays or errors by the prior servicing contractor. Actions are being initiated to recover these monies.

VA audits of lenders during 2006 amounted to approximately \$3,200,000 in liability avoidance with 72 indemnifications.

#### **Actions Taken to Improve Quality – Loan Guaranty (Housing)**

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

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

VA awarded a property management services contract to Ocwen Loan Servicing, LLC (Ocwen) in August 2003. Under this contract, Ocwen manages and sells all VA-acquired properties as a result of foreclosure or termination of GI and portfolio loans. These assets are currently worth over \$1 billion. VA began transitioning properties to Ocwen in early December 2003. Loan Guaranty established the Property Management Oversight Unit (PMOU) in 2004 to monitor the management and marketing of the properties by Ocwen. The PMOU monitors Ocwen's performance by inspecting properties nationwide to ensure compliance with the contract requirements and performs on-site case reviews at Ocwen's operations center on a quarterly basis. The PMOU is also responsible for reviewing and certifying all payments made to Ocwen, including reimbursement of out-of-pocket



expenses on VA properties as well as the service provider fee due when the property is sold. This requires quality assurance checks to ensure that Ocwen is entitled to the claimed reimbursement.

### **Summary of Findings and Trends – Insurance**

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

Policyholders Services, whose work products deal with the maintenance of active insurance policies, had an overall accuracy rate of 97.5 percent for 2006. Work products included correspondence, applications, disbursements, record maintenance, refunds, and telephone inquiries. Insurance Claims Divisions are responsible for the payment of death and disability awards, the issuance of new coverage, and the processing of beneficiary designations. The accuracy rate for Insurance Claims work products was 99 percent. Work products included death claims, awards maintenance, beneficiary and option changes, disability claims, and medical applications. In total, 98.2 percent of all 2006 insurance work products were accurate.

Over 98 percent of the work measured in Policyholders Services and 97.5 percent in Insurance Claims was within accepted timeliness standards. In all, 97.8 percent of 2006 insurance work products were timely.

The insurance quality assurance program also includes internal control reviews and individual employee performance reviews. The internal control staff reviews 100 percent of all employee-prepared disbursements and also reviews insurance operations for fraud through a

variety of reports. Reports are generated daily and identify death claims based on specific criteria that indicate possible fraud. Primary end products processed by employees in the operating divisions are evaluated based on the elements identified in the Individual Employee Performance Requirements. As a result of these controls, insurance disbursements are 98.4 percent accurate.

### **Actions Taken to Improve Quality – Insurance**

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

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

VBA's Insurance Service evaluates the SQC programs periodically to determine if they are functioning as intended. The Insurance Service recently updated error and discrepancy codes to correspond with changing processes.

Individual performance reviews are conducted monthly. The performance levels – critical and non-critical elements – are identified in the Individual Employee Performance Requirements. These reviews are based on a random sampling of the primary end products turned out by employees in the operating divisions. Those items found to have errors are



returned to the employee for correction. At the end of the month, supervisors inform employees of their error rates and timeliness percentages as compared to acceptable standards.

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

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



## Key Measures Data Table

*Sorted by Owner, by Strategic Objective*

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



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



Key Performance Measure Sorted by Strategic Objective	Definition	Data Source
<p><b><u>Objective 1.3</u></b>  <b>Vocational Rehabilitation and Employment Rehabilitation rate</b></p>	<p>The number of disabled veterans who acquire and maintain suitable employment and leave VA's vocational rehabilitation program, divided by the total number leaving the program minus those individuals who benefited from but left the program and have been classified under one of three "maximum rehabilitation gain" categories: (1) the veteran accepted a position incompatible with disability limitations, (2) the veteran is employable but has informed VA that he/she is not interested in seeking employment, and (3) the veteran is not employed and not employable for medical or psychological reasons. For those veterans with disabilities that make employment infeasible, Vocational Rehabilitation and Employment (VR&amp;E) seeks to assist them on becoming independent in their daily living.</p>	<p>VR&amp;E management reports</p>
<p><b><u>Objective 1.4</u></b>  <b>Compensation: Average days to process - DIC actions</b></p>	<p>The average length of time it takes to process a DIC claim (EP140) from the date of receipt of claim in VA until the date of completion.</p>	<p>Benefits Delivery Network (BDN)</p>
<p><b><u>Objective 2.2</u></b>  <b>Average days to complete original and supplemental education claims</b></p>	<p>Elapsed time, in days, from receipt of a claim in the regional processing office to closure of the case by issuing a decision. Original claims are those for first-time use of this benefit. Any subsequent school enrollment is considered a supplemental claim.</p>	<p>Education claims processing timeliness is measured by using data captured automatically through VBA's Benefits Delivery Network. This information is reported through VBA's data warehouse using the Distribution of Operational Resources (DOOR) system.</p>



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



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



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



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



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



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



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



Key Performance Measure Sorted by Strategic Objective	Definition	Data Source
<p><b><u>Objective 3.2</u></b>  <b>Pension: National accuracy rate (authorization work)</b></p>	<p>Processing accuracy for claims that normally require determinations and verifications of income as well as dependency and relationship matters. Review criteria include: all Pension authorization work such as correct decision, correct effective date, and correct payment date when applicable. It also includes Veterans Claims Assistance Act (VCAA)-compliant development. Accuracy rate is determined by dividing the total number of cases with no errors in any one category by the number of cases reviewed.</p>	<p>Findings from C&amp;P Service Systematic Technical Accuracy Review (STAR) are entered in an Intranet database maintained by the Philadelphia LAN Integration Team and downloaded monthly to the PA&amp;I information storage database.</p>
<p><b><u>Objective 3.3</u></b>  <b>Average number of days to process insurance disbursements</b></p>	<p>Insurance disbursements are death claims paid to beneficiaries, policy loans, and cash surrenders requested by policyholders. Average processing days are a weighted composite for all three types of disbursements based on the number of end products and timeliness for each category. Processing time begins when the veteran's application or beneficiary's fully completed claim is received and ends when the internal controls staff approves the disbursement. The average processing days for death claims is multiplied by the number of death claims processed. The same calculation is done for loans and cash surrenders. The sum of these calculations is divided by the sum of death claims, loans, and cash surrenders processed to arrive at the weighted average processing days for disbursements.</p>	<p>Data on processing time are collected and stored through the Statistical Quality Control (SQC) Program and the Distribution of Operational Resources (DOOR) system.</p>



Frequency	Data Limitations	Data Verification and Measure Validation
<p>Case reviews are conducted daily. The review results are tabulated monthly on a 12-month rolling basis.</p>	<p>None</p>	<p><b>Verification:</b> C&amp;P STAR quality reviews by individual reviewers are routinely validated by C&amp;P managers as part of individual performance. Additionally, when a Regional Office disagrees with an error call, it is reviewed as part of a formal process requiring the concurrence of the service director.</p> <p><b>Validation:</b> This measure assesses the quality of claims processing and assists VBA management in identifying improvement opportunities and training needs.</p>
<p>Monthly</p>	<p>None</p>	<p><b>Verification:</b> The Insurance Service periodically evaluates the SQC Program to determine if it is being properly implemented. The composite weighted average processing days measure is calculated by the Insurance Service and is subject to periodic data verification reviews. Timeliness information is considered to be valid for management of operations.</p> <p><b>Validation:</b> The sole purpose of life insurance is to provide a measure of financial security to the beneficiaries of veterans. The timeliness of disbursements is the primary reflection of this purpose. It provides a clear indication of the ability to process the workload in a quality, timely manner.</p>



Key Performance Measure Sorted by Strategic Objective	Definition	Data Source
<p><b><u>Objective 3.4</u></b>  <b>Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence</b></p>	<p>The measure is the number of veterans served by a burial option divided by the total number of veterans, expressed as a percentage. A burial option is defined as a first family member interment option (whether for casketed remains or cremated remains, either in-ground or in columbaria) in a national or state veterans cemetery that is available within 75 miles of the veteran's place of residence.</p>	<p>For 2002, the number of veterans and the number of veterans served were extracted from the VetPop2000 model using updated 1990 census data. For 2003 through 2005, the number of veterans and the number of veterans served were extracted from a revised VetPop2000 model using 2000 census data. For 2006 actual and target levels of performance, the number of veterans and the number of veterans served were extracted from the VetPop2004 version 1.0 model using 2000 census data.</p>
<p><b><u>Objective 3.4</u></b>  <b>Percent of respondents who rate the quality of service provided by the national cemeteries as excellent</b></p>	<p>The number of survey respondents who agree or strongly agree that the quality of service received from national cemetery staff is excellent divided by the total number of survey respondents, expressed as a percentage.</p>	<p>NCA's Survey of Satisfaction with National Cemeteries. The survey collects data from family members and funeral directors who have recently received services from a national cemetery.</p>
<p><b><u>Objective 3.5</u></b>  <b>Percent of graves in national cemeteries marked within 60 days of interment</b></p>	<p>The number of graves in national cemeteries for which a marker has been set at the grave or the reverse inscription completed within 60 days of the interment divided by the number of interments, expressed as a percentage.</p>	<p>NCA'S Burial Operations Support System (BOSS) as input by field stations.</p>



Frequency	Data Limitations	Data Verification and Measure Validation
<p>Recalculated annually or as required by the availability of updated veteran population census data. Projected openings of new national or state veterans cemeteries and changes in the service delivery status of existing cemeteries also determine the veteran population served.</p>	<p>Provides performance data at specific points in time as veteran demographics change.</p>	<p><b>Verification:</b> In 1999, the OIG performed an audit assessing the accuracy of the data used for this measure. Data were revalidated in the 2002 report entitled Volume 1: Future Burial Needs, prepared by an independent contractor as required by the Veterans Millennium Health Care and Benefits Act, P.L. 106-117.</p> <p><b>Validation:</b> Reasonable access to a burial option means that a first interment option (whether for casketed remains or cremated remains, either in-ground or in columbaria) in a national or state veterans cemetery is available within 75 miles of the veteran's place of residence. VA established a 75-mile service area standard because NCA data show that more than 80 percent of persons interred in national cemeteries resided within 75 miles of the cemetery at the time of death.</p>
<p>Annually</p>	<p>The mail-out survey provides statistically valid performance data at the national and MSN levels and at the cemetery level for cemeteries having at least 400 interments per year.</p>	<p><b>Verification:</b> VA Headquarters staff oversees the data collection process and provides an annual report at the national level that describes the sampling plan and survey methodology. In addition, MSN and cemetery level reports are provided to NCA management.</p> <p><b>Validation:</b> NCA strives to provide high-quality, courteous, and responsive service in all of its contacts with veterans and their families and friends. These contacts include scheduling the committal service, arranging for and conducting interments, and providing information about the cemetery and the location of specific graves.</p>
<p>Monthly</p>	<p>None</p>	<p><b>Verification:</b> VA Headquarters staff oversees the data collection process to validate its accuracy and integrity. Monthly and fiscal-year-to-date reports are provided at the national, MSN, and cemetery levels.</p> <p><b>Validation:</b> The headstone or marker is a lasting memorial that serves as a focal point not only for present-day survivors but also for future generations. In addition, it may bring a sense of closure to the grieving process to see the grave marked. The amount of time it takes to mark the grave after an interment is important to veterans and their family members.</p>



<b>Key Performance Measure Sorted by Strategic Objective</b>	<b>Definition</b>	<b>Data Source</b>
<p><b><u>Objective 4.2</u></b>  <b>Number of peer-reviewed publications authored by VA investigators within the fiscal year</b></p>	<p>The number of peer-reviewed publications by VA investigators that show VA listed as the affiliated institution as determined by a PubMed search.</p>	<p>Annual search of PubMed listed articles by Office of Research and Development</p>
<p><b><u>Objective 4.5</u></b>  <b>Percent of respondents who rate national cemetery appearance as excellent</b></p>	<p>The number of survey respondents who agree or strongly agree that the overall appearance of the national cemetery is excellent divided by the total number of survey respondents, expressed as a percentage.</p>	<p>NCA's Survey of Satisfaction with National Cemeteries. The survey collects data from family members and funeral directors who have recently received services from a national cemetery.</p>



Frequency	Data Limitations	Data Verification and Measure Validation
Annually	None	<p><b>Verification:</b> PubMed is a nationally published databank for published research and is external to VA. VA search will be conducted by R&amp;D but is easily verified by external review for accuracy and completeness.</p> <p><b>Validation:</b> Translation of research results to health care is a complex process that usually involves publication of significant findings in peer-reviewed scientific journals. Successful publication reflects effectiveness in determining which investigators/projects to fund, successful management of the research project itself, and effective communication of these results and their significance to scientific reviewers and journal editorial boards. Hence, publication rates reflect on the success of the entire research enterprise and serve as one quantitative indicator of the productivity of the overall research enterprise.</p>
Annually	<p>The mail-out survey provides statistically valid performance data at the national and MSN levels and at the cemetery level for cemeteries having at least 400 interments per year.</p>	<p><b>Verification:</b> VA Headquarters staff oversees the data collection process and provides an annual report at the national level that describes the sampling plan and survey methodology. In addition, MSN and cemetery level reports are provided to NCA management.</p> <p><b>Validation:</b> NCA will continue to maintain the appearance of national cemeteries as national shrines so that bereaved family members are comforted when they come to the cemetery for the interment, or later to visit the grave(s) of their loved one(s). Our Nation's veterans have earned the appreciation and respect not only of their friends and families, but also of the entire country and our allies. National cemeteries are enduring testimonials to that appreciation and should be places to which veterans and their families are drawn for dignified burials and lasting memorials.</p>



## Performance Measures Tables

### *By Strategic Goal and by Program*

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

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

For each “red” measure, we provide a brief explanation of why there was a significant deviation between the actual and planned performance level and briefly identify the steps being taken to ensure goal achievement in the future. (Please see the Performance Shortfalls tables beginning on page 71 for this information.)

For those measures where 2006 results are partial or estimated, we will publish final data in the FY 2008 Congressional Budget and/or the FY 2007 Performance and Accountability Report.

The table showing measures by organization and program includes the total amount of resources (FTE and obligations) for each program. The GPRA program activity structure is somewhat different from the program activity structure shown in the program and financing (P&F)

schedules of the President’s budget. However, all of the P&F schedules have been aligned with one or more of our programs to ensure all VA program activities are covered. The program costs (obligations) represent the estimated total resources available for each of the programs, regardless of which organizational element has operational control of the resources. The performance measures and associated data for each major program apply to the entire group of schedules listed for that program.

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

VA continues working to ensure the quality and integrity of our data. The Key Measures Data Table starting on page 178 provides the definition, data source, frequency of collection, any data limitations, and data verification and measure validation for each of VA’s 23 key measures. The Assessment of Data Quality beginning on page 166 provides an overall view of how our programs verify and validate data for all of the measures. Definitions for the key as well as supporting measures are located in Part IV beginning on page 370.



**Table 1 - FY 2006 Performance Measures by Strategic Goal and Objective  
(G=Green; Y=Yellow; R=Red)**

Strategic Goal/Measure (Key Measures in Bold)	Results				Target		Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	

**Strategic Goal 1: Restore the capability of veterans with disabilities to the greatest extent possible, and improve the quality of their lives and that of their families.**

Objective 1.1: Maximize the physical, mental, and social functioning of veterans with disabilities and be a leader in providing specialized health care services.

Prevention Index II (Special Populations) (through May)	N/A	80%	86%	87%	* 86% G	86%	86%
Percent of veterans who were discharged from a Domiciliary Care for Homeless Veterans (DCHV) or Healthcare for Homeless Veterans (HCHV) Community-based Contract Residential Care Program to an independent or a secured institutional living arrangement (1) This measure should not have been included in the final FY 2006 performance plan (that is, the FY 2007 budget submission).	65%	72%	79%	83%	(1)	(1)	(1)
Percent of appointments for specialty health care services scheduled within 30 days of desired date for veterans and service members returning from a combat zone with an injury or illness	N/A	N/A	N/A	N/A	Baseline	Baseline	90%

Objective 1.2: Provide timely and accurate decisions on disability compensation claims to improve the economic status and quality of life of service-disabled veterans.

<b>National accuracy rate (core rating work) % (Compensation) (through July)</b>	80%	86%	87%	84%	* 88% G	87%	98%
Rating-related compensation actions - average days pending	179	114	120	122	130 G	150	78
Compensation & Pension rating-related actions - average days to process	223	182	166	167	177 G	185	125
Overall satisfaction rate % (Compensation)	55%	58%	59%	Available 2007	TBD	58%	90%
Non-rating compensation actions - average days to process	57	49	50	59	76 R	58	40
Non-rating compensation actions - average days pending	93	95	94	98	116 R	95	60
National accuracy rate (compensation authorization work) (through July)	83%	88%	90%	90%	* 91% Y	93%	98%
Average number of days to initiate development of remands at the Appeals Management Center (Compensation)	N/A	N/A	N/A	28	32 R	16	15

\* These are partial or estimated data; final data will be published in the FY 2008 Congressional Budget and/or the FY 2007 Performance and Accountability Report.



**Table 1 - FY 2006 Performance Measures by Strategic Goal and Objective  
(G=Green; Y=Yellow; R=Red)**

Strategic Goal/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	
Percent of veterans in receipt of compensation whose total income exceeds that of like circumstanced veterans	N/A	N/A	N/A	TBD **	TBD **	TBD **	50%
Percent of compensation recipients who were kept informed of the full range of available benefits	40%	42%	43%	Available 2007	TBD	45%	60%
Percent of compensation recipients who perceive that VA compensation redresses the effect of service-connected disability in diminishing the quality of life	N/A	N/A	N/A	TBD **	TBD **	TBD **	70%
National accuracy rate (fiduciary work) % (Compensation & Pension) (through July)	84%	77%	81%	85%	* 83% Y	90%	98%
Telephone activities - abandoned call rate % (Compensation & Pension)	9%	9%	7%	8%	8% Y	7%	3%
Telephone activities - blocked call rate % (Compensation & Pension)	7%	3%	2%	3%	4% Y	2%	2%
Fiduciary Activities - Initial Appt. & Fiduciary - Beneficiary Exams (percent completed untimely) (Compensation & Pension)	9%	11%	12%	11%	9% Y	8%	4%
Fiduciary Activities - Initial Appt. & Fiduciary - Beneficiary Exams (percent of total pending overdue) (Compensation & Pension)	16%	20%	14%	12%	12% G	12%	4%
Productivity Index (Compensation and Pension)	N/A	N/A	N/A	N/A	90% Y	96%	100%
Deficiency-free decision rate (BVA)	87.6%	89.0%	93.0%	89.0%	93.0% G	92.0%	95.0%
Appeals resolution time (Days) (Joint measure with VBA) (BVA)	731	633	529	622	657 R	600	365
BVA Cycle Time (Days)	86	135	98	104	148 R	105	104
Appeals decided per Veterans Law Judge (BVA)	321	604	691	621	698 G	625	732
Cost per case (BVA)	\$2,702	\$1,493	\$1,302	\$1,453	\$1,381 G	\$1,552	\$1,443
** Pending results of the Veterans' Disability Benefits Commission that began work in May 2005 and will conclude its work in October 2007.							

\* These are partial or estimated data; final data will be published in the FY 2008 Congressional Budget and/or the FY 2007 Performance and Accountability Report.



**Table 1 - FY 2006 Performance Measures by Strategic Goal and Objective  
(G=Green; Y=Yellow; R=Red)**

Strategic Goal/Measure (Key Measures in Bold)	Results				Target		Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	

Objective 1.3: Provide eligible service-connected disabled veterans with the opportunity to become employable and obtain and maintain employment, while delivering special support to veterans with serious employment handicaps.

<b>Rehabilitation rate % (VR&amp;E)</b>	62%	59%	62%	63%	73% G	69%	70%
Speed of entitlement decisions in average days (VR&E)	65	63	57	62	60 Y	58	60
Accuracy of decisions (Services) % (VR&E)	81%	82%	86%	87%	82% Y	90%	96%
Customer satisfaction (Survey) % (VR&E)	77%	N/A **	79%	N/A **	TBD	82%	92%
Accuracy of Vocational Rehabilitation program completion decisions % (VR&E)	81%	81%	94%	97%	95% Y	96%	95%
Serious Employment Handicap (SEH) Rehabilitation Rate % (VR&E) ***	62%	58%	N/A	N/A	73% G	65%	66%
<b>Common Measures****</b>							
Percent of participants employed first quarter after program exit (VR&E)	N/A	N/A	N/A	N/A	TBD	TBD	TBD
Percent of participants still employed three quarters after program exit (VR&E)	N/A	N/A	N/A	N/A	TBD	TBD	TBD
Percent change in earnings from pre-application to post-program employment (VR&E)	N/A	N/A	N/A	N/A	TBD	TBD	TBD
Average cost of placing participant in employment (VR&E)	N/A	N/A	N/A	N/A	TBD	TBD	TBD
** No customer satisfaction survey was performed in 2003 or 2005. *** VR&E identified a potential weakness in the program because it had only one outcome measure. Therefore, the SEH Rehab. Rate measure was reinstated. This measure had been used until 2004. **** These Common Measures are in support of the President's Management Agenda to integrate budget and performance. Targets for these measures are being developed.							

Objective 1.4: Improve the standard of living and income status of eligible survivors of service-disabled veterans through compensation, education, and insurance benefits.

<b>Average days to process - DIC actions (Compensation)</b>	172	153	125	124	136 R	120	90
Percent of DIC recipients above the poverty level (Compensation)	N/A	N/A	99%	TBD **	TBD **	TBD **	100%
Percent of DIC recipients who are satisfied that VA recognized their sacrifice (Compensation)	N/A	N/A	80%	TBD **	TBD **	TBD **	90%
** Pending results of the Veterans' Disability Benefits Commission that began work in May 2005 and will conclude its work in October 2007.							

\* These are partial or estimated data; final data will be published in the FY 2008 Congressional Budget and/or the FY 2007 Performance and Accountability Report.



**Table 1 - FY 2006 Performance Measures by Strategic Goal and Objective  
(G=Green; Y=Yellow; R=Red)**

Strategic Goal/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	

**Strategic Goal 2: Ensure a smooth transition for veterans from active military service to civilian life.**

Objective 2.1: Ease the reentry of new veterans into civilian life by increasing awareness of, access to, and use of VA health care, benefits, and services.

Percent of veterans returning from a combat zone who respond "yes completely" to survey questions regarding how well they perceive that their VA provider listened to them and if they had trust and confidence in their VA provider	N/A	N/A	N/A	N/A	Baseline	Baseline	72%
Percent of appointments for primary care scheduled within 30 days of desired date for veterans and service members returning from a combat zone	N/A	N/A	N/A	N/A	Baseline	Baseline	94%
Out of all original claims filed within the first year of release from active duty, the percentage filed at a BDD site prior to a service member's discharge (Compensation) (1) The FY 2006 result is a more accurate depiction of BDD participation as VBA moved to a new automated BDN data collection methodology.	N/A	N/A	N/A	55%	(1) 44% Y	53%	65%
Number of implementation guides developed for those Consolidated Health Informatics Standards adopted by VA and DoD	N/A	N/A	N/A	2	3 G	3	9
Number of inpatient admissions and outpatient visits at Joint Ventures and significant sites (Facilities providing 500 or more outpatient visits and/or admissions per year) (1) Includes data for outpatient visits only. A way of collecting data on inpatient admissions has not yet been established.	N/A	N/A	N/A	N/A	(1) * 121,229	Baseline	TBD

Objective 2.2: Enhance the ability of veterans and servicemembers to achieve educational and career goals by providing timely and accurate decisions on education claims and continuing payments at appropriate levels.

<b>Average days to complete original education claims</b>	34	23	26	33	40 R	27	10
<b>Average days to complete supplemental education claims</b>	16	12	13	19	20 R	13	7
Montgomery GI Bill usage rate (%): All program participants (Education)	56%	58%	65%	67%	69% G	67%	75%
Montgomery GI Bill usage rate (%): Veterans who have passed their 10-year eligibility period (Education)	N/A	66%	71%	70%	71% Y	72%	80%

\* These are partial or estimated data; final data will be published in the FY 2008 Congressional Budget and/or the FY 2007 Performance and Accountability Report.



**Table 1 - FY 2006 Performance Measures by Strategic Goal and Objective  
(G=Green; Y=Yellow; R=Red)**

Strategic Goal/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	
Percent of Montgomery GI Bill participants who successfully completed an education or training program (1) Measure under development	N/A	N/A	N/A	N/A	(1) TBD	TBD	TBD
Percentage of beneficiaries that believe their VA educational assistance has been either very helpful or helpful in the attainment of their educational or vocational goal (1) Measure under development	N/A	N/A	N/A	N/A	(1) TBD	TBD	TBD
Customer satisfaction-high rating (Education) % (1) Corrected (2) No customer satisfaction survey was performed in 2005	87%	89%	(1) 86%	(2) N/A	TBD	87%	95%
Telephone Activities - Blocked call rate (Education) %	26%	13%	20%	38%	38% Y	29%	10%
Telephone Activities - Abandoned call rate (Education) %	11%	7%	10%	17%	19% Y	13%	5%
Payment accuracy rate (Education) %	93%	94%	94%	96%	95% G	95%	97%

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

<b>Foreclosure avoidance through servicing (FATS) ratio % (Housing)</b>	43%	45%	44%	48%	54% G	47%	47%
Veterans satisfaction level % (Housing) (1) No Housing survey was completed in 2004 and 2005.	94%	95%	(1) N/A	(1) N/A	TBD	96%	95%
Statistical quality index % (Housing) (through August)	97%	98%	98%	98%	* 99% G	97%	98%
Percent of active duty personnel and veterans who could not have purchased a home without VA assistance (Housing) (Measure under development)	N/A	N/A	N/A	N/A	TBD	TBD	TBD

\* These are partial or estimated data; final data will be published in the FY 2008 Congressional Budget and/or the FY 2007 Performance and Accountability Report.



**Table 1 - FY 2006 Performance Measures by Strategic Goal and Objective  
(G=Green; Y=Yellow; R=Red)**

Strategic Goal/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	

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

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

<b>Percent of patients rating VA health care service as very good or excellent:</b> Inpatient (through May) Outpatient (through May)	70%	74%	74%	77%	* 78% G	74%	74%
	71%	73%	72%	77%	* 78% G	73%	73%
	89%	93%	94%	96%	* 96% G	96%	94%
<b>Percent of specialty care appointments scheduled within 30 days of desired date (1) results as of 9/30, (2) reflects cum. for year, (3) henceforth, eight clinical areas now included instead of five (through May)</b>	(1) 86%	(2) 89%	(3) 93%	93%	* 95% G	93%	93%
<b>Clinical Practice Guidelines Index (through May)</b>	Baseline	70%	77%	87%	* 87% G	77%	80%
<b>Prevention Index II (through May)</b>	82%	83%	88%	90%	* 90% G	88%	88%
<b>Number of patients under non-institutional long-term care as expressed by average daily census</b>	24,126	24,413	25,523	27,469	* 29,496 Y	32,105	49,486
<b>Percent of appointments scheduled within 30 days of desired appointment date (through May)</b>	N/A	N/A	N/A	93.7%	* 95% G	93.7%	93%
<b>Percent of patients who report being seen within 20 minutes of scheduled appointments at VA health care facilities (through May)</b>	65%	67%	69%	73%	* 74% G	68%	90%
<b>Percent of outpatient encounters that have electronic progress notes signed within 2 days (through May)</b>	N/A	N/A	84%	85%	* 86% G	86%	87%
<b>Percent of admission notes by residents that have a note from attending physician within one day of admission:</b> Medicine (through May) Psychiatry (through May) Surgery (through May)							
	N/A	N/A	N/A	95%	* 96% G	85%	95%
	N/A	N/A	N/A	95%	* 98% G	85%	95%
	N/A	N/A	N/A	75%	* 86% G	85%	95%

Objective 3.2: Provide eligible veterans and their survivors a level of income that raises their standard of living and sense of dignity by processing pension claims in a timely and accurate manner.

<b>Non-rating pension actions - average days to process</b>	65	67	58	68	92 R	66	60
<b>National accuracy rate (authorization pension work) % (through July)</b>	76%	81%	84%	86%	* 88% G	88%	98%
<b>Compensation &amp; Pension rating-related actions - average days to process</b>	223	182	166	167	177 G	185	125

\* These are partial or estimated data; final data will be published in the FY 2008 Congressional Budget and/or the FY 2007 Performance and Accountability Report.



**Table 1 - FY 2006 Performance Measures by Strategic Goal and Objective  
(G=Green; Y=Yellow; R=Red)**

Strategic Goal/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	
National accuracy rate (core rating-related pension work) % (through July)	80%	91%	93%	90%	* 90% Y	93%	98%
Rating-related pension actions - average days pending	100	98	77	83	90 R	69	65
Overall satisfaction rate % (Pension)	65%	66%	66%	Available 2007	TBD	66%	90%
Non-rating pension actions - average days pending	90	61	102	111	161 R	73	50
Percent of pension recipients who were informed of the full range of available benefits	38%	39%	40%	Available 2007	TBD	40%	60%
Percent of pension recipients who said their claim determination was very or somewhat fair	65%	62%	64%	Available 2007	TBD	65%	75%
** Percent of VA beneficiaries receiving financial assistance for medical expenses (Pension)	N/A	N/A	N/A	N/A	TBD	TBD	TBD
** Percent of pension recipients who believe that the processing of their claim reflects the courtesy, compassion, and respect due to a veteran	N/A	N/A	N/A	N/A	TBD	TBD	TBD
National accuracy rate (fiduciary work) (%) (Compensation & Pension) (through July)	84%	77%	81%	85%	* 83% Y	90%	98%
Telephone activities - abandoned call rate (Compensation & Pension)	9%	9%	7%	8%	8% Y	7%	3%
Telephone activities - blocked call rate (Compensation & Pension)	7%	3%	2%	3%	4% Y	2%	2%
Fiduciary Activities - Initial Appt. & Fiduciary - Beneficiary exams (percent completed untimely) (Compensation & Pension)	9%	11%	12%	11%	9% Y	8%	4%
Fiduciary Activities - Initial Appt. & Fiduciary - Beneficiary exams (percent of total pending overdue) (Compensation & Pension)	16%	20%	14%	12%	12% G	12%	4%
Productivity Index (Compensation and Pension)	N/A	N/A	N/A	N/A	90% Y	96%	100%
** New measures added during Pensions PART review.							

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

<b>Average number of days to process insurance disbursements (Insurance)</b>	2.6	2.4	1.8	1.8	1.8 G	2.7	2.7
Percent of servicemembers covered by SGLI (Insurance)	N/A	N/A	N/A	98%	99% G	98%	98%
Conversion rate of disabled SGLI members to VGLI (Insurance)	N/A	N/A	N/A	35%	41% Y	53%	65%

\* These are partial or estimated data; final data will be published in the FY 2008 Congressional Budget and/or the FY 2007 Performance and Accountability Report.



**Table 1 - FY 2006 Performance Measures by Strategic Goal and Objective (G=Green; Y=Yellow; R=Red)**

Strategic Goal/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	
Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average enlisted service member (Insurance)	N/A	N/A	N/A	1.9	1.8 G	1.8	1.0
Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average officer (Insurance)	N/A	N/A	N/A	1.0	0.9 G	0.9	1.0
Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average service member (Insurance)	N/A	N/A	N/A	1.6	1.6 G	1.6	1.0
Ratio of SGLI premium rates charged per \$1,000 compared to the premium rates charged by other organizations per \$1,000 for similar coverage (Insurance)	N/A	N/A	N/A	1.4	1.3 G	1.0	1.0
Ratio of VGLI premium rates charged per \$1,000 compared to the premium rates charged by other organizations per \$1,000 for similar coverage (Insurance)	N/A	N/A	N/A	0.9	0.9 Y	1.0	1.0
Rate of high veterans' satisfaction ratings on services delivered % (Insurance)	95%	95%	96%	96%	96% G	95%	95%
Rate of low veterans' satisfaction ratings on services delivered % (Insurance)	3%	3%	2%	2%	1% G	2%	2%
Toll-free telephone blockage (busy signals) rate % (Insurance)	1%	0%	1%	0%	0% G	2%	1%
Average caller hold time (caller wait time) in seconds (Insurance)	18	17	17	11	11 G	20	20
Number of disbursements (death claims, loans, and cash surrenders) per FTE (Insurance)	N/A	N/A	N/A	1,692	1,697 G	1,684	TBD

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

<b>Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence</b>	73.9%	75.2%	75.3%	77.1%	80.2% Y	81.6%	90.0%
<b>Percent of respondents who rate the quality of service provided by the national cemeteries as excellent</b>	91%	94%	94%	94%	94% Y	96%	100%
Average number of days to process a claim for reimbursement of burial expenses	48	42	48	57	72 R	48	21
National Accuracy Rate for burial claims processed % (through July)	85%	92%	94%	93%	* 94% G	94%	98%

\* These are partial or estimated data; final data will be published in the FY 2008 Congressional Budget and/or the FY 2007 Performance and Accountability Report.



**Table 1 - FY 2006 Performance Measures by Strategic Goal and Objective**  
(G=Green; Y=Yellow; R=Red)

Strategic Goal/Measure (Key Measures in Bold)	Results				FY 2006 Result	Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Target		
Percent of funeral directors who respond that national cemeteries confirm the scheduling of the committal service within 2 hours	73%	73%	73%	73%	74% Y	76%	93%
Cumulative number of kiosks installed at national and state veterans cemeteries	42	50	60	69	80 G	76	108

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

<b>Percent of graves in national cemeteries marked within 60 days of interment</b>	49%	72%	87%	94%	95% G	90%	90%
Percent of applications for headstones and markers for the graves of veterans who are not buried in national cemeteries processed within 20 days	N/A	N/A	N/A	13%	62% Y	70%	90%
Percent of headstones and markers ordered by national cemeteries for which inscription data are accurate and complete	N/A	N/A	98%	99%	99% G	99%	99%
Percent of headstones and markers that are undamaged and correctly inscribed	96%	97%	97%	96%	96% Y	97%	98%

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

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

Percent of Emergency Planners who have completed orientation (OS&P)	N/A	N/A	N/A	100%	90% Y	100%	100%
Percent of Under Secretaries, Assistant Secretaries, and Other Key Officials who self-certify their teams "ready to deploy" to their COOP site (OS&P)	N/A	N/A	N/A	85%	85% Y	100%	100%

Objective 4.2: Advance VA medical research and develop 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.

<b>Number of peer-reviewed publications authored by VA investigators within the fiscal year</b>	N/A	N/A	2,557	2,793	* 2,897 G	2,655	3,000
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\* These are partial or estimated data; final data will be published in the FY 2008 Congressional Budget and/or the FY 2007 Performance and Accountability Report.



**Table 1 - FY 2006 Performance Measures by Strategic Goal and Objective  
(G=Green; Y=Yellow; R=Red)**

Strategic Goal/Measure (Key Measures in Bold)	Results				Target	Strategic Target	
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result		
Progress towards development of one new treatment for post-traumatic stress disorder (PTSD) (through August) (Five milestones to be achieved over 5 years)	N/A	N/A	33%	40%	* 47% Y	60%	100%
Progress towards development of a standard clinical practice for pressure ulcers (Six milestones to be achieved over 6 years)	N/A	N/A	43%	52%	61% Y	65%	100%

Objective 4.3: Enhance the quality of care to veterans and provide high-quality educational experiences for health profession trainees, created internally in VA and via partnerships with the academic community.

Medical residents' and other trainees' scores on a VHA Survey assessing their clinical training experience	83	83	84	84	85 G	85	85
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Objective 4.4: Enhance the socioeconomic well-being of veterans, and thereby the Nation and local communities, through veterans benefits; assistance programs for small, disadvantaged, and veteran-owned businesses; and other community initiatives.

Attainment of statutory minimum goals for service-disabled veteran-owned small businesses expressed as a percent of total procurement dollars (OSDBU) (through July) (1) Corrected	0.61%	0.49%	1.25%	(1) 2.15%	* 3.68% G	3.00%	3.00%
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Objective 4.5: Ensure that national cemeteries are maintained as shrines dedicated to preserving our Nation's history, nurturing patriotism, and honoring the service and sacrifice veterans have made.

<b>Percent of respondents who rate national cemetery appearance as excellent</b>	97%	97%	98%	98%	97% Y	99%	100%
Percent of respondents who would recommend the national cemetery to veteran families during their time of need	98%	97%	97%	98%	98% Y	99%	100%
Percent of headstones and/or markers in national cemeteries that are at the proper height and alignment	N/A	N/A	64%	70%	67% Y	72%	90%
Percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations	N/A	N/A	76%	72%	77% G	74%	90%
Percent of gravesites that have grades that are level and blend with adjacent grade levels	N/A	N/A	79%	84%	86% G	84%	95%

\* These are partial or estimated data; final data will be published in the FY 2008 Congressional Budget and/or the FY 2007 Performance and Accountability Report.



**Table 1 - FY 2006 Performance Measures by Strategic Goal and Objective**  
(G=Green; Y=Yellow; R=Red)

Strategic Goal/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	

**Enabling Goal: Deliver world-class service to veterans and their families through effective communication and management of people, technology, business processes, and financial resources.**

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

Percentage of VA employees who are veterans (HR&A)	N/A	24%	26%	28%	30.6% G	30%	36%
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Objective E-2: Improve communication with veterans, employees, and stakeholders about VA's mission, goals, and current performance, as well as benefits and services that the Department provides.

Percentage of statutory reports that are submitted to Congress within the required timeframe (OCLA)	59% w/i 45 days	70% w/i 30 days	54% w/i 15 days	21% by due date	13% by due date R	35% by due date	100%
Percent of newly elected/appointed state officials briefed within 60 days of taking office regarding VA programs and services (OPIA)	75%	80%	90%	100%	100% G	100%	100%

Objective E-3: Implement a One-VA information technology framework that enables the consolidation of IT solutions and the creation of cross-cutting common services to support the integration of information across business lines and provides secure, consistent, reliable, and accurate information to all interested parties.

Number of distinct data exchanges between VA and DoD (OI&T) DMDC is Defense Manpower Data Center	N/A	N/A	N/A	N/A	20 from DMDC to VA; 8 from VA to DMDC G	20 from DMDC to VA; 10 from VA to DMDC	1 from DMDC to VA; 1 from VA to DMDC
Number of business lines that are able to access a One VA Enterprise Data Service (OI&T) (1) This measure should not have been included in the final FY 2006 performance plan (that is, the FY 2007 budget submission).	(1)	(1)	(1)	(1)	(1)	(1)	(1)

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

Percent of cases using alternate dispute resolution (ADR) techniques (BCA) (1) Corrected	43%	20%	9%	(1) 6%	53% G	15%	25%
Gross Days Revenue Outstanding (GDRO) for third party collections	N/A	N/A	N/A	Baseline	54 G	70	60

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**Table 1 - FY 2006 Performance Measures by Strategic Goal and Objective  
(G=Green; Y=Yellow; R=Red)**

Strategic Goal/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	
Dollar value of 1st party and 3rd party collections:							
1st Party (\$ in millions)	\$486	\$685	\$742	\$772	\$863 G	\$827	\$1,019
3rd Party (\$ in millions)	\$690	\$804	\$960	\$1,056	\$1,096 Y	\$1,178	\$1,695
Total annual value of joint VA/DoD procurement contracts for high-cost medical equipment Measure description changed for clarification purposes only	N/A	N/A	N/A	Baseline	\$150M G	\$150M	\$200M
Obligations per unique patient user (VHA) (1) Corrected	\$4,928	\$5,202	(1) \$5,493	(1) \$5,597	* \$5,804 G	\$5,880	TBD
Average number of appointments per year per FTE (VHA) (1) Corrected	2,719	2,856	(1) 2,356	2,533	* 2,644 Y	2,678	TBD
Study subject accrual rate for multi-site clinical trials (through August)	N/A	N/A	N/A	29%	* 40% G	32%	50%
Percent of tort claims decided accurately at the administrative stage (OGC) Measure description changed for clarification purposes only	86.0%	86.0%	89.0%	88.4%	92.2% G	89.0%	90.0%
Cumulative % of FTEs (compared to total planned) covered by initiated Management Analysis/Business Process Reengineering studies of non-core commercial functions (OP&P)	N/A	N/A	N/A	N/A	0% R	33%	100%
Number of audit qualifications identified in the auditor's opinion on VA's Consolidated Financial Statements (OM)	0	0	0	0	0 G	0	0
Number of material weaknesses identified during the annual financial statement audit or identified by management (OM)	6	5	4	4	3 G	4	0
Percent of space utilization as compared to overall space (owned and direct-leased) (OAEM) (through August)	N/A	N/A	80% Baseline	98%	* 103% G	95%	95%
Percent Condition Index (owned buildings) (OAEM) (through August)	N/A	N/A	N/A	82% Baseline	* 80% Y	83%	87%
Ratio of non-mission dependent assets to total assets (OAEM) (through August)	N/A	N/A	N/A	22% Baseline	* 17% G	19%	10%
Ratio of operating costs per gross square foot (GSF) (OAEM) (through August) Targets and results have been adjusted to reflect Federal Real Property Council Tier 1 definitions and no longer include an inflation factor.	N/A	N/A	\$4.52	\$4.85	* \$4.83 Y	\$4.52	\$4.52

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**Table 1 - FY 2006 Performance Measures by Strategic Goal and Objective  
(G=Green; Y=Yellow; R=Red)**

Strategic Goal/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	
Cumulative percentage decrease in facility traditional energy consumption per gross square foot from the 2003 baseline (OAEM)	N/A	Baseline	N/A	N/A	* 2% G	2%	20%
Number of arrests, indictments, convictions, administrative sanctions, and pretrial diversions	N/A	N/A	N/A	N/A	2,241	N/A	2,204
Percentage of successful prosecutions	N/A	N/A	N/A	N/A	96%	N/A	87%
Number of reports issued that identify opportunities for improvement and provide recommendations for corrective action	N/A	N/A	N/A	N/A	150	N/A	160
Number of CAP reports issued that include relevant health care delivery and benefits processing pulse points	N/A	N/A	N/A	N/A	64	N/A	76
Monetary benefits (dollars in millions)	N/A	N/A	N/A	N/A	\$900	N/A	\$1,033
Number of international benefit reviews conducted to determine the appropriateness of benefits processing for claimants living outside the 50 states	N/A	N/A	N/A	N/A	0	N/A	3
Maintain unqualified audit opinion of financial statements containing no material weaknesses or reportable conditions (Yes/No)	N/A	N/A	N/A	N/A	Yes	N/A	Yes
Percentage of recommendations implemented to improve efficiencies in operations through legislative, regulatory, policy, practices, and procedural change in VA	N/A	N/A	N/A	N/A	55%	N/A	90% <sup>1</sup>
Percentage of preaward recommendations sustained during contract negotiations	N/A	N/A	N/A	N/A	70%	N/A	65%
Achieve adoption of recommendations relative to IT systems in compliance with FISMA, regulations, and policies within one year from issuance of a report	N/A	N/A	N/A	N/A	0%	N/A	100%
Achieve a professional, competent, and credible reputation as a result of work performed (based on a scale of 0 to 5, where 5 is high):							
Investigations	N/A	N/A	N/A	N/A	4.9	N/A	5.0
Audit	N/A	N/A	N/A	N/A	4.3	N/A	5.0
Healthcare Inspections	N/A	N/A	N/A	N/A	4.6	N/A	5.0
CAP	N/A	N/A	N/A	N/A	4.7	N/A	5.0
<sup>1</sup> VA OIG intends that VA will implement all recommendations. This goal recognizes that some complex implementation actions may go beyond 2010, which is the out-year for OIG's Strategic Plan.							

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**Table 2 - FY 2006 Performance Measures by Program**  
(G=Green; Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	
<b>Veterans Health Administration</b>							
	P&F ID Codes:		36-0152-0-1-703	36-0160-0-1-703;			
			36-0162-0-1-703	36-0181-0-1-703		36-5358-0-1-703	
			36-4014-0-3-705;	36-8180-0-7-705;		36-0165-0-1-703	
<b>Medical Care Programs</b>							
<b>Resources</b>							
FTE	183,712	186,553	194,272	197,650	197,902		
Total Program Costs (\$ in millions)	\$24,368	\$27,654	\$30,772	\$31,668	\$33,468		
<b>Performance Measures</b>							
<b>Percent of patients rating VA health care service as very good or excellent:</b>							
<b>Inpatient</b> (through May)	70%	74%	74%	77%	* 78% G	74%	74%
<b>Outpatient</b> (through May)	71%	73%	72%	77%	* 78% G	73%	73%
<b>Percent of primary care appointments scheduled within 30 days of desired date</b> (through May)	89%	93%	94%	96%	* 96% G	96%	94%
<b>Percent of specialty care appointments scheduled within 30 days of desired date</b> (1) results as of 9/30, (2) reflects cum. for year, (3) henceforth, eight clinical areas now included instead of five (through May)	(1) 86%	(2) 89%	(3) 93%	93%	* 95% G	93%	93%
<b>Clinical Practice Guidelines Index</b> (through May)	Baseline	70%	77%	87%	* 87% G	77%	80%
<b>Prevention Index II</b> (through May)	82%	83%	88%	90%	* 90% G	88%	88%
<b>Percent of appointments scheduled within 30 days of desired appointment date</b> (through May)	N/A	N/A	N/A	93.7%	* 95% G	93.7%	93%
<b>Percent of patients who report being seen within 20 minutes of scheduled appointments at VA health care facilities</b> (through May)	65%	67%	69%	73%	* 74% G	68%	90%
<b>Percent of veterans returning from a combat zone who respond "yes completely" to survey questions regarding how well they perceive that their VA provider listened to them and if they had trust and confidence in their VA provider</b>	N/A	N/A	N/A	N/A	Baseline	Baseline	72%
<b>Percent of outpatient encounters that have electronic progress notes signed within 2 days</b> (through May)	N/A	N/A	84%	85%	* 86% G	86%	87%
<b>Gross Days Revenue Outstanding (GDRO) for third party collections</b>	N/A	N/A	N/A	Baseline	54 G	70	60
<b>Dollar value of 1st party and 3rd party collections:</b>							
1st Party (\$ in millions)	\$486	\$685	\$742	\$772	\$863 G	\$827	\$1,019
3rd Party (\$ in millions)	\$690	\$804	\$960	\$1,056	\$1,096 Y	\$1,178	\$1,695
<b>Total annual value of joint VA/DoD procurement contracts for high-cost medical equipment</b> Measure description changed for clarification purposes only	N/A	N/A	N/A	Baseline	\$150M G	\$150M	\$200M

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**Table 2 - FY 2006 Performance Measures by Program**  
(G=Green; Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	
Number of implementation guides developed for those Consolidated Health Informatics Standards adopted by VA and DoD	N/A	N/A	N/A	2	3 G	3	9
Number of inpatient admissions and outpatient visits at Joint Ventures and significant sites (Facilities providing 500 or more outpatient visits and/or admissions per year) (1) Includes data for outpatient visits only. A way of collecting data on inpatient admissions has not yet been established.	N/A	N/A	N/A	N/A	(1) * 121,229	Baseline	TBD
<b>Common Measures</b>							
Obligations per unique patient user (VHA) (1) Corrected	\$4,928	\$5,202	(1) \$5,493	(1) \$5,597	* \$5,804 G	\$5,880	TBD
Average number of appointments per year per FTE (VHA) (1) Corrected	2,719	2,856	(1) 2,356	2,533	* 2,644 Y	2,678	TBD
<b>Special Emphasis Programs</b>							
<b>Number of patients under non-institutional long-term care as expressed by average daily census</b>	24,126	24,413	25,523	27,469	* 29,496 Y	32,105	49,486
Prevention Index II (Special Populations) (through May)	N/A	80%	86%	87%	* 86% G	86%	86%
Percent of veterans who were discharged from a Domiciliary Care for Homeless Veterans (DCHV) or Healthcare for Homeless Veterans (HCHV) Community-based Contract Residential Care Program to an independent or a secured institutional living arrangement (1) This measure should not have been included in the final FY 2006 performance plan (that is, the FY 2007 budget submission).	65%	72%	79%	83%	(1)	(1)	(1)
Percent of appointments for specialty health care services scheduled within 30 days of desired date for veterans and service members returning from a combat zone with an injury or illness	N/A	N/A	N/A	N/A	Baseline	Baseline	90%
Percent of appointments for primary care scheduled within 30 days of desired date for veterans and service members returning from a combat zone	N/A	N/A	N/A	N/A	Baseline	Baseline	94%
Medical residents' and other trainees' scores on a VHA Survey assessing their clinical training experience	83	83	84	84	85 G	85	85
Percent of admission notes by residents that have a note from attending physician within one day of admission:							
Medicine (through May)	N/A	N/A	N/A	95%	* 96% G	85%	95%
Psychiatry (through May)	N/A	N/A	N/A	95%	* 98% G	85%	95%
Surgery (through May)	N/A	N/A	N/A	75%	* 86% G	85%	95%

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**Table 2 - FY 2006 Performance Measures by Program**  
(G=Green; Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	
<b>Medical Research</b>		P&F ID Codes:		36-0161-0-1-703; 36-4026-0-3-703	36-0160-0-1-703;		
<b>Resources</b>							
FTE	3,096	3,217	3,234	3,206	3,195		
Total Program Costs (\$ in Millions)	\$964	\$1,022	\$1,067	\$851	\$831		
<b>Performance Measures</b>							
<b>Number of peer-reviewed publications authored by VA investigators within the fiscal year</b>	N/A	N/A	2,557	2,793	* 2,897 G	2,655	3,000
Progress towards development of one new treatment for post-traumatic stress disorder (PTSD) (through August) (Five milestones to be achieved over 5 years)	N/A	N/A	33%	40%	* 47% Y	60%	100%
Progress towards development of a standard clinical practice for pressure ulcers (Six milestones to be achieved over 6 years)	N/A	N/A	43%	52%	61% Y	65%	100%
Study subject accrual rate for multi-site clinical trials (through August)	N/A	N/A	N/A	29%	* 40% G	32%	50%

**Veterans Benefits Administration**

<b>Compensation</b>		P&F ID Codes:		36-0102-0-1-701	36-0151-0-1-705		
<b>Resources</b>							
FTE	7,164	7,525	7,568	7,538	7,772		
Total Program Costs (\$ in millions)	\$23,056	\$25,550	\$27,261	\$29,601	\$31,903		
<b>Performance Measures</b>							
<b>National accuracy rate (core rating work) % (Compensation) (through July)</b>	80%	86%	87%	84%	* 88% G	87%	98%
<b>Compensation &amp; Pension rating-related actions - average days to process</b>	223	182	166	167	177 G	185	125
<b>Rating-related compensation actions - average days pending</b>	179	114	120	122	130 G	150	78
<b>Average days to process - DIC actions (Compensation)</b>	172	153	125	124	136 R	120	90
<b>Overall satisfaction rate % (Compensation)</b>	55%	58%	59%	Available 2007	TBD	58%	90%
<b>Non-rating compensation actions - average days to process</b>	57	49	50	59	76 R	58	40
<b>Non-rating compensation actions - average days pending</b>	93	95	94	98	116 R	95	60

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**Table 2 - FY 2006 Performance Measures by Program**  
(G=Green; Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	
National accuracy rate (compensation authorization work) (through July)	83%	88%	90%	90%	* 91% Y	93%	98%
Out of all original claims filed within the first year of release from active duty, the percentage filed at a BDD site prior to a service member's discharge (Compensation) (1) The FY 2006 result is a more accurate depiction of BDD participation as VBA moved to a new automated BDN data collection methodology.	N/A	N/A	N/A	55%	(1) 44% Y	53%	65%
Average number of days to initiate development of remands at the Appeals Management Center (Compensation)	N/A	N/A	N/A	28	32 R	16	15
Percent of veterans in receipt of compensation whose total income exceeds that of like circumstanced veterans	N/A	N/A	N/A	TBD **	TBD **	TBD **	50%
Percent of compensation recipients who were kept informed of the full range of available benefits	40%	42%	43%	Available 2007	TBD	45%	60%
Percent of compensation recipients who perceive that VA compensation redresses the effect of service-connected disability in diminishing the quality of life	N/A	N/A	N/A	TBD **	TBD **	TBD **	70%
Percent of DIC recipients above the poverty level (Compensation)	N/A	N/A	99%	TBD **	TBD **	TBD **	100%
Percent of DIC recipients who are satisfied that VA recognized their sacrifice (Compensation)	N/A	N/A	80%	TBD **	TBD **	TBD **	90%
Productivity Index (Compensation and Pension)	N/A	N/A	N/A	N/A	90% Y	96%	100%
National accuracy rate (fiduciary work) % (Compensation & Pension) (through July)	84%	77%	81%	85%	* 83% Y	90%	98%
Telephone activities - abandoned call rate % (Compensation & Pension)	9%	9%	7%	8%	8% Y	7%	3%
Telephone activities - blocked call rate % (Compensation & Pension)	7%	3%	2%	3%	4% Y	2%	2%
Fiduciary Activities - Initial Appt. & Fiduciary - Beneficiary Exams (percent completed untimely) (Compensation & Pension)	9%	11%	12%	11%	9% Y	8%	4%
Fiduciary Activities - Initial Appt. & Fiduciary - Beneficiary Exams (percent of total pending overdue) (Compensation & Pension)	16%	20%	14%	12%	12% G	12%	4%

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**Table 2 - FY 2006 Performance Measures by Program**  
(G=Green; Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	
Average number of days to process a claim for reimbursement of burial expenses	48	42	48	57	72 R	48	21
National Accuracy Rate for burial claims processed % (through July)	85%	92%	94%	93%	* 94% G	94%	98%
** Pending results of the Veterans' Disability Benefits Commission that began work in May 2005 and will conclude its work in October 2007.							

<i>Pension</i>		P&F ID Codes:			36-0151-0-1-705	36-0200-0-1-701	
Resources							
FTE	1,791	1,827	1,535	1,540	1,495		
Total Program Costs (\$ in millions)	\$3,328	\$3,378	\$3,495	\$3,569	\$3,872		
Performance Measures							
<b>Non-rating pension actions - average days to process</b>	65	67	58	68	92 R	66	60
<b>National accuracy rate (authorization pension work) % (through July)</b>	76%	81%	84%	86%	* 88% G	88%	98%
<b>Compensation &amp; Pension rating-related actions - average days to process</b>	223	182	166	167	177 G	185	125
National accuracy rate (core rating-related pension work) % (through July)	80%	91%	93%	90%	* 90% Y	93%	98%
Rating-related pension actions - average days pending	100	98	77	83	90 R	69	65
Overall satisfaction rate % (Pension)	65%	66%	66%	Available 2007	TBD	66%	90%
Non-rating pension actions - average days pending	90	61	102	111	161 R	73	50
Percent of pension recipients who were informed of the full range of available benefits	38%	39%	40%	Available 2007	TBD	40%	60%
Percent of pension recipients who said their claim determination was very or somewhat fair	65%	62%	64%	Available 2007	TBD	65%	75%
** Percent of VA beneficiaries receiving financial assistance for medical expenses (Pension)	N/A	N/A	N/A	N/A	TBD	TBD	TBD
** Percent of pension recipients who believe that the processing of their claim reflects the courtesy, compassion, and respect due to a veteran	N/A	N/A	N/A	N/A	TBD	TBD	TBD

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**Table 2 - FY 2006 Performance Measures by Program**  
(G=Green; Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	
Productivity Index (Compensation and Pension)	N/A	N/A	N/A	N/A	90% Y	96%	100%
National accuracy rate (fiduciary work) (%) (Compensation & Pension) (through July)	84%	77%	81%	85%	* 83% Y	90%	98%
Telephone activities - abandoned call rate (Compensation & Pension)	9%	9%	7%	8%	8% Y	7%	3%
Telephone activities - blocked call rate (Compensation & Pension)	7%	3%	2%	3%	4% Y	2%	2%
Fiduciary Activities - Initial Appt. & Fiduciary - Beneficiary exams (percent completed untimely) (Compensation & Pension)	9%	11%	12%	11%	9% Y	8%	4%
Fiduciary Activities - Initial Appt. & Fiduciary - Beneficiary exams (percent of total pending overdue) (Compensation & Pension)	16%	20%	14%	12%	12% G	12%	4%
** New measures added during Pensions PART review.							

The indicators below are the component end-products for the measure on average days to complete rating-related actions. We do not establish separate performance goals for these indicators. For a detailed discussion of rating-related actions timeliness, see the narrative on pages 101-103.

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	Claims Completed in FY 2006
<b>Average days to process rating-related actions</b>	<b>223</b>	<b>182</b>	<b>166</b>	<b>167</b>	<b>177</b>	774,378
Initial disability compensation	256	207	186	185	196	210,662
Initial death compensation/DIC	172	153	125	124	136	27,567
Reopened compensation	242	193	178	179	191	417,738
Initial disability pension	123	93	94	98	113	34,251
Reopened pension	128	101	101	103	120	49,222
Reviews, future exams	127	95	87	95	79	27,788
Reviews, hospital	74	54	54	55	53	7,130

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**Table 2 - FY 2006 Performance Measures by Program**  
(G=Green; Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	
P&F ID Codes: 36-0137-0-1-702; 36-0151-0-1-705 36-8133-0-7-702;							
<i>Education</i>							
<b>Resources</b>							
FTE	864	866	841	852	884		
Total Program Costs (\$ in millions)	\$1,831	\$2,189	\$2,495	\$2,690	\$2,838		
<b>Performance Measures</b>							
<b>Average days to complete original education claims</b>	34	23	26	33	40 R	27	10
<b>Average days to complete supplemental education claims</b>	16	12	13	19	20 R	13	7
Montgomery GI Bill usage rate (%): All program participants (Education)	56%	58%	65%	67%	69% G	67%	75%
Montgomery GI Bill usage rate (%): Veterans who have passed their 10-year eligibility period (Education)	N/A	66%	71%	70%	71% Y	72%	80%
Percent of Montgomery GI Bill participants who successfully completed an education or training program (1) Measure under development	N/A	N/A	N/A	N/A	(1) TBD	TBD	TBD
Percentage of beneficiaries that believe their VA educational assistance has been either very helpful or helpful in the attainment of their educational or vocational goal (1) Measure under development	N/A	N/A	N/A	N/A	(1) TBD	TBD	TBD
Customer satisfaction-high rating (Education) % (1) Corrected (2) No customer satisfaction survey was performed in 2005	87%	89%	(1) 86%	(2) N/A	TBD	87%	95%
Telephone Activities - Blocked call rate (Education) %	26%	13%	20%	38%	38% Y	29%	10%
Telephone Activities - Abandoned call rate (Education) %	11%	7%	10%	17%	19% Y	13%	5%
Payment accuracy rate (Education) %	93%	94%	94%	96%	95% G	95%	97%

\* These are partial or estimated data; final data will be published in the FY 2008 Congressional Budget and/or the FY 2007 Performance and Accountability Report.



**Table 2 - FY 2006 Performance Measures by Program**  
(G=Green; Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	

*Vocational Rehabilitation and Employment*

P&F ID Codes: 36-0135-0-1-702;  
36-0151-0-1-705

Resources							
FTE	1,057	1,091	1,105	1,112	1,125		
Total Program Costs (\$ in millions)	\$606	\$631	\$676	\$741	\$700		
Performance Measures							
Rehabilitation rate % (VR&E)	62%	59%	62%	63%	73% G	69%	70%
Speed of entitlement decisions in average days (VR&E)	65	63	57	62	60 Y	58	60
Accuracy of decisions (Services) % (VR&E)	81%	82%	86%	87%	82% Y	90%	96%
Customer satisfaction (Survey) % (VR&E)	77%	N/A **	79%	N/A **	TBD	82%	92%
Accuracy of Vocational Rehabilitation program completion decisions % (VR&E)	81%	81%	94%	97%	95% Y	96%	95%
Serious Employment Handicap (SEH) Rehabilitation Rate % (VR&E) ***	62%	58%	N/A	N/A	73% G	65%	66%
Common Measures ****							
Percent of participants employed first quarter after program exit (VR&E)	N/A	N/A	N/A	N/A	TBD	TBD	TBD
Percent of participants still employed three quarters after program exit (VR&E)	N/A	N/A	N/A	N/A	TBD	TBD	TBD
Percent change in earnings from pre-application to post-program employment (VR&E)	N/A	N/A	N/A	N/A	TBD	TBD	TBD
Average cost of placing participant in employment (VR&E)	N/A	N/A	N/A	N/A	TBD	TBD	TBD
** No customer satisfaction survey was performed in 2003 or 2005. *** VR&E identified a potential weakness in the program because it had only one outcome measure. Therefore, the SEH Rehab. Rate measure was reinstated. This measure had been used until 2004. **** These Common Measures are in support of the President's Management Agenda to integrate budget and performance. Targets for these measures are being developed.							

\* These are partial or estimated data; final data will be published in the FY 2008 Congressional Budget and/or the FY 2007 Performance and Accountability Report.



**Table 2 - FY 2006 Performance Measures by Program**  
(G=Green; Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	
<i>Housing</i>	P&F ID Codes: 36-1119-0-1-704; 36-4025-0-3-704 36-0128-0-1-704; 36-4127-0-3-704 36-4130-0-3-704 36-0151-0-1-705						
<b>Resources</b>							
FTE	1,718	1,404	1,256	1,052	988		
Total Program Costs (\$ in millions)	\$1,017	\$1,520	\$393	\$2,068 <sup>(a)</sup>	\$210 <sup>(b)</sup>		
<b>Performance Measures</b>							
<b>Foreclosure avoidance through servicing (FATS) ratio % (Housing)</b>	43%	45%	44%	48%	54% G	47%	47%
Veterans satisfaction level % (Housing) (1) No Housing survey was completed in 2004 and 2005.	94%	95%	(1) N/A	(1) N/A	TBD	96%	95%
Statistical quality index % (Housing) (through August)	97%	98%	98%	98%	* 99% G	97%	98%
Percent of active duty personnel and veterans who could not have purchased a home without VA assistance (Housing) (Measure under development)	N/A	N/A	N/A	N/A	TBD	TBD	TBD

<sup>(a)</sup>Includes \$1,886 in one-time re-estimates executed in FY 2005 for prior year loan cohorts. Re-estimation is a mandatory process conducted annually to comply with Credit Reform Act guidelines.

<sup>(b)</sup>This is the total of administrative costs only. The total benefits program costs are \$0. This is due to negative subsidy of the Loan Guaranty program.

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**Table 2 - FY 2006 Performance Measures by Program  
(G=Green; Y=Yellow; R=Red)**

Organization/Program/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	
<i>Insurance</i>	P&F ID Codes:		36-0120-0-1-701;		36-4012-0-3-701;		
	36-4010-0-3-701;		36-4009-0-3-701;		36-8132-0-7-701;		
	36-8150-0-7-701;		36-8455-0-8-701;		36-0151-0-1-705		
<b>Resources</b>							
FTE	479	493	490	488	503		
Total Program Costs (\$ in millions)	\$2,749	\$2,695	\$2,581	\$2,537	\$3,343		
<b>Performance Measures</b>							
<b>Average number of days to process insurance disbursements (Insurance)</b>	2.6	2.4	1.8	1.8	1.8 G	2.7	2.7
Percent of servicemembers covered by SGLI (Insurance)	N/A	N/A	N/A	98%	99% G	98%	98%
Conversion rate of disabled SGLI members to VGLI (Insurance)	N/A	N/A	N/A	35%	41% Y	53%	65%
Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average enlisted service member (Insurance)	N/A	N/A	N/A	1.9	1.8 G	1.8	1.0
Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average officer (Insurance)	N/A	N/A	N/A	1.0	0.9 G	0.9	1.0
Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average service member (Insurance)	N/A	N/A	N/A	1.6	1.6 G	1.6	1.0
Ratio of SGLI premium rates charged per \$1,000 compared to the premium rates charged by other organizations per \$1,000 for similar coverage (Insurance)	N/A	N/A	N/A	1.4	1.3 G	1.0	1.0
Ratio of VGLI premium rates charged per \$1,000 compared to the premium rates charged by other organizations per \$1,000 for similar coverage (Insurance)	N/A	N/A	N/A	0.9	0.9 Y	1.0	1.0
Rate of high veterans' satisfaction ratings on services delivered % (Insurance)	95%	95%	96%	96%	96% G	95%	95%
Rate of low veterans' satisfaction ratings on services delivered % (Insurance)	3%	3%	2%	2%	1% G	2%	2%
Toll-free telephone blockage (busy signals) rate % (Insurance)	1%	0%	1%	0%	0% G	2%	1%
Average caller hold time (caller wait time) in seconds (Insurance)	18	17	17	11	11 G	20	20
Number of disbursements (death claims, loans, and cash surrenders) per FTE (Insurance)	N/A	N/A	N/A	1,692	1,697 G	1,684	TBD

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**Table 2 - FY 2006 Performance Measures by Program**  
(G=Green; Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	
<b>National Cemetery Administration</b>							
<i>Burial Program</i>	P&F Codes: 36-0129-0-1-705;		36-0183-0-1-705				
	36-5392-0-1-705		36-0151-0-1-705				
<b>Resources</b>							
FTE	1,454	1,476	1,492	1,523	1,566		
Total Program Costs (\$ in millions)	\$374	\$348	\$406	\$403	\$397		
<b>Performance Measures</b>							
<b>Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence</b>	73.9%	75.2%	75.3%	77.1%	80.2% Y	81.6%	90.0%
<b>Percent of respondents who rate the quality of service provided by the national cemeteries as excellent</b>	91%	94%	94%	94%	94% Y	96%	100%
<b>Percent of graves in national cemeteries marked within 60 days of interment</b>	49%	72%	87%	94%	95% G	90%	90%
<b>Percent of respondents who rate national cemetery appearance as excellent</b>	97%	97%	98%	98%	97% Y	99%	100%
Percent of funeral directors who respond that national cemeteries confirm the scheduling of the committal service within 2 hours	73%	73%	73%	73%	74% Y	76%	93%
Cumulative number of kiosks installed at national and state veterans cemeteries	42	50	60	69	80 G	76	108
Percent of applications for headstones and markers for the graves of veterans who are not buried in national cemeteries processed within 20 days	N/A	N/A	N/A	13%	62% Y	70%	90%
Percent of headstones and markers ordered by national cemeteries for which inscription data are accurate and complete	N/A	N/A	98%	99%	99% G	99%	99%
Percent of headstones and markers that are undamaged and correctly inscribed	96%	97%	97%	96%	96% Y	97%	98%
Percent of respondents who would recommend the national cemetery to veteran families during their time of need	98%	97%	97%	98%	98% Y	99%	100%
Percent of headstones and/or markers in national cemeteries that are at the proper height and alignment	N/A	N/A	64%	70%	67% Y	72%	90%
Percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations	N/A	N/A	76%	72%	77% G	74%	90%
Percent of gravesites that have grades that are level and blend with adjacent grade levels	N/A	N/A	79%	84%	86% G	84%	95%

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**Table 2 - FY 2006 Performance Measures by Program**  
(G=Green; Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	

**Board of Veterans' Appeals**

P&F ID Code: 36-0151-0-1-700

Resources							
FTE	448	451	440	433	436		
Administrative costs only (\$ in millions)	\$47	\$47	\$50	\$50	\$54		
Performance Measures							
Deficiency-free decision rate (BVA)	87.6%	89.0%	93.0%	89.0%	93.0% G	92.0%	95.0%
Appeals resolution time (Days) (Joint measure with VBA) (BVA)	731	633	529	622	657 R	600	365
BVA Cycle Time (Days)	86	135	98	104	148 R	105	104
Appeals decided per Veterans Law Judge (BVA)	321	604	691	621	698 G	625	732
Cost per case (BVA)	\$2,702	\$1,493	\$1,302	\$1,453	\$1,381 G	\$1,552	\$1,443

**Departmental Management**

P&F ID Codes 36-0151-0-1-705; 36-0110-0-1-703  
36-0111-0-1-703 36-4537-0-4-705  
36-4539-0-4-705

Total Program Costs (less BVA and OIG costs, which are identified separately)							
FTE	2,825	2,597	2,697	3,167	2,162		
Total Program Costs (\$ in millions)	\$515	\$617	\$718	\$762	\$928		
Performance Measures							
Attainment of statutory minimum goals for service-disabled veteran-owned small businesses expressed as a percent of total procurement dollars (OSDBU) (through July) (1) Corrected	0.61%	0.49%	1.25%	(1) 2.15%	* 3.68% G	3.00%	3.00%
Percentage of VA employees who are veterans (HR&A)	N/A	24%	26%	28%	30.6% G	30%	36%
Percent of Emergency Planners who have completed orientation (OS&P)	N/A	N/A	N/A	100%	90% Y	100%	100%
Percent of Under Secretaries, Assistant Secretaries, and Other Key Officials who self-certify their teams "ready to deploy" to their COOP site (OS&P)	N/A	N/A	N/A	85%	85% Y	100%	100%
Cumulative % of FTEs (compared to total planned) covered by initiated Management Analysis/Business Process Reengineering studies of non-core commercial functions (OP&P)	N/A	N/A	N/A	N/A	0% R	33%	100%

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**Table 2 - FY 2006 Performance Measures by Program**  
(G=Green; Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	
Percent of cases using alternate dispute resolution (ADR) techniques (BCA) (1) Corrected	43%	20%	9%	(1) 6%	53% G	15%	25%
Percent of tort claims decided accurately at the administrative stage (OGC) Measure description changed for clarification purposes only	86.0%	86.0%	89.0%	88.4%	92.2% G	89.0%	90.0%
Number of audit qualifications identified in the auditor's opinion on VA's Consolidated Financial Statements (OM)	0	0	0	0	0 G	0	0
Number of material weaknesses identified during the annual financial statement audit or identified by management (OM)	6	5	4	4	3 G	4	0
Number of distinct data exchanges between VA and DoD (OI&T) DMDC is Defense Manpower Data Center	N/A	N/A	N/A	N/A	20 from DMDC to VA; 8 from VA to DMDC G	20 from DMDC to VA; 10 from VA to DMDC	1 from DMDC to VA; 1 from VA to DMDC
Number of business lines that are able to access a One VA Enterprise Data Service (OI&T) (1) This measure should not have been included in the final FY 2006 performance plan (that is, the FY 2007 budget submission).	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Percentage of statutory reports that are submitted to Congress within the required timeframe (OCLA)	59% w/i 45 days	70% w/i 30 days	54% w/i 15 days	21% by due date	13% by due date R	35% by due date	100%
Percent of newly elected/appointed state officials briefed within 60 days of taking office regarding VA programs and services (OPIA)	75%	80%	90%	100%	100% G	100%	100%
Percent of space utilization as compared to overall space (owned and direct-leased) (OAEM) (through August)	N/A	N/A	80% Baseline	98%	* 103% G	95%	95%
Percent Condition Index (owned buildings) (OAEM) (through August)	N/A	N/A	N/A	82% Baseline	* 80% Y	83%	87%
Ratio of non-mission dependent assets to total assets (OAEM) (through August)	N/A	N/A	N/A	22% Baseline	* 17% G	19%	10%
Ratio of operating costs per gross square foot (GSF) (OAEM) (through August) Targets and results have been adjusted to reflect Federal Real Property Council Tier 1 definitions and no longer include an inflation factor.	N/A	N/A	\$4.52	\$4.85	* \$4.83 Y	\$4.52	\$4.52
Cumulative percentage decrease in facility traditional energy consumption per gross square foot from the 2003 baseline (OAEM)	N/A	Baseline	N/A	N/A	* 2% G	2%	20%

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**Table 2 - FY 2006 Performance Measures by Program**  
(G=Green; Y=Yellow; R=Red)

Organization/Program/Measure (Key Measures in Bold)	Results					Target	Strategic Target
	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 Result	FY 2006 Target	
<b>Office of Inspector General</b>							
P&F ID Code: 36-0170-0-1-705							
<b>Resources</b>							
FTE	393	399	434	454	510		
Administrative costs only (\$ in millions)	\$56	\$58	\$66	\$70	\$74		
<b>Performance Measures</b>							
Number of arrests, indictments, convictions, administrative sanctions, and pretrial diversions	N/A	N/A	N/A	N/A	2,241	N/A	2,204
Percentage of successful prosecutions	N/A	N/A	N/A	N/A	96%	N/A	87%
Number of reports issued that identify opportunities for improvement and provide recommendations for corrective action	N/A	N/A	N/A	N/A	150	N/A	160
Number of CAP reports issued that include relevant health care delivery and benefits processing pulse points	N/A	N/A	N/A	N/A	64	N/A	76
Monetary benefits (dollars in millions)	N/A	N/A	N/A	N/A	\$900	N/A	\$1,033
Number of international benefit reviews conducted to determine the appropriateness of benefits processing for claimants living outside the 50 states	N/A	N/A	N/A	N/A	0	N/A	3
Maintain unqualified audit opinion of financial statements containing no material weaknesses or reportable conditions (Yes/No)	N/A	N/A	N/A	N/A	Yes	N/A	Yes
Percentage of recommendations implemented to improve efficiencies in operations through legislative, regulatory, policy, practices, and procedural change in VA	N/A	N/A	N/A	N/A	55%	N/A	90% <sup>1</sup>
Percentage of preaward recommendations sustained during contract negotiations	N/A	N/A	N/A	N/A	70%	N/A	65%
Achieve adoption of recommendations relative to IT systems in compliance with FISMA, regulations, and policies within one year from issuance of a report	N/A	N/A	N/A	N/A	0%	N/A	100%
Achieve a professional, competent, and credible reputation as a result of work performed (based on a scale of 0 to 5, where 5 is high):							
Investigations	N/A	N/A	N/A	N/A	4.9	N/A	5.0
Audit	N/A	N/A	N/A	N/A	4.3	N/A	5.0
Healthcare Inspections	N/A	N/A	N/A	N/A	4.6	N/A	5.0
CAP	N/A	N/A	N/A	N/A	4.7	N/A	5.0
<sup>1</sup> VA OIG intends that VA will implement all recommendations. This goal recognizes that some complex implementation actions may go beyond 2010, which is the out-year for OIG's Strategic Plan.							

\* These are partial or estimated data; final data will be published in the FY 2008 Congressional Budget and/or the FY 2007 Performance and Accountability Report.



**Dropped Performance Measures That did not Report Final Results in The FY 2005 PAR**

<i>Veterans Health Administration</i>	FY 2002	FY 2003	FY 2004	FY 2005 Final	FY 2005 Target
Ratio of collections to billings (expressed as a percentage)*	37%	41%	41%	41%	41%
Percentage of VAMCs contracted to serve as TRICARE network providers**	N/A	N/A	N/A	87%	Baseline
Percentage of clinicians who remain in the VA health care system for at least three years after completion of their career development award period***	N/A	N/A	N/A	69%	63%
Number of discovery disclosures by VA investigators***	N/A	N/A	N/A	165	188
<p>* The ratio of collections to billings was dropped as a measure because it did not accurately portray the performance of the VHA revenue cycle. The ratio of collections to billings measure is not a key standard in the private sector due to the different strategic positions that health care systems adopt related to pricing and contracting. Collections are considered the best key measure to evaluate overall improvement in collection performance in the private sector.</p> <p>** This measure was dropped because OMB wanted the measure replaced with a measure that better represented the level of sharing between VA and DoD.</p> <p>*** These measures were dropped because they are no longer PART performance measures (as of the 2005 PART for R &amp; D).</p>					

<i>Departmental Management****</i>	FY 2002	FY 2003	FY 2004	FY 2005 Final	FY 2005 Target
Attainment of statutory minimum goals for small business expressed as a percent of total procurement (OSDBU)	31.2%	31.8%	28.5%	27.8%	23%
<p>**** Measure dropped due to VA consistently exceeding minimum statutory goal since being increased to 23% by Congress in 1997.</p>					



## Major Management Challenges

### Identified by the Office of Inspector General

The Department’s Office of Inspector General (OIG), an independent entity, evaluates VA’s programs and operations. The OIG has submitted the following summary of the major findings and recommendations of the Major Management Challenges for 2006. These challenges are presented by strategic goal. VA has provided actions taken in 2006 as well as *next steps* planned for 2007 and the *estimated resolution timeframe* (fiscal year) for each challenge area. Note: In the “Major Findings and Recommendations” column, use of the words “we” and “our” refer to the OIG.

The table immediately below is a table of contents, which also shows the *estimated resolution timeframe* by challenge.

Challenge		Estimated Resolution Timeframe (Fiscal Year)	Page #
No.	Description		
<b>Strategic Goal 3: Honoring, Serving, and Memorializing Veterans</b>			
<b>OIG #1</b>	<b>Health Care Delivery</b>		<b>226</b>
OIG #1A	Access to Long-Term Health Care in Community Settings	2007	226
OIG #1B	Access to Health Care in VA Medical Facilities	2007	227
OIG #1C	Applying Sound Business Practices		229
a.	Clinical Staffing Guidelines	2009	229
b.	Medical Outcome Measures	2007	231
c.	Budget Process	2007	232
d.	VA Disbursement Agreements with Affiliated Medical Schools	2008	232
<b>Strategic Goal 1: Restoration and Improved Quality of Life for Disabled Veterans</b>			
<b>OIG #2</b>	<b>Benefits Processing</b>		<b>224</b>
OIG #2A	State Variances in VA Disability Compensation Payments	2008	224
OIG #2B	Fiduciary Program	2008	225
<b>Enabling Goal: Applying Sound Business Principles</b>			
<b>OIG #3</b>	<b>Financial Management</b>		<b>233</b>
OIG #3A	Financial Management Controls	2009	233
OIG #3B	Medical Care Collections Fund	2007	234
OIG #3C	Permanent Change of Station Travel Program	2007	236
OIG #3D	Data Validity in Outpatient Scheduling	2007	237
<b>OIG #4</b>	<b>Procurement Practices</b>		<b>237</b>
OIG #4A	VA Acquisitions for Other Government Agencies	2007	237
OIG #4B	Acquisition of Medical Transcription Services	2007	238
OIG #4C	VA Central Office Acquisition Issues	2007	239
OIG #4D	Vocational Rehabilitation and Employment Contracts	2008	241
OIG #4E	VHA Sole Source Contracts	2007	241
<b>OIG #5</b>	<b>Information Management Security and Systems</b>		<b>242</b>
OIG #5A	VA Information Security Program Reviews	2007	242
OIG #5B	VA Information Security Controls	2007	244



<b>STRATEGIC GOAL #1</b>		
<b>Restoration and Improved Quality of Life for Disabled Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>OIG #2 - Benefits Processing</b>		
<b>OIG #2A—State Variances in VA Disability Compensation Payments</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2008</b>		
<p>OIG's May 2005 report concluded that some veterans' disabilities are more susceptible to variations in ratings. As of September 2006, four of eight recommendations remain open.</p>	<ul style="list-style-type: none"> <li>VA contracted with the Institute for Defense Analyses (IDA) to conduct a scientific study of the major influences on compensation payments to develop baseline data and metrics for monitoring and managing rating variances.</li> </ul>	<ul style="list-style-type: none"> <li>VBA will take appropriate action upon receipt of the IDA study report (expected January 2007).</li> </ul>
	<ul style="list-style-type: none"> <li>VBA's rating consistency analysis work group is drafting a plan to monitor decision-making consistency to conduct an accurate and focused analysis. Initial results analysis, in terms of causal relationships and other influencing factors, will not be completed prior to January 2007.</li> </ul>	<ul style="list-style-type: none"> <li>VBA will monitor consistency on an ongoing basis.</li> </ul>
	<ul style="list-style-type: none"> <li>Staff from the Compensation and Pension Examination Program (CPEP)<sup>1</sup> and VBA's Compensation and Pension (C&amp;P) Service began developing templates for C&amp;P examinations to ensure that the medical evidence captured will enable consistent evaluation of disabilities. The templates are being tested and released to the field in the order of frequency of use.</li> </ul>	<ul style="list-style-type: none"> <li>VA will work on full deployment and mandatory use of templates.</li> </ul>

<sup>1</sup> CPEP is an office jointly staffed by VBA and VHA tasked to coordinate and lead efforts for change in the C&P examination process.



<b>STRATEGIC GOAL #1</b>		
<b>Restoration and Improved Quality of Life for Disabled Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>OIG #2 - Benefits Processing</b>		
<b>OIG #2A—State Variances in VA Disability Compensation Payments, <i>continued</i></b>		
	<ul style="list-style-type: none"> <li>As required by the Deficit Reduction Act of 2005, VBA will monitor the ongoing research study of veteran awareness. Findings are expected by December 2006.</li> </ul>	<ul style="list-style-type: none"> <li>VBA will take appropriate action based on findings from the research study.</li> </ul>
<b>OIG #2B—Fiduciary Program</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2008</b>		
<p>OIG's June 2006 report disclosed that VBA needed to improve fiduciary program case management to reduce the risk of misuse or theft of beneficiaries' funds. VARO staff needed to improve field examinations, monitoring of fiduciaries, and periodic accountings; verify beneficiary assets; and require documentation of some fiduciary-reported expenses.</p> <ul style="list-style-type: none"> <li>As of September 2006, one of seven recommendations to strengthen fiduciary program operations remains open.</li> </ul>	<p>Action on the remaining recommendation is ongoing. VBA has implemented the following actions:</p> <ul style="list-style-type: none"> <li>Developed a Legal Instruments Examiner (LIE) training program to enhance skills needed to effectively conduct fiduciary oversight responsibilities.</li> <li>In May 2006, training was provided to 75 field staff via a National Training Conference.</li> <li>Developed a comprehensive LIE training syllabus for both introductory and refresher training.</li> <li>Revised and expanded the LIE Program Guide to include detailed explanations of the account review process and administrative duties of the LIE position.</li> <li>Based on the above actions, OIG closed the recommendation addressing the LIE training program in August 2006.</li> </ul>	<ul style="list-style-type: none"> <li>A work measurement study, which will include fiduciary program work products, is scheduled for the second quarter of 2007.</li> <li>VA will analyze results, examine fiduciary program staffing at the regional office level, and make recommendations regarding caseloads.</li> </ul>



<b>STRATEGIC GOAL #3</b>		
<b>Honoring, Serving, and Memorializing Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>OIG #1 — Health Care Delivery</b>		
<b>OIG #1A—Access to Long-Term Health Care in Community Settings</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2007</b>		
<p>The <i>Veterans Millennium Health Care and Benefits Act of 1999</i>, Public Law 106-117, directs the Secretary of Veterans Affairs to provide extended services to eligible veterans, including nursing home care (NHC), in either VA or community-based facilities.</p> <ul style="list-style-type: none"> <li>In December 2002 and 2003, and in May 2004, OIG identified long-term health care issues warranting attention. As of September 2006, one recommendation remains open for the Contract Nursing Care program review, two for the Homemaker/Home Health Aide program review, and four for the Community Residential Care program review.</li> </ul>	<ul style="list-style-type: none"> <li>VHA provided updated Contract Nursing Home information on extended nursing home services to the OIG in June 2006.</li> <li>VHA published the Home Health Care Handbook in July 2006.</li> <li>Geriatrics and Extended Care (GEC) referral information was published near the end of 2006.</li> <li>The Community Residential Care (CRC) Handbook is in the final internal concurrence process.</li> <li>VHA has implemented the GEC Referral Form, which VA initiates for all veterans needing long-term care services. The form identifies the veteran's need for nursing home care and the spectrum of non-institutional long-term care services.</li> <li>A GEC team reviewed all referral forms and recommended placement based on documented need for long-term care services including nursing home care.</li> <li>Based on veteran needs and specific capabilities of nursing homes both in VA and in the community to provide the services, veterans were placed where the most appropriate, least restrictive care could be provided.</li> <li>VHA believes that these actions should close out the remaining recommendations.</li> </ul>	<ul style="list-style-type: none"> <li>GEC will continue to review and refine referral information.</li> <li>GEC will publish a federal regulation on fire safety on the CRC program.</li> </ul>



<b>STRATEGIC GOAL #3</b>		
<b>Honoring, Serving, and Memorializing Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>OIG #1 — Health Care Delivery</b>		
<b>OIG #1B—Access to Health Care in VA Medical Facilities</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2007</b>		
<p>OIG's May 2006 report assessed whether veterans had access to non-institutional care and whether veterans who desired care were enrolled and provided timely care.</p> <ul style="list-style-type: none"> <li>OIG found that some medical facilities limited access of certain non-institutional care services to only the highest priority veterans. VA medical facilities did not have effective controls to ensure that all newly enrolled veterans in need of care received it within VHA's goal of 30 days of the desired date of care, or veterans received clinically indicated specialty procedures within a reasonable time. OIG made nine recommendations to VA to monitor the demand for non-institutional care, direct facilities to implement tracking mechanisms to identify newly enrolled veterans, and establish standardized tracking methods and appropriate performance metrics. As of September 2006, all nine recommendations remain open.</li> </ul>	<ul style="list-style-type: none"> <li>The Deputy Under Secretary for Health for Operations and Management reinforced the requirement to eliminate any local restrictions limiting eligible veterans' access to non-institutional care in accordance with Information Letter 10-2004-005 to Veterans Integrated Service Network (VISN) leadership in August 2006.</li> <li>The Care Coordination/Home Telehealth Program (CCHT), which provides non-institutional care to veteran patients, also extended the geographic range of services provided. CCHT programs exist in all VISNs. (Twenty-five percent of CCHT patients are in rural or highly rural areas.)</li> <li>VHA published Handbook 1140.6, "Purchased Home Health Care Services Procedures" in July 2006, which includes policy on use of the electronic waiting list (EWL) for veterans in need of and seeking home health care services.</li> </ul>	<ul style="list-style-type: none"> <li>VHA will implement effective measurement systems to evaluate the extent to which geriatric evaluations are occurring.</li> </ul>



<b>STRATEGIC GOAL #3</b>		
<b>Honoring, Serving, and Memorializing Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>OIG #1 — Health Care Delivery</b>		
<i>OIG #1B—Access to Health Care in VA Medical Facilities, continued</i>		
	<ul style="list-style-type: none"> <li>VHA issued Directive 2006-028, "Process for Assuring Timely Access to Outpatient Clinical Care" in May 2006. The directive provides specific business rules requiring use of the EWL to identify veterans waiting for non-institutional care, including veterans entitled or not entitled to priority access.</li> </ul>	<ul style="list-style-type: none"> <li>With publication of the new VHA Directive on Outpatient Scheduling Processes and Procedures, individuals with electronic access to schedule appointments and place patients on the EWL will be required to document completion of standardized national training to assure their competency and ongoing compliance.</li> <li>VHA is exploring the feasibility of developing computer functionality to help automate appointment scheduling for new enrollees who want to schedule an appointment on their initial application for enrollment.</li> <li>In the interim, VHA is using manual procedures to assure that veterans desiring an appointment are appropriately processed.</li> </ul>



<b>STRATEGIC GOAL #3</b>		
<b>Honoring, Serving, and Memorializing Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>OIG #1 — Health Care Delivery</b>		
<b>OIG #1C - Applying Sound Business Practices – (a) Clinical Staffing Guidelines</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2009</b>		
<p>VA needs assurances that medical staffing levels are adequate and that medical staff are available to meet needs. The absence of staffing standards for physicians and nurses continues to impair VHA's ability to adequately manage medical resources.</p> <ul style="list-style-type: none"> <li>As of September 2006, 9 of the 17 recommendations from OIG's April 2003 report on physician staffing remain open. VA proposed developing a policy to meet the statutory requirement to ensure staffing for physicians and nurses is adequate, but reported that information management systems are inadequate to support nationwide standardized staffing plans for health care providers in varied settings. VA plans to review the issues at the local, network, and national levels, and to put systems for the collection and analysis of required information in place—but not until September 2009.</li> <li>In August 2004, OIG reported that managers could have managed staffing better in providing patient care if VHA had developed and implemented consistent staffing methodologies, standards, and data systems. As of September 2006, 11 of 15 recommendations remain open.</li> </ul>	<ul style="list-style-type: none"> <li>VHA completed the final draft of a directive on staffing plans. The directive does the following:               <ul style="list-style-type: none"> <li>Requires all facilities to develop staffing plans for various clinical care settings</li> <li>Contains national staffing guidance for nursing and physician primary and specialty care.</li> <li>Requires national roll-up and analyses of staffing plans and patient outcomes.</li> </ul> </li> <li>VHA developed the VA Nursing Outcomes Database (VANOD) with standardized data definitions, data entry, data extraction, and report generation.</li> </ul>	<ul style="list-style-type: none"> <li>VHA will continue development and enhancement of the VANOD.</li> </ul>



<b>STRATEGIC GOAL #3</b>		
<b>Honoring, Serving, and Memorializing Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>OIG #1 — Health Care Delivery</b>		
<b>OIG #1C - Applying Sound Business Practices – (a) Clinical Staffing Guidelines, <i>continued</i></b>		
<ul style="list-style-type: none"> <li>OIG's August 2004 report found that managers did not effectively communicate productivity goals to measure physician productivity. The Radiology Service did not monitor productivity by the contract service provider and an external VHA consultant could not determine the Pulmonary Clinic workload. As of September 2006, one recommendation remains open and management needs to develop and implement productivity standards for physicians as directed by the <i>Department of Veterans Affairs Health Care Programs Enhancement Act of 2001</i>, Public Law 107-135.</li> <li>A March 2006 report indicated that problems with physician time and attendance requirements still persist, with the one recommendation remaining open.</li> </ul>	<ul style="list-style-type: none"> <li>VHA developed productivity goals for the Radiology Service.</li> </ul>	<ul style="list-style-type: none"> <li>VHA plans to develop national staffing guidance for other disciplines.</li> <li>VHA will issue new policy guidance on adjustable work hours for part-time physicians. This policy would provide guidance to accommodate varying VA patient care needs and part-time VA physicians who have VA or non-VA patient care, research, or educational responsibilities that make adherence to the same regularly scheduled tour of duty each pay period difficult.</li> </ul>



<b>STRATEGIC GOAL #3</b>		
<b>Honoring, Serving, and Memorializing Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>OIG #1 — Health Care Delivery</b>		
<b>OIG #1C - Applying Sound Business Practices – (b) Medical Outcome Measures</b>		
<b>VA's ESTIMATED RESOLUTION TIMEFRAME: FY 2007</b>		
<p>Veterans should receive high-quality medical care. Improvements in the measurement and use of medical outcomes data will provide opportunities for VHA to improve the health care provided to veterans. VHA will continue to develop and implement appropriate medical outcome measures, consistent with industry and government standards that demonstrate the level of care VA provides.</p> <ul style="list-style-type: none"> <li>OIG reviewed colorectal cancer detection in VHA health care facilities in February 2006. As of September 2006, all three recommendations remain open.</li> </ul>	<ul style="list-style-type: none"> <li>The VHA Office of Quality and Performance (OQP) developed plans to report data on diagnostic delays quarterly, providing the mean time from a positive, non-colonoscopy, colorectal cancer (CRC) screen to colonoscopy as a metric to track VHA-wide delays and improve the timeliness of CRC diagnoses.</li> <li>External Peer Review Process (EPRP) collection for diagnostic delays began in the first quarter of 2006. VA produced preliminary metrics.</li> <li>Participants in the Colorectal Cancer Care Collaborative (C4) projects are capturing three core measures to improve the quality of care and increase adherence to evidence-based care in the diagnosis of CRC:               <ul style="list-style-type: none"> <li>Time from positive fecal occult blood test (FOBT) to colonoscopy performed or paid for by VA (for colonoscopies within 1 year).</li> <li>The number of colonoscopies performed or paid for by VA within 90 days after positive FOBT (for colonoscopies within 1 year).</li> <li>The number of positive FOBTs without a follow-up colonoscopy. C4 measures are designed for facility-level performance improvement by pilot facilities.</li> </ul> </li> <li>VHA disseminated facility-based quality improvement measures and tracking tools in September 2006.</li> </ul>	<ul style="list-style-type: none"> <li>VHA will continue collection and analysis of EPRP data related to CRC diagnostic delays.</li> <li>VHA will proceed with Phase 2 of the C4 project, in which teams will study treatment of colorectal cancer. VHA expects to have recommendations and outcome measures once the collaborative project is finished in 2007.</li> </ul>



<b>STRATEGIC GOAL #3</b>		
<b>Honoring, Serving, and Memorializing Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>OIG #1 — Health Care Delivery</b>		
<b>OIG #1C - Applying Sound Business Practices – (c) Budget Process</b>		
<b>VA's ESTIMATED RESOLUTION TIMEFRAME: FY 2007</b>		
<p>VHA is challenged to align programmatic budget and financial execution with relevant outcomes, while remaining committed to providing quality health care to veterans.</p> <ul style="list-style-type: none"> <li>OIG's June 2006 report addressed congressional concerns about VHA budget execution processes. As of September 2006, all four recommendations remain open.</li> </ul>	<ul style="list-style-type: none"> <li>VHA assessed the Veterans Integrated Service Network (VISN) actions to ensure they maximized efficient and effective patient care.</li> <li>The VHA Chief Financial Officer routinely monitored all VISNs' resources throughout the year.</li> <li>VA submitted quarterly reports to Congress identifying progress achieved toward financial and program performance goals.</li> </ul>	<ul style="list-style-type: none"> <li>The VHA Finance Committee will continue to provide ongoing oversight of network financial execution. It expects to complete this by December 2006.</li> </ul>
<b>OIG #1C - Applying Sound Business Practices – (d) VA Disbursement Agreements With Affiliated Medical Schools</b>		
<b>VA's ESTIMATED RESOLUTION TIMEFRAME: FY 2008</b>		
<p>OIG's draft report issued March 2006, identified weaknesses at four medical centers in resident timekeeping, fiscal, and oversight procedures. OIG made four recommendations, which remain open, to address program management issues.</p>	<ul style="list-style-type: none"> <li>VHA is awaiting the OIG's final report recommendations.</li> </ul>	<ul style="list-style-type: none"> <li>VHA will implement OIG final report recommendations on Disbursement Agreements.</li> </ul>



<b>ENABLING GOAL: APPLYING SOUND BUSINESS PRACTICES</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>OIG #3 - Financial Management</b>		
<b>OIG #3A—Financial Management Controls</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2009</b>		
<p>VA has received unqualified opinions in the annual consolidated financial statements (CFS) audits since FY 1999. However, the audit of VA's FY 2005 and FY 2004 CFS reported the lack of an integrated financial management system, financial operations oversight, and information technology (IT) security controls as material weaknesses. While VA has addressed some of our concerns, including the corrective action in FY 2005 to eliminate the judgments and claims reportable condition identified in the FY 2004 audit, the impact of the material weaknesses on financial operations demonstrates that VA faces major challenges in this area.</p> <ul style="list-style-type: none"> <li>• The lack of an integrated financial management system increases the risk of materially misstating financial information.</li> <li>• VA believed that CoreFLS would resolve OIG concerns, but after our August 2004 Bay Pines CoreFLS report was issued, VA discontinued implementation of CoreFLS and the test sites resumed operation within VA's existing financial management system in early 2005. As of September 2006, three financial management and control recommendations remain open.</li> </ul>	<ul style="list-style-type: none"> <li>• VA pursued two initiatives to mitigate the conditions that resulted in the audit findings regarding the lack of an integrated financial management system: <ul style="list-style-type: none"> <li><u>Initiative #1:</u> VA standardized and centralized the financial statement generation process using a commercial off-the-shelf (COTS) business tool. <ul style="list-style-type: none"> <li>○ The new tool and new procedures were successfully implemented during 2006, bringing standardization and greater integrity to the financial statement generation process.</li> <li>○ VA submitted third quarter financial statements and the FACTS II submission using this software and used this software to prepare the consolidated financial statements during the fourth quarter of 2006.</li> </ul> </li> <li><u>Initiative #2:</u> VA prepared a detailed analysis of major financial system interfaces to identify and initiate correction of any deficiencies in reconciliation, internal controls, security, and other areas. <ul style="list-style-type: none"> <li>○ To correct any reconciliation issues, VA is implementing a data warehouse to capture relevant interface and system data and produce both high-level and detailed information on the status and health of financial system interfaces.</li> </ul> </li> </ul> </li> <li>• VA is standardizing business processes for finance and logistics. The final deliverable will be a listing of standardized business processes to be implemented across VA.</li> </ul>	<ul style="list-style-type: none"> <li>• VA will use the COTS tool to further enhance the preparation and generation of financial statements and reports.</li> <li>• VA will complete the analysis of the financial system interfaces in 2007. The focus of the project will move to incorporating these interfaces into the data warehouse effort.</li> </ul>



<b>ENABLING GOAL: APPLYING SOUND BUSINESS PRACTICES</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>OIG #3 - Financial Management</b>		
OIG #3A—Financial Management Controls, <i>continued</i>		
	<ul style="list-style-type: none"> <li>As it pertains to the open financial management and control recommendations associated with the prior financial and logistics system initiative, VA completed a review of expenditures to the largest vendors and completed a review of all travel expenditures submitted by BearingPoint.</li> </ul>	
<b>OIG #3B — Medical Care Collections Fund</b>		
VA'S ESTIMATED RESOLUTION TIMEFRAME: <b>FY 2007</b>		
<ul style="list-style-type: none"> <li>OIG's December 2004 report identified that 89 percent of cases reviewed for certain veterans receiving C&amp;P benefits had debts referred inappropriately to VA's Debt Management Center. As of September 2006, two of four recommendations remain open.</li> </ul>	<ul style="list-style-type: none"> <li>VA's first quarter 2006 review found that 11,576 bills were potentially issued in error to veterans. After review at VA medical centers, 5,139 first party copayment bills were cancelled, resulting in \$99,000 being generated in refunds to veterans.</li> <li>VA implemented the Web Hospital Inquiry (WebHINQ) application, which allows VHA to retrieve from VBA's information systems more definitive disability codes, the current and original effective dates of a veteran's service-connected disability, and the effective date of the combined service-connected disability.</li> </ul>	<ul style="list-style-type: none"> <li>VA will continue monitoring to ensure the error rate of veterans billed inappropriately is at an acceptable level – lowered to ten percent.</li> </ul>



<b>ENABLING GOAL: APPLYING SOUND BUSINESS PRACTICES</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>OIG #3 - Financial Management</b>		
OIG #3B — Medical Care Collections Fund, <i>continued</i>		
	<ul style="list-style-type: none"> <li>• The Health Eligibility Center (HEC) implemented procedures to ensure that review file records are monitored weekly and that pension awards and 50% or greater service-connected awards are identified for priority processing. A reporting mechanism was established to report this information monthly.</li> <li>• VA completed enhancements of HEC's information system to optimize electronic processing of solicited and unsolicited eligibility messages from VBA. This resulted in a reduction of records requiring manual processing from 671 records to 15 records per week. VA continues to place a high priority on reviewing and resolving records requiring manual review.</li> <li>• VBA corrected a deficiency in WebHINQ logic for triggering compensation and pension award changes to the HEC.</li> <li>• The HEC completed a refresh of compensation and pension data in HEC records identified as a VA pensioner or service-connected veteran.</li> </ul>	



<b>ENABLING GOAL: APPLYING SOUND BUSINESS PRACTICES</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>OIG #3 - Financial Management</b>		
<b>OIG #3C – Permanent Change of Station Travel Program</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2007</b>		
<p>OIG's March 2006 report cited that strengthened controls over VA's permanent change of station (PCS) travel program were needed. We made 3 recommendations with 11 action items, of which 7 actions remain open as of September 2006. Although VA has reported additional FY 2006 corrective actions, we have not received documentation showing how the actions address the remaining OIG recommendations for improvement.</p>	<p>VA took the following actions:</p> <ul style="list-style-type: none"> <li>• Reviewed the PCS travel cases nationwide ensuring that PCS travel funds were deobligated promptly, advances to transferring employees were for the appropriate amount and were promptly collected and the appropriate amount of funds were obligated for PCS real estate expenses.</li> <li>• Ensured that customer surveys were distributed to all transferred employees.</li> <li>• Completed the requirement for entitlement counseling and voucher services for those affected by Hurricane Katrina under the provisions in the FAR, Part 8.</li> <li>• Changed the RFQ to provide entitlement counseling and voucher services to a fixed-price IDIQ or a Requirements task order that included tiered pricing or a rebate structure encouraging discounting pricing.</li> </ul>	<p>VA plans the following actions:</p> <ul style="list-style-type: none"> <li>• Continue monthly reviews of outstanding obligations and advances.</li> <li>• Periodically analyze obligation and advance amounts and determine if adjustments are necessary.</li> <li>• Maintain up-to-date standard operating procedures.</li> <li>• Provide ongoing training for staff.</li> <li>• Continue surveys of transferred employees.</li> <li>• Conduct annual customer satisfaction surveys of VA facilities.</li> <li>• Partner with Cartus, a relocation services company, to enhance the PCS process.</li> <li>• Continue to monitor implemented corrective actions.</li> </ul>



<b>ENABLING GOAL: APPLYING SOUND BUSINESS PRACTICES</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>OIG #3 - Financial Management</b>		
<b>OIG #3D — Data Validity in Outpatient Scheduling</b>		
<b>VA's ESTIMATED RESOLUTION TIMEFRAME: FY 2007</b>		
<p>The <i>Government Performance and Results Act</i>, Public Law 103-62, requires that agencies develop measurable performance goals and report results against the goals. Successful implementation requires accurate and complete data. OIG's July 2005 report found that VHA's outpatient scheduling procedures need to be improved to ensure accurate reporting of data on veterans' waiting times and facility waiting lists. As of September 2006, five of eight recommendations for improvement remain open.</p>	<ul style="list-style-type: none"> <li>• VHA revised Directive 2003-068 as Directive 2006-028, <i>Process for Ensuring Timely Access to Outpatient Clinical Care</i>.</li> <li>• The revised directive continues previous requirements for scheduling and use of the Electronic Wait List (EWL) with emphasis on ensuring timely access for patients.</li> <li>• A new directive on outpatient scheduling processes and procedures is in the final concurrence process.</li> </ul>	<ul style="list-style-type: none"> <li>• The draft VHA directive on outpatient scheduling processes and procedures will provide more detailed business rules for: scheduling, use of EWL, Primary Care Management Module (PCMM), consult management, no-shows, clinic cancellations, registration, and enrollment.</li> <li>• The directive also mandates demonstration and ongoing monitoring of the competencies of all staff with electronic access to schedule appointments and use EWL and PCMM, including the requirement to complete standardized national training.</li> </ul>
<b>OIG #4 — Procurement Practices</b>		
<b>OIG #4A—VA Acquisitions for Other Government Agencies</b>		
<b>VA's ESTIMATED RESOLUTION TIMEFRAME: FY 2007</b>		
<p>OIG's May 2006 report cited two VHA contracting activities that did not comply with <i>Economy Act</i>, as amended, 31 U.S.C. § 1535, regulations when administering acquisitions for other Government agencies (OGAs) by charging the OGAs excessive service fees of about \$8.1 million in FYs 2003 and 2004. Additionally, contracting officers inappropriately awarded 35 interagency contracts valued at about \$15 million that were not within the scope of VA's mission. All 14 recommendations remain open.</p>	<p>VA took the following actions:</p> <ul style="list-style-type: none"> <li>• New acquisitions for other Government agencies (OGAs) have been suspended in VHA since January 2006.</li> <li>• VHA field offices are transitioning OGA contracts to the VA Office of Acquisition and Materiel Management, or, in the case of Cooperative Administrative Support Units, to the General Services Administration.</li> <li>• VA obtained quarterly financial reports to ensure that expenses and revenues were appropriately reconciled.</li> </ul>	<ul style="list-style-type: none"> <li>• VHA will perform a final closeout and reconciliation of all OGA procurements.</li> </ul>



<b>ENABLING GOAL: APPLYING SOUND BUSINESS PRACTICES</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>OIG #4 — Procurement Practices</b>		
<b>OIG #4B – Acquisition of Medical Transcription Services</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2007</b>		
<p>OIG's June 2006 report cited that using speech recognition technology to transcribe medical reports in-house as an alternative to outsourcing to contractors could resolve security concerns about patient health care information and reduce costs by as much as \$6.2 million annually. As of September 2006, all four recommendations to address these issues remain open.</p>	<ul style="list-style-type: none"> <li>VHA convened a workgroup to review market research and field data and to prepare a recommended procurement strategy for the approval of the Under Secretary for Health.</li> </ul>	<ul style="list-style-type: none"> <li>VHA will support the contracting officer(s) and program manager(s) responsible for implementing the procurement strategy during the procurement process.</li> </ul>



<b>ENABLING GOAL: APPLYING SOUND BUSINESS PRACTICES</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>OIG #4 — Procurement Practices</b>		
<b>OIG #4C—VA Central Office Acquisition Issues</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2007</b>		
<ul style="list-style-type: none"> <li>• Serious contracting, planning, and project management issues had been identified in a congressionally mandated study. OIG's September 2005 report found that the study was not properly planned, procured, or managed by OA&amp;MM. OIG recommended that the Under Secretary for Health and the Assistant Secretary for Management initiate formal acquisition planning and proper contracting processes to expeditiously and successfully complete the study and ensure that assigned project management and contracting staff have the required knowledge and skills to effectively plan, procure, administer, and manage the study. As of September 2006, four of six recommendations remain open.</li> </ul>	<ul style="list-style-type: none"> <li>• VHA identified alternatives that could meet the intent of assessing mental health status, including the prevalence and effects of post-traumatic stress disorder (PTSD), in Vietnam (and other era) veterans. A final decision is still pending about which of the following approaches to pursue:               <ul style="list-style-type: none"> <li>○ <u>Use the Vietnam Era Twin (VET) Registry.</u> The VET Registry was created to address questions about the long-term health effects of Vietnam service. The registry has evolved into a resource for genetic epidemiologic studies of mental and physical health conditions. Because the VET Registry does not include women, complementary studies of women veterans would be needed.</li> <li>○ <u>Use Findings from a VA-DoD OIF Study.</u> A currently funded prospective study of OIF military personnel could provide insight into the onset and progression of PTSD as well as other mental and physical health consequences of service for veterans of current and future conflicts.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Negotiations with RTI International to close out the existing contract are continuing. These should be completed by December 31, 2006.</li> <li>• VHA will choose 1 of the 3 approaches for assessing mental health status.</li> </ul>



<b>ENABLING GOAL: APPLYING SOUND BUSINESS PRACTICES</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>OIG #4 — Procurement Practices</b>		
<i>OIG #4C—VA Central Office Acquisition Issues, continued</i>		
	<ul style="list-style-type: none"> <li>○ <u>Rely on Other Research.</u> Significant research on PTSD has improved treatment and diagnosis techniques, and these findings can provide valuable information applicable to all veterans who serve in combat.                             <ul style="list-style-type: none"> <li>– To improve VA’s clinical care for veterans with readjustment problems, VA initiated several new projects, including collaborations with DoD and NIH, about the effects of combat.</li> <li>– Currently published and future findings should result in new therapies to address the issues of readjustment to civilian life or return to military service for all veterans, including Vietnam war veterans.</li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>• OIG’s August 2004 CoreFLS System review reported VA did not adequately contract for or monitor the CoreFLS project or protect the Government’s interests. OIG identified systemic inadequacies in the contracting processes and serious weaknesses in contract development. OIG made 66 recommendations in the report. Twenty-nine recommendations related directly to procurement issues. As of September 2006, 15 of 29 recommendations remain open.</li> </ul>	<ul style="list-style-type: none"> <li>• VA began developing a new program, the Financial and Logistics Integrated Technology Enterprise (FLITE).</li> <li>• The FLITE program will employ contracting methods that incorporate practices designed to address the OIG’s concerns.</li> </ul>	VA plans to do the following: <ul style="list-style-type: none"> <li>• Use Integrated Process Teams to develop acquisition plans and performance work statements.</li> <li>• Use contract review boards to ensure contracts are developed, awarded, and administered properly.</li> </ul>



<b>ENABLING GOAL: APPLYING SOUND BUSINESS PRACTICES</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>OIG #4 – Procurement Practices</b>		
<b>OIG #4D – Vocational Rehabilitation and Employment Contracts</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2008</b>		
<p>OIG's February 2005 report noted that VA awarded over 240 vocational rehabilitation and employment contracts to provide evaluation, rehabilitation, training, and employment services to veterans. OIG concluded that VA was at risk of paying excessive prices for these contract services. As of September 2006, five of seven recommendations are closed. OIG will close the remaining two recommendations upon receipt of documentation showing new contracts are being competed, actions have been taken to negotiate lower prices with contractors, and the new business structures have been pilot tested.</p>	<ul style="list-style-type: none"> <li>VA began work to re-procure the National Acquisition Strategy (NAS) contracts. These contracts provide necessary counseling services required for veterans in the VR&amp;E program.</li> <li>VA awarded a facilitation contract to Acquisition Solutions, Inc., to assess various acquisitions strategies and identify the risks and benefits for each alternative.</li> </ul>	<ul style="list-style-type: none"> <li>Since new contracts were not in place by the end of 2006, VA will exercise the fourth and final option year on the current contracts pending a satisfactory price reasonableness determination.</li> <li>VA will work with the Integrated Process Team to conduct extensive, more comprehensive market research to make a more informed business decision regarding the acquisition strategy.</li> <li>Based on these activities, VA will solicit for NAS services with the goal of awarding contracts by the end of 2007.</li> </ul>
<b>OIG #4E – VHA Sole Source Contracts</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2007</b>		
<p>OIG's February 2005 summary report addressed general contracting issues including poor acquisition planning, contracting practices that interfered with the contracting officers' ability to fulfill their responsibilities, and contract terms and conditions that did not protect VA's interest; contract pricing issues that resulted in VA overpaying for services; and legal issues, including conflict of interest violations, improper personal services contracts, terms and conditions that were inherently governmental, and contracts that were outside the scope of § 8153 authority.</p> <p>Currently, 1 of 35 recommendations remains open.</p>	<ul style="list-style-type: none"> <li>After VA developed policy that addressed the concerns raised by the OIG report, the Secretary signed policy on sole-source contracting in August 2006.</li> <li>VA is investigating the steps necessary to address the open recommendation concerning authorization for VA to enter into personal services contracts.</li> </ul>	



<b>ENABLING GOAL: APPLYING SOUND BUSINESS PRACTICES</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>OIG #5 — Information Management Security and Systems</b>		
<b>OIG #5A—VA Information Security Program Reviews</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2007</b>		
<p>For the past several years, OIG has reported vulnerabilities with information technology security controls in our Consolidated Financial Statements audit reports, <i>Federal Information Security Management Act</i> Public Law 107-347 reports, and Combined Assessment Program reviews. Each year OIG continues to identify repeat deficiencies and repeat recommendations that remain unimplemented. OIG's March 2005 audit reported that inadequate IT security controls for VA's financial management systems continue to place VA program and financial information at risk. As of September 2006, all 16 recommendations remain open. OIG's September 2006 audit of VA's information security program, reaffirmed the 16 unimplemented recommendations, and added another for VA action bringing the total to 17. OIG has reported information technology security as a Major Management Challenge for the Department each year for the past 6 years.</p> <ul style="list-style-type: none"> <li>OIG's December 2005 Management Letter reported deficient equipment controls and records for a 10-year period. As of September 2006, four of seven recommendations to address these issues are closed. The issue of controls continues to be an area of concern that will be addressed in ongoing reviews because it is central to information security.</li> </ul>	<ul style="list-style-type: none"> <li>VA created a new IT management structure which gives the CIO the following:                             <ul style="list-style-type: none"> <li>Control over IT operational personnel and the IT budget. The CIO is now in a much better position to direct the remediation of IT deficiencies and implement the centralized enforcement/ execution model envisioned by the OIG.</li> <li>Responsibility and authority (as delegated by the Secretary in a June 2006 memorandum) for information security responsibility policies, procedures, and practices.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The Department has begun and will continue to execute the Data Security Assessment and Strengthening of Controls Program, which was developed to remediate IT deficiencies.</li> </ul>



<b>ENABLING GOAL: APPLYING SOUND BUSINESS PRACTICES</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>OIG #5 — Information Management Security and Systems</b>		
OIG #5A—VA Information Security Program Reviews, <i>continued</i>		
<ul style="list-style-type: none"> <li>Two OIG March 2006 reports of wireless network vulnerability assessments at two medical centers identified inadequate access controls for wireless technologies and weak operating system configurations based on penetration test results. As of September 2006, three of four recommendations remain open for one facility and for the second facility, two of four recommendations remain open.</li> </ul>	<ul style="list-style-type: none"> <li>Corrective action has been taken for one of four recommendations made at one facility. Vulnerabilities noted in the report have been successfully remediated at this facility.</li> <li>For the other facility, corrective action was taken by the facility on two of four recommendations.</li> <li>Although vulnerabilities were identified at the Dallas and San Antonio VA medical facilities, VA is approaching this issue from a national perspective.</li> <li>From this perspective, VA has required its officials to adhere to Federal Information Processing Standard (FIPS) encryption requirements, and VA's Office of Cyber and Information Security has begun assisting VHA facilities with network protection deployments.</li> </ul>	<ul style="list-style-type: none"> <li>VA will issue new policy on use of wireless technology.</li> <li>VA will provide additional wireless training to the staff at one of the facilities.</li> <li>The other facility is planning to deploy a wireless intrusion detection system and will be providing its IT staff with wireless security training.</li> <li>Corrective action for the remaining recommendations is planned for completion in 2007.</li> </ul>



<b>ENABLING GOAL: APPLYING SOUND BUSINESS PRACTICES</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>OIG #5 — Information Management Security and Systems</b>		
<b>OIG #5B — VA Information Security Controls</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2007</b>		
<p>OIG's July 2006 report reviewed the circumstances surrounding the theft of a personally-owned laptop computer and external hard drive, which was reported to contain personal information on approximately 26 million veterans and United States military personnel, from the home of a VA employee.</p> <ul style="list-style-type: none"> <li>OIG found that while the employee had authorization to access and use large VA databases, the employee was not authorized to take VA data home and did not encrypt or password protect the data. OIG also found that VA policies and procedures do not adequately protect personal or proprietary data. OIG has reported vulnerabilities with information technology security controls for several years, finding that information security control weaknesses remain uncorrected. OIG understands VA has taken additional actions to implement the remaining recommendations, but they have not received documentation that would permit OIG to close any of the remaining recommendations.</li> </ul>	<ul style="list-style-type: none"> <li>The Department completed four separate administrative investigations regarding the theft of a personally-owned laptop computer and hard drive from a VA employee's residence.</li> <li>All employees took privacy awareness and cybersecurity training.</li> <li>VA is offering data breach analysis services.</li> <li>VA consolidated security and privacy incident reporting.</li> <li>VA published the following policies:                         <ul style="list-style-type: none"> <li>VA Directive 6500, Information Security Program.</li> <li>VA Directive 6504, Restriction on Transmission, Transportation, and Use of, and Access to Data Outside VA Facilities.</li> <li>VA IT Directive 06-02, Safeguarding and Protecting Privacy Act Protected Data at Alternate Work Locations.</li> <li>VA IT Directive 06-04, Embossing Machines and Miscellaneous Data Storage Devices.</li> <li>VA IT Directive 06-05, Use of Personal Computing Equipment.</li> <li>VA IT Directive 06-06, Safeguarding Removable Media</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>VA will modify Cyber Security and Privacy Awareness Training to identify and provide an electronic link to all applicable laws and VA policies.</li> <li>VA will enhance the location and delivery of annual online awareness training for easier access by staff.</li> <li>VA will issue additional policy and procedures governing encryption, media protection, and other security controls.</li> <li>VA will ensure that its policies such as those governing telework and other personnel-related areas are updated to address IT security issues as appropriate.</li> <li>VA will ensure that all policies and procedures are centrally located and easily available and accessible to staff.</li> <li>VA will complete requirements analyses and begin to acquire and implement additional technical media protection capabilities, to include encryption of removable media.</li> <li>VA will enhance staffing and capabilities of its Security Operations Center for incident reporting and vulnerability detection and management.</li> <li>VA will enhance its internal IT security inspection capability to ensure that deficiencies have been properly remediated and to proactively identify new issues.</li> </ul>



<b>ENABLING GOAL: APPLYING SOUND BUSINESS PRACTICES</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>OIG #5 — Information Management Security and Systems</b>		
<b>OIG #5B — VA Information Security Controls, <i>continued</i></b>		
<ul style="list-style-type: none"> <li>OIG recommended that the Secretary take whatever administrative action deemed appropriate concerning the individuals involved; establish one clear, concise VA policy on safeguarding protected information when stored or not stored on VA automated systems; modify mandatory Cyber Security and Privacy Awareness training; ensure that all position descriptions are evaluated and have proper sensitivity level designations, and that required background investigations are completed in a timely manner; establish VA-wide policy for contracts that ensures contractors are held to the same standards as VA employees and that protected information used on non-VA automated systems is safeguarded; and establish VA policy and procedures that provide clear, consistent criteria for reporting, investigating, and tracking incidents of loss, theft, or potential disclosure of protected information or unauthorized access to automated systems. Five of six OIG recommendations remain open.</li> </ul>	<ul style="list-style-type: none"> <li>The Secretary directed that all employees (1) sign a “Statement of Commitment and Understanding” by July 21, 2006, regarding their understanding of the training, consequences for non-compliance, and commitment to protecting sensitive and confidential information in the Department and (2) complete both Cyber Security and Privacy Awareness training by June 30, 2006. The actions cited were completed.</li> <li>Laptops that leave VA premises were equipped with encryption technology and underwent a “health check” to ensure current anti-virus update and operating system patching.</li> </ul>	<p>VA plans the following actions:</p> <ul style="list-style-type: none"> <li>An evaluation of all positions to ensure proper and consistent sensitivity level designations and timely completion of required background checks.</li> <li>Establishment of a VA-wide policy that ensures that contractor personnel are held to the same standards as VA employees regarding access to protected information, and that information accessed, stored, or processed on non-VA automated systems is safeguarded.</li> <li>Establishment of VA policy and procedures that provide clear, consistent criteria for reporting, investigating, and tracking information security incidents, including specific timelines and responsibilities regarding reporting and notification inside and outside VA.</li> </ul>



## Major Management Challenges

### Identified by the GAO

The U.S. Government Accountability Office (GAO) evaluates VA's programs and operations. The GAO-identified Major Management Challenges and High-Risk areas (specific to VA as well as governmentwide) are summarized below by strategic goal. VA has provided *actions taken* in 2006 as well as *next steps* planned for 2007 and the *estimated resolution timeframe* (fiscal year) for each challenge area.

The table immediately below is a table of contents, which also shows the *estimated resolution timeframe* by challenge.

Challenge		Estimated Resolution Timeframe (Fiscal Year)	Page #
No.	Description		
<b>Strategic Goal 1 Restoration and Improved Quality of Life for Disabled Veterans</b>			
<b>GAO 1</b>	<b>Ensure Access to Quality Health Care</b>		<b>248</b>
1A	Access to Acute Care, Long-Term Care, and Specialized Health Care Services	2007	248
1B	Patient Safety	2007	252
<b>Strategic Goal 3 Honoring, Serving, and Memorializing Veterans</b>			
<b>GAO 2</b>	<b>Manage Resources and Workload to Enhance Health Care Delivery</b>		<b>261</b>
2A	Resources and Workload Management	2007	261
2B	VA/DoD Efficiencies	2007	262
2C	Enhance Health Care Delivery	2007	265
<b>Strategic Goal 4 Contributing to the Nation's Well-Being</b>			
<b>GAO 3</b>	<b>Prepare for Biological and Chemical Acts of Terrorism</b>	<b>2008</b>	<b>266</b>
<b>Strategic Goal 1 Restoration and Improved Quality of Life for Disabled Veterans</b>			
<b>GAO 4</b>	<b>Improving Veterans' Disability Program: A High-Risk Area</b>		<b>255</b>
4A	Timeliness and Accuracy	2008	255
4B	Consistency of Claims Decisions	2008	255
4C	Staffing Level Justification	2008	258
4D	Program Transformation and Modernization	2009	259
<b>Enabling Goal Applying Sound Business Principles</b>			
<b>GAO 5</b>	<b>Developing Sound Departmentwide Management Strategies to Build a High-Performing Organization</b>		<b>267</b>
5A	Financial Management Weaknesses: Information Systems Security and Financial Management System Integration	2009	267
5B	Enterprise Architecture Documentation	2007	269
5C	Performance Measures	2008	269
5D	VA/DoD Information Sharing	2008	270



Challenge		Estimated Resolution Timeframe (Fiscal Year)	Page #
No.	Description		
GAO 6	Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures: A Governmentwide High-Risk Area	2009	271
GAO 7	Federal Real Property: A Governmentwide High-Risk Area	2010	273
GAO 8	Strategic Human Capital Management: A Governmentwide High-Risk Area	2011	277
GAO 9	Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security: A Governmentwide High-Risk Area	2008	279
GAO 10	Management of Interagency Contracting: A Governmentwide High-Risk Area	2007	281



<b>STRATEGIC GOAL #1</b>		
<b>Restoration and Improved Quality of Life for Disabled Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #1 - Ensure Access to Quality Health Care</b>		
<b>GAO #1A - Access to Acute Care, Long-Term Care, and Specialized Health Care Services</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2007</b>		
<ul style="list-style-type: none"> <li>VA needs to strategically plan how best to use its resources and funding to provide equitable access to veterans needing acute care services, while also providing a growing elderly veteran population with institutional and non-institutional long-term care services.</li> </ul>	<ul style="list-style-type: none"> <li>VA continued to expand access to non-institutional home and community-based services to provide care for aging veterans in the least restrictive setting possible. This approach honors veterans' preferences for care and helps to maintain ties with the veteran's family, friends, and spiritual community. VA also provided nursing home care for veterans who were entitled to such care and could no longer be maintained at home safely.</li> </ul>	<ul style="list-style-type: none"> <li>VA will continue to monitor demand and will allocate resources and funding to address needs.</li> </ul>



<b>STRATEGIC GOAL #1</b>		
<b>Restoration and Improved Quality of Life for Disabled Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #1 - Ensure Access to Quality Health Care</b>		
GAO #1A - Access to Acute Care, Long-Term Care, and Specialized Health Care Services, <i>continued</i>		
<ul style="list-style-type: none"> <li>VA faces challenges in making blind rehabilitation and mental health care services, including those for post-traumatic stress disorder, more widely available to its enrolled veteran population.</li> </ul>	<ul style="list-style-type: none"> <li>VHA increased funding for mental health both to address the needs of returning veterans and to support enhancements to services for existing patients.</li> <li>Funding for mental health programming increased from \$2.43 billion in 2005 to \$2.82 billion in 2006 with a requested increase of at least \$3.16 billion in the President's 2007 budget request.</li> <li>This increased funding includes support for Returning Veterans Outreach, Education, and Clinical coordinators, augmentation of post-traumatic stress disorder (PTSD) programs, expansion of substance abuse treatment, increases in psychosocial rehabilitation, expansion of telemental health capabilities at all community-based outpatient clinics (CBOCs), as well as activities designed to support the integration of mental health services within primary care.</li> <li>By the end of 2006, VA had 152 PTSD Clinical Teams or Specialist Programs and 57 other specialized PTSD programs. There will be specialized PTSD clinical teams or individual specialized clinicians in every VA Medical Center.</li> </ul>	<ul style="list-style-type: none"> <li>The funding for these programs will increase from \$164 million in 2006 to \$169 million in the President's 2007 budget request.</li> </ul>



<b>STRATEGIC GOAL #1</b>		
<b>Restoration and Improved Quality of Life for Disabled Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #1 - Ensure Access to Quality Health Care</b>		
<b>GAO #1A - Access to Acute Care, Long-Term Care, and Specialized Health Care Services, <i>continued</i></b>		
<ul style="list-style-type: none"> <li>• VA faces two key challenges in planning for the provision of nursing home care.                             <ul style="list-style-type: none"> <li>○ The first challenge is estimating who will seek care from VA and what their nursing home care needs will be.</li> <li>○ A second challenge is determining whether VA will maintain or increase the proportion of nursing home care demand it meets in each of the three nursing home settings or whether veterans will need to rely more on other non-VA nursing home care providers that are funded by other programs, such as Medicaid and Medicare.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• VA continued to update its long-term care (LTC) Demand Model, which projects enrollee demand for institutional and non-institutional care.</li> </ul>	<ul style="list-style-type: none"> <li>• VA will continue to make refinements to the LTC Demand Model as necessary.</li> <li>• Using Centers for Medicare &amp; Medicaid Services data, VA will examine the proportion of veterans who seek VA-sponsored LTC, Medicare, or Medicaid-funded LTC.</li> </ul>



<b>STRATEGIC GOAL #1</b>		
<b>Restoration and Improved Quality of Life for Disabled Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #1 - Ensure Access to Quality Health Care</b>		
GAO #1A - Access to Acute Care, Long-Term Care, and Specialized Health Care Services, <i>continued</i>		
<ul style="list-style-type: none"> <li>VA does not compile information on key characteristics of veterans receiving care in state veterans' nursing homes: veterans' length of stay, priority group status for VA hospital and outpatient services, age, and gender. VA needs such information for strategic planning in order to develop baseline data, which can help VA estimate the proportion of nursing home need it currently meets and the need it may be asked to meet as the number of older veterans changes over time.</li> </ul>	<ul style="list-style-type: none"> <li>VA concurs that data on Length of Stay (LOS) and Eligibility Priority Groups (EPG) of veterans residing in State Veterans Homes is of some interest, but as previously stated, it is not crucial for VA's strategic planning purposes. VHA will continue to use current data sources to estimate LOS and EPG in state veterans' homes (SVHs) for the purposes of program management and strategic planning. The Event Capture system is used for State Veterans Homes. VHA is pursuing DSS/EvC downloads as an interim reporting system for this purpose, and plans to collect this information in a more structured and routine fashion as data systems are updated to make such data collection feasible. For the SVH Program, new software development is required, and the initiative is competing with higher priority information technology projects. VHA currently anticipates adding the LOS and EPG variables to its data systems by the end of FY 2007.</li> </ul>	<ul style="list-style-type: none"> <li>The collection of more structured demographic information on state veterans' nursing home patients will require the development of new software, which VA anticipates to be completed by the end of 2007.</li> </ul>



<b>STRATEGIC GOAL #1</b>		
<b>Restoration and Improved Quality of Life for Disabled Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #1 - Ensure Access to Quality Health Care</b>		
<b>GAO #1B - Patient Safety</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2007</b>		
<ul style="list-style-type: none"> <li>VA should conduct more thorough screening of the personal and professional backgrounds of health care providers to minimize the chance of patients receiving care from providers who may be incompetent or who may intentionally harm them.</li> </ul>	<ul style="list-style-type: none"> <li>All VHA facilities have procured and are using electronic fingerprinting equipment.</li> <li>Facilities performed Special Agreement Checks (criminal history checks) on all new employees, contractors, students, and most volunteers.</li> <li>VHA initiated a National Inventory of completed background checks.</li> </ul>	<ul style="list-style-type: none"> <li>VHA will initiate background investigations on employees, contractors, students, and volunteers who have not previously had a background investigation or who need higher level investigation.</li> <li>VHA will evaluate compliance with requirements in VHA Directive 0710, <i>Personnel Suitability and Security</i>, through the System-wide Ongoing Assessment and Review Strategy program and with assistance from the Office of Human Resources Management.</li> </ul>



<b>STRATEGIC GOAL #1</b>		
<b>Restoration and Improved Quality of Life for Disabled Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #1 - Ensure Access to Quality Health Care</b>		
<i>GAO #1B - Patient Safety, continued</i>		
<ul style="list-style-type: none"> <li>VA needs to strengthen its human subject protections program by addressing continuing weaknesses in the program.</li> </ul>	<ul style="list-style-type: none"> <li>A total of 4,440 VHA employees completed an online course, "Overview of Good Clinical Practice and Human Subjects Protection," and another 5,945 completed the Collaborative Institutional Review Board Training Initiative online course. Mandatory researcher training is evaluated as part of the human research protection program (HRPP) accreditation process.</li> <li>VHA performed 12 site visits to local VA facilities to provide training and help the facilities prepare for their HRPPs to undergo the accreditation process.</li> <li>VA participated in the Federal Adverse Events Taskforce (FAET). The goals are to develop: 1) common terms and definitions for reporting adverse events in research; 2) a common basal adverse events reporting form; and 3) a harmonized workflow pattern for all federal agencies.</li> <li>By the end of 2006, VA will have had HRPPs of 72 facilities accredited by the National Committee for Quality Assurance (NCQA), and 21 VA facilities will have submitted applications to the Association for the Accreditation of Human Research Protection Programs (AAHRPP).</li> </ul>	<ul style="list-style-type: none"> <li>VHA will present a meeting for VA IRB Chairs.</li> <li>VHA will present two regional meetings on Local Accountability for Human Research Protection at VA Facilities.</li> <li>VA will continue to participate in the FAET, and will serve as a pilot for the basal adverse events reporting form.</li> <li>VA facilities whose HRPPs have not yet been accredited will submit their applications to AAHRPP.</li> </ul>



<b>STRATEGIC GOAL #1</b>		
<b>Restoration and Improved Quality of Life for Disabled Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #1 - Ensure Access to Quality Health Care</b>		
<i>GAO #1B - Patient Safety, continued</i>		
<ul style="list-style-type: none"> <li>VA should provide guidance to its medical facilities on how to collect physician performance information that can be used to renew clinical privileges, enforce the timely submission of VA medical malpractice information, and instruct facilities to establish internal controls for privileging information.</li> </ul>	<ul style="list-style-type: none"> <li>VHA gave provider profile training to all medical staff credentialers.</li> <li>VHA entered into contract solicitation for Web-based training with one 2-hour module focused on provider profiling.</li> <li>In May 2006 the Deputy Under Secretary for Health for Operations and Management issued a memorandum to all Veterans Integrated Service Networks (VISNs) requiring the establishment of internal controls by 8/31/2006, to include continuous oversight by VISNs.</li> </ul>	<ul style="list-style-type: none"> <li>Web-based training will be available no later than April 2007.</li> </ul>
<ul style="list-style-type: none"> <li>VA should expand its oversight program to include a review of VA screening requirements for all types of health care practitioners and should standardize a method for documenting the review of fingerprint-only investigation results.</li> </ul>	<ul style="list-style-type: none"> <li>VA initiated a review of VA screening requirements for all types of health care practitioners and a standardized method for documenting the review of fingerprint-only investigation results.</li> <li>The Deputy Under Secretary for Health for Operations and Management issued a mandatory screening checklist and station policy to standardize documentation procedures. Some of the screening items covered by these procedures include the following:                         <ul style="list-style-type: none"> <li>License and education verification, Health Integrity &amp; Protection Data Base and List of Excluded Individuals and Entities screenings, position risk and sensitivity designations, fingerprint checks and background investigation initiation and adjudication.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>VHA Directive 0710, <i>Personnel Suitability and Security</i>, will be revised to include quarterly review of files for new accessions to verify that the checklist was completed and all documentation has been completed. Thirty files must be reviewed each quarter (or 100% of files if less than 30 accessions in the quarter).</li> </ul>



<b>STRATEGIC GOAL #1</b>		
<b>Restoration and Improved Quality of Life for Disabled Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #4 - Improving Veterans' Disability Program</b>		
<b>-A High-Risk Area-</b>		
<b>GAO #4A - Timeliness and Accuracy</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2008</b>		
<ul style="list-style-type: none"> <li>VA faces continuing challenges in improving its veterans' disability program. Although some progress has been made, VA is still far from meeting its timeliness goal.</li> </ul>	<p>Background: Progress in achieving timeliness and inventory goals is significantly impacted by the increasing numbers of claims being received and the increased complexity of those claims. Complexity is a factor, particularly because of evolving legal interpretations of requirements issued by the U.S. Court of Appeals for Veterans Claims.</p> <ul style="list-style-type: none"> <li>VA continued to use the national Systematic Technical Accuracy Review (STAR) process to measure the accuracy of claims processing. National training included use of STAR error trend analyses, and regional office-specific training was offered during site visits.</li> </ul>	<ul style="list-style-type: none"> <li>VA will continue its hiring, training, and quality improvement efforts.</li> </ul>
<b>GAO #4B - Consistency of Claims Decisions</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2008</b>		
<ul style="list-style-type: none"> <li>VA needs to address concerns about possible inconsistencies in disability claims decisions made by its 57 regional offices and better report and use the data on the accuracy of its decisions.</li> </ul>	<ul style="list-style-type: none"> <li>VBA formed a rating consistency analysis work group that studies variances in the rates of grants, denials, and assigned disability evaluations. Further analysis is required to develop a plan to monitor decision-making consistency.</li> <li>VA contracted with the Institute for Defense Analyses (IDA) to perform an analysis of the state-by-state and regional office variation in disability compensation claims, ratings, and monetary benefits to determine if there is significant correlation to one or more variables.</li> </ul>	<ul style="list-style-type: none"> <li>VBA will monitor consistency on an ongoing basis.</li> <li>VBA will initiate appropriate actions to address possible inconsistencies based on the work group findings and the IDA study report.</li> </ul>



<b>STRATEGIC GOAL #1</b>		
<b>Restoration and Improved Quality of Life for Disabled Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #4 - Improving Veterans' Disability Program</b>		
<b>-A High-Risk Area-</b>		
<b>GAO #4B - Consistency of Claims Decisions, <i>continued</i></b>		
<ul style="list-style-type: none"> <li>• VA needs to do the following:                             <ul style="list-style-type: none"> <li>○ Clarify and strengthen its eligibility criteria, guidance, and procedures for determining unemployability.</li> <li>○ Update procedures and strengthen criteria for the enforcement of the Individual Unemployability (IU) earnings limit.</li> <li>○ Develop a strategy to ensure that IU claimants with work potential receive encouragement and assistance to return to work, while protecting benefits for those unable to work.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• VBA reinforced and clarified to the field that claims for IU must be accompanied by the appropriate request from the claimant.</li> <li>• VBA reinforced and clarified to the field that regional office staff must send a request for information form to employers identified by the veteran during the veteran's last year of work. This form requests information from the employer relating to date of termination, reasons for termination, lost time, and other information relating to the IU decision.</li> <li>• VBA reinstated the requirement for IU recipients to complete an annual Report of Employment Form.</li> </ul>	<ul style="list-style-type: none"> <li>• VBA will revise the IU regulation to clarify entitlement.</li> </ul>
	<ul style="list-style-type: none"> <li>• VBA investigated the possible use of the Department of Health and Human Services (HHS) New Hire Database and what is required to gain access to that database to assist in determining entitlement and effective dates if entitled.</li> </ul>	<ul style="list-style-type: none"> <li>• VBA will consider options to allow VA to access the HHS New Hire Database.</li> </ul>
	<ul style="list-style-type: none"> <li>• VBA published and disseminated a training letter on determining entitlement to IU benefits.</li> <li>• VBA developed and deployed a motivational letter to the field for incorporation into all awards of IU benefits. This letter encourages veterans to avail themselves of VA's Vocational Rehabilitation and Employment program.</li> </ul>	<ul style="list-style-type: none"> <li>• VBA will assess the effectiveness of the motivational letter.</li> <li>• VA will conduct a review of recent IU grants to determine compliance with current requirements for the award of IU benefits.</li> </ul>



<b>STRATEGIC GOAL #1</b>		
<b>Restoration and Improved Quality of Life for Disabled Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #4 - Improving Veterans' Disability Program</b>		
<b>-A High-Risk Area-</b>		
<b>GAO #4B - Consistency of Claims Decisions, <i>continued</i></b>		
<ul style="list-style-type: none"> <li>In <u>DeLuca v. Brown</u>, 8 Vet. App. 202 (1995), the U.S. Court of Appeals held that when federal regulations define joint and spine impairment severity in terms of limits on range of motion, VA claims adjudicators must consider whether range of motion is further limited by factors such as pain and fatigue during "flare-ups" or following repetitive use of the impaired joint or spine. Although VA has made progress, many joint and spine examination reports still do not comply with the <u>DeLuca</u> criteria, and VHA's 21 VISNs vary widely in the percentage of examinations that satisfy the <u>DeLuca</u> criteria.</li> </ul>	<ul style="list-style-type: none"> <li>Coordination between VBA and VHA to improve the quality of examinations continued primarily through the Compensation and Pension Examination Project (CPEP).</li> <li>CPEP tracks examination quality, including DeLuca criteria performance, and issues monthly reports to VHA and VBA Central Office, VISN Directors, and Field Staff.</li> <li>Since the inception of this tracking and notification, there has been improvement in the quality indicators for DeLuca criteria, from 38.5 percent compliance, to the current high of 84.75 percent at the end of third quarter 2006.</li> </ul>	<ul style="list-style-type: none"> <li>Additional examination types will be added to the VHA Examination Quality Performance Measures.</li> </ul>
	<ul style="list-style-type: none"> <li>VIA added Deuce criteria to the Veterans Integrated Service Network (VANS) Directors' performance standards for compensation and pension (C&amp;P) examination quality.</li> <li>VHA provided face to face clinician training in DeLuca criteria in August 2006.</li> <li>CPEP and VBA's C&amp;P Service have been developing templates containing required elements for C&amp;P examinations, including the DeLuca criteria.</li> <li>The templates are being tested and released to the field in the order of frequency of use.</li> </ul>	<ul style="list-style-type: none"> <li>VHA VISN Directors' performance standards for C&amp;P examination quality for 2007 will continue to include DeLuca quality indicators.</li> <li>VHA's mandatory C&amp;P Examiner Training and Certification Program will be in the final phase of initial implementation in the first quarter of 2007.</li> <li>The basic C&amp;P examiner training course includes information on the DeLuca criteria. Additionally, all clinicians performing orthopedic examinations will be required to complete additional training modules on "Joint, Foot and Spine," with in-depth content on the DeLuca criteria.</li> <li>Final and full implementation of the mandatory C&amp;P Examiner Training and Certification is scheduled for May 2007.</li> </ul>



<b>STRATEGIC GOAL #1</b>		
<b>Restoration and Improved Quality of Life for Disabled Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #4 - Improving Veterans' Disability Program</b>		
<b>-A High-Risk Area-</b>		
<b>GAO #4C - Staffing Level Justification</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2008</b>		
<ul style="list-style-type: none"> <li>• VA needs to provide more transparency in its justification for staffing levels in the disability compensation and pension program and use better staff attrition data and analysis in its workforce planning. Specifically, VA needs to provide information on the following:                             <ul style="list-style-type: none"> <li>○ Expected Impact of claims processing improvement initiatives and changes in incoming claims and workload.</li> <li>○ Claims processing productivity, including VBA plans to improve productivity.</li> <li>○ Explanation of how claims complexity is expected to change and the impact of these changes on productivity and requested staffing levels.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• VBA's 2007 budget submission included detailed information on areas that impact workload, including the complexity of claims, productivity levels, anticipated receipts, and legislative and regulatory changes.</li> </ul>	<ul style="list-style-type: none"> <li>• VBA's future budget submissions will continue to include this detailed information.</li> </ul>
<ul style="list-style-type: none"> <li>• Productivity improvements are necessary to maintain performance in the face of greater workloads and relatively constant staffing resources.</li> </ul>	<ul style="list-style-type: none"> <li>• VBA has focused on increased training for all employees involved in claims processing to improve accuracy, timeliness, and productivity.</li> <li>• Through September 2006, VBA has hired approximately 1,180 new Veteran Service Representatives and Rating Veteran Service Representatives thereby increasing this workforce segment by 7.7%.</li> </ul>	<ul style="list-style-type: none"> <li>• VBA will continue its hiring and training efforts and anticipates increased productivity, particularly in 2008, as employees hired and trained over the last two years become fully productive.</li> </ul>



<b>STRATEGIC GOAL #1</b>		
<b>Restoration and Improved Quality of Life for Disabled Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #4 - Improving Veterans' Disability Program</b>		
<i>-A High-Risk Area-</i>		
<b>GAO #4D - Program Transformation and Modernization</b>		
VA'S ESTIMATED RESOLUTION TIMEFRAME: <b>FY 2009</b>		
<ul style="list-style-type: none"> <li>VA, along with the Social Security Administration, should seek both management and legislative solutions to transform their programs so that they are in line with the current state of science, medicine, technology, and labor market conditions.</li> </ul>	<ul style="list-style-type: none"> <li>The Veterans' Disability Benefits Commission, created by legislation passed in 2003, is studying the appropriateness of VA disability and death benefit programs including the Schedule for Rating Disabilities. The Commission receives input from the Institute of Medicine and the Department of Defense.</li> </ul>	<ul style="list-style-type: none"> <li>The findings and recommendations of the Veterans' Disability Benefits Commission are anticipated in mid-2007.</li> </ul>
<ul style="list-style-type: none"> <li>Opportunities for improvement may lie in more fundamental reform in the design and operation of disability compensation and pension claims programs to include a reexamination of program design and the context in which decisions are made as well as the structure and division of labor among field offices.</li> </ul>	<ul style="list-style-type: none"> <li>See above.</li> </ul>	<ul style="list-style-type: none"> <li>The findings and recommendations of the Veterans' Disability Benefits Commission are anticipated in mid-2007.</li> </ul>
<ul style="list-style-type: none"> <li>VBA and others have suggested that consolidating claims processing into fewer regional offices could help improve processing efficiency, save overhead costs, and improve decision accuracy and consistency.</li> </ul>	<ul style="list-style-type: none"> <li>VBA continuously looks at opportunities to consolidate and re-organize. For example VBA has taken the following actions:               <ul style="list-style-type: none"> <li>Consolidated BDD work into two sites located in Winston-Salem, North Carolina, and Salt Lake City, Utah.</li> <li>Consolidated all radiology claims processing at the Jackson, Mississippi regional office.</li> <li>Created three Pension Maintenance Centers located at Philadelphia, Pennsylvania, Milwaukee, Wisconsin, and St. Paul, Minnesota to handle the maintenance portion of pension processing.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>VBA will look for opportunities to alter its business model when doing so will result in improved service to veterans.</li> </ul>



<b>STRATEGIC GOAL #1</b>		
<b>Restoration and Improved Quality of Life for Disabled Veterans</b>		
Major Findings and Recommendations	FY 2006 Actions	Next Steps Planned for FY 2007
<b>GAO #4 - Improving Veterans' Disability Program</b> <i>-A High-Risk Area-</i>		
GAO #4D - Program Transformation and Modernization, <i>continued</i>		
<ul style="list-style-type: none"> <li>VA has been working to modernize the delivery of benefits through its development of the Veterans Service Network (VETSNET), but the pace of progress has been discouraging. Until VA addresses the managerial and program weaknesses that have hampered the program, it is uncertain when VA will be able to end its reliance on its aging benefits technology.</li> </ul>	<ul style="list-style-type: none"> <li>The Under Secretary for Benefits, in cooperation with the VA Chief Information Officer (CIO), requested an Independent Technical Assessment (ITA) by Carnegie Mellon's Software Engineering Institute (SEI) to evaluate the project.</li> <li>As a result of the ITA, the Under Secretary for Benefits engaged MITRE Corporation to assist in identifying and implementing risk mitigation strategies to address SEI's findings.</li> <li>VBA deployed three of five components of VETSNET to the field, and these components are in full production at all regional offices.</li> <li>The remaining two components are in two stages of beta deployment at regional offices.</li> <li>These three components reduce reliance on the outdated Benefits Delivery Network (BDN) and were designed to improve customer service and timeliness of the claims process.</li> </ul>	<p>VBA plans to do the following:</p> <ul style="list-style-type: none"> <li>Provide refresher training to all regional offices on VETSNET as expanded functionality is deployed.</li> <li>Complete conversion of BDN records in accordance with an Integrated Master Schedule to move all existing payment master records into VETSNET.</li> </ul>



<b>STRATEGIC GOAL #2</b>		
<b>Smooth Transition to Civilian Life</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
The GAO did not identify Major Management Challenges related to this goal.		

<b>STRATEGIC GOAL #3</b>		
<b>Honoring, Serving, and Memorializing Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #2 - Manage Resources and Workload to Enhance Health Care Delivery</b>		
<b>GAO #2A - Resources and Workload Management</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2007</b>		
<ul style="list-style-type: none"> <li>VA lacked a methodology for making the health care management efficiency savings assumptions reflected in the President's budget requests for fiscal years 2003 through 2006.</li> </ul>		<ul style="list-style-type: none"> <li>VA will not include management efficiency savings that cannot be validated in any future budgets.</li> </ul>
<ul style="list-style-type: none"> <li>VA's internal process for formulating the medical program's funding requests for FY 2005 and 2006 was informed by, but not driven by, projected demand.</li> </ul>	<ul style="list-style-type: none"> <li>VA used an actuarial model to project demand related to approximately 86 percent of its budget. Other models are also used to project demand for long-term care (LTC) and other programs like Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA). VA used this combined approach to formulate the FY 2005, 2006, and 2007 budgets.</li> <li>The 2006 model was adjusted to incorporate the following:               <ul style="list-style-type: none"> <li>A review of assumptions.</li> <li>More current data including Operation Iraqi Freedom/Operation Enduring Freedom (OIF/OEF) workload.</li> <li>More recent enrollment, utilization, and unit cost data</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>VA will review and identify areas for continued model enhancement.</li> <li>VA will continue to explore the feasibility of developing actuarial models to estimate the requirements for CHAMPVA and dental services.</li> <li>VA will also explore the enhancement to the VA LTC model.</li> </ul>



<b>STRATEGIC GOAL #3</b>		
<b>Honoring, Serving, and Memorializing Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #2 - Manage Resources and Workload to Enhance Health Care Delivery</b>		
<b>GAO #2A - Resources and Workload Management, <i>continued</i></b>		
<ul style="list-style-type: none"> <li>• An unrealistic assumption, errors in estimation, and insufficient data were key factors in VA's budget formulation process that contributed to the requests for additional funding for FY 2005 and 2006, specifically the following:                             <ul style="list-style-type: none"> <li>○ Unrealistic assumption about implementation of a cost savings proposal (FY 2005).</li> <li>○ Errors in estimating the effect of a nursing home policy (FY 2006).</li> <li>○ Insufficient data on certain activities pertaining to OIF/OEF veterans (FY 2005 and 2006).</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• VA made improvements to its formulation methodologies for long-term care workload.</li> <li>• VA corrected its assumptions regarding cost savings related to nursing home policy.</li> <li>• VA worked closely with the Department of Defense (DoD) to improve its workload forecasting for OIF/OEF veterans.</li> <li>• FY 2007 budget request reflects improvements as previously described.</li> </ul>	<ul style="list-style-type: none"> <li>• VA will continue to seek improvements in the budget process to ensure that unrealistic assumptions are not made, error estimates are minimized, and the OIF/OEF veterans' workload is timely.</li> </ul>
<b>GAO #2B – VA/DoD Efficiencies</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2007</b>		
<ul style="list-style-type: none"> <li>• VA and DoD need to find additional efficiencies through increased sharing of resources and joint purchasing of drugs and medical supplies.</li> </ul>	<p>The Health Executive Council Acquisition &amp; Medical Working Group continued to make progress in joint purchases:</p> <ul style="list-style-type: none"> <li>• There are two joint VA/DoD national blanket purchase agreements (BPAs) in effect for medical supplies.</li> <li>• There are 77 joint VA/DoD national contracts and 7 BPAs in place for pharmaceuticals.</li> </ul>	<p>The Acquisition &amp; Medical Working Group will explore the potential for joint progress and report progress on pharmacy return programs, Digital Imaging Network-Picture Archiving Communication System, hearing aids, hearing aid batteries, and surgical instruments. In addition:</p> <ul style="list-style-type: none"> <li>• There are 16 national joint VA/DoD pharmaceutical contracts pending award in 2007 and 21 proposed joint contracts to be considered for solicitation in 2007.</li> <li>• VA anticipates 26 follow-on joint contract awards for radiology medical equipment between February and March 2007.</li> </ul>



<b>STRATEGIC GOAL #3</b>		
<b>Honoring, Serving, and Memorializing Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #2 - Manage Resources and Workload to Enhance Health Care Delivery</b>		
<i>GAO #2B – VA/DoD Efficiencies, continued</i>		
	<ul style="list-style-type: none"> <li>VA currently shares 25 contracts with DoD's Defense Supply Center Philadelphia (DSCP) for high tech radiology medical equipment.</li> <li>VA and DoD issued a joint solicitation for high tech radiology medical equipment. VA and DoD received 26 vendor offers evenly distributed among the two agencies.</li> <li>VA increased the value of joint contracts for high cost medical equipment by \$10 million, raising the total to \$150M for FY 2006 and \$160M for FY 2007.</li> <li>VA completed vendor prototype of a single database that includes all VA Federal Supply Schedule (FSS) as well as VA and DoD national contract information.</li> </ul>	<ul style="list-style-type: none"> <li>VA and DoD will establish a joint DSCP/VA FSS medical catalog that will allow both VA and DoD customers to perform product and price comparisons for medical/surgical supplies, pharmaceutical items, and medical equipment.</li> </ul>
	<p>The Health Executive Council Pharmacy Workgroup continued progress in joint purchasing as follows:</p> <ul style="list-style-type: none"> <li>Monitored all new drug approvals and new data on older drugs to identify additional joint contracting opportunities for branded and generic pharmaceuticals.</li> </ul>	<p>The Health Executive Council Pharmacy Workgroup will continue to monitor new drug approvals, clinical data on old drugs, and branded drugs that are going generic.</p>



<b>STRATEGIC GOAL #3</b>		
<b>Honoring, Serving, and Memorializing Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #2 - Manage Resources and Workload to Enhance Health Care Delivery</b>		
<i>GAO #2B – VA/DoD Efficiencies, continued</i>		
<ul style="list-style-type: none"> <li>• The National Defense Authorization Act for FY 2003 required that VA and DoD implement programs referred to as the Joint Incentive Fund (JIF) and the Demonstration Site Selection (DSS) to increase health care resource sharing between the departments. The Departments need to do the following:                             <ul style="list-style-type: none"> <li>○ Establish a plan to measure and evaluate the advantages and disadvantages of DSS projects.</li> <li>○ Develop a system for collecting and monitoring information on health care services that each department contracts for from the private sector.</li> <li>○ Conduct a joint nationwide market analysis of what their combined future workloads will be in the areas of services, facilities, and patient needs.</li> <li>○ Develop performance measures that would be useful for evaluating performance on their health care resource-sharing goals.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• VA created a lessons-learned template and standard operating procedures (SOP) in order to help accumulate lessons learned to serve as corporate memory and assist others that may try to replicate what has been demonstrated. This collection of lessons learned information is compiled, preserved, and disseminated across project teams and to external agencies such as the GAO.</li> <li>• Lessons learned can be either positive or negative: 1) they identify best practices or positive experiences or 2) they identify problems or failures. In either case, it is important to document the repeatable processes or associated corrective actions for others to benefit from the lesson.</li> <li>• Lessons learned may occur in the following and/or additional areas: Communication Management; Configuration Management; Contract Management; Equipment Purchase/Leases; External Mandates and Influences; Facility Management; Funding; Implementation and Training; Integrators; Interagency; Interoperability; Performance Management; Problem Resolution; Program/Project Management; Quality; Requirements; Resource Management; Risk Management; Scheduling; Personnel Management (Staffing/Hiring); Technical; Templates; and Testing.</li> <li>• VA disseminated the template and SOP to all the demonstration sites. VA also held training to review the SOP with all project managers.</li> <li>• Draft and final lessons learned were collected in a "lessons learned" repository within eRoom, the Web-based application used by all sites. The lessons learned are available to all appropriate personnel via the eRoom.</li> </ul>	<p>VA plans to do the following:</p> <ul style="list-style-type: none"> <li>• Obtain Local Oversight Approval. Once DSS project coordinators informally review the draft input, it will be returned to the submitter for local oversight approval. If the local oversight representatives have questions or additions, the lessons will continue to be vetted until approval is gained.</li> <li>• Submit Lessons Learned for DSS Oversight Committee Review. With local oversight approval, the lessons learned will be submitted to the DSS Oversight Committee. With Committee approval, the lessons will be added to the DSS Lessons Learned Repository.</li> <li>• Maintain Lessons Learned Repository. A central Lessons Learned Repository will be housed on the DoD/VA Demonstration Site Subgroup eRoom. This repository will allow for easy sorting and report generation.</li> </ul>



<b>STRATEGIC GOAL #3</b>		
<b>Honoring, Serving, and Memorializing Veterans</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #2 - Manage Resources and Workload to Enhance Health Care Delivery</b>		
<b>GAO #2C – Enhance Health Care Delivery</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2007</b>		
<ul style="list-style-type: none"> <li>VA needs to establish criteria to evaluate proposals for joint ventures with medical schools for health care delivery.</li> <li>VA needs to develop a strategy for communicating with stakeholders when negotiating joint venture proposals.</li> </ul>	<ul style="list-style-type: none"> <li>A workgroup of various offices within VHA has been tasked to develop criteria for evaluating joint venture proposals with medical schools for health care delivery.</li> </ul> <p>The following actions were taken to communicate with stakeholders on joint venture proposals:</p> <ul style="list-style-type: none"> <li>Monthly conference calls were held between the VA/DoD Liaison and Sharing Office and the VAMC VA/DoD to manage sharing agreements.               <ul style="list-style-type: none"> <li>In 2006, 152 VA Medical Centers were involved in direct sharing agreements with 210 Military Treatment Facilities and 157 Reserve and Guard Units. There are currently 518 direct sharing agreements covering 2,080 unique services.</li> </ul> </li> <li>A VA/DoD database is in the final phase of development; it will contain updated information on all joint sharing agreements and will be available to all DoD and VA liaisons.</li> <li>All Joint Strategic Plan initiatives and major joint ventures were routinely briefed to the Joint Executive Council (JEC) and Health Executive Council (HEC) members during bi-monthly meetings.</li> <li>The VA/DoD Liaison and Sharing Office communicated with the HEC stakeholders via periodic meetings as well as continuous e-mail and workgroup meetings.</li> </ul>	<ul style="list-style-type: none"> <li>Upon approval of the workgroup recommendations to the Under Secretary for Health, the criteria for evaluating joint venture proposals will be issued.</li> <li>In 2007, VA and DoD will continue the vigorous two-way communication with the JEC and HEC members and workgroups, formally chartered taskforces for joint healthcare ventures, and the VISNs and VAMC sharing coordinators for sharing agreements.</li> </ul>



<b>STRATEGIC GOAL #4</b>		
<b>Contributing to the Nation's Well-Being</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #3 - Prepare for Biological and Chemical Acts of Terrorism</b>		
<i>-A Governmentwide High-Risk Area-</i>		
VA'S ESTIMATED RESOLUTION TIMEFRAME: <b>FY 2008</b>		
<ul style="list-style-type: none"> <li>VA has taken a number of steps to help ensure that its facilities and staff are prepared to respond to emergency situations, including biological and chemical acts of terrorism.</li> </ul>	<p>VA took the following actions:</p> <ul style="list-style-type: none"> <li>Continued to maintain 143 pharmaceutical caches located at VA medical centers and continued its decontamination training and procurement program.</li> <li>Used lessons learned from Hurricane Katrina to improve the Department's ability to respond to a catastrophic incident.</li> <li>Participated in working groups led by the Department of Health and Human Services to address possible medical countermeasures in response to natural or terrorist events.</li> </ul>	<p>VA plans to do the following:</p> <ul style="list-style-type: none"> <li>Complete the design phase of a combined IT Data and Continuity of Operations Center, which will enhance the Department's ability to respond to all hazards.</li> <li>Continue to implement additional lessons learned from other emergency incidents as part of a dynamic process to improve the Department's ability to respond across a wide spectrum of contingencies.</li> <li>Continue to work with other agencies to improve medical countermeasures to respond to natural or terrorist events.</li> </ul>
<p>As a whole, federal agencies must do the following:</p> <ul style="list-style-type: none"> <li>Clearly define and communicate leadership roles, responsibilities, and lines of authority for catastrophic response in advance of catastrophic disasters.</li> </ul>	<ul style="list-style-type: none"> <li>VA continued to maintain its Comprehensive Emergency Management program, Line of Succession procedures, and Operations Plan which set out roles and responsibilities and lines of authority.</li> </ul>	<ul style="list-style-type: none"> <li>VA will create a new organization under an Assistant Secretary to assume overall responsibilities for oversight of the Department's emergency preparedness. This organization will ensure communication between leadership and those in the field during an emergency.</li> </ul>
<ul style="list-style-type: none"> <li>Clarify the procedures for activating the National Response Plan (NRP) and apply them to emerging catastrophic disasters.</li> </ul>	<ul style="list-style-type: none"> <li>VA participated in Homeland Security Council and Department of Homeland Security meetings to revise the NRP to better respond to catastrophic disasters, as a result of lessons learned from Hurricane Katrina. Changes were briefed to VA leadership and implementers.</li> </ul>	<ul style="list-style-type: none"> <li>VA will update Operation Plan Safe Harbor and will implement an Incident Command System to reflect changes to the NRP and facilitate coordination among federal agencies.</li> </ul>
<ul style="list-style-type: none"> <li>Conduct strong advance planning and robust training and exercise programs.</li> </ul>	<ul style="list-style-type: none"> <li>VA participated in all major governmentwide exercises that covered not only response to chemical and biological acts, but also all hazards. VA also conducted training for successors and leadership on continuity of operations.</li> </ul>	<ul style="list-style-type: none"> <li>VA will hire additional planning staff to strengthen its training and exercise program and will continue to participate in major governmentwide exercises.</li> </ul>



<b>STRATEGIC GOAL #4</b>		
<b>Contributing to the Nation's Well-Being</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #3 - Prepare for Biological and Chemical Acts of Terrorism, <i>continued</i></b>		
<i>-A Governmentwide High-Risk Area-</i>		
VA'S ESTIMATED RESOLUTION TIMEFRAME: <b>FY 2008</b>		
<ul style="list-style-type: none"> <li>Strengthen response and recovery capabilities for a catastrophic disaster.</li> </ul>	<ul style="list-style-type: none"> <li>The VA Crisis Response Team continued to meet weekly to plan for contingencies and to ensure maintenance of a robust Emergency Relocation Group to coordinate VA response and recovery. During crises, this team meets as often as necessary.</li> <li>VA increased the number of decontamination facilities from 37 to 102 for this hurricane season.</li> </ul>	<ul style="list-style-type: none"> <li>The VA Crisis Response Team will continue to meet at least weekly to ensure the Department maintains its operational readiness.</li> </ul>
<i>(Note: Except where otherwise noted, GAO feedback here is not VA-specific.)</i>		
<b>GAO #5 - Developing Sound Departmentwide Management Strategies to Build a High-Performing Organization</b>		
<b>GAO #5A - Financial Management Weaknesses:</b>		
<b>Information Systems Security and Financial Management System Integration</b>		
VA'S ESTIMATED RESOLUTION TIMEFRAME: <b>FY 2009</b>		
<ul style="list-style-type: none"> <li>Inadequate information security controls continue to place VA's sensitive financial and veteran medical information at risk of inadvertent or deliberate misuse or fraudulent use.</li> </ul>	<ul style="list-style-type: none"> <li>VA's new IT management system and the Secretary's June 28, 2006, memorandum provide the Assistant Secretary for Information and Technology with the authority to direct and enforce remediation of IT security deficiencies. The Data Security Assessment and Strengthening of Controls Program has been developed to address these deficiencies.</li> <li>IT security controls deficiencies have been identified through the annual FISMA assessment and entered into the Plan of Action and Milestones database.</li> <li>VA has begun implementing Federal Information Processing Standard (FIPS) 200 to establish a minimum mandatory security controls baseline for all IT systems. Nearly 150 specific security controls will be implemented on each moderate and high risk IT system.</li> </ul>	<ul style="list-style-type: none"> <li>VA will continue to implement the Data Security Assessment and Strengthening of Controls Program. The Assistant Secretary for Information and Technology will monitor and enforce implementation of this plan.</li> <li>The VA CIO will direct a focused remediation effort to correct long-standing security controls weaknesses by mobilizing field-based and centralized IT assets. Status will be reported quarterly.</li> <li>The VA Office of Cyber and Information Security will enhance its inspection capability to validate the correction of existing deficiencies and proactively address new security control issues.</li> </ul>



<b>ENABLING GOAL</b>		
<b>Applying Sound Business Principles</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #5 - Developing Sound Departmentwide Management Strategies to Build a High-Performing Organization</b>		
GAO #5A - Financial Management Weaknesses: Information Systems Security and Financial Management System Integration, <i>continued</i>		
<ul style="list-style-type: none"> <li>The lack of an integrated financial management system impedes VA's ability to prepare, process, and analyze financial information to support the timely preparation of its financial statements. These material internal control weaknesses also contribute to VA's lack of substantial compliance with federal financial management systems requirements under the Federal Financial Management Improvement Act of 1996.</li> </ul>	<ul style="list-style-type: none"> <li>VA pursued two initiatives to mitigate the conditions that resulted in the audit findings regarding the lack of an integrated financial management system:                             <ul style="list-style-type: none"> <li><u>Initiative #1:</u> VA standardized and centralized the financial statement generation process using a commercial off-the-shelf (COTS) business tool.                                     <ul style="list-style-type: none"> <li>The new tool and new procedures were successfully implemented during 2006, bringing standardization and greater integrity to the financial statement generation process.</li> <li>VA submitted third quarter financial statements and the FACTS II submission using this software and used this software to prepare the consolidated financial statements during the fourth quarter of 2006.</li> </ul> </li> <li><u>Initiative #2:</u> VA prepared a detailed analysis of major financial system interfaces to identify and initiate correction of any deficiencies in reconciliation, internal controls, security, or other relevant issues.                                     <ul style="list-style-type: none"> <li>To correct any reconciliation issues, VA is implementing a data warehouse to capture relevant interface and system data and produce both high level and detailed information on the status and health of financial system interfaces.</li> </ul> </li> </ul> </li> <li>VA is also standardizing business processes for finance and logistics. The final deliverable will be a listing of standardized business processes to be implemented across VA.</li> </ul>	<ul style="list-style-type: none"> <li>VA will use the COTS tool to further enhance the preparation and generation of financial statements and reports.                             <p>VA will complete the analysis of the financial system interfaces in 2007. The focus of the project will move to incorporating these interfaces into the data warehouse effort.</p> </li> </ul>



<b>ENABLING GOAL</b>		
<b>Applying Sound Business Principles</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #5 - Developing Sound Departmentwide Management Strategies to Build a High-Performing Organization</b>		
<b>GAO #5B - Enterprise Architecture (EA) Documentation</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2007</b>		
<ul style="list-style-type: none"> <li>Key documentation critical to effectively implementing and managing the architecture needs to be finalized, and policies and guidance for ensuring sound management of VA's investment portfolio need to be completed.</li> </ul>	<ul style="list-style-type: none"> <li>OMB evaluated VA's enterprise architecture (EA) V4.0 (delivered in May 2005) with a score of 3.0 (Complete/Green).</li> <li>OMB evaluated VA's EA V4.1 (delivered in February 2006) with a score of 3.6 (Complete/Green) indicating substantial improvement in 2006.</li> <li>VA's Office of Enterprise Architecture Management began seeking feedback from within the Department as well as from business stakeholders in order to improve the EA relevance and usability in decision-making.</li> </ul>	<ul style="list-style-type: none"> <li>VA is preparing EA V4.2 for delivery to OMB in February 2007. This EA release will incorporate new OMB requirements as well as recommendations from GAO's EA survey of 2006.</li> <li>VA will increase the involvement of EA in the Capital Planning and Investment Control portfolio management process.</li> <li>VA will continue reforming its IT governance process to improve project initiation, monitoring and acceptance through greater involvement of EA and security.</li> </ul>
<b>GAO #5C - Performance Measures</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2008</b>		
<ul style="list-style-type: none"> <li>VA also faces the challenge of establishing performance measures that show how well its IT initiatives support veterans' benefits programs.</li> </ul>	<ul style="list-style-type: none"> <li>VBA proposed specific strategic objectives that direct business and IT organizations within VA to consolidate applications and use common services.               <ul style="list-style-type: none"> <li>These objectives redirect IT development away from stovepipe implementations to shared solutions to better leverage IT investments.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>VBA will propose specific performance measures that relate directly to the objectives of application consolidation and use of common services. VBA will seek approval of these measures for inclusion in future budgets.</li> </ul>



<b>ENABLING GOAL</b>		
<b>Applying Sound Business Principles</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #5 - Developing Sound Departmentwide Management Strategies to Build a High-Performing Organization</b>		
<b>GAO #5D – VA/DoD Information Sharing</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2008</b>		
<ul style="list-style-type: none"> <li>• VA and DoD have experienced delays in their efforts to begin exchanging patient health data:                             <ul style="list-style-type: none"> <li>○ VA and DoD have not yet developed a clearly defined project management plan that gives a detailed description of the technical and managerial processes necessary to satisfy project requirements.</li> <li>○ They have not yet fully populated the repositories that will store the data for their future health systems. As a result, much work remains to be done before the Departments achieve their goal of sharing virtual medical records.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• VA and DoD updated the detailed interagency project management plan for the Joint Electronic Health Records Interoperability Plan. VA provided copies of these plans to GAO in March and August 2006.</li> <li>• VA has successfully populated its Health Data Repository with standardized allergy, pharmacy, and demographic data, and began the bidirectional exchange of these computable data in a live patient care environment through the Clinical Health Data Repository (CHDR) interface with DoD's Clinical Data Repository in June 2006.</li> <li>• VA received the 2006 Excellence.gov Award from the American Council for Technology for VA/DoD work on the Bi-Directional Health Information Exchange (BHIE)                             <ul style="list-style-type: none"> <li>○ BHIE supports the bidirectional exchange of viewable text data for outpatient pharmacy, allergy, laboratory and radiology results between current VA and DoD health information systems. Since initial implementation in 2004, BHIE is now available at all VA medical centers and facilities and 17 DoD host facilities. These DoD facilities include locations such as Walter Reed Army Medical Center, Bethesda National Naval Medical Center and Landstuhl Regional Medical Center, where large numbers of OIF and OEF patients are seen and treated. BHIE was one of five finalist government interagency projects awarded the 2006 Excellence.gov Award by the American Council of Technology.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• VA and DoD will continue to update the detailed interagency project management plan as VA and DoD expand the types of data to be shared.</li> <li>• Upon completion of production testing of the exchange of computable allergy, outpatient pharmacy, and demographic data between VA and DoD's data repositories, VA and DoD have documented a roll-out and implementation schedule to deploy CHDR to two to four sharing locations in 2007.</li> <li>• VA and DoD have documented an initial plan to share computable standardized laboratory data through the CHDR interface in 2007.</li> </ul>



<b>ENABLING GOAL</b>		
<b>Applying Sound Business Principles</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #6 - Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures</b>		
<i>-A Governmentwide High-Risk Area-</i>		
VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2009		
<ul style="list-style-type: none"> <li>For many years, significant concerns have been raised about VA's information security. There are recurring weaknesses in such areas as access controls, physical security, and segregation of incompatible duties. The Department has taken steps to address these weaknesses, but these have not been sufficient to establish a comprehensive information security program.</li> </ul>	<ul style="list-style-type: none"> <li>VA's new IT management system and the Secretary's June 28, 2006, memorandum provide the Assistant Secretary for Information and Technology with the authority to direct and enforce remediation of IT security deficiencies. The Data Security Assessment and Strengthening of Controls Program has been developed to address these deficiencies.</li> <li>VA's FISMA Plan of Action and Milestones (POA&amp;M) database was enhanced to manage and report deficiency status by security control category.</li> <li>VA completed its annual FISMA assessment to confirm system-specific security controls deficiencies.</li> <li>Policy, training, and awareness activities were initiated and implemented to enhance employee knowledge, awareness, and accountability.</li> </ul>	<ul style="list-style-type: none"> <li>The Department will execute the Data Security Assessment and Strengthening of Controls Program to remediate IT deficiencies.</li> <li>All Department security controls deficiencies will be prioritized by category in order to develop a remediation plan that focuses attention on high-risk areas and long-standing security controls weaknesses.</li> <li>Remediation efforts will be implemented by OI&amp;T field-based and centralized security and IT operations staff to address high-risk areas first, including control and protection of media, remote access, and contractor security.</li> <li>VA will expand its IT security inspection capability to validate security controls remediation activity and proactively identify new security weaknesses.</li> </ul>
<ul style="list-style-type: none"> <li>Agencies should develop privacy impact assessments (PIAs) analyzing how personal information is collected, stored, shared, and managed whenever information technology is used to process personal information.</li> </ul>	<ul style="list-style-type: none"> <li>VA has complied with this requirement and has used PIAs for several years on all OMB 300-level systems.</li> <li>VA worked to ensure system compliance with PIAs by matching FISMA systems to the PIAs that cover them.</li> <li>VA has begun to use the PIA as a tool to assess a system privacy risk based on types of data stored.</li> </ul>	<ul style="list-style-type: none"> <li>As PIAs become more accepted by program offices, VA will expand its application as an analytical tool beyond the OMB 300-level systems.</li> <li>VA will simplify the PIA completion, submission, and review processes in 2007.</li> <li>VA may require a review of PIAs semiannually to increase validity.</li> </ul>



<b>ENABLING GOAL</b>		
<b>Applying Sound Business Principles</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #6 - Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures, <i>continued</i></b> <i>-A Governmentwide High-Risk Area-</i>		
<ul style="list-style-type: none"> <li>Agencies also need to take practical measures aimed at preventing data breaches, including limiting the collection of personal information, limiting the time that such data are retained, limiting access to personal information and training personnel accordingly, and considering the use of technological controls such as encryption when data need to be stored on portable devices.</li> </ul>	<ul style="list-style-type: none"> <li>In a memorandum dated June 6, 2006, the Secretary stated that employees authorized to remove electronic data must consult with their Information Security Officers and supervisors to ensure that data are properly encrypted and password protected in accordance with VA policy.</li> <li>VA issued Directive 6504, dated June 7, 2006, which requires encryption for VA-protected information stored on computers outside VA facilities.</li> <li>In a memorandum dated June 22, 2006, the acting Chief Information Officer stated that VA will implement encryption to protect its data.</li> <li>All employees took privacy awareness and cyber security training.</li> <li>Laptops were equipped with encryption technology.</li> <li>VA is offering data breach analysis services.</li> </ul>	<ul style="list-style-type: none"> <li>VA will continue to implement encryption, use virtual private networks (VPN) and implement other practical measures aimed at preventing data breaches.</li> </ul>
<i>(Note: Except where otherwise noted, GAO feedback here is not VA-specific.)</i>		



<b>ENABLING GOAL</b>		
<b>Applying Sound Business Principles</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #7 - Federal Real Property</b>		
<b>-A Governmentwide High-Risk Area-</b>		
<b>VA'S ESTIMATED RESOLUTION TIMEFRAME: FY 2010</b>		
<ul style="list-style-type: none"> <li>There is a need for a comprehensive, integrated transformation strategy for real property.</li> </ul>	<ul style="list-style-type: none"> <li>VA earned a "green" status indicator for the President's Management Agenda Real Property Initiative.</li> <li>VA updated its 5-year capital plan (FY 2006-2011), which describes VA's framework for managing the Department's portfolio of more than 5,500 buildings and approximately 32,000 acres of land.</li> <li>VA updated its Asset Management Plan, a companion document to the 5-year capital plan and describes the following:               <ul style="list-style-type: none"> <li>VA's capital budget.</li> <li>VA's capital asset management philosophy.</li> <li>VA's capital portfolio goals.</li> <li>Actions being taken by VA to improve the formulation and management of its portfolio.</li> <li>VA's sustainment model.</li> <li>The valuation mechanism used at VA.</li> <li>The human capital strategies employed, including the policies developed to govern asset management at VA.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>VA will update the 5-year capital plan.</li> </ul>



<b>ENABLING GOAL</b>		
<b>Applying Sound Business Principles</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #7 - Federal Real Property, continued</b> <i>-A Governmentwide High-Risk Area-</i>		
<ul style="list-style-type: none"> <li>Many assets are no longer effectively aligned with, or responsive to, agencies' changing missions and are therefore no longer needed.</li> </ul>	<p>Background: From 2000 to 2003, VA conducted the Capital Asset Realignment for Enhanced Services (CARES) process – the most comprehensive analysis of VA's health care infrastructure ever conducted – which provided a 20-year blueprint for the modernization and realignment of VA's health care system.</p> <p>In 2006, VA did the following:</p> <ul style="list-style-type: none"> <li>Completed Stage II CARES studies on all but 20 sites to identify unneeded property and to determine the health care needs of veterans, VA capital needs, and use of land and buildings for non-VA use.</li> <li>Fully complied with Federal Real Property Council (FRPC) requirements to track and report asset mission dependency and utilization at the constructed-asset level.</li> <li>Formulated a disposal directive that requires VA to follow a prescribed order of disposal modes for eligible assets.</li> <li>Developed a list of assets – <i>validated to CARES decisions</i> -- for disposal in 2006, 2007, and 2008.                         <ul style="list-style-type: none"> <li>VA disposed of 77 buildings in 2006.</li> </ul> </li> <li>Outleased 5.1 million square feet of underutilized space (includes enhanced-use leases).</li> <li>Completed an annual update of its steady-state space model. The workload-driven model is used to determine ideal space needs for VHA medical centers.</li> <li>Updated systems to track and report additional FPRC disposal elements</li> </ul>	<p>VA will:</p> <ul style="list-style-type: none"> <li>Monitor and report implementation of mission dependency and utilization initiatives identified in action plans and determine impact on performance.</li> <li>Develop short- and long-term plans to consolidate, share, re-use or dispose of non-mission dependent and underutilized or vacant space at the building and station level.</li> <li>Develop annual call for FRPC inventory and performance measure updates.</li> <li>Initiate work on remaining CARES follow-up studies.</li> </ul>



<b>ENABLING GOAL</b>		
<b>Applying Sound Business Principles</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #7 - Federal Real Property, <i>continued</i></b> <b>-A Governmentwide High-Risk Area-</b>		
<ul style="list-style-type: none"> <li>Many assets are in an alarming state of deterioration; agencies have estimated restoration and repair needs to be in the tens of billions of dollars.</li> </ul>	<p>In addition to actions mentioned above, VA:</p> <ul style="list-style-type: none"> <li>Developed an infrastructure sustainment model that is now being used to ensure long-term viability. VA used the estimate calculated by the sustainment model as the basis for our funding requirement for the 2007 non-recurring maintenance program to improve the condition of VA's infrastructure.</li> <li>Initiated major and minor construction programs to address projected gaps and infrastructure deficiencies identified in the CARES Facility Condition Assessment study.</li> </ul>	<p>VA will:</p> <ul style="list-style-type: none"> <li>Monitor and report implementation of condition correction initiatives identified in action plans and determine impact on performance.</li> <li>Develop short- and long-term plans to improve building and facility condition.</li> <li>Perform facility condition assessments for a third of VA facilities each year.</li> <li>Initiate work on remaining CARES follow-up studies.</li> </ul>
<ul style="list-style-type: none"> <li>There is a heavy reliance on costly leasing instead of ownership.</li> </ul>	<ul style="list-style-type: none"> <li>VA's heavy reliance on leases is due to the need for a more flexible facility infrastructure. The majority (822) of VA leases are outpatient or store-front facilities that can be moved or relocated depending on the changes in medical technology and shift in demographic trends.</li> <li>The needs of today's veterans range from nursing home care or burial of a World War II veteran -- to behavioral health or community outreach for Vietnam veterans -- to acute hearing loss for the returning Operation Enduring Freedom/Operation Iraqi Freedom veteran.</li> <li>VA will continue to need the flexibility of operating leases to meet the needs of delivering services to veterans. Operating leases allow VA to provide the right service at the right time and place.</li> </ul>	<ul style="list-style-type: none"> <li>VA will expand facility and asset benchmarking to ensure lease costs align with market rates.</li> </ul>



<b>ENABLING GOAL</b>		
<b>Applying Sound Business Principles</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #7 - Federal Real Property, continued</b> <i>-A Governmentwide High-Risk Area-</i>		
<ul style="list-style-type: none"> <li>There is a lack of reliable governmentwide data for strategic asset management and the cost and challenge of protecting these assets against terrorism.</li> </ul>	<ul style="list-style-type: none"> <li>VA approved Physical Security Strategies for VA facilities in May 2006. These strategies include physical security guidance for new and existing, mission-critical facilities. Strategies are based on a multi-hazards risk approach, including increased protection against terrorism.</li> <li>The Capital Asset Management System (CAMS) is VA's capital asset portfolio and performance management system. CAMS allows for Web-based input of concept papers and business case applications. The integrated system extracts key data from several existing data source systems providing up-to-date, comprehensive inventory and cost data of real property.</li> <li>VA's Office of Management provided quarterly and ad hoc reports to senior management on real property performance, including stations with performance outside of VA's strategic targets. The office also provided explanations and action plans to address performance outliers.</li> <li>VA provided periodic training on using CAMS to track and report asset data.</li> <li>VA completed an annual call to validate and update capital asset inventory data.</li> <li>VA contracted with the National Institutes of Building Sciences in July 2006 to develop physical security standards based on the approved VA Physical Security Strategies. Development work under this contract is underway.</li> </ul>	<p>VA will:</p> <ul style="list-style-type: none"> <li>Implement CAMS enhancements, which include data store/data warehousing and Business Intelligence capabilities.</li> <li>Develop annual call for FRPC inventory and performance measure updates.</li> <li>Continue periodic training on using CAMS to track and report asset data.</li> <li>Issue VA Physical Security Standards to include a Physical Security Design Manual addressing new and existing, mission-critical and life safety protected VA facilities.</li> <li>Implement a database allowing Department review of progress in addressing physical security vulnerabilities in facilities that have had a physical security assessment completed.</li> </ul>
<i>(Note: GAO feedback here is not VA-specific.)</i>		



<b>ENABLING GOAL</b>		
<b>Applying Sound Business Principles</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #8 - Strategic Human Capital Management</b>		
<i>-A Governmentwide High-Risk Area-</i>		
VA'S ESTIMATED RESOLUTION TIMEFRAME: <b>FY 2011</b>		
<p>Agencies—working with the Congress and OPM—must do the following:</p> <ul style="list-style-type: none"> <li>Assess future workforce needs, especially in light of long-term fiscal challenges.</li> </ul>	<p>VA took the following actions:</p> <ul style="list-style-type: none"> <li>Conducted ongoing succession planning activity, updated annually.</li> <li>Implemented enhancements to workforce database analysis tools.</li> </ul>	<p>VA plans to do the following:</p> <ul style="list-style-type: none"> <li>Continue cycle of succession planning within the Department and report updates on data and associated initiatives.</li> <li>Enhance workforce database analysis tools to provide greater analytical capabilities.</li> </ul>
<ul style="list-style-type: none"> <li>Determine ways to make maximum use of available authorities to recruit, hire, develop, and retain key talent to meet their needs.</li> </ul>	<ul style="list-style-type: none"> <li>Expanded use of the Presidential Management Fellows (PMF) Program.</li> <li>Expanded use of the Student Career Employment Program.</li> <li>Continued use of the Employee Incentive Scholarship Program (EISP) and Education Debt Reduction Program (EDRP) to recruit and retain health care professionals.</li> </ul>	<ul style="list-style-type: none"> <li>Continue using PMF program and publicizing available authorities to hire new employees.</li> <li>Explore funding expansion of EISP and EDRP to meet critical needs.</li> </ul>
<ul style="list-style-type: none"> <li>Build a business case to request additional authorities as appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>Identified additional Title 5 occupations that would be more appropriate for hybrid Title 38 (e.g., kinesiotherapy assistant, biomedical engineering technician).</li> <li>Developed draft proposed legislation to expand hybrids.</li> <li>Identified dual compensation waivers for several occupations within health care administration to access expertise of retired employees.</li> <li>As part of VA's succession planning efforts, the Department identified the need for delegated authority to conduct buy-outs of employees in positions no longer considered essential in order to recruit for hard-to-fill and/or new positions.</li> </ul>	<ul style="list-style-type: none"> <li>Explore process necessary to obtain dual compensation waivers for selected occupations within health care administration.</li> <li>Create proposal to request delegated authority to agency for buy-outs for certain occupations.</li> </ul>



<b>ENABLING GOAL</b>		
<b>Applying Sound Business Principles</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #8 - Strategic Human Capital Management, <i>continued</i></b> <b>-A Governmentwide High-Risk Area-</b>		
<ul style="list-style-type: none"> <li>Reform performance management systems to better link organizational and individual results.</li> </ul>	<ul style="list-style-type: none"> <li>Converted all agency employees to a five-level performance management system and completed an appraisal cycle.</li> <li>Produced and disseminated agency-wide training video addressing development of performance standards that directly link to and support organizational goals.</li> <li>Completed an assessment tool for a selected sampling of employees to identify strengths and weaknesses of current performance appraisal program to make improvements.</li> <li>Continued process of linking Senior Executive Service performance within health care to strategic goals and cascading down through all levels of the organization.</li> </ul>	<ul style="list-style-type: none"> <li>Produce and disseminate training videos for supervisors and managers regarding strategies for holding employees accountable for performance.</li> <li>Significantly enlarge the performance appraisal assessment tool for selected sampling of VA employees.</li> </ul>
<i>(Note: GAO feedback here is not VA-specific.)</i>		



<b>ENABLING GOAL</b>		
<b>Applying Sound Business Principles</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #9 - Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security</b>		
<i>-A Governmentwide High-Risk Area-</i>		
VA'S ESTIMATED RESOLUTION TIMEFRAME: <b>FY 2008</b>		
<ul style="list-style-type: none"> <li>• In the absence of comprehensive information-sharing plans, many aspects of homeland security information sharing remain ineffective and fragmented. Federal agencies should develop appropriate strategies to address the many potential barriers to information sharing. These strategies include:               <ul style="list-style-type: none"> <li>○ Establishing clear goals, objectives, and expectations for participants in information-sharing efforts.</li> <li>○ Consolidating, standardizing, and enhancing federal structures, policies, and capabilities for the analysis and dissemination of information, where appropriate.</li> <li>○ Assessing the need for public policy tools to encourage private-sector participation.</li> </ul> </li> </ul>	<p>VA took the following actions:</p> <ul style="list-style-type: none"> <li>• Worked with the Department of Homeland Security (DHS) and other agencies in developing and populating the Homeland Security Information System and the Homeland Security Data Network. These systems allow federal agencies to share information in the area of emergency preparedness.</li> <li>• Continued to maintain a full-time presence at the National Operations Center.</li> <li>• Continued to work with DHS and in the framework of the Homeland Security Council to address issues relating to development of a common operating structure across the government.</li> <li>• Placed VA personnel in Joint Field Office established by DHS.</li> </ul>	<p>VA plans to do the following:</p> <ul style="list-style-type: none"> <li>• Continue to install any additional systems available to improve information sharing among federal agencies.</li> <li>• Continue to be actively involved in interagency discussions and plans to improve communications and maintenance of a common operating structure.</li> <li>• Expand presence, where appropriate, in the National Response Coordination Center and Joint Field Offices that may be established by DHS.</li> </ul>



<b>ENABLING GOAL</b>		
<b>Applying Sound Business Principles</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #9 - Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security</b> , <i>continued</i> <i>-A Governmentwide High-Risk Area-</i>		
	<ul style="list-style-type: none"> <li>• Participated in meetings with the National Telecommunications and Information Administration (NTIA) and other federal agencies, which included exercises designed to test VA's ability to share information in the event of a national emergency.</li> <li>• Participated in DHS' Aviation Safety Communique (SAFECOM) program which provides assistance and protocols for reporting aviation mishaps.</li> <li>• Actively promoted VA field organizations' membership in the SHARED RESources (SHARES) high-frequency (HF) radio network.                         <ul style="list-style-type: none"> <li>○ SHARES provides the federal emergency response community with a single interagency emergency message handling system for the transmission of national security and emergency preparedness information.</li> </ul> </li> <li>• Engaged in communications with a variety of private sector participants including the Amateur Radio Relay League and other emergency preparedness organizations to support local as well as national emergency needs.</li> </ul>	<ul style="list-style-type: none"> <li>• Leverage the connectivity provided in VA's new IT organizational structure to provide field organizations standardized policy and guidelines that support the objectives of DHS and SAFECOM to enable or enhance communications with other federal, state, local, and volunteer services.</li> <li>• Provide information to field emergency managers about programs like Amateur Radio Emergency Service and Radio Amateur Civil Emergency Service.</li> <li>• Continue to enroll additional VA facilities operating HF radio systems into the SHARES network.</li> </ul>
<i>(Note: GAO feedback here is not VA-specific.)</i>		



<b>ENABLING GOAL</b>		
<b>Applying Sound Business Principles</b>		
<b>Major Findings &amp; Recommendations</b>	<b>FY 2006 Actions</b>	<b>Next Steps Planned for FY 2007</b>
<b>GAO #10 - Management of Interagency Contracting</b>		
<i>-A Governmentwide High-Risk Area-</i>		
VA'S ESTIMATED RESOLUTION TIMEFRAME: <b>FY 2007</b>		
<ul style="list-style-type: none"> <li>• In recent years, federal agencies have been making greater use of existing contracts already awarded by other agencies rather than spending time and resources contracting for goods and services themselves. However, there have been instances of improper use of interagency contracts. To address this situation, federal agencies should take the following actions:               <ul style="list-style-type: none"> <li>○ Develop specific and targeted approaches to address interagency contracting risks.</li> <li>○ Clarify roles and responsibilities for managing interagency contracts.</li> <li>○ Adopt and implement policies and processes that balance customer service with the need to comply with government regulations.</li> </ul> </li> </ul>	<p>The Office of Acquisition and Materiel Management (OA&amp;MM) has taken the following steps to strengthen its control over VA's interagency contracting risks:</p> <ul style="list-style-type: none"> <li>• Centralized the management of interagency acquisitions under OA&amp;MM.</li> <li>• Increased training of acquisition personnel involved in interagency contracting.</li> <li>• Enhanced the oversight and risk management of these activities.</li> </ul>	<ul style="list-style-type: none"> <li>• As a result of a comprehensive study conducted by an outside contractor, VA is exploring the feasibility of using NASA's interagency contract vehicle to procure its IT hardware, software, and service needs.</li> <li>• If VA decides to use NASA's interagency contract, it will apply processes described in the middle column to maintain strong controls.</li> </ul>
(Note: GAO feedback here is not VA-specific.)		



## Letter from the Chief Financial Officer

The Department of Veterans Affairs (VA) completed another successful year by receiving an unqualified audit opinion for the 8<sup>th</sup> consecutive year. VA worked tirelessly to address emerging audit findings to ensure no new reportable conditions or material weaknesses. Those persistent efforts helped lead to our unqualified opinion from our external auditors, Deloitte & Touche. We are extremely proud of this accomplishment.

Throughout FY 2006, VA made improvements and progress in remediating our three audit material weaknesses – *Lack of an Integrated Financial Management System*, *Information Technology Security Controls*, and *Operational Oversight*. VA continues to move forward with the Financial & Logistics Integrated Technology Enterprise (FLITE) initiative to assist in correcting financial and logistics deficiencies throughout the Department. This initiative will standardize our financial and logistical processes and data across VA and provide management with access to timely and accurate financial, logistics, budget, asset, and related information.

As related to the *Lack of an Integrated Financial Management System* material weakness, VA successfully completed a project this year to automate the preparation of our financial statements using commercial off-the-shelf software. VA used this software to prepare both our 3<sup>rd</sup> and 4<sup>th</sup> quarter financial statements. In addition, we began implementation of a Financial Reporting Data Warehouse for our major systems. The warehouse is used to perform reconciliation activities between the core financial system and feeder systems. This will ultimately ensure that these interfaces are working correctly, and that the data in the core financial system accurately reflects financial events as they occurred in feeder systems. This initiative will ensure all interfacing systems to the data warehouse are A-127 compliant. We are proud that as a result of our successful



efforts in improving the preparation of VA's financial statements, as well as our progress with the Financial Reporting Data Warehouse, VA's President's Management Agenda scorecard on Financial Performance improved from "yellow" to "green" for progress.

To further address the material weakness in *Information Technology Security Controls*, VA established an over-arching and cross-cutting remediation plan, the Data Security-Assessment and Strengthening of Controls Program, to correct deficiencies and eliminate vulnerabilities in information security. This program will enable completion of hundreds of tasks required to remediate long-standing security weaknesses. VA continued progress toward resolving this outstanding audit material weakness by validating that VA was compliant with the Health Insurance Portability and Accountability Act, and certifying and accrediting over 600 information technology systems.

During 2006, work began on the *Operational Oversight* material weakness, including forming a VHA task force to perform a root cause analysis to identify issues that contributed to the weakness. Progress was made by VHA's Business Process Improvement Committee to track issues raised in the analysis as well as all business processes to ensure that best business practices and internal controls are in place. During FY 2007, increased focus will be placed



on remediating this material weakness in light of the auditors' additional findings in the FY 2006 audit report.

Although each of these three weaknesses involves corrective action over multiple years, VA continues to work diligently and proactively on action plans that address these weaknesses.

The Department closed its sole remaining material weakness under the Federal Managers' Financial Integrity Act (FMFIA), *Internal Control Weaknesses in the Compensation and Pension Payment Process*, and no new FMFIA material weaknesses were identified during 2006.

We also pursued efforts to ensure VA's compliance with OMB Circular A-123, Appendix A, Internal Controls over Financial Reporting. Based on an approved implementation plan, VA completed action items identified for the first year of a 3-year plan. As a result of the completion of the limited-scope assessment on the effectiveness of internal controls for 2 of 11 business processes (Financial Reporting; Funds Management), no material weaknesses were identified. VA developed a remediation plan to address findings identified in the first year, and planning for the second year is underway. VA also continued to meet existing and new requirements under OMB Circular A-123, including travel card requirements under Appendix B, and new requirements for the Improper Payments Information Act (IPIA) under Appendix C.

VA successfully completed risk assessments, statistical sampling, and all requirements for programs under the IPIA. VA achieved all audit recovery targets for improper payments and met four out of five reduction targets. VA also received approval from OMB to remove VA's Insurance program from IPIA reporting requirements until FY 2009. VA also made progress by simplifying agency regulations for disability determinations to further decrease improper payments through improved accuracy

of the payment amounts to appropriate beneficiaries. VA is a leader in the federal government for the implementation of IPIA. This year, VA achieved a "green" score for status on the President's Management Agenda scorecard on Eliminating Improper Payments by meeting our targets on improper payment reduction and recovery. VA is one of only four departments/agencies to have a "green" score in both progress and status.

VA continued to advance Presidential e-Gov initiatives and aggressively worked with the E-Gov Travel Services prime contractor to lay the foundation for implementing an electronic travel solution beginning in FY 2007. In the e-Payroll arena, VA successfully migrated 1,250 employees to the Defense Finance and Accounting Service for payroll servicing in September 2006. Work will continue in FY 2007-2008 on subsequent efforts associated with migrating the remaining VA locations.

VA's Franchise Fund, established as a pilot in FY 1997, continued its successful operation and performance at the highest level of financial stewardship. As a result of providing excellent performance in a wide variety of administrative support services throughout VA and with other government agencies, permanent status was conveyed to VA's Franchise Fund under P.L. 109-114, the Military Quality of Life and Veterans Affairs Appropriation Act, 2006.

We are proud that in FY 2006, VHA collected over \$1.95 billion in Medical Care Collection Funds -- the largest amount ever collected during a fiscal year. Additionally, VA began developing a Departmental managerial cost accounting (MCA) system to enable managers at all levels to review and analyze cost data at the detail and programmatic levels. We expect all MCA processes within VA's Administrations to be operational during FY 2008.

Under the Government Performance and Results Act, we continuously assessed and refined our performance measures, quality of data, and



compilation procedures. We developed procedures to assure our stakeholders that we have the most useful and accurate performance data available.

We are proud of our many accomplishments, but realize a lot of work remains. We continually strive to improve our financial stewardship and have set new goals to improve our performance. We will continue to promote sound business practices and improve accountability while fulfilling our mission of service to our Nation's veterans.

A handwritten signature in black ink, appearing to read "R. Henke", is positioned above the printed name.

Robert J. Henke



## Consolidated Financial Statements

**DEPARTMENT OF VETERANS AFFAIRS**  
**CONSOLIDATED BALANCE SHEETS (dollars in millions)**  
 As of September 30,

	2006	2005
<b>ASSETS</b>		
<b>INTRAGOVERNMENTAL</b>		
Fund Balance with Treasury (Note 3)	\$ 16,129	\$ 17,087
Investments (Note 5)	12,873	13,286
Accounts Receivable, Net (Note 6)	107	72
Other Assets	53	40
<b>TOTAL INTRAGOVERNMENTAL ASSETS</b>	<b>29,162</b>	<b>30,485</b>
<b>PUBLIC</b>		
Investments (Note 5)	183	178
Accounts Receivable, Net (Note 6)	1,163	920
Loans Receivable, Net (Note 7)	2,337	2,320
Cash (Note 4)	28	87
Inventories and Related Properties, Net (Note 8)	69	76
General Property, Plant and Equipment, Net (Note 9)	11,638	11,232
Other Assets	30	46
<b>TOTAL PUBLIC ASSETS</b>	<b>15,448</b>	<b>14,859</b>
<b>TOTAL ASSETS</b>	<b>\$ 44,610</b>	<b>\$ 45,344</b>
<b>LIABILITIES</b>		
<b>INTRAGOVERNMENTAL</b>		
Accounts Payable	\$ 92	\$ 66
Debt	983	2,193
Other Liabilities (Note 13)	1,992	2,619
<b>TOTAL INTRAGOVERNMENTAL LIABILITIES</b>	<b>3,067</b>	<b>4,878</b>
<b>PUBLIC</b>		
Accounts Payable	835	570
Liabilities for Loan Guarantees (Note 7)	3,272	3,465
Federal Employee and Veterans Benefits Liability (Note 11)	1,155,612	1,124,376
Environmental and Disposal Liabilities (Note 12)	384	376
Insurance Liabilities (Note 15)	11,633	12,014
Other Liabilities (Note 13)	7,154	7,077
<b>TOTAL PUBLIC LIABILITIES</b>	<b>1,178,890</b>	<b>1,147,878</b>
<b>TOTAL LIABILITIES</b>	<b>1,181,957</b>	<b>1,152,756</b>
<b>NET POSITION</b>		
Unexpended Appropriations – Earmarked Funds (Note 17)	(6,965)	-
Unexpended Appropriations – All Other Funds	8,239	2,306
Cumulative Results of Operations – Earmarked Funds (Note 17)	7,849	-
Cumulative Results of Operations – All Other Funds	(1,146,470)	(1,109,718)
<b>TOTAL NET POSITION</b>	<b>(1,137,347)</b>	<b>(1,107,412)</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 44,610</b>	<b>\$ 45,344</b>

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



**DEPARTMENT OF VETERANS AFFAIRS**  
**CONSOLIDATED STATEMENTS OF NET COST (dollars in millions)**  
**for the Years Ended September 30,**

	<b>2006</b>	<b>2005</b>
<b>NET PROGRAM COSTS (NOTE 19)</b>		
Medical Care	\$ 29,103	\$ 28,399
Medical Education	1,101	542
Medical Research	813	659
Compensation	31,879	29,596
Pension	3,752	3,627
Education	2,304	2,202
Vocational Rehabilitation and Employment	709	700
Loan Guaranty	(823)	(1,432)
Insurance	104	148
Burial	376	332
<b>NET PROGRAM COSTS BEFORE CHANGES IN VETERANS BENEFITS ACTUARIAL LIABILITIES</b>	<b>69,318</b>	<b>64,773</b>
Compensation	31,100	197,300
Burial	100	500
<b>SUBTOTAL</b>	<b>31,200</b>	<b>197,800</b>
<b>NET NON-PROGRAM COSTS</b>	<b>944</b>	<b>859</b>
<b>NET COST OF OPERATIONS (NOTE 19)</b>	<b>\$ 101,462</b>	<b>\$ 263,432</b>

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



**DEPARTMENT OF VETERANS AFFAIRS  
CONSOLIDATED STATEMENT OF CHANGES IN  
NET POSITION (dollars in millions)  
FOR THE YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

	<b>Earmarked Funds</b>	<b>All Other Funds</b>	<b>Eliminations</b>	<b>FY 2006 Consolidated Total</b>	<b>FY 2005 Consolidated Total</b>
<b>Cumulative Results of Operations</b>					
Beginning Balance	\$ 781	(1,115,470)	4,971	\$(1,109,718)	\$(915,368)
<b>Budgetary Financing Sources</b>					
Appropriations Used	-	72,561	-	72,561	69,659
Nonexchange Revenue	-	9	-	9	7
Donations	28	-	-	28	27
Transfer without Reimbursement	5,009	-	(5,009)	-	-
<b>Other Financing Sources (Non-Exchange)</b>					
Donations of Property	25	1	-	26	15
Transfers In/Out Reimbursement	1	(1,369)	1,156	(212)	(1,371)
Imputed Financing	-	1,303	-	1,303	1,323
Other	-	-	(1,156)	(1,156)	(578)
Total Financing Sources	5,063	72,505	(5,009)	72,559	69,082
Net Cost of Operations	(2,043)	103,505	-	101,462	263,432
<b>Net Change</b>	<b>7,106</b>	<b>(31,000)</b>	<b>(5,009)</b>	<b>(28,903)</b>	<b>(194,350)</b>
Ending Balance – Cumulative Results	7,887	(1,146,470)	(38)	(1,138,621)	(1,109,718)
<b>Unexpended Appropriations</b>					
Beginning Balance	-	7,277	(4,971)	2,306	2,642
<b>Budgetary Financing Sources</b>					
Appropriations Received	-	71,747	-	71,747	69,589
Appropriations Transferred In/Out	(6,965)	1,971	5,009	15	16
Other Adjustments	-	(234)	-	(234)	(282)
Appropriations Used	-	(72,560)	-	(72,560)	(69,659)
Total Budgetary Financing Sources	(6,965)	924	5,009	(1,032)	(336)
<b>Total Unexpended Appropriations</b>	<b>(6,965)</b>	<b>8,201</b>	<b>38</b>	<b>1,274</b>	<b>2,306</b>
<b>Total Net Position</b>	<b>\$ 922</b>	<b>(1,138,269)</b>	<b>-</b>	<b>\$(1,137,347)</b>	<b>\$1,107,412</b>

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



**DEPARTMENT OF VETERANS AFFAIRS  
COMBINED STATEMENT OF BUDGETARY RESOURCES (NOTE 20)  
(DOLLARS IN MILLIONS)  
for the Year Ended September 30, 2006**

**Budgetary Resources**

	<b>Budgetary</b>	<b>Non-Budgetary Credit Program</b>
Unobligated Balance at the Beginning of the Period	\$ 16,135	\$ 5,707
Recoveries of Prior Year Obligations	3	-
Budget Authority		
Appropriations Received	74,577	-
Borrowing Authority	-	522
Spending Authority from Offsetting Collections		
Earned	5,404	1,792
Change in Unfilled Customer Orders	1,087	-
Subtotal	<u>81,068</u>	<u>2,314</u>
Nonexpenditure Transfers, net	15	-
Permanently Not Available	<u>(315)</u>	<u>(1,733)</u>
<b>Total Budgetary Resources</b>	<b><u>\$ 96,906</u></b>	<b><u>\$ 6,288</u></b>

**Status of Budgetary Resources**

Obligations Incurred	\$ 79,948	\$ 2,728
Unobligated Balance Available	13,966	-
Unobligated Balance Not Yet Available	2,992	3,560
<b>Total Status of Budgetary Resources</b>	<b><u>\$ 96,906</u></b>	<b><u>\$ 6,288</u></b>

**Change in Obligated Balance**

Obligated Balance, Net Beginning of Period	\$ 8,230	\$ 77
Obligations Incurred	79,948	2,728
Less Gross Outlays	(78,911)	(2,653)
Less Recoveries of Prior Year Unpaid Obligations, Actual	(3)	-
Change in Uncollected Customer Payments from Federal Sources	<u>(1,155)</u>	<u>(25)</u>
<b>Obligated Balance, Net End of Period</b>	<b><u>\$ 8,109</u></b>	<b><u>\$ 127</u></b>

**Net Outlays**

Gross Outlays	\$ 78,911	\$ 2,653
Less Offsetting Collections	(5,336)	(1,767)
Less Distributed Offsetting Receipts	<u>(3,065)</u>	<u>(1,369)</u>
<b>Net Outlays</b>	<b><u>\$ 70,510</u></b>	<b><u>\$ (483)</u></b>

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



**DEPARTMENT OF VETERANS AFFAIRS  
COMBINED STATEMENT OF BUDGETARY RESOURCES (NOTE 20)  
(DOLLARS IN MILLIONS)  
for the Year Ended September 30, 2005**

	<b>Budgetary</b>	<b>Non-Budgetary Credit Program</b>
<b>Budgetary Resources</b>		
Unobligated Balance at the Beginning of the Period	\$ 15,667	\$ 4,476
Recoveries of Prior Year Obligations	-	-
Budget Authority		
Appropriations Received	72,361	-
Borrowing Authority	-	1,824
Spending Authority from Offsetting Collections		
Earned	4,927	4,422
Change in Unfilled Customer Orders	323	-
Subtotal	<u>77,611</u>	<u>6,246</u>
Nonexpenditure Transfers, net	16	-
Permanently Not Available	(328)	(2,248)
<b>Total Budgetary Resources</b>	<b><u>\$ 92,966</u></b>	<b><u>\$ 8,474</u></b>
<b>Status of Budgetary Resources</b>		
Obligations Incurred	\$ 76,831	\$ 2,767
Unobligated Balance Available	13,570	5
Unobligated Balance Not Yet Available	2,565	5,702
<b>Total Status of Budgetary Resources</b>	<b><u>\$ 92,966</u></b>	<b><u>\$ 8,474</u></b>
<b>Change in Obligated Balance</b>		
Obligated Balance, Net Beginning of Period	\$ 10,034	\$ 93
Obligations Incurred	76,831	2,767
Less Gross Outlays	(78,623)	(2,783)
Less Recoveries of Prior Year Unpaid Obligations, Actual	(12)	-
Change in Uncollected Customer Payments from Federal Sources	-	-
<b>Obligated Balance, Net End of Period</b>	<b><u>\$ 8,230</u></b>	<b><u>\$ 77</u></b>
<b>Net Outlays</b>		
Gross Outlays	\$ 78,623	\$ 2,783
Less Offsetting Collections	(5,250)	(4,422)
Less Distributed Offsetting Receipts	(2,784)	-
<b>Net Outlays</b>	<b><u>\$ 70,589</u></b>	<b><u>\$ (1,639)</u></b>

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



<b>DEPARTMENT OF VETERANS AFFAIRS</b>		
<b>CONSOLIDATED STATEMENTS OF FINANCING (NOTE 21)</b>		
<b>for the Years Ended September 30,</b>	<b>2006</b>	<b>2005</b>
<b>(dollars in millions)</b>		
<b>Resources Used to Finance Activities</b>		
Obligations Incurred	\$ 82,676	\$ 79,598
Less Spending Authority from Offsetting Collections and Adjustments	(8,286)	(9,684)
Obligations Net of Offsetting Collections and Adjustments	74,390	69,914
Less Offsetting Receipts	(4,434)	(2,784)
Net Obligations	69,956	67,130
Donations of Property	25	15
Transfers-out	(213)	(1,945)
Imputed Financing	1,303	1,323
Other Financing Sources	-	4
<b>Total Resources Used to Finance Activities</b>	<b>71,071</b>	<b>66,527</b>
<b>Resources That Do Not Fund Net Cost of Operations</b>		
Change in Amount of Goods, Services and Benefits Ordered But Not Yet Provided	320	(690)
Resources that Finance the Acquisition of Assets	(4,005)	(3,843)
Resources that Fund Expenses Recognized in Prior Periods	(611)	(2,326)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations	3,488	4,555
Other	-	(4)
Total Resources that Do Not Fund Net Costs of Operations	(808)	(2,308)
<b>Total Resources Used to Finance the Net Cost of Operations</b>	<b>70,263</b>	<b>64,219</b>
<b>Costs That Do Not Require Resources in the Current Period</b>		
Increase in Annual Leave Liability	29	46
Increase in Environmental and Disposal Liability	9	35
Reestimates of Credit Subsidy Expense	(1,110)	(437)
Increase in Exchange Revenue Receivable from the Public	(265)	(548)
Increase in Veterans Benefits Actuarial Liability	31,263	197,800
Depreciation and Amortization	870	1,289
Bad Debts Related to Uncollectible Non-Credit Reform Receivables	227	420
Loss on Disposition of Assets	86	119
Other	90	489
<b>Total Costs That Do Not Require Resources in the Current Period</b>	<b>31,199</b>	<b>199,213</b>
<b>Net Cost of Operations</b>	<b>\$ 101,462</b>	<b>\$ 263,432</b>

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



## Notes to Consolidated Financial Statements

**For the Years Ended September 30, 2006 and 2005 (dollars in millions, unless otherwise noted).**

### 1. Summary of Significant Accounting Policies

#### Basis of Presentation

The Department of Veterans Affairs' (VA) consolidated financial statements report all activities of VA components, including the Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), National Cemetery Administration (NCA), and staff organizations. The consolidated financial statements meet the requirements of the Chief Financial Officers Act (CFO) of 1990 and the Government Management Reform Act (GMRA) of 1994. The consolidated financial statements differ from the financial reports used to monitor and control budgetary resources, but are prepared from the same books and records. The statements should be read with the understanding that VA is a component unit of the U.S. Government. VA fiscal year (FY) 2006 and FY 2005 financial statements are presented in conformity with the Office of Management and Budget's (OMB) Circular A-136, Financial Reporting Requirements.

#### Reporting Entity

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

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

#### Budgets and Budgetary Accounting

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

#### Basis of Accounting

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

#### Revenues and Other Financing Sources

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

#### Accounting for Intragovernmental Activities

VA, as a department of the federal government, interacts with and is dependent upon the financial activities of the federal government as a whole. Therefore, these consolidated financial statements do not reflect the results of all



financial decisions applicable to VA as though the Department were a stand-alone entity.

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

#### **Fund Balance with Treasury**

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

#### **Cash**

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

#### **Investments**

Investments are reported at cost and are redeemable at any time for their original purchase price. Insurance program investments, which comprise most of VA's investments, are in non-marketable Treasury special bonds and certificates. Interest rates for Treasury special securities are based on average market yields for comparable Treasury issues. Special bonds, which mature during various years through the

year 2021, are generally held to maturity unless needed to finance insurance claims and dividends. Other program investments are in securities issued by Treasury, with the exception of non-federal Trust investments in mutual funds and the Loan Guaranty Program investments in trust certificates issued by the American Housing Trusts.

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

#### **Accounts Receivable**

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

Public accounts receivable consists mainly of amounts due for veterans' health care and amounts due for compensation, pension, and readjustment benefit overpayments. Allowances are based on prior experience. For FY 2006, contractual adjustments were 56 percent and bad debt allowances for medical-related receivables were 11 percent. For FY 2005, contractual adjustments were 54 percent and bad debt allowances for medical-related receivables were 9 percent. Educational-related receivables bad debt allowances were 38 percent for FY 2006 and 45 percent for FY 2005. Compensation and pension benefits overpayment-related bad debt receivables were 73 percent for FY 2006 and FY 2005.

VA is required by Public Law 96-466 to charge interest and administrative costs on benefits



debts similar to charges levied on other debts owed the federal government. In a July 1992 decision, the then-VA Deputy Secretary decided that VA would not charge interest on compensation and pension debts. This decision continues to be VA policy.

#### **Loans Receivable**

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

#### **Inventories**

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

#### **Property, Plant, and Equipment**

The majority of the general property, plant, and equipment is used to provide medical care to veterans and is valued at cost, including transfers from other federal agencies. Major additions, replacements, and alterations are capitalized, whereas routine maintenance is expensed when incurred. Construction costs are capitalized as Construction in Progress until completion, and then transferred to the appropriate property account. Other includes

items such as leasehold improvements and structures not classified as buildings. Individual items are capitalized if the useful life is 2 years or more and the unit price is \$100,000 or greater. Buildings are depreciated on a straight-line basis over estimated useful lives of 25 to 40 years. Equipment is also depreciated on a straight-line basis over its useful life, usually 5 to 20 years. There are no restrictions on the use or convertibility of general property, plant, and equipment. All VA heritage assets are multi-use facilities and are classified as general property, plant, and equipment.

#### **Other Assets**

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

#### **Heritage Assets**

Heritage assets are properties that possess one or more of the following characteristics: historical or natural significance; cultural; educational or aesthetic value; or significant architectural characteristics. The monetary value of heritage assets is often not estimable or relevant. By nature they are expected to be maintained in perpetuity. VA has properties at medical centers and national cemeteries that meet the criteria for a heritage asset. During the reporting period, all maintenance expenses were recorded as incurred. Heritage assets are reported in terms of physical units. Generally, additions to VA's Heritage Asset inventory result from field station surveys, which identify items such as new collections or newly designated assets. Items are generally donated or existing VA assets are designated as heritage. Most are used for mission purpose and maintained in working order. Remaining items are mothballed.



### **Accounts Payable**

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

### **Loan Guarantees**

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

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

### **Debt**

All intragovernmental debt is due to Treasury and is primarily related to borrowing by the Direct Loan and Loan Guaranty Program. The interest rates ranged from 4.73 to 4.99 percent in FY 2006 and from 2.94 to 4.72 percent in FY 2005. VA's financial activities interact with and

are dependent upon those of the federal government as a whole.

### **Insurance Liabilities**

Actuarial reserve liabilities for VA's insurance programs are based on mortality and interest rate assumptions at the time of issue. These assumptions vary by fund, type of policy, and type of benefit. The interest rate assumptions range from 2.25 to 5.0 percent for both the FY 2006 and FY 2005 calculations.

### **Annual Leave**

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

### **Workers' Compensation Liability**

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

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

Future workers' compensation estimates are generated from an application of actuarial procedures developed by DOL to estimate the liability for FECA benefits. The liability for future workers' compensation benefits includes



the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases and for potential cases related to injuries incurred but not reported. The liability is determined by utilizing historical benefit payment patterns related to a particular period to estimate the ultimate payments related to that period.

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

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

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

#### **Veterans Benefits Liability**

VA provides compensation benefits to veterans who are disabled by military service-related causes. Benefits are also provided to deceased veterans' beneficiaries. These benefits are provided in recognition of a veteran's military

service. The liability for future compensation payments is reported on VA's balance sheet at the present value of expected future payments, and is developed on an actuarial basis. Various assumptions in the actuarial model, such as the number of veterans and dependents receiving payments, discount rates, cost of living adjustments, and life expectancy, impact the amount of the liability.

#### **Litigation**

VA is a party in various administrative proceedings, legal actions, and claims brought against it. In the opinion of VA management and legal counsel, the ultimate resolutions of these proceedings, actions, and claims will not materially affect the financial position or results of VA operations.

#### **Non-Federal Trusts**

VA has entered into enhanced-use leases to maximize use of underutilized VA property. In seven of these enhanced-use leases, the assets and liabilities were transferred to a non-federal trust. The assets, liabilities, and results of operations of these seven trusts are consolidated in VA's consolidated financial statements.

#### **Estimates**

The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.



## 2. Non-Entity Assets

Entity and Non-Entity assets have been combined on the face of the balance sheet. Non-Entity assets relate primarily to patient funds.

### Non-Entity Assets as of September 30,

	2006	2005
Fund Balance with Treasury	\$ 41	\$ 47
Intragovernmental Accounts Receivable	1	1
Public Accounts receivable	16	13
<b>Total Non-Entity Assets</b>	<u>\$ 58</u>	<u>\$ 61</u>

## 3. Fund Balance with Treasury

### Fund Balance with Treasury as of September 30,

	2006	2005
<b>Entity Assets</b>		
Trust Funds	\$ 80	\$ 86
Revolving Funds	4,178	6,499
Appropriated Funds	11,618	10,288
Special Funds	171	158
Other Fund Types	41	9
<b>Total Entity Assets</b>	<u>\$ 16,088</u>	<u>\$ 17,040</u>
<b>Non-Entity Assets</b>		
Other Fund Types	41	47
<b>Total Non-Entity Assets</b>	<u>41</u>	<u>47</u>
<b>Total Entity and Non-Entity Assets</b>	<u>\$ 16,129</u>	<u>\$ 17,087</u>
<b>Reconciliation of VA General Ledger Balances with Treasury</b>		
Entity VA General Ledger	\$ 17,824	\$ 17,504
Reconciled Differences	(1,693)	(410)
Unreconciled Differences	(2)	(7)
<b>Fund Balance with Treasury</b>	<u>\$ 16,129</u>	<u>\$ 17,087</u>
<b>Status of Fund Balance with Treasury</b>		
Unobligated Balance		
Available	\$ 5,134	\$ 4,356
Unavailable	4,609	6,326
Obligated Balance not yet Disbursed	6,304	6,349
Deposit /Clearing Account Balances	82	56
<b>Fund Balance with Treasury</b>	<u>\$ 16,129</u>	<u>\$ 17,087</u>



#### 4. Cash

Cash as of September 30,	2006	2005
Canteen Service	\$ 1	\$ 1
Agent Cashier Advance	4	4
Loan Guaranty Program	23	35
Funds Held by Non-Federal Trusts*	-	47
<b>Total Cash</b>	<b>\$ 28</b>	<b>\$ 87</b>

\*Funds held by non-federal trusts are restricted and may be used only in accordance with the terms of the trust agreements.

#### 5. Investments

##### Investment Securities as of September 30,

	Interest Range	2006	2005
<b>Intragovernmental Securities</b>			
Special Bonds	3.25 – 8.75%	\$ 12,591	\$ 12,993
Treasury Notes*	2.875 – 4.375%	66	65
Treasury Bills	1.22 – 2.58%	26	26
Subtotal		12,683	13,084
Accrued Interest		190	202
<b>Total Intragovernmental Securities</b>		<b>\$ 12,873</b>	<b>\$ 13,286</b>

##### Other Securities

Trust Certificates (Loan Guaranty)	138	178
Mutual Funds (Non-Federal Trusts)	45	-
<b>Total Other Securities</b>	<b>\$ 183</b>	<b>\$ 178</b>

\*The investment in Treasury Notes includes unamortized premiums of \$0.1 both as of September 30, 2006 and as of September 30, 2005. Premiums and discounts are amortized on a straight-line basis over the life of the investments.

##### Offset for Losses on Investments as of September 30,

Investments in Subordinate Certificates at Time of Sale	\$ 424	\$ 424
Cumulative Reductions	(285)	(241)
Subtotal	139	183
Allocation of Loss Provision	(1)	(5)
<b>Trust Certificates (Loan Guaranty)</b>	<b>\$ 138</b>	<b>\$ 178</b>



## 6. Accounts Receivable, Net

### Accounts Receivable, Net as of September 30,

	2006	2005
<b>Intragovernmental Accounts Receivable, Net</b>	\$ 107	\$ 72
<b>Public Accounts Receivable</b>		
Public Accounts Receivable, Gross	\$ 2,419	\$ 1,964
Allowance for Loss Provision	(1,256)	(1,044)
<b>Net Public Accounts Receivable</b>	\$ 1,163	\$ 920

## 7. Direct Loans and Loan Guarantees

Direct loan obligations and loan guarantee commitments made after 1991, and the resulting direct loans or loan guarantees, are governed by the Federal Credit Reform Act of 1990. The Act provides that the present value of the subsidy costs associated with direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed. Direct loans are reported net of an allowance for subsidy costs at present value, and loan guarantee liabilities are reported at present value. Pre-1992 direct loans and loan guarantees are reported under the allowance for loss method. The nominal amount of the direct loan is reduced by an allowance for uncollectible amounts, and the liability for loan guarantees is the amount VA estimates will most likely require a future cash outflow to pay defaulted claims.

Interest is accrued on VA-owned loans by computing interest on a loan-by-loan basis at the end of the month and recording the amount owed as an accrual.

The recorded value of loans receivable, net, and the value of assets related to direct loans are not the same as the proceeds that VA would expect to receive from selling its loans. VA operates the following direct loan and loan guaranty programs:

- Vocational Rehabilitation and Employment

- Education
- Insurance
- Loan Guaranty

Under the Loan Guaranty Program, a loan may be made to an eligible veteran by an approved private sector mortgage lender. VA guarantees payment of a fixed percentage of the loan indebtedness to the holder of such a loan, up to a maximum dollar amount, in the event of default by the veteran borrower. Occasionally, a delinquency is reported to VA and neither a realistic alternative to foreclosure is offered by the loan holder nor is VA in a position to supplementally service the loan. In such cases, VA determines, through an economic analysis, whether VA will authorize the holder to convey the property securing the loan (foreclosure) or pay the loan guarantee amount to the holder.

### Direct Loans

Loans receivable related to direct loans represent the net value of assets related to acquired pre-1992 and post-1991 direct loans. For pre-1992 loans, VA employs the allowance for loss method in which the assets are offset by an allowance for loan losses (estimated uncollectible loans). For post-1991 loans, the assets are offset by an allowance for subsidy costs at present value. An analysis of loans receivable and the nature and amounts of the subsidy costs associated with the direct loans are provided in the tables that follow:



**Loans Receivable and Related Foreclosed Property From Direct Loans**

<b>as of September 30, 2006</b>	<b>Loans Receivable Gross</b>	<b>Interest Receivable</b>	<b>Allowance for Loan Losses</b>	<b>Foreclosed Property</b>	<b>Value of Assets Related to Loans</b>
Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method)	\$ 45	\$ 5	\$ -	\$ -	\$ 50
Direct Loans Obligated after 1991	894	17	82	28	1,021
Insurance Policy Loans	641	16	-	-	657
<b>Total Loans Receivable and Related Foreclosed Property from Direct Loans, Net</b>					<b>\$ 1,728</b>

**Loans Receivable and Related Foreclosed Property From Direct Loans**

<b>as of September 30, 2005</b>	<b>Loans Receivable Gross</b>	<b>Interest Receivable</b>	<b>Allowance for Loan Losses</b>	<b>Foreclosed Property</b>	<b>Value of Assets Related to Loans</b>
Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method)	\$ 60	\$ 5	\$ -	\$ -	\$ 65
Direct Loans Obligated after 1991	956	23	(27)	33	985
Insurance Policy Loans	674	16	-	-	690
<b>Total Loans Receivable and Related Foreclosed Property from Direct Loans, Net</b>					<b>\$ 1,740</b>

**Direct Loans Disbursed**

The total amount of new direct loans disbursed for the years ended September 30, 2006 and 2005, was \$145 and \$192, respectively.

**Provision for Losses on Pre-1992 Loans**

The present value of the cost VA will bear as loans already guaranteed default is an element of the mortgage loan benefit that VA provides to veterans. This cost is reflected in the financial statements as an offset to the value of certain related assets.

The provision for losses on vendee loans is based upon historical loan foreclosure results applied to the average loss on defaulted loans. The calculation is also based on the use of the average interest rate of U.S. interest-bearing debt as a discount rate on the assumption that VA's outstanding guaranteed loans will default over a 12-year period. For FY 2006, VA determined that these vendee loans have sufficient equity, due to real estate appreciation and buy-down of principal, to minimize or eliminate any potential loss to VA. The components of the provision are as follows:


**Provision for Loss  
as of September 30,**

	2006	2005
Offsets Against Foreclosed Property Held for Sale	\$ 45	\$ 58
<b>Total Provision for Loss</b>	<b>\$ 45</b>	<b>\$ 58</b>

**Subsidy Expense for Post-1991 Direct Loans**

Pursuant to the Credit Reform Act, all direct loans established after September 30, 1991, will be subsidized. The subsidy expense for direct loans is as shown:

**Direct Loan Subsidy Expense  
for the years ended September 30,**

	2006	2005
Interest Differential	\$ (15)	\$ (33)
Defaults*	9	5
Fees**	(2)	(3)
Other***	11	21
<b>Subtotal</b>	<b>3</b>	<b>(10)</b>
Interest Rate Reestimates	(22)	(31)
Technical Reestimates	(74)	(49)
<b>Total Direct Loan Subsidy Expense</b>	<b>\$ (93)</b>	<b>\$ (90)</b>

\* Includes approximately \$39 thousand and \$50 thousand in defaults and other expenses for the Vocational Rehabilitation Program in FY 2006 and 2005 respectively.

\*\* "Fees" expense for direct loans includes estimated down payments and other fees collected when homes are sold with vendee financing.

\*\*\* The "Other" expense for direct loans includes the estimated loss of scheduled principal and interest when vendee loans are sold.

**Subsidy Rates for Direct Loans by Component**

The subsidy rates disclosed below pertain only to the current year cohorts. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes reestimates.

**Subsidy rates for direct loans**

Interest Differential	(20.46%)
Defaults	11.71%
Fees	(2.12%)
Other	14.35%



**Allowance for Subsidy for Direct Loans (Post-1991)**

VA reports the allowance for subsidy for direct loans, subject to Credit Reform requirements. For these loans, the allowance for subsidy represents the present value of the estimated net cash flows to be paid by VA as a result of a disbursed direct loan. VA disburses a direct loan and receives an allowance for subsidy along with borrowing from Treasury. For FY 2006, the subsidy rate is (5.64) percent for Veterans

Housing Direct – Vendee Loans, 9.18 percent for Veterans Housing Direct – Acquired Loans, and (13.79) percent for Native American Direct. In FY 2005, the subsidy rate was (5.12) percent for Veterans Housing Direct and (7.75) percent for Native American Direct. The allowance for subsidy as of September 30, 2006 and 2005 is \$(82) and \$27, respectively.

**Schedule for Reconciling Subsidy Cost Allowance Balances**

<b>Beginning Balance, Changes and Ending Balance</b>	<b>FY 2006</b>	<b>FY 2005</b>
Beginning balance of the allowance	\$ 27	\$ 166
Subsidy expense for direct loans disbursed during the reporting years by component:		
Interest subsidy costs	(15)	(33)
Default costs (net of recoveries)	9	5
Fees and other collections	(2)	(3)
Other subsidy costs	11	21
Total of the above subsidy expense components	<u>3</u>	<u>(10)</u>
Adjustments:		
Fees received	3	3
Foreclosed property acquired	(9)	(31)
Loans written off	(5)	(5)
Subsidy allowance amortization	(5)	(16)
Ending balance of the allowance before reestimates	<u>14</u>	<u>107</u>
Subsidy reestimates by component		
Interest rate reestimate	(22)	(31)
Technical/default reestimate	(74)	(49)
Total of the above reestimate components	<u>(96)</u>	<u>(80)</u>
Ending balance of the allowance	<u>\$ (82)</u>	<u>\$ 27</u>

**Loan Guarantees**

Loans receivable related to loan guarantees represent the net value of assets related to pre-1992 and post-1991 defaulted guaranteed loans and non-defaulted guaranteed loans. For pre-1992 loans, VA employs the allowance for loss method in which the assets are offset by an

allowance for loan losses (estimated uncollectible loans). An analysis of loans receivable, loan guarantees, the liability for loan guarantees, and the nature and amounts of the subsidy costs associated with loan guarantees are provided in the tables that follow:


**Loans Receivable and Related Foreclosed Property from Loan Guarantees  
as of September 30,**

2006	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Loans
Defaulted Guaranteed Loans Pre-1992 Guarantees	87	1	(72)	14	30
Defaulted Guaranteed Loans Post-1991	-	-	-	579	579
<b>Total Loans Receivable and Related Foreclosed Property from Loan Guarantees</b>				<u>593</u>	<u>\$ 609</u>

**Loans Receivable and Related Foreclosed Property from Loan Guarantees  
as of September 30,**

2005	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Loans
Defaulted Guaranteed Loans Pre-1992 Guarantees	102	1	(94)	18	27
Defaulted Guaranteed Loans Post-1991	-	-	-	553	553
<b>Total Loans Receivable and Related Foreclosed Property from Loan Guarantees</b>				<u>571</u>	<u>\$ 580</u>

**Total Loans Receivable and Related Foreclosed Property, Net  
As of September 30,**

	2006	2005
Total Direct Loans	\$ 1,728	\$ 1,740
Total Guaranteed Loans	609	580
<b>Total Loans Receivable and Related Foreclosed Property, Net</b>	<u>\$ 2,337</u>	<u>\$ 2,320</u>

**Foreclosed Property**

Prior to the foreclosure of property secured by a VA loan, VA obtains an independent appraisal of the property. This appraisal is reviewed by VA staff to make a determination of the fair market value. To determine the net value of the property, VA expenses such as costs for acquisition, management, and disposition of the property, as well as estimated losses on property resale, are subtracted from the estimated fair market value. As of September 30, 2006 and

2005, the estimated number of residential properties in VA's inventory was 6,490 and 7,288 respectively. For FY 2006 and FY 2005, the average holding period from the date properties were conveyed to VA until the properties were sold was estimated to be 10.4 months and 14.1 months, respectively. The number of properties for which foreclosure proceedings are in process is estimated to be 4,703 and 6,567 as of September 30, 2006 and 2005, respectively.



**Guaranteed Loans  
as of September 30,**

	<b>2006</b>	<b>2005</b>
<u>Guaranteed Loans Outstanding:</u>		
Outstanding Principal Guaranteed Loans, Face Value	\$ 203,186	\$ 202,073
Amount of Outstanding Guarantee	61,277	62,114
 <u>New Guaranteed Loans Disbursed:</u>		
Outstanding Principal Guaranteed Loans, Face Value	\$ 24,638	\$ 24,901
Amount of Outstanding Guarantee	6,485	6,808
 <b>Liabilities for Loan Guarantees Post 1991 (Present Value)</b>	 \$ 3,272	 \$ 3,465

**Guaranty Commitments**

As of September 30, 2006, VA had outstanding commitments to guarantee loans that will originate in FY 2007. The number and amount of commitments could not be determined, as VA has granted authority to various lenders to originate VA loans that meet established criteria without prior VA approval. Nearly 99 percent of VA's guaranteed loans originate under this authority.

**Subsidy Expense for Post-1991 Loan Guarantees**

Pursuant to the Credit Reform Act, guaranteed loans closed after September 30, 1991, will be subsidized. The subsidy expense for loan guarantees related to the Loan Guaranty Program is as shown:

**Guaranteed Loan Subsidy Expenses  
for the years ended September 30,**

	<b>2006</b>	<b>2005</b>
Defaults	\$ 327	\$ 343
Fees*	(400)	(417)
Subtotal	(73)	(74)
Interest Rate Reestimates	(256)	(421)
Technical Reestimates	(479)	(1,025)
<b>Total Guaranteed Loan Subsidy Expenses**</b>	<b>\$ (808)</b>	<b>\$ (1,520)</b>

\* The "Fees" expense includes estimated up-front fees collected when the loans are guaranteed and the present value of estimated annual fees from loan assumptions.

\*\* A negative subsidy rate indicates cash inflows from interest and fees are greater than disbursements.



**Loan Sale-Guaranteed Loan Subsidy Expense  
for the years ended September 30,**

	<b>2006</b>	<b>2005</b>
Defaults	\$ -	\$ -
Other	-	-
Subtotal	<u>-</u>	<u>-</u>
Interest Rate Reestimates	(45)	(25)
Technical Reestimates	(39)	(42)
<b>Total Loan Sale-Guaranteed Subsidy Expense</b>	<u>\$ (84)</u>	<u>\$ (67)</u>

**Total Subsidy Expense  
for the years ended September 30,**

	<b>2006</b>	<b>2005</b>
Total Direct Loans	\$ (93)	\$ (90)
Total Guaranteed Loans	(808)	(1,520)
Total Sale Loans	(84)	(67)
<b>Total Subsidy Expense</b>	<u>\$ (985)</u>	<u>\$ (1,677)</u>

**Subsidy Rates for Loan Guarantees by Component**

The subsidy rates disclosed below pertain only to the current year cohorts. These rates cannot be applied to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loan guarantees reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes reestimates.

**Subsidy Rates for Loan Guarantees**

Defaults	1.39%
Fees	(1.70%)

**Loan Sales**

VA continues to have vendee loan sales to reduce the administrative burden of servicing vendee loans. During the period FY 1992 through FY 2006, the total loans sold amounted to \$13.8 billion. Under the sale of vendee loans, certificates are issued pursuant to the Pooling and Servicing Agreement (the Agreement) among VA, the Master Servicer, and the Trustee. On the closing date of the certificates, VA transfers its entire interest in the related loans to the Trustee for the benefit of the related certificate holders pursuant to the Agreement. Under the Agreement, the Trust will issue certificates backed by mortgage loans and installment contracts. The Trust owns the mortgage loans and other property described in

the offering and the Trust makes elections to treat certain of its assets as one or more Real Estate Mortgage Investment Conduits (REMIC) for U.S. federal income tax purposes. The certificates represent interests in the assets of the Trust and are paid from the Trust's assets. The certificates are issued as part of a designated series that may include one or more classes. VA guarantees that the investor will receive full and timely distributions of the principal and interest on the certificates and that guaranty is backed by the full faith and credit of the federal government.

VA may terminate the Trust, causing the early retirement of certificates, by purchasing all of the Trust's assets on any distribution date on or



after the distribution date on which the current aggregate principal balance of all principal certificates is less than 1 percent of the original aggregate principal balance, or if VA determines that the Trust's REMIC status has been lost or a substantial risk exists that such status will be lost. In the event of termination, the certificate holder will be entitled to receive payment for the full principal balance of the certificates plus any accrued interest and unpaid interest through the related distribution date.

The Agreement requires the mortgage loans to be serviced generally in compliance with Fannie Mae and Freddie Mac standards and consistent with prudent residential mortgage loan servicing standards generally accepted in the servicing industry. Mortgage loans are serviced by Countrywide Home Loans, Inc. (Master

Servicer). The Master Servicer is responsible for the performance of all of the servicing functions under the Agreement. The Master Servicer is entitled to be compensated by receiving: (1) a service fee of 0.2075 percent per annum payable monthly and calculated by multiplying the interest payment received by a fraction, the numerator of which is 0.2075 percent and the denominator of which is the mortgage interest rate on such loan; (2) earnings on investment of funds in the certificate account; and (3) all incidental fees and other charges paid by the borrowers and a portion of the liquidation proceeds in connection with the liquidated loans.

VA did not complete any sales during FY 2006 and FY 2005. The components of the vendee sales are summarized in the tables below:

**Loan Sales**

**Years ended September 30,**

	2006	2005
Loans Receivable Sold	\$ -	\$ -
Net Proceeds From Sale	-	(2)*
<b>Loss (Gain) on Receivables Sold</b>	<b>\$ -</b>	<b>\$ (2)</b>

\* Misc. Proceeds from the Old Reserve Account

**Outstanding Balance of Loan Sale Guarantees**

All loans sold under the American Housing Trust (AHT VI through AHT XI) and the Vendee Mortgage (VMT 92-1 through 03-1) programs carry a full government guarantee. The outstanding balance for guaranteed loans sold is summarized in the table below:

**Guaranteed Loans Sold as of September 30,**

	2006	2005
Outstanding Balance Guaranteed Loans Sold, Start of Year	\$ 3,012	\$ 4,188
Sold to the Public	-	-
Payments, Repayments, and Terminations	(648)	(1,176)
<b>Outstanding Balance Guaranteed Loans Sold, End of Year</b>	<b>\$ 2,364</b>	<b>\$ 3,012</b>

**Liability for Loan Sale Guarantees (Post-1991)**

VA reports the liability on the guarantee of loans sold under the Vendee Mortgage Trust and American Housing Trust programs, subject to Credit Reform requirements. For these loans,

the guaranteed loan sale liability represents the present value of the estimated net cash flows to be paid by VA as a result of the guarantee. These sales contain two types of guarantees for which VA pays net cash flow. VA guarantees that the principal and interest payment due on a



loan sold will be paid by the 15th of each month. If not paid by the borrower, VA allows the loan servicer to take funds from cash reserve accounts for the deficient amount. VA also guarantees the loan against loss at foreclosure. VA will not buy back the loans but will pay off

the loan loss and foreclosure expenses. The subsidy rate for FY 2006 is 4.12 percent. For FY 2005 the subsidy rate was 3.69 percent. The liability for loan sale guarantees as of September 30, 2006 and 2005 is \$102 and \$188, respectively.

### Schedule for Reconciling Loan Sale Guarantee Liability Balances

<b>Beginning Balance, Changes and Ending Balance</b>	<b>2006</b>	<b>2005</b>
Beginning balance of the liability	\$ 188	\$ 255
Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
Default costs (net of recoveries)	-	-
Other subsidy costs	-	-
Total of the above subsidy expense components	-	-
Adjustments:		
Claim payments to lenders	(15)	(10)
Interest accumulation on the liability balance	14	8
Other	-	2
Ending balance of the liability before reestimates	187	255
Subsidy reestimates by component		
Interest rate reestimate	(45)	(25)
Technical/default reestimate	(40)	(42)
Total of the above reestimate components	(85)	(67)
Ending balance of the liability	\$ 102	\$ 188

### Liability for Loan Guarantees (Post-1991)

VA reports the liability on the guarantee of loans, subject to Credit Reform requirements. For these loans, the guaranteed loan liability represents the present value of the estimated net cash flows to be paid by VA as a result of a defaulted loan guarantee. VA guarantees the loan against loss at foreclosure for which VA pays net cash flow up to a legally specified

maximum based on the value of individual loans. VA will pay the lender the guarantee and foreclosure expenses. If an agreement can be made with the veteran, VA may acquire the loan by refunding the lender for the loan. The FY 2006 and FY 2005 subsidy rate was (0.32) percent. The liability for loan guarantees as of September 30, 2006 and 2005 is \$3,170 and \$3,277, respectively.

### Schedule for Reconciling Loan Guarantee Liability Balances

<b>Beginning Balance, Changes and Ending Balance</b>	<b>2006</b>	<b>2005</b>
Beginning balance of the liability	\$ 3,277	\$ 4,485
Subsidy expense for guaranteed loans disbursed during the reporting years by component:		
Default costs (net of recoveries)	327	343
Fees and other collections	(400)	(417)
Total of the above subsidy expense components	(73)	(74)



<b>Beginning Balance, Changes and Ending Balance</b>	<b>2006</b>	<b>2005</b>
Adjustments:		
Fees received	439	411
Foreclosed property and loans acquired	120	23
Claim payments to lenders	(273)	(340)
Interest accumulation on the liability balance	189	218
Other – reestimate due to Hurricane Katrina	225	-
Ending balance of the liability before reestimates	3,904	4,723
Subsidy re-estimates by component		
Interest rate reestimate	(256)	(421)
Technical/default re-estimate	(478)	(1,025)
Total of the above reestimate components	(734)	(1,446)
Ending balance of the liability	\$ 3,170	\$ 3,277

### Administrative Expense

Administrative expense on direct and guaranteed loans for each of the years ended September 30, 2006 and 2005 was \$154.

## 8. Inventory and Related Properties

<b>Inventories as of September 30,</b>	<b>2006</b>	<b>2005</b>
Held for Current Sale	\$ 65	\$ 66
Other	4	10
<b>Total Inventories</b>	<b>\$ 69</b>	<b>\$ 76</b>

## 9. General Property, Plant and Equipment

Depreciation and amortization expense totaled \$865 and \$812 in FY 2006 and FY 2005, respectively.

<b>General Property, Plant and Equipment as of Sept. 30, 2006</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Land and Improvements	\$ 370	\$ (25)	\$ 345
Buildings	15,876	(7,989)	7,887
Equipment	3,368	(1,937)	1,431
Other	2,014	(1,233)	781
Work in Progress	1,194	-	1,194
<b>Total Property, Plant, and Equipment</b>	<b>\$ 22,822</b>	<b>\$ (11,184)</b>	<b>\$ 11,638</b>



General Property, Plant and Equipment as of Sept. 30, 2005	Cost	Accumulated Depreciation	Net Book Value
Land and Improvements	\$ 323	\$ (17)	\$ 306
Buildings	15,457	(7,523)	7,934
Equipment	3,174	(1,889)	1,285
Other	1,923	(1,160)	763
Work in Progress	944	-	944
<b>Total Property, Plant, and Equipment</b>	<b>\$ 21,821</b>	<b>\$ (10,589)</b>	<b>\$ 11,232</b>

Hurricane damage to the Gulfport VAMC resulted in a \$19 reduction in the Net Book Value of Property, Plant and Equipment during FY 2005.

### 10. Liabilities Not Covered By Budgetary Resources

The total amount of VA liabilities not covered by budgetary resources was \$1,158.9 billion and \$1,127.5 billion as of September 30, 2006 and 2005, respectively, as shown in the following table.

#### Components of Unfunded Liabilities as of September 30,

	2006	2005
Workers' Compensation*	\$ 2,179	\$ 2,133
Annual Leave	1,248	1,216
Judgment Fund	615	522
Environmental and Disposal	384	376
Accounts Payable – Canceled Appropriations	7	6
Veterans Compensation and Burial	1,153,800	1,122,600
Insurance	706	666
<b>Total</b>	<b>\$ 1,158,939</b>	<b>\$ 1,127,519</b>

\* The actuarial estimate for workers' compensation provided by DOL was computed using interest rates of 5.31 percent for FY 2006 and 4.53 percent for FY 2005.



## 11. Federal Employee and Veterans Benefits

### Federal Employee Benefits

#### Imputed Expenses-Employee Benefits years ended September 30,

	2006	2005
Civil Service Retirement System	\$ 294	\$ 356
Federal Employees Health Benefits	939	874
Federal Employees Group Life Insurance	2	2
<b>Total Imputed Expenses-Employee Benefits</b>	<b>\$ 1,235</b>	<b>\$ 1,232</b>

### Veterans Benefits

Certain veterans who die or are disabled from military service-related causes, as well as their dependents, receive compensation benefits. Also, veterans are provided with burial flags, headstones/markers, and grave liners for burial in a VA national cemetery or are provided a plot allowance for burial in a private cemetery. These benefits are provided in recognition of a veteran's military service and are recorded as a liability on the balance sheet.

#### Federal Employee and Veterans Benefits Liabilities as of September 30,

	2006	2005
FECA	\$ 1,812	\$ 1,776
Compensation	1,149,900	1,118,800
Burial	3,900	3,800
<b>Total Federal Employee and Veterans Benefits Liabilities</b>	<b>\$ 1,155,612</b>	<b>\$ 1,124,376</b>

VA provides certain veterans and/or their dependents with pension benefits, based on annual eligibility reviews, if the veteran died or was disabled from nonservice-related causes. The actuarial present value of the future liability for pension benefits is a non-exchange transaction and is not required to be recorded on the balance sheet. The projected amount of future payments for pension benefits (presented for informational purposes only) as of September 30, 2006 and 2005 was \$97 billion and \$96.8 billion, respectively.

#### Assumptions Used to Calculate the Veterans Benefits Liability

Several significant actuarial assumptions were used in the valuation of compensation, pension, and burial benefits to calculate the present value of the liability. A liability was recognized for the projected benefit payments to: (1) those beneficiaries, including veterans and survivors, currently receiving benefit payments; (2) current

veterans who will in the future become beneficiaries of the compensation and pension programs; and (3) a proportional share of those in active military service as of the valuation date who will become veterans in the future. Future benefits payments to survivors of those veterans in classes (1), (2), and (3) are also incorporated into the projection.

All future benefits were discounted. Discount rates were based on rates for securities issued by Treasury on September 30, 2006, ranging from 4.59 to 4.93 percent, and on September 30, 2005, ranging from 4.11 to 4.74 percent. Beginning in FY 2004, the discount rates used were based on U.S. Treasury's spot rates rather than corresponding constant maturity rate, which were used in previous years. Benefit payments were assumed to occur at the midpoint of the fiscal year.



All calculations were performed separately by attained age for the Compensation and Pension programs, while the Burial liability was calculated on an aggregate basis.

Life expectancies of beneficiaries collecting benefits from the Compensation and Pension programs were based upon studies of mortality experience of those beneficiaries between 2002 and 2006. Life expectancies of veterans not yet collecting these benefits used in the calculation of the liability for future beneficiaries are based on mortality derived from the 2003 U.S. Life Table. Applying mortality improvements at a rate that varies by age of between 0.85 and 1.00 percent per annum brought both sets of mortality rates forward. In addition, rates of benefit termination of beneficiaries due to reasons other than mortality are also reflected.

The amount of benefits by beneficiary category and age were based on current amounts being paid, future cost of living adjustments (COLAs) to determine the average benefits per veteran for each future time period, and changes in other factors that affect benefits. A COLA of 3.3 percent was applied for FY 2007. For fiscal years after 2006, COLAs have been determined from OMB's estimates prepared in conjunction with the Administration's annual budget. Expected changes in benefits due to other reasons were also reflected.

Expected benefit payments have been explicitly modeled for the next 75 years. This period is the same as that used by the Office of the Chief Actuary of the Social Security Administration (SSA). However, unlike Social Security, (1) estimates of expected benefit payments after this 75-year period were incorporated in the liability based on extrapolations reflecting expected

aggregate experience by beneficiary category between the years 70 and 75 and (2) SSA uses an open population model, while the C&P projections only reflect benefits associated with military service through September 30, 2006.

## 12. Environmental and Disposal Liabilities

VA had unfunded environmental and disposal liabilities in the amount of \$384 and \$376 as of September 30, 2006 and 2005, respectively. The majority of the unfunded liabilities involve asbestos removal, lead abatement, replacement of underground oil and gasoline tanks, decommissioning of waste incinerators, and decontamination of equipment prior to disposal.

While some facilities have applied prevailing state regulations that are more stringent than federal guidelines, the Occupational Safety and Health Administration and Environmental Protection Agency regulations are the legal base behind the majority of VA's environmental and disposal liabilities. Estimated liabilities for these projects are based on known contamination that exists today and have been computed by the facility engineering staff based on similar projects already completed, or by independent contractors providing work estimates.

## 13. Other Liabilities

Other liabilities are liabilities not reported elsewhere. They consist of Funded and Unfunded Liabilities. Funded liabilities are generally considered to be current liabilities. Unfunded liabilities are generally considered to be non-current liabilities.



**Other Intragovernmental Funded Liabilities  
as of September 30,**

	<b>2006</b>	<b>2005</b>
Deposit and Clearing Account Liabilities	\$ 46	\$ 8
Accrued Expenses - Federal	66	123
Deferred Revenue	134	166
Resources Payable to Treasury	238	299
Custodial Liabilities*	964	1,631
General Fund Receipts Liability	17	32
Accrued VA Contributions for Employee Benefits	160	3
<b>Total Other Intragovernmental Funded Liabilities</b>	<u>\$ 1,625</u>	<u>\$ 2,262</u>

\* The Custodial Liabilities Accounts include subsidy reestimates for loans made after September 30, 1991, which are subject to the provisions of the Credit Reform Act of 1990. The liability provision for future losses on credit reform guaranteed loans is comprised of a funded subsidy for each loan guaranteed at the rate equal to the amount of the present value of estimated loss to the government for the cohorts of loans. The subsidy amount for each cohort is reestimated annually to ensure amounts reflect the actual losses on guaranteed loans. Based on the reestimated amounts, additional subsidy funds are provided for or excess funds are returned.

**Other Intragovernmental Unfunded Liabilities  
as of September 30,**

	<b>2006</b>	<b>2005</b>
Accrued FECA Liability	\$ 363	\$ 357
Unfunded Employee Liability	4	-
<b>Total Other Intragovernmental Unfunded Liabilities</b>	<u>\$ 367</u>	<u>\$ 357</u>

**Other Public Funded Liabilities  
as of September 30,**

	<b>2006</b>	<b>2005</b>
Accrued Funded Annual Leave	\$ 12	\$ 11
Accrued Expenses	2,427	2,466
Accrued Salaries and Benefits	583	548
Contract Holdbacks	14	11
Deferred Revenue	(2)	1
Unredeemed Coupons	1	1
Deposit and Clearing Account Liability	35	47
Unearned Premiums	95	102
Insurance Dividends Left on Deposit and Related Interest Payable*	1,734	1,725
Dividend Payable to Policyholders	182	203
Capital Lease Liability	19	31
<b>Total Other Public Funded Liabilities</b>	<u>\$ 5,100</u>	<u>\$ 5,146</u>

\* Interest earned on dividends left on deposit is paid annually to insurance policyholders on the policy anniversary dates.



**Other Public Unfunded Liabilities  
as of September 30,**

	<b>2006</b>	<b>2005</b>
Annual Leave*	\$ 1,248	\$ 1,216
Accounts Payable from Cancelled Appropriation	7	6
Amounts due to non-federal trust	182	187
Judgment Fund-Unfunded**	616	522
Unpaid Policy Claims	1	-
<b>Total Other Public Unfunded Liabilities</b>	<b>\$ 2,054</b>	<b>\$ 1,931</b>

\* Annual leave is accrued when earned and is adjusted at the end of the fiscal year to reflect current pay rates of cumulative leave earned but not taken. Sick and other types of leave are expensed as taken.

\*\* The Judgment Fund liability amount represents the estimate for future payments on legal cases that will be paid by the Treasury Judgment Fund on behalf of VA.

**14. Leases**

VA has both capital and operating leases. The capital lease liability is \$19 and \$31 as of September 30, 2006 and 2005, respectively. Real property leases reflect those that VA has committed to as of September 30, 2006. Due to the number of equipment operating leases and the decentralization of records, the future

commitment for equipment operating is projected assuming annual increases between 4.2 and 4.7 percent. VA's FY 2006 operating lease costs were \$280 for real property rentals and \$89 for equipment rentals. The FY 2005 operating lease costs consisted of \$248 for real property rentals and \$85 for equipment rental. The following chart represents VA's operating lease commitments or costs for the next 5 years.

**Leases:**

<b>Year</b>	<b>Real Property</b>	<b>Percentage</b>	<b>Equipment</b>
2007	\$ 241	4.7	\$ 93
2008	224	4.3	97
2009	209	4.2	101
2010	198	4.2	105
2011	135	4.2	109

**15. Insurance Programs**

Through VA, the United States Government administers five life insurance programs and the Veterans' Mortgage Life Insurance program for certain totally disabled veterans. VA supervises the Service members' Group Life Insurance (SGLI) and the Veterans' Group Life Insurance (VGLI) programs, which provide life insurance coverage to members of the uniformed armed services, reservists, and post-Vietnam veterans. United States Code, Title 38, requires that the

Life Insurance programs invest in Treasury securities.

**Administered Programs**

The United States Government Life Insurance (USGLI) program was the government's first venture into life insurance. During World War I, the U.S. provided Marine Insurance to protect the interests of ship owners and merchants who were providing supplies to the allies in Europe. USGLI was the natural outgrowth of this Marine Insurance. The program was established to meet the needs of World War I veterans, but remained



open to service members and veterans with service before October 8, 1940. The government became a self-insurer because private insurance companies were unwilling to assume the unpredictable risks associated with war. By establishing this program, Congress intended to avoid the financial burden imposed on the government by the pension programs that were established after previous wars. The government became the largest life insurer in the United States with the coverage provided by this program.

The National Service Life Insurance (NSLI) program covers policyholders who served during World War II. The program opened October 8, 1940, when it became clear that large-scale military inductions were imminent. Over 22 policies were issued under the NSLI program. The majority of policies VA administers directly are NSLI policies. This program remained open until April 25, 1951, when two new programs were established for Korean War service members and veterans.

The Veterans' Special Life Insurance (VSLI) program was established in 1951 to meet the insurance needs of veterans who served during the Korean Conflict, and the post-Korean period through January 1, 1957. During this period, all service members on active duty were covered for \$10,000, at no cost, under a program known as Servicemen's Indemnity. They remained covered for 120 days after their discharge. The VSLI program allowed these newly discharged service members to apply for \$10,000 of contract term insurance. Application had to be made during the 120-day period during which they remained covered by Servicemen's Indemnity. It was during this period that representatives of the commercial insurance industry began a major lobbying effort to get the government out of the insurance business because the programs were viewed as competition. As a result, the VSLI program was closed to new issues at the end of 1956, and coverage for individuals in the uniformed services was terminated. Approximately

800,000 VSLI policies were issued between 1951 and 1957.

In addition to VSLI coverage, which was provided to healthy veterans, the Insurance Act of 1951 also established the Service-Disabled Veterans Insurance (S-DVI) program for veterans with service-connected disabilities. S-DVI is open to veterans separated from the service on or after April 25, 1951, who receive a service-connected disability rating. New policies are still being issued under this program.

In 1964, Congress enacted legislation providing for a limited reopening of NSLI and VSLI, and the Veterans' Reopened Insurance (VRI) program was established. Beginning May 1, 1965, veterans who had been eligible to obtain insurance between October 8, 1940, and January 1, 1957, could once again apply for government life insurance. They had one year to apply for this "reopened" insurance, which was available only to disabled veterans. Approximately 228,000 VRI policies were issued. No term insurance policies were issued in this program.

The Veterans' Mortgage Life Insurance (VMLI) program began in 1971, and is designed to provide financial protection to cover eligible veterans' home mortgages in the event of death. VMLI is issued to those severely disabled veterans who have received grants for specially adapted housing from VA. These grants are issued to veterans whose movement is substantially impaired because of their disability. The maximum amount of VMLI allowed an eligible veteran is \$90 thousand. The insurance is payable if the veteran dies before the mortgage is paid off and is payable only to the mortgage lender.

#### **Supervised Insurance Programs**

The Service members' Group Life Insurance (SGLI) program was established in 1965 for Vietnam-era service members. SGLI is supervised by VA and is administered by the Office of Service members' Group Life



Insurance (OSGLI) under terms of a group insurance contract. This program provides low-cost term insurance protection to service members.

In 1974, the Veterans' Group Life Insurance (VGLI) program became available. VGLI, like SGLI, is supervised by VA, but is administered by the OSGLI. VGLI provides for the conversion of SGLI coverage to lifetime term insurance protection after a service member's separation from service.

#### **Public Insurance Carriers**

VA supervises the administration of the SGLI and VGLI programs. Prudential Insurance Company of America (Prudential) provides insurance coverage directly for the SGLI and VGLI programs. VA has entered into a group policy with Prudential whereby Prudential and its reinsurers provide service members and veterans coverage in multiples of \$50 thousand up to a maximum of \$400 thousand. The basic SGLI coverage is provided to those members on active duty in the Army, Navy, Air Force, Marine Corps, Coast Guard, commissioned members of the Public Health Service and the National Oceanic and Atmospheric Administration. The Ready Reserve is also insured by SGLI, and includes reservists and members of the National Guard who are assigned to a unit or position in which they may be required to perform active duty or active duty for training. The VGLI coverage is comprised of separated and retired active duty members and reservists covered under Basic SGLI.

The Veterans' Opportunities Act of 2001 extended life insurance coverage to spouses and children of members insured under the SGLI program, effective November 1, 2001. For a spouse, up to \$100 thousand of coverage can be purchased in increments of \$10 thousand, not to exceed the amount of the service member's coverage. Each dependent child of every active duty service member or reservist insured under SGLI is automatically insured for \$10 thousand free of charge.

Premiums for the SGLI and VGLI programs are set by mutual agreement between VA and Prudential. SGLI premiums for active duty personnel and their spouses are deducted from the service member's pay by the Armed Services components through the Department of Defense (DoD). DoD, through the Defense Finance and Accounting Service (DFAS), remits collected premiums to VA, which are then transmitted to Prudential. Prudential records the premiums and maintains investments in their accounting records separate and independent from the VA reporting entity. VA monitors Prudential's insurance reserve balances to determine their adequacy and may increase or decrease the amounts retained by Prudential for contingency purposes. The reserves for the contingent liabilities are recorded in Prudential's accounting records and are not reflected in the VA reporting entity because the risk of loss on these programs is assumed by Prudential and its reinsurers through the terms and conditions of the group policy.

Effective January 1, 1970, the Secretary of Veterans Affairs determined the costs that are traceable to the extra hazards of duty in the uniformed services, on the basis of the excess mortality incurred by members and former members of the uniformed armed services insured under SGLI, above what their mortality would have been under peacetime conditions. The Secretary is authorized to make adjustments regarding contributions from pay appropriations as may be indicated from actual experience.

#### **Reserve Liabilities**

The insurance reserves for administered programs are reported as liabilities covered by budgetary resources, while part of the S-DVI and Veterans Insurance and Indemnities (VI&I) reserves are reported as liabilities not covered by budgetary resources. Reserves for SGLI and VGLI are maintained in Prudential's financial records since the risk of loss is assumed by Prudential. Actuarial reserve liabilities for the administered life insurance programs are based



on the mortality and interest assumptions at time of issue. These assumptions vary by fund, type of policy, and type of benefit. The interest assumptions range from 2.25 to 5 percent. The mortality assumptions include the American

Experience Table, the 1941 Commissioners Standard Ordinary (CSO) Table, the 1958 CSO Basic Table, and the 1980 CSO Basic Table.

**Insurance Liability (Reserve) Balances**

**Insurance Liability  
(Reserve) Balances  
As of September 30,  
2006**

Program	Insurance Death Benefits	Death Benefit Annuities	Disability Income & Waiver	Reserve Totals
NSLI	\$ 8,644	\$ 140	\$ 109	\$ 8,893
USGLI	22	4	-	26
VSLI	1,555	10	25	1,590
S-DVI	320	3	364	687
VRI	340	1	4	345
VI&I	92	-	-	92
Subtotal	\$ 10,973	\$ 158	\$ 502	\$ 11,633
Less Liability not Covered by Budgetary Resources				(707)
Liability Covered by Budgetary Resources				\$ 10,926

**Insurance Liability  
(Reserve) Balances  
As of September 30,  
2005**

Program	Insurance Death Benefits	Death Benefit Annuities	Disability Income & Waiver	Reserve Totals
NSLI	\$ 9,031	\$ 156	\$ 126	\$ 9,313
USGLI	26	4	-	30
VSLI	1,535	10	28	1,573
S-DVI	313	2	329	644
VRI	359	2	4	365
VI&I	89	-	-	89
Subtotal	\$ 11,353	\$ 174	\$ 487	\$ 12,014
Less Liability not Covered by Budgetary Resources				(666)
Liability Covered by Budgetary Resources				\$ 11,348

**Insurance In-Force**

The amount of insurance in-force is the total face amount of life insurance coverage provided

by each administered and supervised program as of the end of the fiscal year. It includes any paid-up additional coverage provided under



these policies. Prudential and its reinsurers provided coverage to 5,918,519 and 5,964,000 insured for a face value of \$1,096.7 billion and \$1,137.4 billion as of September 30, 2006 and 2005, respectively. The face value of the insurance provided by Prudential and its

reinsurers represents 98.5 and 98.4 percent of the total insurance in-force as of September 30, 2006 and 2005, respectively. The number of policies represents the number of active policies remaining in the program as of the end of each fiscal year.

	2006 Policies	2005 Policies	2006 Face Value	2005 Face Value
<b>Supervised Programs</b>				
SGLI Active Duty	1,503,000	1,530,000	\$ 590,567	\$612,000
SGLI Ready Reservists	768,500	826,500	285,930	325,650
SGLI Post Separation	120,000	126,000	46,580	35,428
SGLI Family - Spouse	1,041,000	988,000	102,416	96,956
SGLI Family - Children	2,058,000	2,076,000	20,580	20,760
VGLI	428,019	417,500	50,676	46,600
<b>Total Supervised</b>	<b>5,918,519</b>	<b>5,964,000</b>	<b>\$ 1,096,749</b>	<b>\$1,137,394</b>
<b>Administered Programs</b>				
NSLI	1,106,597	1,202,065	\$ 12,360	\$13,198
VSLI	199,262	206,501	2,453	2,490
S-DVI	181,093	175,200	1,802	1,728
VRI	48,206	52,881	454	488
USGLI	7,841	9,034	24	28
VMLI	2,438	2,514	166	167
<b>Total Administered</b>	<b>1,545,437</b>	<b>1,648,195</b>	<b>\$ 17,259</b>	<b>\$18,099</b>
<b>Total Supervised and Administered Programs</b>	<b>7,463,956</b>	<b>7,612,195</b>	<b>\$1,114,008</b>	<b>\$1,155,493</b>

### Policy Dividends

The Secretary of VA determines annually the excess funds available for dividend payment. Dividends are based on an actuarial analysis of the individual programs at the end of the preceding calendar year. Dividends are declared on a calendar year basis and paid on policy anniversary dates. Policyholders can elect to: (1) receive a cash payment; (2) prepay premiums; (3) repay loans; (4) purchase paid-up insurance; or (5) deposit the amount in an interest-bearing account. A provision for dividends is charged to operations, and an insurance dividend is established when gains to operations are realized in excess of those essential to maintain solvency of the insurance programs. Policy dividends for fiscal years 2006 and 2005 were \$401 and \$439, respectively.

### 16. Contingencies

VA is a party in various administrative proceedings, legal actions, and tort claims arising from various sources including: disputes with contractors, challenges to compensation and education award decisions, loan guaranty indemnity debt cases, and allegations of medical malpractice. Certain legal matters to which VA may be a named party are administered and, in some instances, litigated by the Department of Justice. Generally, amounts (more than \$2.5 thousand for Federal Tort Claims Act cases) to be paid under any decision, settlement, or award are funded from the Judgment Fund, which is maintained by Treasury. Of the amounts paid from the Judgment Fund, malpractice cases claimed 70 percent in FY 2006 and 69 percent in FY 2005. Contract dispute payments for FY



2006 and FY 2005 were \$19.8 and \$18.8, respectively. The discrimination case payments for FY 2006 were \$2.2 and \$1.1 for FY 2005.

VA uses accepted actuarial methods to estimate the liability resulting from medical malpractice and other tort claim exposure. VA discounted future estimated payments using U.S. Treasury spot rates as of September 30, 2006 and 2005. Had these payments not been discounted, the associated liability would have been an additional \$83 and \$62, respectively.

VA has recorded a liability for pending legal claims that are estimated to be paid by the Judgment Fund. This liability is established for all pending claims whether reimbursement is required or not. This liability was \$616 for FY 2006 and \$522 for FY 2005. The contract and personnel law cases where there was at least a reasonable possibility that a loss may occur were 8 cases totaling \$17.2 for FY 2006 and 13 cases totaling \$62.1 for FY 2005. VA is also required to record an operating expense and imputed financing source for the Judgment Fund's pending claims and settlements. Judgment Fund accounting is shown below:

**Judgment Fund  
For the Years Ended September 30,**

	<b>2006</b>	<b>2005</b>
Fiscal Year Settlement Payments	\$ 91	\$ 110
Less Contract Dispute and "No Fear" Payments	(22)	(20)
Imputed Financing-Paid by Other Entities	69	90
Increase (Decrease) in Liability for Claims	93	(21)
<b>Operating Expense</b>	<b>\$ 162</b>	<b>\$ 69</b>

It is the opinion of VA's management that resolution of pending legal actions as of September 30, 2006 will not materially affect VA's operations or financial position when consideration is given to the availability of the Judgment Fund appropriation to pay some court-settled legal cases. Fiscal year 2006 tort payments were \$69.

The amount of unobligated and obligated authority relating to appropriations cancelled on September 30, 2006 and 2005 was \$35.4 and \$25.1, respectively. Any payments due that may arise relating to cancelled appropriations will be paid out of the current year's appropriations in accordance with the provisions of the Expired Funds Control Act of 1990.

VA provides medical care to veterans on an "as available" basis, subject to the limits of the annual appropriations. In accordance with 38 CFR 17.36 (c), VA's Secretary makes an annual enrollment decision that

defines the veterans, by priority, who will be treated for that fiscal year subject to change based on funds appropriated, estimated collections, usage, the severity index of enrolled veterans, and changes in cost. While VA expects to continue to provide medical care to veterans in future years, an estimate of this amount cannot be reasonably made. Accordingly, VA recognizes the medical care expenses in the period the medical care services are provided. For the fiscal years 2002-2006, the average medical care cost per year was \$25.7 billion.



## 17. Earmarked Funds

SFFAS No. 27, *Identifying and Reporting Earmarked Funds*, requires disclosure of all earmarked funds for which VA has program management responsibility. Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, and are required by statute to be used for designated activities or purposes. They are accounted for separately from the Government's general revenues. VA's earmarked funds consist of trusts, special and revolving funds and remain available over time. The "trust" funds do not

involve a fiduciary relationship with an individual or group but are designated exclusively for a specific activity, benefit or purpose. The investments (Treasury Securities) are assets of earmarked funds and are available for authorized expenditures. Treasury Securities are issued to the earmarked fund as evidence of earmarked receipts and provide the fund the authority to draw upon the US Treasury for future expenditures. When the earmarked fund redeems its Treasury Securities to make expenditures, the US Treasury will finance those expenditures in the same manner that it finances all other expenditures.



<b>Fund Name</b>	<b>Fund Type</b>	<b>Treasury Symbol</b>	<b>Authority</b>	<b>Purpose of Fund</b>	<b>Financing Sources</b>
<b>Medical Care Collections Fund</b>	Special	36x5287	P.L. 105-33 111 Stat 665	Third-party and patient co-payments for medical services.	Public, primarily insurance carriers.
<b>Cemetery Gift Fund</b>	Trust	36x8129	38 U.S.C. 1007	Donations for veterans' cemeteries.	Public donors.
<b>National Service Life Insurance Fund</b>	Trust	36x8132	38 U.S.C. 720	Premiums insure WWII veterans.	Public, veterans.
<b>Post-Vietnam Era Education Assistance Program</b>	Trust	36x8133	38 U.S.C. 1622	Subsidizes the cost of education to veterans.	Veterans, DoD.
<b>U.S. Government Life Insurance</b>	Trust	36x8150	38 U.S.C. 755	Premiums insure WWI veterans.	Public, veterans.
<b>Veterans Special Life Insurance Fund</b>	Trust	36x8455	38 U.S.C. 723 101-228	Premiums insure Korean conflict veterans.	Public, veterans.
<b>General Post Fund, National Homes</b>	Trust	36x8180	38 U.S.C. 101-228	Donations for patient benefits.	Public, mostly veterans.
<b>Canteen Service Revolving Fund</b>	Revolving	36x4014	38 U.S.C. 78	Operates the canteen services at hospitals.	Revenue from sales.
<b>National Cemetery Administration Facilities Operation Fund</b>	Special	36x5392	P.L. 108-454	Proceeds benefit land and buildings.	Proceeds from leases.
<b>Service-Disabled Veterans Insurance Fund</b>	Revolving	36x4012	38 U.S.C. 1922	Provides insurance to veterans with service-connected disabilities	Public, veterans.
<b>Servicemen's Group Life Insurance</b>	Revolving	36x4009	38 U.S.C. 1965	Provides insurance to active duty, ready reservists, retired reservists and cadets attending service academies and ROTC.	Public, veterans.
<b>Veterans Reopened Insurance Fund</b>	Revolving	36x4010	38 U.S.C. 1925	Provides insurance to World War II and Korea veterans	Public, veterans.
<b>Enhanced-Use Lease Trusts</b>	Trust	N/A	38 U.S.C 8162	Lease underutilized VA property.	Public.



The following tables provide condensed information on assets, liabilities, fund balances, net costs, and changes in fund balances:

<b>Balance Sheet as of September 30, 2006</b>	<b>Insurance</b>	<b>Medical Care</b>	<b>Benefits</b>	<b>Burial</b>	<b>Total Earmarked Funds</b>
<b>Assets:</b>					
Fund Balance with Treasury	\$ 33	\$ 182	\$ 70	\$ 1	\$ 286
Investments with Treasury	12,780	93	-	-	12,873
Other Assets	660	1,042	1	2	1,705
<b>Total Assets</b>	<b>\$ 13,473</b>	<b>\$ 1,317</b>	<b>\$ 71</b>	<b>\$ 3</b>	<b>\$ 14,864</b>
<b>Liabilities:</b>					
Payables to Beneficiaries	\$ 173	\$ 14	\$ 1	\$ -	\$ 188
Other Liabilities	13,552	202	-	-	13,754
<b>Total Liabilities</b>	<b>13,725</b>	<b>216</b>	<b>1</b>	<b>-</b>	<b>13,942</b>
Unexpended Appropriations	-	(6,965)	-	-	(6,965)
Cumulative Results of Operations	(252)	8,066	70	3	7,887
<b>Total Liabilities &amp; Net Position</b>	<b>\$ 13,473</b>	<b>\$ 1,317</b>	<b>\$ 71</b>	<b>\$ 3</b>	<b>\$ 14,864</b>

<b>Statement of Net Cost for the Year Ended September 30, 2006</b>					
Gross Program Costs	\$ 1,383	\$ 417	\$ 2	\$ -	\$ 1,802
Less Earned Revenues	1,298	2,561	-	-	3,859
<b>Net Program Costs</b>	<b>85</b>	<b>(2,144)</b>	<b>2</b>	<b>-</b>	<b>(2,057)</b>
Costs Not Attributable to Program Costs	-	14	-	-	14
<b>Net Cost of Operations</b>	<b>\$ 85</b>	<b>\$ (2,130)</b>	<b>\$ 2</b>	<b>\$ -</b>	<b>\$ (2,043)</b>

<b>Statement of Changes in Net Position for the Year Ended September 30, 2006</b>					
<b>Net Position Beginning of Period</b>	<b>\$ (205)</b>	<b>\$ 911</b>	<b>\$ 72</b>	<b>\$ 3</b>	<b>\$ 781</b>
Budgetary and Other Financing Sources	38	(1,940)	-	-	(1,902)
Net Cost of Operations	(85)	2,130	(2)	-	2,043
<b>Change in Net Position</b>	<b>(47)</b>	<b>190</b>	<b>(2)</b>	<b>-</b>	<b>141</b>
<b>Net Position End of Period</b>	<b>\$ (252)</b>	<b>\$ 1,101</b>	<b>\$ 70</b>	<b>\$ 3</b>	<b>\$ 922</b>



## 18. Exchange Transactions

### Exchange Revenues

Although VA recognizes full cost per SFFAS No. 4, VHA has legislated exceptions to the requirement to recover the full cost to the federal government of providing services, resources, or goods for sale. Under “enhanced sharing authority,” VHA facilities may enter into arrangements that are in the best interest of the federal government. In FY 2006, 67 contracts at 10 medical facilities were reviewed by the Management Quality Assurance Service (MQAS) to determine compliance with SFFAS No. 7 and the Chief Financial Officers Act of 1990. MQAS found 15 contracts (22 percent) had incomplete or outdated cost analyses and six contracts (9 percent) failed to recover full cost.

VA’s Loan Guaranty Program collects rental fees on a small number of properties during the period when the property is titled to VA.

NCA leases lodges at 13 cemeteries to not-for-profit groups for no fee. These not-for-profit groups are required to provide the upkeep on the lodges and pay the costs for utilities, insurance, minor repairs and maintenance and any other costs associated with the lodges, and NCA pays for major repairs at these facilities. NCA also has 4 agricultural leases with private companies/individuals. NCA leases land for growing crops and, on certain leases, receives various services in exchange from the lessee such as brush cutting and removal services, backfilling and grading of roads, and welding services. In addition, NCA received fees for motion picture filming performed at 1 cemetery.

### Exchange Transactions with Public

Exchange transactions with the public occur when prices are set by law or executive order and are not based on full cost or on market price. VA’s Medical Care Collections Fund, “Conforming Amendments,” changed the language of specific sections of 38 USC Chapter 17 to substitute “reasonable charges” for “reasonable cost.” The VHA Chief Business

Office (CBO) is responsible for implementing and maintaining these reasonable charges for billing third-party payers for services provided to insured veterans for treatment of nonservice-connected conditions.

Reasonable charges are used to bill for reimbursable health insurance, non-federal workers’ compensation, tort feisor and no-fault or uninsured motorists insurance cases. Reasonable charges are based on provider charges in the market area of each VA facility. Under regulations issued pursuant to section 1729 and published at section 17.101, title 38, Code of Federal Regulations, third party payers may elect to pay VA’s billed charges (less applicable deductible or co-payment amounts) for the care and services provided to veterans. Alternatively, third party payers may elect to pay VA an amount, generally known as usual and customary, that it would pay to other providers for care and services in the same geographic area.

Cost-based per diems are calculated annually to produce rates used to bill for medical care or services provided by the DA:

- (a) in error or on tentative eligibility;
- (b) in a medical workers’ compensation (other than federal), humanitarian emergency;
- (c) to pensioners of allied nations;
- (d) for research purposes in circumstances under which VA medical care appropriation is to be reimbursed by VA research appropriation; and
- (e) to beneficiaries of the Department of Defense or other federal agencies, when the care or service provided is not covered by an applicable sharing agreement.

These per diem costs are derived primarily from cost and workload data from a national cost allocation report.



VA's Loan Guaranty Program collects certain fees that are set by law. The loan guarantee funding fees collected for FY 2006 were \$436 and for FY 2005 were \$407. The loan guarantee lender participation fees collected for FY 2006 were \$1.6. The lender participation fees collected for FY 2005 were \$1.7.

#### **Intragovernmental Exchange Transactions**

This section discloses intragovernmental exchange transactions in which VA provides goods or services at a price less than the full cost, or does not charge a price at all, with explanations for disparities between the billing and full cost.

VA and DoD have authority to enter into agreements and contracts for the mutual use or exchange of use of hospital and domiciliary facilities and other resources. The providing agency shall be reimbursed for the cost of the health care resources based on the methodology agreed to by VA and DoD. Facility directors have the flexibility to consider local conditions and needs and the actual costs of providing the services. VA's General Counsel has determined that full cost recovery is not mandated. VHA captures the total amount of reimbursements received under DoD sharing agreements, but the total amount billed below full cost is not readily available. VHA is in the process of developing mechanisms to report this information in the future. VBA collects funding from DoD in

order to administer certain education programs. DoD transferred \$377.8 during FY 2006 for the Post-Vietnam Era Education Assistance Program, Reinstated Entitlements Program for Survivors, and the New GI Bill for Veterans.

VA reports intragovernmental trading partner information to Treasury's Intragovernmental Reporting and Analysis System (IRAS). VA and our trading partners are not able to completely reconcile all activity and balances between trading partners due to several factors including transaction volumes, recognition timing issues and system limitations between trading partners.

When VA furnishes medical care or services for beneficiaries of other federal agencies, and that care or service is not covered by an applicable local sharing agreement, the billing rates used are determined and published annually by the VHA CFO. Similar to the tort rates, interagency billing rates are determined from cost and workload data in the Cost Distribution Report.

#### **19. Net Cost of Veterans Affairs Programs**

All of VA's net program costs are part of the 700 budget functional classification (Veterans Benefits and Services).



**Schedule of Net Program Cost**

For the Year Ended September 30, 2006 (Dollars in Millions)

	Medical Care	Medical Education	Medical Research	Compensation	Pension	Education	Vocational Rehab	Loan Guaranty	Insurance	Burial	Non-Program	Total
<b>Production Costs</b>												
<b>Intragovernmental Costs</b>	\$ 3,182	\$ 82	\$ 56	\$ 137	\$ 19	\$ 13	\$ 15	\$ 216	\$ 7	\$ 28	\$ 359	\$ 4,114
<b>Less Earned Revenues Net</b>	(132)	-	(38)	(2)	-	(378)	-	(309)	(787)	(1)	(1,049)	(2,696)
<b>Intragovernmental Production Costs</b>	3,050	82	18	135	19	(365)	15	(93)	(780)	27	(690)	1,418
<b>Public Costs</b>	28,747	1,019	806	62,844	3,733	2,856	694	(679)	1,397	449	1,688	103,554
<b>Less Earned Revenues</b>	(2,694)	-	(11)	-	-	(187)	-	(51)	(513)	-	(54)	(3,510)
<b>Net Public Production Costs</b>	26,053	1,019	795	62,844	3,733	2,669	694	(730)	884	449	1,634	100,044
<b>Total Net Cost of Operations</b>	\$ 29,103	\$ 1,101	\$ 813	\$ 62,979	\$ 3,752	\$ 2,304	\$ 709	\$ (823)	\$ 104	\$ 476	\$ 944	\$ 101,462

**Schedule of Net Program Cost**

For the Year Ended September 30, 2005 (Dollars in Millions)

	Medical Care	Medical Education	Medical Research	Compensation	Pension	Education	Vocational Rehab	Loan Guaranty	Insurance	Burial	Non-Program	Total
<b>Production Costs</b>												
<b>Intragovernmental Costs</b>	\$ 3,213	\$ 50	\$ 52	\$ 136	\$ 18	\$ 11	\$ 14	\$ 243	\$ 6	\$ 27	\$ 77	\$ 3,847
<b>Less Earned Revenues Net</b>	(95)	-	(31)	-	(8)	(286)	-	(664)	(840)	-	(1,280)	(3,204)
<b>Intragovernmental Production Costs</b>	3,118	50	21	136	10	(275)	14	(421)	(834)	27	(1,203)	643
<b>Public Costs</b>	27,832	492	653	226,760	3,617	2,675	686	(955)	1,536	805	2,111	266,212
<b>Less Earned Revenues</b>	(2,551)	-	(15)	-	-	(198)	-	(56)	(554)	-	(49)	(3,423)
<b>Net Public Production Costs</b>	25,281	492	638	226,760	3,617	2,477	686	(1,011)	982	805	2,062	262,789
<b>Total Net Cost of Operations</b>	\$ 28,399	\$ 542	\$ 659	\$ 226,896	\$ 3,627	\$ 2,202	\$ 700	\$ (1,432)	\$ 148	\$ 832	\$ 859	\$ 263,432



## 20. Disclosures Related to the Statements of Budgetary Resources

### Apportionment categories of obligations incurred

#### Obligations

Years Ended September 30,

	2006	2005
Category A, Direct	\$ 35,612	\$ 31,691
Category B, Direct	40,237	41,934
Reimbursable	5,605	5,625
Exempt from Apportionment	1,222	348
<b>Total Obligations</b>	<b>\$ 82,676</b>	<b>\$ 79,598</b>

#### Borrowing Authority

Loan Guaranty had borrowing authority of \$0.5 billion and \$1.8 billion as of September 30, 2006 and 2005 respectively. The Vocational Rehabilitation Program had borrowing authority of \$3.4 and \$3.7 as of September 30, 2006 and 2005, for making direct loans. Loan Guaranty borrowing is repaid to Treasury through the proceeds of portfolio loan collections, funding fees, and the sale of loans to Vinnie MAC trusts. The Vocational Rehabilitation loans generally had duration of one year, and repayment was made from offsetting collections.

#### Adjustments to Budgetary Resources

During the reporting period, adjustments to budgetary resources available at the beginning of the year included VA appropriations that were subjected to a rescission that totaled \$198. Additionally, unobligated balances of prior year recoveries of \$3.4 were rescinded. Various VA program accounts received a cut in discretionary budget authority.

#### Permanent Indefinite Appropriations

VA has three permanent and indefinite appropriations. The Veterans Housing Benefit Program Fund covers all estimated subsidy costs arising from post-1991 loan obligations for veterans housing benefits. The Fund's objective is to encourage and facilitate the extension of favorable credit terms by private lenders to veterans for the purchase, construction, or improvement of homes to be occupied by veterans and their families. The Loan Guarantee Revolving Fund is a liquidating account that contains all of VA's pre-credit reform direct and

guaranteed loans. It also holds fund balances received from reimbursements from financing accounts for loan modifications and rentals of foreclosed properties not yet transferred to financing accounts. The Native American Direct Loan Account was established to cover all subsidy costs arising from direct loan obligations related to a veteran's purchase, construction, or renovation of a dwelling on trust land.

#### Use of Unobligated Balances of Budget Authority

Available unobligated balances on the Statement of Budgetary Resources are composed of current fiscal year apportioned funds for annual, multi-year, and no-year appropriations from Congress as well as revolving and trust funds. Other balances not available are composed of expired appropriation unobligated amounts, which generally are not available for new obligations, but can be used to increase existing obligations under certain circumstances. This amount also includes unobligated funds that were not apportioned by OMB for FY 2006 use.

Unobligated VA funds are available for uses defined in VA's FY 2006 Appropriation Law (P.L. 109-114). These purposes include: veterans medical care, research, education, construction and maintenance of VA buildings, veterans and dependents benefits, veterans life insurance, loan guaranty programs, veterans burial benefits, and administrative functions. Various obligation limitations are imposed on individual VA appropriations.



### **Explanation of Differences Between Statement of Budgetary Resources and the Budget**

As a result of an analysis of aged obligations, obligations were reduced by \$34 for FY 2006 and \$79 for FY 2005 on the Statements of Budgetary Resources for both FY 2006 and FY 2005. These adjustments were not reflected in the FACTS II data used to prepare the President's Budget. No other differences were identified as of the preparation date of the financial statements.

### **Undelivered Orders at the End of Period**

The amount of budgetary resources obligated for undelivered orders at the end of 2006 and 2005 was \$4,860 and \$3,998 respectively.

### **Contributed Capital**

The amount of contributed capital received during FY 2006 consisted of donations in the amount of \$52.9 to the General Post Fund and \$0.4 to the National Cemetery Gift Fund. For FY 2005 \$41.0 was donated to the General Post Fund and \$0.2 to the National Cemetery Gift Fund.

## **21. Disclosures Related to the Statements of Financing**

The Statement of Financing section "Costs That Do Not Require Resources in the Current Period" includes only the fiscal year increases in liabilities not covered by budgetary resources. For existing liabilities, there will always be a difference between this section and the value of liabilities not covered by budgetary resources disclosed in Note 10 and included in the liabilities section of the Balance Sheet.

## **22. Dedicated Collections**

In the federal government, dedicated collections are accounted for in trust funds and special funds. The term "trust funds" as used in this report and in federal budget accounting is frequently misunderstood. In the private sector, "trust" refers to funds of one party held by a second party (the trustee) in a fiduciary capacity. In the federal budget, the term "trust fund" means only that the law requires that funds be accounted for separately, used only for specified purposes, and that the account be designated as a "trust fund."

A change in law may change the future receipts and the terms under which the fund's resources are spent. The "trust fund assets" represent all sources of receipts and amounts due the trust fund regardless of source. This includes "related governmental transactions," which are transactions between two different entities within the federal government. The "Investments with Treasury" assets are comprised of investments in federal debt securities and related accrued interest. These securities will require redemption if a fund's disbursements exceed its receipts. Unless specifically provided for by law, trust funds may only place excess funds in federally backed investments (e.g., federal debt securities).

The table below summarizes the name, type, and purpose of the funds within VA that receive dedicated collections. All of the funds listed use the accrual basis of accounting. However, collections are reported as actually received in accordance with OMB Circular A-34. All of the funds generally receive authority to use current year contributions as well as a portion of previously contributed amounts.



Fund Name	Fund Type	Treasury Symbol	Authority	Purpose of Fund	Financing Sources
Escrowed Funds for Shared Medical Equipment Purchases	Deposit	36x6019	106 Stat 1974	Receives payments from public companies involved in joint purchases of medical equipment.	Public, universities, pharmaceuticals & other medical organizations.
Personal Funds of Patients	Deposit	36x6020	38 U.S.C. 3204	Temporarily holds funds.	Public, patients.
Employee Allotments for Savings Bonds	Deposit	36x6050	31 U.S.C. 3105	Temporarily holds funds.	Employees.

The following tables provide condensed information on assets, liabilities, fund balances.

For the year ended September 30, 2006 Fund Symbol	6020	6050	TOTAL
<b>Assets:</b>			
Fund balance with Treasury	\$ 40	\$ 1	\$ 41
Investments with Treasury	-	-	-
Other Assets	-	-	-
<b>Total Assets</b>	<b>\$ 40</b>	<b>\$ 1</b>	<b>\$ 41</b>
<b>Liabilities:</b>			
Payables to Beneficiaries	-	-	-
Other Liabilities	40	1	41
<b>Total Liabilities</b>	<b>40</b>	<b>1</b>	<b>41</b>
<b>Net Position:</b>			
Cumulative Results	-	-	-
<b>Total Liabilities &amp; Net Position</b>	<b>\$ 40</b>	<b>\$ 1</b>	<b>\$ 41</b>

### 23. Reclassifications, Changes in Accounting Policy and Changes in Financial Statement Presentation

#### Earmarked Funds

VA has adopted a new accounting standard, Statement of Federal Financial Accounting Standards No. 27, Identifying and Reporting Earmarked Funds. Under this standard, certain VA funds are identified and reported as earmarked funds which have specifically identified revenues and other financing sources and are required by statute to be used for designated activities, benefits or purposes, and

must be accounted for separately from the Government's general revenues. VA has disclosed earmarked funds in the Principal Statements.

#### Medical Care Cost Recovery Receivables

VA changed the method for determining the gross value of Medical Care Cost Recovery receivables and the related allowance for contractual adjustments. This revised process results in a preferable accounting treatment for determining the value of Medical Care Cost Recovery receivables. The Medical Remittance Advice (MRA) process determines the portion



of a bill which generally would be paid by Medicare (by law, VA may not bill Medicare), and adjusts the receivable accordingly. Prior to this change, VA recorded the total bill amount and established an allowance for contractual adjustment for the Medicare portion. While the net receivable balance remains consistent, the MRA process more accurately reflects VA's gross receivable balance and allowance for loss provision.

#### **Schedule of Net Program Cost**

The FY 2005 Schedule of Net Program Cost contained in Footnote 19, Net Cost of Veterans Affairs Programs, has been changed to classify \$2,202 of Employee Benefits costs as Intragovernmental Costs, as opposed to Public Costs as previously stated. These benefit payments were made to the Office of Personnel Management and are more appropriately shown as Intragovernmental Costs. Total Net Cost of Operations did not change. This change did not affect other statements.



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# Department of Veterans Affairs Office of Inspector General

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## REPORT OF THE AUDIT OF THE DEPARTMENT OF VETERANS AFFAIRS CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEARS 2006 AND 2005

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Report No. 06-01279-24

November 14, 2006

VA Office of Inspector General  
Washington, DC 20420

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**DEPARTMENT OF VETERANS AFFAIRS**  
**Office of Inspector General**  
**Washington DC 20420**

**Memorandum to the Secretary**

**Report of Audit of the Department of Veterans Affairs Consolidated  
Financial Statements for Fiscal Years 2006 and 2005**

1. Attached is the Report of Audit of the Department of Veterans Affairs (VA) Consolidated Financial Statements (CFS) for Fiscal Years (FY) 2006 and 2005, as required by the Chief Financial Officers Act of 1990. The Office of Inspector General contracted with the independent public accounting firm, Deloitte & Touche LLP, to perform the audit of VA's FY 2006 CFS.
2. The independent auditors' report by Deloitte & Touche LLP provides an unqualified opinion on VA's FYs 2006 and 2005 CFS. The report on internal control identifies three reportable conditions, of which all are material weaknesses. The three material weaknesses are repeat conditions from the prior year audit and identified as (i) information technology security controls, (ii) integrated financial management system, and (iii) operational oversight.
3. The report on compliance with laws and regulations continues to show that VA is not in substantial compliance with the financial management system requirements of the Federal Financial Management Improvement Act (FFMIA) of 1996. The material weaknesses in internal control over financial reporting indicate that VA's financial management systems did not substantially comply with the Federal financial management systems requirements as required by FFMIA section 803(a).
4. Deloitte & Touche LLP is responsible for the attached auditor's report dated November 14, 2006, and the conclusions expressed in the report. We do not express opinions on VA's financial statements or internal control or on whether VA's financial management systems substantially complied with FFMIA; or conclusions on compliance with laws and regulations.
5. The auditors' unqualified opinion was achieved through the extensive efforts of program and financial management staff, as well as the auditors, to overcome material weaknesses in internal control to produce auditable information. The risk of materially misstating financial information remains high because of these material weaknesses.



6. The independent auditors will follow up on these internal control findings and evaluate the adequacy of corrective actions taken during the audit of the VA's FY 2007 CFS.

A handwritten signature in black ink, appearing to read "Kenneth R. Sardegna", is written over a light blue horizontal line.

KENNETH R. SARDEGNA  
Acting Assistant Inspector General for Auditing

Attachment



Deloitte & Touche LLP  
555 12th Street N.W.  
Suite 500  
Washington, DC 20004-1207  
USA

Tel: +1 202 879 5600  
Fax: +1 202 879 5309  
www.deloitte.com

## INDEPENDENT AUDITORS' REPORT

To the Secretary of  
Department of Veterans Affairs

We have audited the accompanying consolidated balance sheets of the Department of Veterans Affairs ("VA") as of September 30, 2006 and 2005, and the related consolidated statements of net cost, changes in net position, financing, and the combined statements of budgetary resources for the years then ended which collectively comprise VA's basic financial statements. These financial statements are the responsibility of VA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the requirements of Office of Management and Budget ("OMB") Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*. Those standards and the OMB Bulletin require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

VA changed its accounting for earmarked funds pursuant to Statement of Federal Financial Accounting Standards No. 27, *Identifying and Reporting Earmarked Funds*, discussed in Note 17. VA also changed its method of accounting for medical reimbursable services as discussed in Note 23.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of VA as of September 30, 2006 and 2005, and the respective net costs, changes in net position, financing, and budgetary resources thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2006, on our consideration of VA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Deloitte & Touche LLP*

November 14, 2006

Member of  
Deloitte Touche Tohmatsu



Deloitte & Touche LLP  
555 12th Street N.W.  
Suite 500  
Washington, DC 20004-1207  
USA  
Tel: +1 202 879 5600  
Fax: +1 202 879 5309  
www.deloitte.com

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Secretary of  
Department of Veterans Affairs:

We have audited the basic financial statements of the Department of Veterans Affairs ("VA"), as of and for the year ended September 30, 2006, and have issued our report thereon dated November 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of the Office of Management and Budget ("OMB") Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we obtained an understanding of the design effectiveness of internal controls over financial reporting, determined whether they have been placed in operation, assessed control risk, and performed tests of the VA's internal controls over financial reporting. We considered VA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect VA's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and,

Member of  
Deloitte Touche Tohmatsu



accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

We identified the following matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions that we identified in our prior year report dated November 14, 2005, are identified as repeat conditions.

Three reportable conditions are described in the following paragraphs and include significant departures from certain requirements of OMB Circular A-127, *Financial Management Systems*; Circular A-123, *Management's Responsibility for Internal Control*; and Circular A-130, *Management of Federal Information Resources*. We believe that the three reportable conditions identified as "Information Technology ("IT") Security Controls," "Integrated Financial Management System," and "Operational Oversight" are also material weaknesses.

Also in Fiscal Year ("FY") 2006, the VA engaged an independent public accounting firm to assist in an internal control assessment pursuant to OMB Circular A-123 Appendix A, *Management's Responsibility for Internal Control*. In its report, *FY 2006 Recommendations for Internal Control Improvements Financial Reporting and Funds Management Key Business Processes*, dated September 6, 2006, the accounting firm identified two internal control reportable conditions, "Transactions rejected by FMS" and "Intergovernmental Transactions."

### **Information Technology (IT) Security Controls – Material Weakness (Repeat Condition)**

We observed that management of data centers and several program offices have taken actions to remediate elements of IT control weaknesses reported in our prior year reports. However, VA's program and financial data continue to be at risk due to serious weaknesses related to lack of effective implementation and enforcement of agency-wide security programs in a coordinated manner. These weaknesses placed sensitive information, including financial information and veterans' medical and benefit information, at risk of inadvertent or deliberate misuse, fraudulent use, improper disclosure, theft, or destruction, possibly occurring without detection. Our assessment of the general and application controls of VA's key financial systems identified control weaknesses. Examples of these weaknesses include:

#### **Agency-wide Security Program**

- Adequate agency-wide security control policies and procedures have not been updated and enforced to provide effective guidance and organizational standards.
- The risk assessments for critical financial management systems do not consistently meet standards published by the National Institute of Standards and Technology.

#### **Access Control**

- Strong access authentication mechanisms and administration of user access have not been consistently implemented and enforced.
- Information systems were not patched in a consistent and timely manner.



- Access privileges were not restricted by proper system access profiles for users and programming staff and monitored based on need.
- Intrusion detection mechanisms, and coordination and communication between Central Incident Response group and local security functions were not operating consistently to detect and resolve potential security violations from internal sources.

#### Segregation of Duties

- Legacy financial management systems and procedures have not been structured to support and enforce proper segregation of duties, leading to weaknesses in management oversight and the ability for IT staff and users to bypass internal controls.
- Prior years’ weaknesses in segregation of duties controls for the Veterans Health Information Systems and Technology Architecture (“VistA”) Integrated Funds Distribution Control Point Activity, Accounting and Procurement (“IFCAP”) system and the Automated Engineering Management system/Medical Equipment Reporting system (“AEMS/MERS”) remained uncorrected.

#### Service Continuity

- A business continuity plan at the departmental level has not been fully implemented to provide overall guidance, direction, and coordination for entity-wide IT service continuity.
- Testing of the Continuity of Operations Plan for financial management systems at certain facilities and data centers has not been consistently scheduled and adequately performed.

#### Change Control

- Change control policy at the departmental level does not provide uniform application development and change management guidance.

VA’s success in improving information security and controls is dependent on VA’s continued effort to comprehensively address these weaknesses at the departmental level, including continuing high level coordination and adequate resources.

#### **Recommendations:**

VA senior leadership should continue to pursue a more centralized approach, apply appropriate resources, and establish a clear chain of command and accountability structure to implement and enforce internal controls. The information owners should perform proactive oversight of compliance with established internal control policies and procedures. VA should continue its effort to prioritize its resources in accomplishing its management agenda. Key tasks include, but are not limited to, the following:

1. Update and strengthen security programs to guide agency-wide information security and controls operations in accordance with standards established by the National Institute of Standards and Technology. Establish and communicate chain of command and accountability to enforce and monitor compliance with security and controls policies and procedures.
2. Provide actionable steps for ensuring that user access needs are justified, and system security settings and updates are current and properly implemented for all interconnected networks,



systems, and applications. Perform proper oversight of system activities to detect and resolve user access issues.

3. Configure systems to support proper system segregation of duties, and provide adequate human resources and management oversight to complement system controls.
4. Complete and implement a service continuity plan that will provide effective guidance, communication, and coordination of security continuity planning and testing activities throughout the agency.
5. Implement a change control framework that guides the development and implementation of system-specific change management procedures for mission critical systems.

### **Integrated Financial Management System – Material Weakness (Repeat Condition)**

As defined in OMB Circular A-127, *Financial Management Systems*, “a financial management system encompasses automated and manual processes, procedures, controls, data, hardware, software, and support personnel dedicated to the operation and maintenance of system functions.” A financial management system may include multiple applications and controls that are integrated through a common database or are electronically interfaced, as necessary, to meet defined data and processing requirements.

With respect to system requirements in the area of financial reporting, OMB Circular A-127 provides that an agency’s financial management system should generate reliable, timely, and consistent information necessary for meeting management’s responsibilities, including the preparation of financial statements. Within OMB Circular A-123, the management control processes necessary to ensure that “reliable and timely information is obtained, maintained, reported and used for decision making” are set forth, including prompt and appropriate recording and classification.

VA management took the initiative to implement a Hyperion-based MinX reporting system to automate the preparation of the consolidated financial statement. Despite the initial roll-out effort, we noted continuing difficulties with the legacy systems related to the preparation, processing, and analysis of financial information to support the efficient and effective preparation of VA’s consolidated financial statements. While significant efforts are made at the component and consolidated levels to assemble, compile, and review the necessary financial information for annual financial reporting requirements, in many cases, components of certain feeder systems and financial manual procedures are not fully integrated. As a result, significant manual workarounds and out-of-date systems impede the process. For example, we noted that:

- Reconciliations of property records in the loan guaranty programs continue to identify significant differences from non-interfaced systems.
- Within the compensation, pension and education programs, there are a number of programs that do not directly interface with the general ledger or they interface at various intervals. As a result, numerous adjusting entries resulting from timing differences are necessary to reconcile balances with the general ledger to ensure that amounts are properly stated.
- In the life insurance programs, the lack of system interface with the VA’s general ledger creates the need for a significant amount of adjusting entries. We observed that some journal entries were not posted to the general ledger nor were reconciling items identified and posted timely.



**Recommendation:**

6. Management, including Chief Information Officer (“CIO”) and Chief Financial Officer (“CFO”), should develop and implement a fully integrated financial management system. The VA CFO should implement and enforce supplemental manual processes to meet appropriate control objectives until a fully integrated financial management system is implemented.

**Operational Oversight – Material Weakness (Repeat Condition)**

Despite significant efforts by the managements’ of the separate components and the Departments’ financial reporting group, the VA’s internal control structure over accounting and financial reporting continues to suffer from a number of weaknesses that can be broadly characterized as inadequate operational oversight.

VA continues to have difficulty assuring key internal controls and reconciliation processes are performed consistently and completely, and at times, fails to assure appropriate management review of the detail and support for the financial statements. Moreover, these weaknesses combined with the lack of an integrated financial management system, noted above, complicate VA’s ability to prepare and report financial statements timely after fiscal year end thus impairing its ability to make the November 15<sup>th</sup> reporting deadline set by the OMB. Furthermore, many required adjustments arise from the audit process rather than being discovered by management in the normal course of their control oversight.

Illustrations of these issues include:

- Extended amounts of time are required to obtain certain requested details of transactions for audit testing.
- Support for certain note disclosures was difficult to obtain.
- Unreconciled differences continued to exist at year end for tort claims.
- Certain projects were placed in service and not capitalized in a timely manner. In addition, the estimated useful life of certain projects was not in accordance with VA policy guidance.
- During the testing, we noted the majority of the selected sites had not updated their documentation of the estimate of environmental liability. In some cases, the revised assessments resulted in accounting adjustments.
- Accounts receivable issues continue to be identified with exceptions noted in the following areas:
  - Exceptions related to lack of supervisory review of monthly accounts receivable reconciliations or evidence of review.
  - No evidence that certain non-MCCF (Medical Care Collections Fund) receivables reconciliations were being performed nor completed in a timely manner. Medical centers stated they did not have the staff to perform all the reconciliations.
  - Certain medical centers were not updating their non-MCCF allowance for bad debt expense. As a result, the allowance account was not properly stated and in at least two cases, the allowance account had a net debit balance.
  - Uncollectible non-MCCF and MCCF receivables remained recorded without further follow-up or resolution.
  - Delinquent receivables are not consistently followed up for collection.



- Some undelivered orders transactions selected for testing had insufficient or no supporting procurement documentation. In other cases, exceptions were found related to follow-up of undelivered orders.
- Certain policy and procedures particularly related to reconciliations should be clarified. Some policies are broadly written and subject to interpretation by the medical centers. Procedures should be enhanced and indicate the frequency in which reconciliations should be performed. In addition, the policies and procedures should clarify when evidence of a supervisory review is required and how that evidence is documented.
- Financial statements were provided late and required a number of iterations before completion of the audit. A significant numbers of adjustments needed to be proposed by the auditor.

### Recommendations:

7. Consider financial training for program directors and other supervisory personnel highlighting the importance of accurate financial reporting and promoting timely and thorough follow up on aged accounts balances. The CFO should also review and enhance controls related to approving write-off transactions.
8. Consider further centralization of the accounting and financial reporting responsibilities, which are now decentralized at the program and medical center levels, to improve internal control.
9. Update policies and procedures to financial management.
10. Management should enhance data quality analysis, adjustments and review procedures related to financial reporting for the purpose of improving the quality of financial reporting and minimize year end adjustments.

### Follow-up on Previous Report

In our *Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance Based Upon the Audit Performed in Accordance with Government Auditing Standards* dated November 14, 2005, we reported three reportable conditions that were also material weaknesses, in the areas of (1) Information Technology, (IT) Security Controls, (2) Integrated Financial Management System, and (3) Operational Oversight. These conditions continue to be reported as material weaknesses.

With respect to the internal controls related to performance measures reported in Management's Discussion and Analysis, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions and determined whether they have been placed in operation, as required by OMB Bulletin No. 06-03. Our procedures were not designed to provide assurance on internal control over reported performance measures and accordingly, we do not provide an opinion on such controls.

In addition, we considered VA's internal control over Supplementary Information by obtaining an understanding of VA's internal control, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls as required by OMB Bulletin No. 06-03. Our procedures were not designed to provide assurance on these internal controls and accordingly, we do not provide an opinion on such controls.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether VA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 06-03, including the requirements referred to in the Federal Financial Management Improvement Act ("FFMIA") of 1996. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and are described below.

Under FFMIA, we are required to report whether the agency's financial management systems substantially comply with Federal financial management systems requirements, applicable Federal accounting standards, and the U.S. Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance using the implementation guidance and evaluative criteria issued by OMB in Circular A-127.

The material weaknesses in internal control over financial reporting discussed above and identified as "Information Technology (IT) Security Controls," "Integrated Financial Management System," and "Operational Oversight" indicate that VA's financial management systems did not substantially comply with the Federal financial management systems requirements as required by FFMIA section 803(a).

In addition, we noted other matters involving the internal control and compliance over financial reporting that we have reported to VA, in a separate letter dated November 14, 2006.

## Distribution

This report is intended solely for the information and use of the VA Office of Inspector General, the management of VA, the Office of Management and Budget, the U.S. Government Accountability Office, Office of the President, and the U.S. Congress and is not intended to be, and should not be, used by anyone other than these specified parties.

*Deloitte & Touche LLP*

November 14, 2006



**Department of  
Veterans Affairs**

**Memorandum**

Date: NOV 15 2006

From: Assistant Secretary for Management (004)

Subj: Report of the Audit of the Department of Veterans Affairs Consolidated Financial Statements for Fiscal Years 2006 and 2005

To: Assistant Inspector General for Auditing (52)

1. We have reviewed the Report of the Audit of the Department of Veterans Affairs Consolidated Financial Statements for Fiscal Years 2006 and 2005, and are pleased with the receipt of an unqualified opinion. We are proud that we were able to meet the FY 2006 reporting timeline established by the Office of Management and Budget. Please extend to your staff and the staff of Deloitte & Touche, LLP our appreciation for their detailed planning, hard work, and cooperation during this year's audit.
2. We will share the results of the audit with VA's senior officials in VHA, VBA, and NCA and with other staff and program managers. We will continue to provide you with updates on our progress to correct the three material weaknesses, *Lack of an Integrated Financial Management System, Information Technology Security Controls, and Operational Oversight*.
3. Thank you again for your efforts in bringing us to another successful conclusion of the audit cycle.

A handwritten signature in black ink, appearing to read "R. Henke", is positioned above the printed name.

Robert J. Henke



## Required Supplementary Stewardship Information

These materials are not audited

### 1. Non-Federal Physical Property

Annually, VA provides funding to state governments for the purchase, construction, or major renovation of physical property owned by the state. In most cases these grant programs involve matching funds from the states.

#### Grant Program Costs

Years Ended September 30,

	2006	2005	2004
State Extended Care Facilities	\$ 85	\$ 183	\$ 66
State Veterans Cemeteries	18	36	34
<b>Total Grant Program Costs</b>	<b>\$ 103</b>	<b>\$ 219</b>	<b>\$ 100</b>

The Extended Care Facilities Grant Program assists states in acquiring facilities to provide domiciliary, nursing home, and other day health care for veterans, and to expand, remodel, or alter existing buildings to provide domiciliary, nursing home, hospital, and day health care for veterans in state homes. VA participates in two grant-in-aid programs for states. VA may participate in up to 65 percent of the cost of construction or acquisition of state nursing homes or domiciliaries or in renovations of existing state homes. Over the last 5 fiscal years, the State Home Construction Grant Program has awarded grants in excess of \$670 million. VA also provides per diem payment for the care of eligible veterans in state homes.

Since the cemetery program was established in 1980, VA has awarded grants totaling more than

\$262 million to 37 states and the Commonwealths of Guam and the Northern Marianas. The program provides up to 100 percent of the cost to establish, expand, or improve state veterans' cemeteries. States provide the land and agree to operate the cemeteries.

### 2. Human Capital

Investment in human capital comprises those expenses for education and training programs for the general public that are intended to increase or maintain national economic productive capacity. It does not include expenses for internal federal education and training of civilian employees.



Part III - Required Supplementary Stewardship Information

<b>Veterans and Dependents Education Years ended September 30,</b>	<b>2006</b>	<b>2005</b>
<b>Program Expenses</b>		
Education and Training-Dependents of Veterans	\$ 430	\$ 405
Vocational Rehabilitation and Education Assistance	2,943	2,779
Administrative Program Costs	232	226
<b>Total Program Expenses</b>	<b>\$ 3,605</b>	<b>\$ 3,410</b>
<b>Program Outputs (Participants)</b>		
Dependent Education	79,430	75,072
Veterans Rehabilitation	71,627	71,956
Veterans Education	461,488	444,359

<b>Veterans and Dependents Education Years ended September 30,</b>	<b>2004</b>	<b>2003</b>
<b>Program Expenses</b>		
Education and Training-Dependents of Veterans	\$ 320	\$ 266
Vocational Rehabilitation and Education Assistance	2,517	2,309
Administrative Program Costs	230	288
<b>Total Program Expenses</b>	<b>\$ 3,067</b>	<b>\$ 2,863</b>
<b>Program Outputs (Participants)</b>		
Dependent Education	67,420	64,582
Veterans Rehabilitation	75,409	71,549
Veterans Education	409,695	400,289

<b>Veterans and Dependents Education Years ended September 30,</b>	<b>2002</b>
<b>Program Expenses</b>	
Education and Training-Dependents of Veterans	\$ 234
Vocational Rehabilitation and Education Assistance	1,894
Administrative Program Costs	229
<b>Total Program Expenses</b>	<b>\$ 2,357</b>
<b>Program Outputs (Participants)</b>	
Dependent Education	53,888
Veterans Rehabilitation	69,634
Veterans Education	375,013



**Program Outcomes**

VA's education and training programs are intended to provide higher education to dependents who might not be able to participate otherwise. Veterans' rehabilitation and employment programs are provided to service-disabled veterans; they are designed to improve employability and promote independence for the disabled. Educational programs for active duty personnel, reservists, and veterans provide higher education assistance to those who are eligible under the MGIB and the Veterans Educational Assistance Program. Education and training assistance is provided to dependents of veterans who died of service-connected disability or whose service-connected disability

was rated permanent and total. The Vocational Rehabilitation and Employment program provides evaluation services, counseling, and training necessary to assist veterans in becoming employable and maintaining employment to the extent possible. The program is open to veterans who have a 10 percent or greater service-connected disability rating and are found to have a serious employment handicap. The Veterans Education program provides educational assistance to eligible servicemembers and veterans.

**3. Health Professions Education**

**Health Professions Education**

**Years Ended September 30,**

**Program Expenses**

	<b>2006</b>	<b>2005</b>
Physician Residents and Fellows	\$ 462	\$ 438
Associated Health Residents and Students	65	63
Instructional and Administrative Support	452	430
<b>Total Program Expenses</b>	<b>\$ 979</b>	<b>\$ 931</b>

**Program Outputs**

Health Professions Rotating Through VA:

Physician Residents and Fellows	31,290	30,903
Medical Students	17,289	16,750
Nursing Students	24,870	22,675
Associated Health Residents and Students	18,990	16,862
<b>Total Program Outcomes</b>	<b>92,439</b>	<b>87,190</b>

**Program Outcomes**

VA's education mission contributes to high quality health care of veterans by providing a climate of scientific inquiry between trainees and teachers; application of medical advances more readily through an academic setting; supervised trainees who provide clinical care; and educational programs that enable VA to recruit highly qualified health care professionals.

The Veterans Health Administration (VHA) conducts education and training programs to enhance the quality of care provided to veterans within the VA health care system. Building on the long-standing, close relationships among VA and the Nation's academic institutions, VA plays a leadership role in defining the education of future health care professionals that helps meet



the changing needs of the Nation's health care delivery system. Title 38 U.S.C. mandates that VA assist in the training of health professionals for its own needs and those of the Nation. Through its partnerships with affiliated academic institutions, VA conducts the largest education and training effort for health professionals in the Nation. Each year, over 92,000 medical and other students receive some or all of their clinical training in VA facilities through affiliations with over 1,200 educational institutions including 107 medical schools. Many have their health profession degrees and contribute substantially to VA's ability to

deliver cost-effective and high-quality patient care during their advanced clinical training at VA.

#### 4. Research and Development (R&D)

Investments in research and development comprise those expenses for basic research, applied research, and development that are intended to increase or maintain national economic productive capacity or yield other benefits.

#### Program Expense

Year ended September 30,

	Basic	Applied	Development	2006 Total
Medical Research Service	\$ 172.1	\$ 57.2	\$ -	\$ 229.3
Rehabilitative Research and Development	5.4	27.1	21.7	54.2
Health Services Research and Development	-	59.7	-	59.7
Cooperative Studies Research Service	30.6	38.2	-	68.8
Medical Research Support	-	353.0	-	353.0
<b>Total Program Expenses</b>	<b>\$ 208.1</b>	<b>\$ 535.2</b>	<b>\$ 21.7</b>	<b>\$ 765.0</b>

#### Program Expense

Year ended September 30,

	Basic	Applied	Development	2005 Total
Medical Research Service	\$ 154.4	\$ 59.4	\$ -	\$ 213.8
Rehabilitative Research and Development	4.9	23.9	19.6	48.4
Health Services Research and Development	-	61.7	-	61.7
Cooperative Studies Research Service	.5	47.8	-	48.3
Medical Research Support	-	381.7	-	381.7
<b>Total Program Expenses</b>	<b>\$ 159.8</b>	<b>\$ 574.5</b>	<b>\$ 19.6</b>	<b>\$ 753.9</b>



**Program Expense**

**Year ended September 30,**

	<b>Basic</b>	<b>Applied</b>	<b>Development</b>	<b>2004 Total</b>
Medical Research Service	\$ 172.9	\$ 81.8	\$ -	\$ 254.7
Rehabilitative Research and Development	3.5	27.9	17.0	48.4
Health Services Research and Development	-	61.8	-	61.8
Cooperative Studies Research Service	-	27.7	-	27.7
Medical Research Support	-	452.0	-	452.0
Prosthetic Research Support	-	4.8	-	4.8
<b>Total Program Expenses</b>	<b>\$ 176.4</b>	<b>\$ 656.0</b>	<b>\$ 17.0</b>	<b>\$ 849.4</b>

In addition, VHA researchers received grants from the National Institutes of Health in the amount of \$684 million and \$198 million in other grants during FY 2006. These grants went directly to researchers and are not considered part of the VA entity. They are being disclosed here but are not accounted for in the financial statements.

**Program Outputs/Outcomes**

For FY 2006, VA's R&D general goal related to stewardship was to ensure that VA medical research programs met the needs of the veteran population and contributed to the Nation's knowledge about disease and disability. Target levels were established for the: (1) percent of funded research projects relevant to VA's health-care mission in designated research areas and (2) number of research and development projects. Strategies were developed in order to ensure that performance targets would be achieved.

**Research and Development Measures-  
Actual**

**Year ended September 30,**

	<b>2006</b>	<b>2005</b>	<b>2004</b>
Percent of Funded Research Projects Relevant to VA's Health-Care Mission	100.00%	94.3%	97.1%
Number of Research and Development Projects	2,190	2,107	2,165

VA's Medical Research Program goal is to be the premier research organization, leading our Nation's efforts to discover knowledge and create innovations that promote and advance the health and care of veterans and the Nation. To achieve this goal, VA targets research projects

that address special needs of veteran patients and balance research resources among basic and applied research to ensure a complementary role between the discovery of new knowledge and the application of these discoveries to medical practice.



## Required Supplementary Information

**These materials are not audited**

### 1. Heritage Assets

Heritage assets are properties that possess one or more of the following characteristics: historical or natural significance; cultural; educational or aesthetic value; or significant architectural characteristics. The monetary value of heritage assets is often not estimable or relevant. By nature they are expected to be maintained in perpetuity. VA has properties at medical centers and national cemeteries that meet the criteria for

a heritage asset. During the reporting period, all maintenance expenses were recorded as incurred. Heritage assets are reported in terms of physical units. Generally, additions to VA's Heritage Asset inventory result from field station surveys, which identify items such as new collections or newly designated assets. Items are generally donated or existing VA assets are designated as heritage. Most are used for mission purpose and maintained in working order. Remaining items are mothballed.

### Heritage Assets in Units

As of September 30,	2006	2005
Art Collections	29	29
Buildings and Structures	1,860	1,815
Monuments/Historic Flag Poles	1,093	732
Other Non-Structure Items	177	186
Archaeological	11	11
Cemeteries	156	157
<b>Total Heritage Assets in Units</b>	<b>3,326</b>	<b>2,930</b>

### 2. Deferred Maintenance

Deferred maintenance is classified as not performed when it should have been or as scheduled but delayed to a future period. It is VA policy to ensure that medical equipment and critical facility equipment systems are maintained and managed in a safe and effective manner; therefore, deferred maintenance is not applicable to them.

VA facilities reported their cost estimates for deferred maintenance by utilizing either the Condition Assessment Survey or the Total Life-Cycle Cost Method.

### Deferred Maintenance

As of September 30,	2006	2005
General PP&E	\$ 2,554	\$ 1,976
Heritage Assets	39	42
<b>Total Deferred Maintenance</b>	<b>\$ 2,593</b>	<b>\$ 2,018</b>



## 3. Schedule of Budgetary Activity Year Ended September 30, 2006

	Total Budgetary Resources	Obligations Incurred	Spending Authority from Offsetting Collections and Adjustments	Obligated Balance net, Oct. 1	Obligated Balance net, Sept. 30	Total Outlays
<b>VHA</b>						
0152 Medical Admin	\$ 3,588	\$ 3,386	\$ 41	\$ 840	\$ 490	\$ 3,695
0160 Medical Care	25,305	24,741	151	2,713	3,452	23,852
0161 Medical & Prosthetic Research	522	460	56	140	138	406
0162 Medical Facilities	3,494	3,435	26	921	989	3,341
All Other	4,917	2,172	305	1,133	1,744	1,256
<b>Total</b>	<b>\$ 37,826</b>	<b>\$ 4,194</b>	<b>\$ 579</b>	<b>\$ 5,747</b>	<b>\$ 6,813</b>	<b>\$ 2,550</b>
<b>VBA</b>						
0102 Compensation, Pension, & Burial Benefits	\$ 34,981	\$ 34,685	\$ -	\$ 87	\$ 91	\$ 34,681
0137 Readjustment Benefits	3,844	3,333	378	37	43	2,949
4025 Housing Credit Liquidating	33	11	82	2	2	(71)
4127 Direct Loan Financing	431	387	372	69	96	(12)
4129 Guaranteed Loan Financing	5,539	2,213	1,369	12	32	824
8132 National Service Life Insurance Fund	10,213	1,477	291	1,472	1,458	1,200
All Other	4,448	2,156	1,823	431	453	311
<b>Total</b>	<b>\$ 59,489</b>	<b>\$ 44,262</b>	<b>\$ 4,315</b>	<b>\$ 2,110</b>	<b>\$ 2,175</b>	<b>\$ 39,882</b>
<b>NCA</b>						
0129 National Cemetery Adm.	\$ 157	\$ 149	\$ 1	\$ 29	\$ 29	\$ 148
All Other	33	19	-	46	26	39
<b>Total</b>	<b>\$ 190</b>	<b>\$ 168</b>	<b>\$ 1</b>	<b>\$ 75</b>	<b>\$ 55</b>	<b>\$ 187</b>
<b>ADM</b>						
0151 General Operating Expenses	\$ 1,800	\$ 1,708	\$ 323	\$ 432	\$ 270	\$ 1,545
All Other	3,889	2,344	3,066	(57)	(1,076)	297
<b>Total</b>	<b>\$ 5,689</b>	<b>\$ 4,052</b>	<b>\$ 3,389</b>	<b>\$ 375</b>	<b>\$ (806)</b>	<b>\$ 1,842</b>
<b>Total of all Business Lines</b>	<b>\$ 103,194</b>	<b>\$ 82,676</b>	<b>\$ 8,284</b>	<b>\$ 8,307</b>	<b>\$ 8,237</b>	<b>\$ 74,461</b>



## Improper Payments Information Act of 2002 (IPIA)

### Narrative Summary of Implementation Efforts for FY 2006/Agency Plans for FY 2007 – 2009

#### Detail I

**Describe your agency's risk assessment(s), performed subsequent to compiling your full program inventory. List the risk-susceptible programs (i.e., programs that have a significant risk of improper payments based on Office of Management and Budget (OMB) guidance thresholds) identified through your risk assessments. Be sure to include the programs previously identified in the former Section 57 of OMB Circular A-11.**

VA reviewed the requirements of the Improper Payment Information Act of 2002 to identify those programs which are susceptible to significant erroneous payments. After completing the review, VA performed risk assessments for all 19 programs. Thirteen of the programs had estimated improper payments of less than \$10 million. Dependency and Indemnity Compensation (DIC) is one of the programs previously identified in the former Section 57 of OMB Circular A-11, but is reported here as part of Compensation & Pension. Five programs either had estimated improper payments exceeding \$10 million and/or were programs previously identified in the former Section 57 of OMB Circular A-11. Although the Insurance program was one of the programs identified in Section 57 of OMB Circular A-11, the risk assessment for the program is low. VA reported 2 years of low risk results in the FY 2004 and 2005 PARs. Therefore, in accordance with OMB Circular A-123, Appendix C, VA requested and was granted relief from annual reporting for 3 years, unless substantive funding, legislative, or other changes occur.

In FY 2006, statistical samplings were performed on all required programs to estimate improper payments. (FY 2005 data were used to ensure that an accurate representation of a full fiscal year's results was obtained.) These programs include Compensation & Pension, Education, Insurance, the Loan Guaranty (LGY), and Vocational Rehabilitation & Employment programs. The benefit programs are managed by the Veterans Benefits Administration (VBA). VBA recognizes the inherent risk associated with administering benefits programs to veterans and beneficiaries. The criteria used to determine entitlement, the scope of administering through 57 regional offices, legislative changes, reporting requirements, time constraints, and the responsibility of ensuring appropriate use of resources all contribute to VBA's emphasis on identifying and minimizing vulnerabilities that lead to improper payments.

#### **1. Compensation (including Dependency & Indemnity Compensation) and Pension**

Erroneous payments are defined as payments made to ineligible beneficiaries or payments that were made for an incorrect amount. Erroneous payments may be caused by procedural or administrative errors made during the claims process, delays in claims processing due to requirements to provide due process, late reporting, misreporting, or fraud on the part of employees, beneficiaries, or claimants.

Over and underpayments are based on the results of the national Systematic Technical Accuracy Review (STAR) program. The STAR process involves a comprehensive technical accuracy review of a statistically valid random sample of completed cases. The 2006 STAR sample totaled 11,030 currently processed cases.



The STAR process identifies erroneous payments for the following categories: Improper Grant/Denial, Improper Percentage Evaluation Assigned, Improper Effective Dates Affecting Payment, Improper Payment Rates, Improper Income Calculations, Improper Dependency Payment, Improper Payment of Burial Benefits, and Improper Waivers. The results of this review sample are extrapolated to the universe of completed claims to calculate estimated annual overpayments and underpayments. Separate annual amounts are calculated for the compensation program and pension program. (Please refer to Detail II for a full discussion regarding the statistical sampling process.) Our methodology for determining overpayments and underpayments also assesses the causes of the erroneous payments. Overpayments created not due to error on the part of VA are included in our overpayment figures.

**Compensation and Pension** is composed of several programs as discussed below.

- a. **Disability Compensation** is provided to veterans for disabilities incurred or aggravated while on active duty. The amount of compensation is based on the degree of disability. Several ancillary benefits are also available to certain severely disabled veterans.
- b. **Dependency and Indemnity Compensation** is provided for surviving spouses, dependent children, and dependent parents of veterans who died while on active duty on or after January 1, 1957, or whose post-service death was caused by or contributed to by their service-

incurred disabilities, or to survivors who die of nonservice-connected conditions but who were continuously rated totally disabled due to service-connected condition(s) for a number of years immediately preceding death as specified in law of service-connected causes. Prior to January 1, 1957, death compensation was the benefit payable to survivors.

- c. **Nonservice-Connected Disability Pension** is provided for veterans with nonservice-connected disabilities who served in time of war. The veterans must be permanently and totally disabled or must have attained the age of 65 and must meet specific income limitations.
- d. **Death Pension** is provided for surviving spouses and children of wartime veterans who died of nonservice-connected causes, subject to specific income limitations.

## 2. Education

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

To identify the payment accuracy rate, the Education Service conducts quarterly quality assurance (QA) reviews of a random sample of completed Education benefit claims. This is the percentage of claims in which no erroneous payments (under or over) are authorized. It is therefore the inverse of a payment error rate. QA reviewers use a checklist with eight questions, one of which is used in determining the payment accuracy rate: “Were the payment determinations



correct?" The checklist also requires additional information about each case reviewed, including:

- Amount of payment authorized.
- Amount actually due.
- Amount of over or underpayment, if any, erroneously authorized.

The payment information currently collected through the QA review process can be compared with the total benefit dollars paid in a given fiscal year in order to produce an estimate of both the percentage and amount of erroneous payments in the Education program. Since the data for all quarters of a given fiscal year are available through this system, mispayment data from the four quarterly reviews for 2004 were aggregated to provide the actual baseline measurement data. The percentage of erroneous payments exceeded 2.5 percent in that year, and the total amount of erroneous payments exceeded \$10 million. For 2005, although the percentage of erroneous payments did not exceed 2.5 percent, the total amount of erroneous payments exceeded \$10 million.

### 3. Vocational Rehabilitation & Employment

The Vocational Rehabilitation and Employment (VR&E) Service handles applications for benefits and processes payments from the Benefits Delivery Network (BDN) from its 57 regional offices nationwide. Outlays in 2005 totaled over \$583 million and are expected to rise to over \$614 million and \$657 million in 2006 and 2007, respectively. The VR&E program offers a wide range of services tailored to the specific needs of veterans and their dependents. These services require extensive assessments and evaluations to validate entitlement and payments.

VBA recognizes the inherent risk associated with administering a sizable and diverse national program.

VA's VR&E Service implemented the Quality Assurance Program, which was created under the provision of Public Law 106-117, The Veterans Millennium Health Care and Benefits Act, which states that VBA must establish and execute a quality assurance program. It is a procedure designed to assess the quality of services provided to veterans and a case manager's work in terms of quality and accuracy of entitlement determination, rehabilitation services, fiscal activities, and rehabilitation outcomes.

Internal controls including the Systematic Analyses of Operations (SAO) for Debt Avoidance and Fiscal Control, and the reestablishment of VR&E field surveys are used to minimize the occurrence of improper payments. These controls help ensure the accuracy of the following:

- Entitlement Determination – accuracy of decision for entitlement of a veteran to receive Chapter 31 benefits/services.
- Outcome Determination – accuracy of decision for closing a veteran's case when a veteran has achieved his or her rehabilitation goal or when a veteran is no longer able to participate in the Chapter 31 program.
- Rehabilitation Services – accuracy and quality of services provided to the Chapter 31 program participants, which includes fiscal activities.

### 4. Loan Guaranty (LGY)

The purpose of the VA LGY program is to encourage and facilitate the extension of favorable credit terms by private lenders to eligible veterans, active duty



personnel, surviving spouses, and selected reservists for the purpose of purchasing a home. The LGY program has an additional purpose of assisting veterans retain their homes in times of financial hardship and distress. The program operates in nine regional loan centers, two regional offices, and one eligibility center. Additionally, several important program functions are contracted out, and LGY Service maintains monitoring units to oversee those operations. In 2005, the program guaranteed over 165,000 loans for a dollar value in excess of \$24 billion. LGY Service was ultimately responsible for the processing of over \$1.2 billion in payments during that same fiscal year. With this level of inherent risk involved, LGY Service has instituted a number of internal controls to ensure that this risk is mitigated, and that payments made are accurate and justifiable.

The LGY program's internal control procedures significantly reduce the risk of improper payments. Only limited amounts of improper payments have been discovered during the annual financial statement audit that includes auditing payments for many of the processes identified in Detail II. About 75 percent of LGY's payments are intra-governmental -- processed electronically from one LGY account to another or to Treasury. For those payments made externally, LGY has a number of procedures in place to mitigate the risk of improper payments. LGY conducts random sample post-audit reviews of payments made under the property management contract and under Claims & Acquisitions. LGY also conducts 100 percent Final Accounting Reviews of all Specially Adapted Housing grant payments and 100 percent reviews of all vouchers submitted by the portfolio loan servicer.

## Detail II

**Describe the statistical sampling process conducted to estimate the improper payment rate for each program identified.**

### **1. Compensation (including Dependency & Indemnity Compensation) and Pension**

VBA's calculation of the estimate of the improper payment rate for both the Compensation (including Dependency & Indemnity Compensation) and Pension programs is based upon actual dollar amounts of debt referred to the VA Debt Management Center (DMC) and erroneous payments identified in VA's quality assurance program known as STAR. Half of the estimated debt identified by STAR is included in the calculation of erroneous payments. That half is the amount written off as an administrative error. The other half of the STAR-identified erroneous payments are reflected in the DMC data. Debts referred to the DMC can reflect erroneous payments spanning multiple years as in overpayments associated with VA's income verification match and fugitive felon match. In 2005, the DMC received \$181.9 million in compensation debt and \$323.3 million in pension debt.

The STAR process captures over and underpayment errors found during the claims processing review and calculates the dollar amounts associated with those payment errors. Since the review is based on a random sample of cases, the results are applied to the universe of claims processed and a weighting factor is applied to each regional office's workload share to generate overall estimated improper payments.



In FY 2005, the STAR process included 11,030 cases -- 9,505 compensation cases and 1,525 pension cases. A total of 335 payment errors were documented for compensation cases (3.5 percent error rate), including 210 underpayments totaling \$1,083,835 and 125 overpayments totaling \$530,166. A total of 57 payment errors were documented for pension cases (3.7 percent error rate), including 31 underpayments totaling \$39,581 and 26 overpayments totaling \$62,329.

The number of cases reviewed for compensation and pension represents 0.71 percent of the 1,557,290 cases subject for review. While the errors were clearly identified as either compensation or pension, the overall review sample contained some cases with both compensation and pension elements. Accordingly, the sample size for the compensation program was 0.82 and 0.38 percent for the pension program.

When extrapolated to the completed compensation claims for FY 2005, including a weighting factor for each regional office's share of national workload, total estimated Compensation program underpayments were \$97.7 million and overpayments were \$52.7 million.

When extrapolated to the completed pension claims for FY 2005, including a weighting factor for each regional office and pension maintenance center's share of national workload, total Pension program estimated underpayments were \$9.8 million and estimated overpayments were \$75.5 million.

## 2. Education

QA reviews were designed to provide statistically valid results at the 95 percent

confidence level and 5 percent precision (also expressed as a margin of error of plus or minus 2.5 percent), for an estimated payment accuracy rate of 94 percent (equivalent to an error rate of 6 percent). The annual nationwide random sample of 1,600 cases is selected from the database of completed end products in quarterly increments. Reviews are also conducted and reports issued quarterly. Provided that the estimated erroneous payment rate is similar to the estimated error rate used in constructing the QA sample, that is, 6 percent or less, the data may be considered statistically valid. Data on percentage and amount of erroneous payments from quarterly QA reviews for awards authorized in 2005 were compared to total benefits paid for that fiscal year.

## 3. Vocational Rehabilitation & Employment

Data for the improper payment rate are gathered through the Quality Assurance review. In 2002 Booz-Allen-Hamilton conducted a study on the VR&E Quality Assurance Program. Starting in FY 2003 the total number of cases to be reviewed annually was increased from 2,850 to a minimum of 3,648 cases, or 64 cases per regional office, as a result of the study recommendations. The increase allowed for a valid random sampling size for each regional office review of cases based on a confidence level on a 5 percent margin of error. In 2005, there were 4,180 cases reviewed, or 75 cases per regional office. The review sample results are applied to the national total workload to generate VR&E's estimated overall improper payments by using weighting factors based on the regional offices' caseload size.

## 4. Loan Guaranty

The LGY program helps veterans and active duty personnel purchase and retain homes in recognition of service to the Nation. The program enables eligible veterans to obtain financing for the purchase, construction, or



improvement of a home by insuring a percentage of the loan. This mandatory program encourages the lender to extend favorable loan terms and competitive interest rates to veterans who might otherwise prove ineligible. The LGY program disburses payments for:

- Specially Adapted Housing Grants.
  - Claims and Acquisition Payments.
  - Portfolio Servicing of Direct Loans.
  - Property Management.
- a. **Specially Adapted Housing (SAH) Grants** – SAH staff at the regional loan centers (RLCs) certify that all grant requirements have been met prior to authorizing the dispersal of grant funds to the veteran's escrow account for payment of authorized expenses incurred for construction or modification of the veteran's home. The RLC staff then conducts a 100 percent Final Accounting Review for all cases. The cases are then sent to Central Office (CO) for a second-level review. LGY CO reviews 100 percent of these files. For 2006, no errors have been found in any part of the SAH grant payment process.
  - b. **Claims & Acquisition Payments** – LGY conducts a stringent first-level review of all claim payments. A 100 percent manual review is conducted on all claims received. The Loan Service and Claims (LS&C) system requires that at least two different LGY staff members review and certify the claim in the system before releasing it for payment. LGY also conducts statistically valid post-audit reviews of Claims & Acquisition payments. LGY reviews a random sampling of these payments through quality control visits to each of the nine RLCs and the Honolulu Regional Office. LGY also includes a post-

audit review of claims paid as part of the Statistical Quality Control (SQC) Review 321. A first-level review of cases is done at the RLC, and a second-level validation is conducted by LGY CO. Between the quality control site visits and SQC reviews, the total claim payments which are being post-audited are significant at the 90 percent confidence level with +/- 2.5 percent margin of error. For 2006, the error rate is less than 1 percent. Only one error, which was minor in nature, was discovered.

- c. **Portfolio Loan Voucher Payments** – Countrywide Home Loans (CHL) is LGY's contracted portfolio loan servicer. The Portfolio Loan Oversight Unit (PLOU) classifies CHL vouchers into seven types, based on nature of the service provided or the type of items included within. For example, the 003-Type contains reimbursable fees such as property preservation costs, foreclosure/bankruptcy costs, and recording fees; the 002-Type consists of property tax payments. As per the requirements of the Prompt Payment Act, VA pays each invoice as it is received. The PLOU staff then conducts a 100 percent post-audit of each voucher payment to ensure correctness and accuracy of payments. The average error rate was extrapolated across the entire amount of voucher payments to arrive at the total amount of improper payments.
- d. **Property Management Voucher Payments** – Ocwen is LGY's property management contractor. VA's Property Management Oversight Unit (PMOU) receives two types of vouchers (After Sale and Supplemental) from Ocwen. In 2006, however, Ocwen also submitted



vouchers for services and fees relating to VA's agreement with FEMA to provide low-cost rental housing to hurricane disaster victims. All invoices are handled in the same manner. Invoices are reviewed upon receipt by a Realty Specialist for compliance with the contract requirements and to assure that proper supporting documentation is included. The invoice then is approved by the Realty Specialist and submitted to a supervisor to certify it for payment per the requirements of the Prompt Payment Act. The Centralized Property Tracking System (CPTS) pulls a 10 percent random sample of vouchers for post-audit review. The 10 percent sample requirement is statistically significant at the 99 percent confidence level with approximately +/-5 percent margin of error. [A 10 percent sample of a total of 6,880 invoices yields 688 cases for review valid at the 99 percent confidence level with +/-5 percent margin of error]. If, upon review, VA finds that the voucher submitted by Ocwen does not meet established requirements (proper documentation, accurate billing amounts, etc.), VA establishes a bill of collection (BOC) against Ocwen. While VA has identified that the payment error rate is rooted in the number of BOCs established in a given fiscal year, the actual error rate for FY 2006 voucher payments has not yet been determined.

FY 2005 was the first full year of invoicing, and therefore LGY had not yet determined how to calculate the overall error rate for property management payments made during that fiscal year. As discussions about reporting for FY 2006 improper payments began, LGY became aware

that it was not possible to tie payments in a given fiscal year to errors made (bills of collection established) in that same fiscal year. This problem is due to the appeals process, which is established in the property management contract with Ocwen.

The appeals process allows for Ocwen to appeal any BOC they receive from VA. Ocwen may appeal by resubmitting the voucher with additional supporting or clarifying documentation or information. LGY Central Office Property Management (LGYCO PM) staff is tasked with reviewing these resubmitted vouchers and recommending action (approving or denying the voucher) to the VA contracting officer, who also reviews the file for concurrence/non-concurrence. After LGYCO PM staff and the contracting officer have reached a decision, Ocwen may still appeal that ruling to the Board of Contract Appeals. It is not until the Board rules on a particular voucher payment (or the established time allotted for appeal has lapsed) that LGY can deem it a 'resolved' item, meaning that it can be determined that the payment was made in error, or that it was made accurately. This lengthy and multi-tiered appeal process often causes BOCs established in any given fiscal year to be unresolved for a lengthy period of time, a period which may cross the demarcation of fiscal years. Largely for this reason, BOCs have not been classified by 'year established,' but rather 'year resolved' for the purpose of internal management reporting. As this does not fit the parameters of analysis for IPIA reporting, however, LGY cannot at this time report a true FY 2006 error rate for property management vouchers paid.



LGY is working to reconfigure management reports and tools to enable it to tie BOCs to the fiscal year in which they were established. This will enable VA to report, for the dollar amount of payments made in a given fiscal year, the percentage and dollar amount made in error. This initial reclassification of data within LGY's systems and reporting tools will be extremely labor intensive. LGY will provide a more detailed project schedule as it is developed. Additionally, upon completion of this reconfiguration initiative, LGY will provide FY 2006 data on improper payments and error rates for inclusion in LGY's IPIA statistics.

### Detail III

#### **Describe the Corrective Action Plans for:**

**A. Reducing the estimated rate of improper payments. Include in this discussion what is seen as the cause(s) of errors and the corresponding steps necessary to prevent future occurrences. If efforts are underway, and/or have been ongoing for some length of time, it is appropriate to include information in this section.**

**B. Grant-making agencies with risk susceptible grant programs, discuss what your agency has accomplished in the area of funds stewardship past the primary recipient. Include the status on projects and results of any reviews.**

#### **1. Compensation (including Dependency & Indemnity Compensation) and Pension**

A significant cause in the increase in overpayments in both compensation and pension accounts has been the implementation of the Fugitive Felon program. This program, mandated by Public

Law 107-103 in December 2001, prohibits veterans who are fugitive felons, or their dependents, from receiving specified veterans benefits. It requires VA to retroactively terminate veterans and other beneficiaries from the date the claimant became a "fugitive felon." The first batch of over 980 cases was released in May 2003. The second batch of over 2,000 cases was released in March 2004. It takes approximately 9 months to a year to completely process these fugitive felon cases. Based on the higher number of cases in the second batch and the length of time it takes to process these cases, the amount of overpayments created in fiscal year 2005 from this program increased considerably over the overpayments created in 2004. In addition to the identification of fugitive felons, notification of incarceration may also lead to the establishment of overpayments. According to current statute, these cases are given due process and then adjusted. Notification of either status is a function of agreements made with states, the Bureau of Prisons, and law enforcement agencies. As previously indicated, these overpayments typically span multiple years as the OIG's negotiation of agreements with various jurisdictions expands. As the OIG brings in more law enforcement jurisdictions, we can anticipate that large overpayments will continue for at least the next 3 years. Overpayments could be reduced if benefits were terminated from the date of the notice to VA of fugitive status rather than the date of issuance of the warrant.

#### **2. Compensation**

Based on STAR data, the most common causes for erroneous compensation payments are the assignment of improper evaluations (37 percent of errors) and the improper grant of service connection (22 percent of errors). VBA continues to be engaged in initiatives that address these errors.



The first of these initiatives is the Regulation Rewrite project charged with redrafting VA's regulations into clear and understandable language. The project to rewrite the regulations is a result of a recommendation outlined in the October 2001 VA Claims Processing Task Force: Report to the Secretary of Veterans Affairs aimed at improving VA's claims adjudication process.

One of the most complex regulations in VA's inventory deals with effective dates. Clarifying the regulation regarding effective dates is a primary focus of the Regulation Rewrite Staff. Publication of the final regulation dealing with effective dates is anticipated in calendar year 2009. VBA anticipates the rewritten regulation will help reduce common errors identified above that result in overpayments.

Another initiative is improved training programs. VA continues its efforts to expand its rating capacity. Since the number of inexperienced rating specialists is significant, this means that the potential for errors in evaluation and granting or denying of benefits is greater. We believe that our training programs, the increasing experience of disability decision-makers, and publication of the STAR Reporter (which advises the field of error trends), will significantly improve these areas.

Other reasons for overpayments include:

- Non-entitlement for the month of death.
- Reductions/terminations due to incarceration or fugitive felon status.
- Remarriage of surviving spouse.

The month of death overpayment occurs when the veteran dies late in the month, too late to stop the release of the check for the month of death, a benefit to which he/she is not entitled. Approximately 79,000 veterans were removed from the compensation rolls

in 2005, virtually all due to death. This resulted in approximately \$25.6 million in overpayments because death occurred in the last 10 days of the month (applicable to an estimated 26,300 veterans). The average compensation payment in 2005 was \$974 monthly. Although the overpayment is created, the majority of these payments are recouped.

Overpayments also are created as a result of notification of incarceration or fugitive felon status. According to current statute, these cases are given due process and then adjusted. Notification of either status is a function of agreements made with states, the Bureau of Prisons, and law enforcement agencies. As previously indicated, these overpayments typically span multiple years as the OIG's negotiation of agreements with various jurisdictions expands.

### 3. Pension

The Pension program administered by VA is a highly complex program that is intended to provide the financial resources needed by beneficiaries based upon anticipated income. It then requires adjustment based upon actual income. Consequently, like similar programs such as Supplemental Security Income, it is prone to overpayments due to late or misreporting of income changes or failure to report such changes by claimants. For this reason, VA consolidated the processing of all pension maintenance workload in order to improve the quality and timeliness of the pension processing, as well as to focus training in this area. Another goal of consolidation is to reduce the size of erroneous payments through greater claims processing efficiencies and reduced cycle time. We believe that an improved quality of pension processing and focused training should reduce the average size of overpayments but not substantially the number of erroneous payments. Pension processing quality has increased dramatically through the consolidation and



specialization, and we expect it to continue. Consolidation of initial claims processing to the pension centers is anticipated in calendar year 2007. However, 2005 erroneous payments were higher than anticipated. As discussed earlier, the increased cases identified through the fugitive felon program in 2004 over 2003, coupled with the requirements for due process, led to an increase in the amounts of overpayments established in 2005.

These effects are anticipated to continue in 2006 and are affected by the increased workload from the changes in income verification matches conducted in 2006 and 2007. Beginning in 2006, VBA will process two tax years worth of information (2002 and 2003) from the IRS. This will continue in 2007 with tax years 2004 and 2005 being released to the regional offices. VBA will return to processing one year's worth of tax information in 2008. Although this action may result in an increase in the number of overpayments created in 2006 and 2007, it should also result in a decrease in the amount of the overpayment created for the claimant, as the income information is only two years old as opposed to three years old. Since VBA will return to processing one year's worth of tax information in FY 2008, we anticipate the number and amount of overpayments in 2008 and 2009 will return to 2004 levels.

The Pension program in particular has other ongoing reasons that contribute to erroneous payments. The program involves less judgment in determining entitlement, with the primary evaluation factor based upon compliance with a very detailed set of rules for establishing dependency and complex, detailed rules for developing and considering income to determine entitlement and payment rates. This is the primary reason for the higher ratio of overpayments to underpayments. The most common causes for erroneous pension overpayments

and underpayments are improper effective dates and improper calculation of family income. The size of overpayments in the pension program is aggravated by the effective date rules that govern the adjustment of accounts and the need to provide due process. Since the fact of entitlement or the rate of entitlement is affected by income, and changes in status and rate of payment are effective the first of the month following changed income, the claimant and VA are in an overpayment situation in virtually every income adjustment based on new or increased income.

Other causes for overpayments are:

- Non-entitlement for the month of death.
- Reductions or terminations due to claimant reports on Eligibility Verification Reports (EVR).
- Reductions or terminations based upon matching programs.
- Inaccurate reporting of monthly social security benefits.

Approximately 81,000 pension records were terminated in 2005. The estimated annual overpayment for the month of death (considering an estimated 27,000 deaths that occur in the last 10 days of the month), with an average monthly payment of \$548 when veterans and survivors are combined, is \$14.7 million.

Due to the particular nature of the pension program, a significant number of overpayments will be created due to reporting failures by beneficiaries. VBA has both internal and external controls that identify reporting discrepancies.

The EVR is a VBA internal annual report required of most pension recipients in which they are required to report their actual previous year and anticipated current year income. This program results in overpayments due to a late reporting of



income changes that result in larger overpayments due to two statutory provisions:

- a. Reductions are effective first of the month following receipt of the changed income. Because it normally is required to provide due process of 60 days in such cases, an overpayment is created for not only the historical period back to the receipt of the income but for a minimum of two months into the future.
- b. Failure to return an EVR results in termination of the award and resulting overpayment from the beginning of the calendar year.

Other ongoing successful efforts with internal/external organizations/agencies that identify reporting inconsistencies include:

- **Office of the Inspector General**
  - Death Match Project: The Office of Inspector General (OIG) death match project is conducted to identify individuals who may be defrauding VA by receiving VA benefits intended for beneficiaries who have passed away.
  - Fugitive Felon Program: On December 27, 2001, Public Law 107-103 was enacted. The law prohibits veterans who are fugitive felons, or their dependents, from receiving specified veterans benefits. At any given time more than 100,000 individuals are on a fugitive felon list maintained by the federal government and/or state and local law enforcement agencies. This program, as it is rolled out with other police jurisdictions, is an example of how overpayments will be identified in later years based upon newly acquired information.
- **Bureau of Prisons for Payments to Incarcerated Veterans**

An agreement was reached with the Social Security Administration (SSA) that

allowed VA to use the State Verification and Exchange System (SVES) to identify claimants incarcerated in state and local facilities. We are processing both Bureau of Prisons Match and SSA Prison Match cases on a monthly basis.

- **Railroad Retirement, Office of Personnel Management and Income Verification Match**

These matches report income from these and other sources compared to what pension beneficiaries report.
- **Social Security Administration**
  - Monthly Social Security Benefit Match: This is a match with SSA in which the amount of monthly social security reported by the claimant is compared to SSA records.
  - Unverified Social Security Number Listing: C&P Service analyzes an extract of hits from data runs in order to obtain the Unverified Social Security Numbers listing.

#### 4. Education

Education Service has used the Quality Assurance Review program to assess payment errors since FY 1992. Education Service quality review reports, issued quarterly, identify error trends and causes. The regional processing offices discuss the results at refresher training. Required training based on quarterly quality reviews was conducted in FY 2005. However, compared to the previous fiscal year, estimated erroneous payments fell from 3.0 percent to 1.2 percent. The principal factor underlying the improvement was an increase in the level of experience among claims processors, which resulted in a decline of 29 percent in the number of payment errors noted on QA reviews. In addition, fewer types of errors were found. For example, in 2005, no errors resulted from incorrectly processing monthly verification of enrollment data concurrent with award action, which was a major cause of errors in 2004. However, due



to the complexity of applicable requirements, the following three causes remained responsible for the majority of erroneous payments in 2005, as in the previous fiscal year:

- Incorrectly determining the student's rate of training (full-time rate or part-time).
- Incorrectly awarding benefits for intervals between terms.
- Incorrectly determining the date on which to reduce or terminate benefits.

Education Service is developing a rules-based automated claims processing system, The Education Expert System (TEES), which will help reduce payment errors. A prototype system is in place, and the full system is expected to improve performance when fully implemented by FY 2011. In addition, Education Service has developed standardized training materials for use by field stations. Use of these materials began in FY 2004; their use will continue to improve performance in the future.

### **5. Vocational Rehabilitation & Employment (VR&E)**

The National Quality Assurance Team monitors the errors annotated in the quality assurance reviews and tracks the corrective actions taken on identified errors. Also, as the team monitors the results of the reviews, any frequently identified error or best practice is brought to the attention of management. Any further action (i.e., national training or publication of best standards of practice) to address the area(s) identified is discussed and implemented.

After each review, an outbriefing letter containing the results of the National QA Review is provided to each regional office. The letter outlines the errors found during the review and indicates the required corrective actions. Each regional office is required to submit certification of compliance to the corrective actions to the

VR&E Service through the Director's office within 90 days of receipt of the letter. VR&E Service also revised the manual chapter on Systematic Analysis of Operations, which was published in June 2006, strengthening the fiscal accuracy and review section.

In January 2004, VR&E Service required that all compliance reports for corrective actions on errors found on fiscal activities must also include the amount of over or underpayment for Chapter 31 benefits. The types of errors that were noted varied but included such items as:

- Entry of incorrect end date identifying timeframe for completion of training session and, therefore, veteran was either paid at an incorrect rate or no payment was issued and veteran should have received the subsistence allowance.
- Incorrect subsistence allowance rate entered and veteran was compensated at the wrong rate.
- Improper amount or omission of Employment Assistance Allowance paid to veterans.

The review revealed an increase in overpayments due to an increase in incorrect subsistence allowance rates being applied. There were two scenarios that affected the majority of the increase. Rates were either not reduced when a veteran adjusted their participation time (full time to half time) or an administrative error was made when a veteran discontinued their training status and all documents were not completed to stop the allowance. Local training on the policies and procedures for adjusting subsistence allowance was provided to the regional office staff.



## 6. Loan Guaranty

SAH grant payments have been found to be error-free. LGY will continue to conduct the 100 percent Final Accounting Review and second-level Central Office reviews of the SAH grant process. Additionally, LGY has developed a statistical quality control (SQC) schedule for the SAH program, which will provide additional opportunity for review of the grant process, including grant payments.

Claims & Acquisition payments have been found to have very few errors (0.105 percent error rate for FY 2006). Since the error rate is so low, and the instances of error so minor in value, LGY will continue its procedures for first and second-level reviews prior to payment and will continue to perform all post-audit review of cases as per existing site visit and SQC schedules.

Portfolio loan servicing payments are processed for payment by the Portfolio Loan Oversight Unit (PLOU) within the timeframe sanctioned by the Prompt Payment Act. Payments are then post-audited by the PLOU staff for accuracy and correctness. For FY 2006, errors were found only in the 001- and 002-series of vouchers, with the bulk of mistakes being located in the 002 vouchers. This means that errors were only found on vouchers related to tax payments and calculations (002-series) and on invoices consisting of reimbursable loan servicing fees (001-series). LGY monitors 002-series vouchers

and maintains information on overcharges/unallowable charges submitted by holders. LGY offsets claims submitted by holders for any overcharges/unallowable charges contained therein. If the claim for the specific account has already been processed, then LGY makes adjustments on future claims submitted by the holder.

### Detail IV

**The following three tables are required for each reporting agency. Please note that with this fiscal year, we require actual Outlay Dollars, Improper Payment percent, and Improper Payment Dollars for FY 2005 and 2006, and estimate Outlay Dollars, Improper Payment percent, and Improper Payment Dollars for FY 2007 – FY 2009. We highlight the following for clarification: (1) all risk susceptible programs must be listed in this chart whether or not an error measurement is being reported; (2) where no measurement is provided, agency should indicate the date by which a measurement is expected; (3) if FY 2006 is the baseline measurement, indicate by either footnote or by “n/a” in the “FY 04 percent” column; (4) if any of the dollar amount(s) included in the estimate correspond to newly established measurement components in addition to previously established measurement components, separate the two amounts to the extent possible; (5) include outlay estimates for FY 2007-2009; and (6) agencies are expected to report on FY 06 activity, and if not feasible, then FY 05 activity is acceptable.**



**Improper Payment (IP) Reduction for FY 2005**  
(\$ in millions)

Program	Outlays \$ <sup>(1)</sup>		Estimated IP%	Actual IP %	Estimated IP \$	Actual IP \$
	Estimated	Actual				
<b>Compensation</b> <sup>(2)</sup>	28,960	28,711	0.63	0.73	181.0	208.3
			0.49	0.34	141.9	97.7
<b>Pensions</b>	3,293	3,383	7.50	10.6	247.0	361.1
			0.43	0.28	14.0	9.8
<b>Education</b>	2,661	2,611	1.30	0.53	34.0	13.8
			1.10	0.71	30.0	18.5
<b>Vocational Rehabilitation</b>	603	583	0.44	0.50	2.7	2.9
			1.18	0.56	7.1	3.3
<b>Loan Guaranty</b> <sup>(3)</sup>	1,219	1,137	0.35	0.30	4.2	3.5

**Notes to Improper Payment Reduction Outlook Table:**

<sup>1</sup> For some programs, dollars reported are payments, not necessarily outlays. Overpayments (shaded cells) and underpayments are identified for programs for which separate data is available.

<sup>2</sup> Dependency & Indemnity Compensation is included with Compensation.

<sup>3</sup> Outlay calculations changed since the FY 2004 PAR submission. In the Loan Guaranty Program, housing intergovernmental transactions were determined not to be subject to erroneous payment sampling and review.



**Improper Payment Reduction Outlook FY 2005 – FY 2009**

(\$ in millions)

Program	FY 2005			FY 2006			FY 2007			FY 2008			FY 2009		
	OUTLAYS \$ <sup>(1)</sup>	IP %	IP \$	OUTLAYS \$ <sup>(1)</sup>	IP %	IP \$	OUTLAYS \$ <sup>(1)</sup>	IP %	IP \$	OUTLAYS \$ <sup>(1)</sup>	IP %	IP \$	OUTLAYS \$ <sup>(1)</sup>	IP %	IP \$
Compensation <sup>(2)</sup>	28,711	0.73	208.3	31,217	0.71	221.6	34,233	0.69	236.2	36,395	0.67	243.8	39,057	0.65	253.9
		0.34	97.7		0.33	103.0		0.32	109.5		0.31	112.8		0.30	117.2
Pensions	3,383	10.6	361.1	3,473	10.4	361.2	3,540	10.1	357.5	3,589	8.0	287.1	3,620	7.88	285.3
		0.28	9.8		0.27	9.4		0.26	9.2		0.25	9.0		0.24	8.7
Education	2,611	0.53	13.8	3,051	1.10	33.6	3,220	1.10	35.4	3,393	1.05	35.6	3,497	1.00	35.0
		0.71	18.5		1.10	33.6		1.10	35.4		1.05	35.6		1.00	35.0
Vocational Rehabilitation	583	0.50	2.9	614	0.46	2.8	657	0.42	2.8	712	0.38	2.7	761	0.34	2.6
		0.56	3.3		0.52	3.2		0.48	3.2		0.44	3.1		0.40	3.0
Loan Guaranty <sup>(3)(4)</sup>	1,137	0.30	3.5	825	0.10	0.9	2,321	0.30	7.0	2,241	0.28	6.3	2,550	0.26	6.6

**Notes to Improper Payment Reduction Outlook Table:**

<sup>1</sup> For some programs, dollars reported are payments, not necessarily outlays. Overpayments (shaded cells) and underpayments are identified for programs for which separate data are available.

<sup>2</sup> Dependency & Indemnity Compensation is included with Compensation.

<sup>3</sup> FY 2006 – 2009 outlay estimates for Loan Guaranty are based on obligations as shown in the FY 2007 President’s budget and will be revised with updated information.

<sup>4</sup> FY 2006 LGY numbers do not include Property Management.



**VA Recovery Targets for all Susceptible Programs**  
(\$ in millions)

Program	FY 2005				FY 2006		FY 2007		FY 2008		FY 2009	
	Est. \$	Act. \$	Est. %	Act. %	\$	%	\$	%	\$	%	\$	%
Compensation & Pension <sup>(1)</sup>	250	298	25	25	211	25	269	25	272	25	276	25
Education & VR&E <sup>(2)</sup>	100	124	50	54	166	56	183	54	204	52	208	48
Loan Guaranty	1.5	1.7	60	70	1.3	70	1.9	70	1.6	70	1.4	70

**Notes to VA Recovery Targets for all Susceptible Programs Table:**

<sup>1</sup> Compensation and Pension collections are shown as one figure.

<sup>2</sup> Collections reported for Education are collections for both Education and Vocational Rehabilitation & Employment (VR&E).



## Detail V

**Discuss your agency's recovery auditing effort, if applicable, including any contract types excluded from review and the justification for doing so; actions taken to recoup improper payments, and the business process changes and internal controls instituted and/or strengthened to prevent further occurrences. In addition, complete the table below.**

### **1. Financial Services Center, Austin, TX**

VA continued to enhance its vendor payment processes throughout FY 2006. The Department processed over 4.8 million Prompt Payment Act (PPA) eligible invoices worth over \$8.2 billion, with over 99 percent paid on time. In 2006, interest payments VA-wide increased by \$113,000 (from \$746,000 to \$858,000) – a 15.2 percent increase over 2005 levels, largely attributable to an increase in interest on payments for the delivery of goods during the second quarter of 2006, subsequently corrected through a process improvement. Further, 2006 interest paid as a percentage of total payments remained virtually unchanged, increasing less than 1 percent over 2005 levels. At the same time, the dollar value of discounts offered declined by nearly \$1.4 million to \$4.8 million, a 22.7 percent decrease over 2005 levels, due to fewer available discounts. VA's percentage of discounts actually earned also improved from 91.1 percent in 2005 to 93.3 percent in 2006. The improvement in discount processing saved VA \$116,000 in 2006.

VA also continued to gain efficiencies and improve performance through an initiative to centralize vendor payment activities at the FSC. By centralizing vendor payment activities, VA strengthened its focus on identifying and preventing vendor payment errors. The FSC also enhanced audit recovery efforts of improper/duplicate vendor payments. The FSC reviews VA

vendor payments daily to systematically identify, prevent, and recover improper payments made to commercial vendors. Current payment files are matched to identify and, where possible, prevent duplicates prior to payment. Also, payments from prior fiscal years are matched to identify potential duplicate payments for further analysis, assessment, and, as appropriate, collection. The FSC also reviews vendor payments to identify and collect improper payments resulting from payment processing such as erroneous interest penalties, service charges, and sales taxes. This initiative, started in 2004, recovered over \$277,000 in erroneous interest penalties, service charges, and sales taxes for reuse by VA entities during 2006. Overall, during 2006, collections of improper payments and the recovery of unapplied vendor statement credits totaled nearly \$5.1 million. Improved payment oversight also enabled VA to identify and cancel nearly \$7.9 million in potential improper payments prior to disbursement during 2005. Since the inception of the FSC's audit recovery effort in 2001, VA has recovered over \$18.3 million in improper payments and prevented the improper payment of another \$21.1 million.

### **2. Health Administration Center (HAC), Denver, CO**

Public Law 106-74 mandated VA conduct, by contract, a recovery audit program of past payments for hospital care. In the associated conference report for Public Law 106-379, the primary intent of this program was further described as an interest to ensure that clinical diagnoses and treatments match the codes, which are submitted to VA for payment and, where an overpayment has been made, enable VA to recover the funds for medical care. VA awarded a recovery audit contract in December 2000. As of September 30, 2006, the contractor has identified 76,431 receivables totaling



\$54,742,288, of which VA has recovered \$46,845,039.

Public Law 108-199 extended the mandate for VA to conduct, by contract, a recovery audit program of past payments for hospital care through FY 2006. VA awarded the new recovery audit contract in December 2004. The contract started on July 11, 2005, with requests sent to providers and VA medical centers for information. As of September 30, 2006, the contractor has identified 3,246 receivables totaling \$11,278,568, of which VA has recovered \$5,228,305.

### **3. Supply Fund**

The VA Office of Acquisition and Materiel Management works with the OIG to recover funds owed VA due to (1) defective pricing -- whether the prices for the items awarded were based on accurate, complete, and current disclosures by the offeror during contract negotiations; and (2) price reduction violations -- whether the contractor complied with the terms and conditions of the price reduction clause. As part of the OIG post-award contract reviews, staff also look for and collect overcharges that were the result of the contractor charging more than the contract price. In 2006, this audit recovery program recovered over \$20 million.



Audit Recovery Table

Agency Component	Amount Subject to Review for FY 2006 Reporting \$	Actual Amount Reviewed and Reported (X) \$	Amounts Identified for Recovery (Y) \$	Amounts Identified for Recovery/Actual Amount Reviewed and Reported (Y divided by X)	Actual Amounts Recovered \$
FSC	4,090,017,045	4,080,440,699	6,537,196	0.16%	4,979,518
HAC	994,838,848	133,948,829	11,278,568	8.4%	5,228,305
Supply Fund	1,475,501,446	1,475,501,446	21,339,690	1.45%	20,170,600



## Detail VI

**Describe the steps the agency has taken and plans to take (including time line) to ensure that agency managers (including the agency head) are held accountable for reducing and recovering improper payments.**

The Under Secretary for Benefit's continued emphasis on accountability and integrity at every level underscores his commitment to achieving the goals set forth in the FY 2002 Improper Payment Reduction Act. One of the President's Management Agenda's objectives is to secure the best performance and highest measure of accountability within the agencies of the federal government. VBA continues to report progress through the President's Management Scorecard and through the Monthly Performance Reviews with the Deputy Secretary. In addition to the monthly reviews, annual information is shared in the Performance and Accountability Report. It is a VBA-wide effort and commitment to reduce the occurrence of improper payments.

### **1. Compensation & Pension**

VBA is committed to ensuring agency managers are held accountable for reducing and recovering improper payments. This is accomplished in a number of ways for the C&P business line. First, regional directors, service center managers, and all management personnel share the same performance standards with respect to the management of delivery of compensation and pension. Non-supervisory field staffs have performance standards that measure them against quality and timeliness standards. Within C&P Service, management and staff are responsible for measuring quality, development of counter measures and

training, and development of legislative and technological changes where possible to avoid, reduce, and recover overpayments.

### **2. Education**

Performance accountability measures, including payment accuracy, are set by VBA top management for directors of the offices that process Education claims, and set by the directors for subordinates. Education Service has developed standardized nationwide performance standards including payment accuracy for personnel who process claims.

### **3. Vocational Rehabilitation & Employment**

VR&E Service is currently using the Quality Assurance Review results to track improper payments. There are national performance measures for VR&E employees and managers, which include a fiscal accuracy measure. After the Quality Assurance Team has conducted a review of cases, each regional office is required to submit its certification of compliance on the corrective actions within 90 days from receipt of the QA Review Results Letter. A database was developed and is being populated to track the regional office's compliance to required fiscal corrective actions, including the amount of under and overpayments.

### **4. Loan Guaranty**

Quality of work performed at the RLCs and regional offices that have an LGY presence is of key importance to the LGY program. Performance standards for the directors of these LGY stations include quality standards that cover virtually all facets of the program, accuracy of payments being part of these standards. LGY Service works with the Office of Field Operations to set performance requirements and stretch goals for the LGY quality measures. Award money is available for stations



that exceed requirements and achieve the stretch goals.

#### Detail VII

**A. Describe whether the agency has the information systems and other infrastructure it needs to reduce improper payments to the levels the agency has targeted.**

**1. Compensation (including Dependency & Indemnity Compensation) and Pension**

The agency has information systems and infrastructure to reduce improper payments. The information systems, however, reflect old technology and do not prevent or reduce the size of overpayments to the extent possible. The elimination of batch cycle processing and conversion to real time processing will enable us to discontinue payments up to the day before payment is to be issued. The system will be integrated such that the disability rating decision will be entered once and support the rating, eliminating or substantially reducing errors due to data entry and effective date problems. The amount of retroactive payments is calculated as the award is being prepared and is known to the decision-maker and the authorizer prior to authorizing the payment. Where three signatures are required, the system will have the internal control to ensure that three signatures are present. We will also eliminate problems with the calculation of manual out-of-system payments.

**2. Education**

Education Service is developing a rules-based automated claims processing system. The goal of this system, when fully implemented, is to automatically process 90 percent of all enrollments and changes in enrollment. While the principal effect of implementation is to reduce processing times, it is also expected to reduce erroneous payments.

Given the improvements currently being implemented and those that are planned for the future, the LGY, VR&E, and Insurance programs have the information systems and other infrastructure needed to keep improper payments at the levels targeted and should be able to reduce improper payments.

**B. If the agency does not have such systems and infrastructure, describe the resources the agency requested in its FY 2006 budget submission to Congress to obtain the necessary information systems and infrastructure.**

Funding for TEES (\$3 million) is included in the 2007 VA budget request. Constraints in resource allocation (both human capital and monetary resources) have hampered any substantial progress to date. Full implementation of TEES will be coordinated with the retirement of VBA's legacy system, the Benefits Delivery Network.

#### Detail VIII

**Describe any statutory or regulatory barriers which may limit the agencies' corrective actions in reducing improper payments and actions taken by the agency to mitigate the barriers' effects.**

**Compensation (including Dependency & Indemnity Compensation) and Pension**

There are statutory and regulatory barriers that limit our corrective actions in reducing improper payments. Many of these barriers are in the Pension program. Under current governing legislation, adjustments to payments are effective the first of the month following the month of the change in income or net worth. Additionally, benefits are paid on a prospective basis based on the beneficiary's estimate of anticipated income.



Thus, an award adjustment due to changes in income is always after the fact and creates an overpayment. While this process does create overpayments, we believe it should not be changed since the program meets the requirement to provide income support for current need.

Likewise, the need to provide due process to claimants where adjustment or termination of their award is needed results in continued payment at improper rates for approximately 90 days following discovery. When the award is done, however, adjustment is from the first of the month following the month in which the change in circumstance occurred. Again, we believe that the principles of due process are so important that these continued payments are a cost of administering the program.

A significant cause in the increase in overpayments in both compensation and pension accounts has been the implementation of the Fugitive Felon program. This program, mandated by Public Law 107-103 in December 2001, prohibits veterans who are fugitive felons, or their dependents, from receiving specified veterans benefits. It requires VA to retroactively terminate veterans and other beneficiaries from the date the claimant became a "fugitive felon." Overpayments could be reduced if benefits were terminated from the date of the notice to VA of fugitive status rather than the date of issuance of the warrant.

## Detail IX

**Additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges identified, as a result of IPIA implementation.**

Beginning 2006, VA only reports on those programs meeting the improper/erroneous payments criteria.



## Definitions—Key and Supporting Measures and Other Terms

### Definitions of Key Measures

**Please note:** Key Measures are also defined in the Key Measures Data Table (see page 178).

#### **Average days to complete original and supplemental education claims (Key Measure)**

This measure represents the elapsed time, in days, from receipt of a claim in the regional processing office to closure of the case by issuing a decision. Original claims are those for first-time use of this benefit. Any subsequent school enrollment is considered a supplemental claim. (Education)

#### **Average days to process – DIC actions**

This measure assesses the average length of time it takes to process a Dependency and Indemnity Compensation (DIC) claim from the date of receipt of claim in VA until the date of completion. (Compensation)

#### **Average number of days to process insurance disbursements**

Insurance disbursements are death claims paid to beneficiaries, policy loans, and cash surrenders requested by policyholders. Average processing days are a weighted composite for all three types of disbursements based on the number of end products and timeliness for each category. Processing time begins when the veteran's application or beneficiary's fully completed claim is received and ends when the internal controls staff approves the disbursement. The average processing days for death claims is multiplied by the number of death claims processed. The same calculation is done for loans and cash surrenders. The sum of these calculations is divided by the sum of death claims, loans, and cash surrenders processed to arrive at the weighted average processing days for disbursements. (Insurance)

#### **Clinical Practice Guidelines Index**

The Clinical Practice Guidelines Index is a composite measure comprised of the evidence and outcomes-based measures for high-prevalence and high-risk diseases that have significant impact on overall health status. The indicators within the Index are comprised of several clinical practice guidelines in the areas of

ischemic heart disease, hypertension, diabetes mellitus, major depressive disorder, schizophrenia, and tobacco use cessation. The percent compliance is an average of the separate indicators. (Medical Care)

#### **Foreclosure avoidance through servicing (FATS) ratio**

The FATS ratio measures the effectiveness of VA supplemental servicing of defaulted guaranteed loans. The ratio measures the extent to which foreclosures would have been greater had VA not pursued alternatives to foreclosure. (Loan Guaranty)

#### **National accuracy rate (Compensation core rating work)**

This measure assesses claims processing accuracy for compensation claims that normally require a disability or death rating determination. The accuracy rate is captured after all processing actions are complete based on the following criteria: addressing all issues, Veterans Claims Assistance Act (VCAA)-compliant development, correct decision, correct effective date, and correct payment date if applicable. Accuracy rate is determined by dividing the total number of cases with no errors in any of these categories by the number of cases reviewed. (Compensation)

#### **National accuracy rate (Pension authorization work)**

This measure assesses claims processing accuracy for pension claims that normally do not require rating decisions (i.e., determinations and verifications of income as well as dependency and relationship matters). The accuracy rate is captured after all processing actions are complete based on the following criteria: all pension authorization work such as correct decision, correct effective date, and correct payment date when applicable. It also includes Veterans Claims Assistance Act (VCAA)-compliant development. Accuracy rate is determined by dividing the total number of cases with no errors in any one category by the number of cases reviewed. (Pension)

#### **Non-rating pension actions - average days to process**

This measure assesses the average elapsed time (in days) it takes to complete claims from the date the claim is received by VA to the date the decision is



made. The measure is calculated by dividing the total number of days recorded from receipt to completion by the total number of cases completed. Pension Non-Rating claims include: Disability and death dependency claims (EP130); Income, Estate and Election Issues (EP150); Income Verification Match Cases (EP154); Eligibility Verification Report referrals (EP155); and Original Death Pension (EP190). (Pension)

**Number of patients under non-institutional long-term care as expressed by average daily census**

The number is the Average Daily Census (ADC) of veterans enrolled in Home and Community-Based Care programs (e.g., Home-Based Primary Care, Purchased Skilled Home Health Care, Spinal Cord Injury Home Health Care, Adult Day Health Care (VA and Contract), Home Hospice, Outpatient Respite, Care Coordination and Homemaker/Home Health Aide Services). (Medical Care)

**Number of peer-reviewed publications authored by VA investigators within the fiscal year**

This measure represents the number of peer-reviewed publications by VA investigators that show VA listed as the affiliated institution as determined by a PubMed search. (Medical Research)

**Percent of graves in national cemeteries marked within 60 days of interment (Key Measure)**

This measure represents the number of graves in national cemeteries for which a marker has been set at the grave or the reverse inscription completed within 60 days of the interment divided by the number of interments, expressed as a percentage. (Burial)

**Percent of patients rating VA health care service as very good or excellent: Inpatient and Outpatient**

Data are gathered for these measures via VA surveys that are distributed to a representative sample of inpatients and outpatients. The denominator is the total number of patients sampled who answered the question, "Overall, how would you rate your quality of care?" The numerator is the number of patients who respond 'very good' or 'excellent.' (Medical Care)

**Percent of primary care appointments scheduled within 30 days of desired date**

This measure tracks the time between when the primary care appointment request is made (entered

into the computer) and the date for which the appointment is actually scheduled. The percent is calculated using the numerator, which is those scheduled within 30 days of desired date (includes both new and established patient experiences), and the denominator, which is all appointments in primary care clinics posted in the scheduling software during the review period. (Medical Care)

**Percent of respondents who rate national cemetery appearance as excellent**

This measure represents the number of survey respondents who agree or strongly agree that the overall appearance of the national cemetery is excellent divided by the total number of survey respondents, expressed as a percentage. (Burial)

**Percent of respondents who rate the quality of service provided by the national cemeteries as excellent**

This measure represents the number of survey respondents who agree or strongly agree that the quality of service received from national cemetery staff is excellent divided by the total number of survey respondents, expressed as a percentage. (Burial)

**Percent of specialty care appointments scheduled within 30 days of desired date**

This measure tracks the number of days between when the specialty appointment request is made (entered into the computer) and the date for which the appointment is actually scheduled. This includes both new and established specialty care patients. The percent is calculated using the numerator, which is all appointments scheduled within 30 days of desired date and the denominator, which is all appointments posted in the scheduling software during the review period in selected high volume/key specialty clinics. (Medical Care)

**Percent of veterans served by a burial option within a reasonable distance (75 miles) of their residence**

The measure is the number of veterans served by a burial option divided by the total number of veterans, expressed as a percentage. A burial option is defined as a first family member interment option (whether for casketed remains or cremated remains, either in-ground or in columbaria) in a national or state veterans cemetery that is available within 75 miles of the veteran's place of residence. (Burial)



### **Prevention Index II**

The Prevention Index is an average of nationally recognized primary prevention and early detection interventions for nine diseases or health factors that significantly determine health outcomes. The nine diseases or health factors include: rate of immunizations for Influenza and Pneumococcal pneumonia; screening for tobacco consumption, alcohol abuse, breast cancer, cervical cancer, colorectal cancer, and cholesterol levels; and prostate cancer education. Each disease has an indicator. Each indicator's numerator is the number of patients in the random sample who actually received the intervention they were eligible to receive. The denominator is the number of patients in the random sample who were eligible to receive the intervention. (Medical Care)

### **Rating-related actions - average days to process**

The average elapsed time (in days) it takes to complete claims that require a disability decision is measured from the date the claim is received by VA to the date the decision is made. The measure is calculated by dividing the total number of days recorded from receipt to completion by the total number of cases completed. Includes the End Products (EP): Original Compensation, with 1-7 issues (EP110); Original Compensation, 8 or more issues (EP010); Original Service Connected Death Claim (EP140); Reopened Compensation Claims (EP020); Review Examination (EP310); and Hospitalization Adjustment (EP320). For Pension cases, the category includes original pension claims (EP180) and reopened pension claims (EP120). (Compensation and Pension)

### **Rating-related compensation actions - average days pending**

The measure is calculated by counting the number of days for all currently pending claims from the date each claim is received through the current reporting date. The total number of days is divided by the total number of pending claims. Compensation Rating includes all pending claims in the following categories: EPs 110, 010, 020, 140, 310, and 320. (Compensation)

### **Vocational Rehabilitation and Employment Rehabilitation rate**

This measure represents the number of disabled veterans who acquire and maintain suitable employment and leave VA's vocational rehabilitation program, divided by the total number leaving the program minus those individuals who benefited from but left the program and have been classified under one of three "maximum rehabilitation gain" categories: (1) the veteran accepted a position incompatible with disability limitations, (2) the veteran is employable but has informed VA that he/she is not interested in seeking employment, and (3) the veteran is not employed and not employable for medical or psychological reasons.

For those veterans with disabilities that make employment infeasible, Vocational Rehabilitation and Employment (VR&E) seeks to assist them in becoming independent in their daily living. (VR&E)



## Definitions of Supporting Measures

### Accuracy of decisions (Services)

This measure represents the percent of cases completed accurately for veterans who receive Chapter 31 (disabled veterans receiving vocational rehabilitation) services and/or educational/vocational counseling benefits under several other benefit chapters. Accuracy of service delivery is expressed as a percent of the highest possible score (100) on cases reviewed. (VR&E)

### Accuracy of Vocational Rehabilitation program completion decisions

This measure seeks to ensure the accuracy of decisions made to declare a veteran rehabilitated or discontinued from a program of services. (VR&E)

### Achieve adoption of recommendations relative to IT systems in compliance with FISMA, regulations, and policies within one year from issuance of a report

This measure represents the percentage of recommendations made in FISMA reports that are implemented by the Department within 1 year from the date the report is issued. (OIG)

### Achieve a professional, competent, and credible reputation as a result of work performed

Customer satisfaction scores (measured on a scale of one through five, with five being the highest possible score) are based on surveys returned to OIG by the principals impacted by investigations, audits, health care inspections, and Combined Assessment Program Reviews. In instances where customer surveys are returned with lower than anticipated ratings, management may follow up with survey participants to identify any issues that caused low ratings and possible solutions. (OIG)

### Appeals decided per Veterans Law Judge

This measure represents the total number of decisions, remands, dismissals, and vacatur issued by the Board of Veterans' Appeals, divided by the total number of Veterans Law Judges. (BVA)

### Appeals resolution time (in days)

This measure represents the average length of time it takes the Department to process an appeal from the date a claimant files a Notice of Disagreement (NOD) until a case is finally resolved, including

resolution at a regional office or by a final decision by the Board. (BVA and Compensation and Pension)

### Attainment of statutory minimum goals for service-disabled veteran-owned small business expressed as a percent of total procurement

This number represents the percentage of total dollars spent with service-disabled veteran-owned small businesses based on total dollars reported. Data are obtained from the Federal Procurement Data System-Next Generation (FPDS-NG), provided by the Federal Procurement Data Center at <https://www.fpds.gov>. (Departmental Management)

### Average caller hold time (caller wait time) in seconds

This measure represents the average length of time (in seconds) that a caller using the toll-free service number waits before being connected to an insurance representative. (Insurance)

### Average cost of placing participant in employment

This performance measure is a Common Measure whose definition is under development with the Departments of Labor, Education, Health and Human Services, and Veterans Affairs and will go into effect in FY 2007. (VR&E)

### Average number of days to initiate development of remands at the Appeals Management Center

This measure represents the average length of time it takes to develop a remand from the date the case is received at the Appeals Management Center until the date development begins. (Compensation)

### Average number of days to process a claim for reimbursement of burial expenses

This measure represents the elapsed time, in days, from receipt of a claim in the regional office to closure of the case by issuing a decision by the regional office. (VBA/Burial)

### BVA cycle time

BVA cycle time measures the time a case spends at the Board, other than the time the case file is in the possession of a veterans service organization. (BVA)

### Conversion rate of disabled SGLI members to VGLI

This measure represents the rate at which servicemembers who are discharged with a DoD disability rating of 50% or greater and are covered under the Servicemembers' Group Life Insurance



(SGLI) program convert to the Veterans' Group Life Insurance (VGLI) program after their separation from military service. (Insurance)

**Cost – Obligations per unique patient user**

This measure represents the average cost of total obligations for medical care divided by unique patients served. (Medical Care)

**Cost per case**

This measure represents a unit decision cost derived by dividing BVA's total obligational authority by the number of decisions produced. (BVA)

**Cumulative number of kiosks installed at national and state veterans cemeteries**

This measure represents the total number of kiosk information centers installed at national and state veterans cemeteries to assist visitors in finding exact gravesite locations of individuals buried there. In addition to providing the visitor with a cemetery map for use in locating the gravesite, the kiosk information center provides such general information as the cemetery's burial schedule, cemetery history, burial eligibility, and facts about the National Cemetery Administration. (Burial)

**Cumulative percent of FTEs (compared to total planned) covered by initiated Management Analysis/Business Process Reengineering (MA/BPR) studies of non-core commercial functions**

The MA/BPR initiative studies the effectiveness and efficiency of select VA non-core support functions over a 6-year time horizon. Each function to be studied has a related number of FTE positions coded as being commercial in nature on the FAIR Act inventory. The measure identifies the cumulative total number of FTE associated with functions for which studies have been initiated and compares that number to the total number of FTE to be studied in the 6-year plan, thus indicating how much progress has been made in completing the 6-year plan. (Departmental Management)

**Cumulative percentage decrease in facility traditional energy consumption per gross square foot from the 2003 baseline**

A 20 percent energy consumption reduction in facilities is called for in the Energy Policy Act of 2005 by 2015 at a 2 percent per year consumption reduction rate starting in 2006. Traditional energy

consumption includes electricity, fuel oil, natural gas, purchased steam, LPG/propane, coal, chilled water, and water. (Departmental Management)

**Customer satisfaction – high rating**

This measure represents the national percentage of respondents to the education customer satisfaction survey who were "very satisfied" or "somewhat satisfied" with the way VA handled their education benefits claim. (Education)

**Customer satisfaction (Survey)**

This measure represents the percent of veterans who answered "very satisfied" or "somewhat satisfied" overall with the VR&E program (of those who completed or withdrew from the program). (VR&E)

**Deficiency-free decision rate**

This goal is based on a random sampling of 5 percent of Board decisions. Decisions are checked for deficiencies in the following categories: identification of issues, findings of fact, conclusions of law, reasons and bases/rationale for preliminary orders, and due process. (BVA)

**Dollar value of 1<sup>st</sup> and 3<sup>rd</sup> party collections**

Medical care received within VHA has a co-payment attached in some cases. This co-payment is referred to as 1<sup>st</sup> party collections. In addition, for veterans who have other insurance, as appropriate, those insurance companies are billed for services. Those collections are referred to as 3<sup>rd</sup> party collections. (Medical Care)

**Efficiency – Annual number of appointments per year per FTE**

This measure represents the ratio of all outpatient visits against the number of clinical full-time equivalent (FTE) employees. The measure has an indirect relationship to efficiency. (Medical Care)

**Fiduciary Activities – Initial Appointment & Fiduciary – Beneficiary Exams – (percent completed untimely)**

This measure is the percentage of work products completed that exceeded the timeliness standard. It is obtained by dividing the sum of initial appointment (IA) and fiduciary beneficiary (FB) field examination work products completed untimely during a month by the total number of IAs and FBs completed during that month. A work product is considered overdue if it is completed in over 45 days for IAs and over 120 days for FBs. The FYTD measure is the total sum of



each month's overdue completed cases divided by the total number of completed IAs + FBs.  
(Compensation and Pension)

**Fiduciary Activities – Initial Appointment & Fiduciary – Beneficiary Exams – (percent of total pending overdue)**

This measure is the percentage of pending field examinations that are already pending beyond the timeliness standard. The percentage is obtained by dividing the sum of initial appointment (IA) and fiduciary-beneficiary (FB) field examinations pending over standard by the total number of IAs and FBs pending at the end of the month. IAs and FBs pending over 45 and 120 days, respectively, are untimely.  
(Compensation and Pension)

**Gross Days Revenue Outstanding (GDRO) for third party collections**

GDRO compares cash flow and level of receivables. For VHA, it represents the number of days to collect from Third Party payors measured from the Bill Authorization Date to Payment Date. GDRO is widely used in the healthcare industry as it specifically defines the age of outstanding receivables and the number of accounts receivable liquidation days. (Medical Care)

**Implementation guides developed for those Consolidated Health Informatics Standards adopted by VA and DoD**

In order to fully implement the interoperable VA/DoD health information systems, VA and DoD must agree on consolidated standards for informatics to ensure compatibility of information. Implementation guides are developed to provide guidance on how these standards will be implemented. (Medical Care)

**Maintain unqualified audit opinion of financial statements containing no material weaknesses or reportable conditions (Yes/No)**

An unqualified or "clean" audit is a complete examination and verification of the Department's financial records and supporting documents. (OIG)

**Medical residents' and other trainees' scores on a VHA survey assessing their clinical training experience**

The satisfaction survey for residents and other medical trainees assists VHA in determining how well we are achieving VA's academic mission of

providing innovative and high-quality health care training for VA and the Nation. The survey results are used to learn what satisfies medical trainees and to improve the clinical training experience. The sources of this data are the responses to a summary question from the Learners' Perceptions Survey.  
(Medical Care)

**Monetary benefits (dollars in millions)**

Monetary benefits represent the actual and potential monetary benefits identified during the conduct of OIG investigations, audits, inspections, and other reviews. (OIG)

**Montgomery GI Bill usage rate: All program participants**

The MGIB usage rate is derived by dividing the number of veterans who have received MGIB benefits by the number of all veterans who participated in the MGIB program and have separated from active military service. The usage rate includes those veterans who are still within their 10-year eligibility period but have not, as yet, applied for education benefits. (Education)

**Montgomery GI Bill (MGIB) usage rate: Veterans who have passed their 10-year eligibility period**

The MGIB usage rate is derived by dividing the number of veterans who have received MGIB benefits by the number of all veterans who participated in the MGIB program, have separated from active military service, and are beyond their eligibility period, generally 10 years after they left active duty. (Education)

**National accuracy rate (Compensation authorization work)**

This measure represents claims processing accuracy of compensation claims that do not require a rating decision. The accuracy rate is captured after all processing actions are complete based on the following criteria: addressing all issues, Veterans Claims Assistance Act (VCAA)-compliant development, correct decision, correct effective date, and correct payment date if applicable. Accuracy rate is determined by dividing the total number of cases with no errors in any of these categories by the number of cases reviewed. (Compensation)

**National accuracy rate (fiduciary work)**

This measure represents the national percentage of field examinations and account audits completed and



determined to be technically accurate. The accuracy rate for the Nation is a compilation of the C&P Service's review of the 57 regional offices. (Compensation and Pension)

**National accuracy rate (Pension core rating-related work)**

This measure represents claims processing accuracy for pension claims that normally require a disability or death rating determination. The accuracy rate is captured after all processing actions are complete based on the following criteria: addressing all issues, Veterans Claims Assistance Act (VCAA)-compliant development, correct decision, correct effective date, and correct payment date if applicable. Accuracy rate is determined by dividing the total number of cases with no errors in any of these categories by the number of cases reviewed. (Pension)

**National Accuracy Rate for burial claims processed**

This measure represents the percentage of burial claims (EP 160) completed and determined to be technically accurate. (VBA/Burial)

**Non-rating compensation actions - average days pending**

The measure is calculated by counting the number of days for all currently pending claims from the date each claim is received through the current reporting date. The total number of days is divided by the total number of pending claims. Compensation Non-Rating includes: Disability and death dependency claims (EP130); Accrued Benefits (EP165); Burial (EP160); and other special eligibility determinations (EP290). (Compensation)

**Non-rating compensation actions – average days to process**

The average elapsed time (in days) it takes to complete claims is measured from the date the claim is received by VA to the date the decision is made. The measure is calculated by dividing the total number of days from receipt to completion by the total number of cases completed. Compensation Non-Rating includes: Disability and death dependency claims (EP130); Accrued Benefits (EP165); Burial (EP160); and other special eligibility determinations (EP290). (Compensation)

**Non-rating pension actions – average days pending**

The measure is calculated by counting the number of days for all current pending claims from the date each claim is received through the current reporting date. The total number of days is divided by the total number of pending claims. Pension Non-Rating claims include: Disability and death dependency claims (EP130); Income, Estate and Election Issues (EP150); Income Verification Match Cases (EP154); Eligibility Verification Report referrals (EP155); and Original Death Pension (EP190). (Pension)

**Number of arrests, indictments, convictions, administrative sanctions, and pretrial diversions**

This number represents the output resulting from the conduct of an OIG investigation into allegations of criminal activities related to programs and operations of VA or into allegations against senior VA officials and other high profile matters of interest to Congress and the Department. (OIG)

**Number of audit qualifications identified in the auditor's opinion on VA's Consolidated Financial Statements**

Audits are performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and the requirements of OMB Bulletin No. 06-03, "Audit Requirements for Federal Financial Statements." This measure reports how many audit qualifications are identified each year in VA's consolidated financial statements. (Departmental Management)

**Number of CAP reports issued that include relevant health care delivery and benefits processing pulse points**

Combined Assessment Program (CAP) reviews provide cyclical oversight of VA facilities focusing on the quality, efficiency, and effectiveness of services provided. Pulse points are identified in order to assess key areas of management concern derived from concentrated and continuing analysis of operational databases and management information. (OIG)



**Number of disbursements (death claims, loans, and cash surrenders) per FTE**

This measure is calculated by dividing the number of disbursements -- which includes death claims, loans, and cash surrenders -- by the total number of FTE who process those disbursements. (Insurance)

**Number of distinct data exchanges between VA and DoD**

Data exchanges are defined as the routine transfer of data between DoD and VA using an information technology system. The results data will be verified by monitoring the number of data exchanges via VA network monitoring tools and through the joint VA/DoD Benefits Executive Committee (BEC) and Health Executive Council (HEC). (Departmental Management)

**Number of inpatient admissions and outpatient visits at Joint Ventures and significant sites (Facilities providing 500 or more outpatient visits and/or admissions per year)**

This measure captures the cumulative total of DoD beneficiaries being seen at VA facilities as outpatients. (A way of collecting data on inpatient admissions has not yet been established.) (Medical Care)

**Number of international benefit reviews conducted to determine the appropriateness of benefits processing for claimants living outside the 50 states**

The Veterans Benefits Administration pays millions in monetary benefits each month to beneficiaries living outside the United States. OIG reviews involve data matching, analysis, and verification of eligibility for beneficiaries living outside the 50 states. Previous reviews at the VA regional office in Manila in 2003, and in Puerto Rico in 2004, identified 5-year savings in excess of \$66 million. Additional reviews are scheduled to be conducted in Europe, Mexico, and Canada. (OIG)

**Number of material weaknesses identified during the annual financial statement audit or identified by management**

Audits are performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and the requirements of the Office of Management and Budget (OMB) Bulletin No. 01-02, "Audit Requirements for Federal Financial Statements," as amended. This measure reports how many material

weaknesses are identified each year in VA's consolidated financial statements. (Departmental Management)

**Number of reports issued that identify opportunities for improvement and provide recommendations for corrective action**

This measure shows the number of reports issued by the OIG in which substantive corrective actions, in the form of report recommendations, are documented and which require remedial action by the Department. (OIG)

**Out of all original claims filed within the first year of release from active duty, the percentage filed at a BDD site prior to a service member's discharge**

This is the percentage of original claims filed by separating servicemembers during the first year following release from active duty through the Benefits Delivery Discharge (BDD) program. The percentage is determined by dividing the number of original claims filed at the BDD sites by the total number of original claims that are filed within 1 year of discharge from service. (Compensation)

**Overall satisfaction rate (Compensation)**

This measure represents the percentage of respondents to the C&P customer satisfaction survey who were "very satisfied" or "somewhat satisfied" with the way VA handled/is handling their compensation claim. (Compensation)

**Overall satisfaction rate (Pension)**

This measure represents the percentage of respondents to the C&P customer satisfaction survey who were "very satisfied" or "somewhat satisfied" with the way VA handled/is handling their pension claim. (Pension)

**Payment accuracy rate**

This measure assesses how well decisions reflect payment at the proper rate for the correct period of time. (Education)

**Percentage of beneficiaries that believe their VA educational assistance has been either very helpful or helpful in the attainment of their educational or vocational goal**

This draft measure will determine the proportion of beneficiaries who report their VA educational benefits helped them accomplish their educational or vocational goal. (Education)



**Percentage of preaward recommendations sustained during contract negotiations**

The OIG reviews contracts to determine if lower contract prices could be negotiated to allow for better use of funds. This measure shows the percent of OIG preaward recommendations sustained after negotiation with vendors. (OIG)

**Percentage of recommendations implemented to improve efficiencies in operations through legislative, regulatory, policy, practices, and procedural change in VA**

This measure represents the percentage of recommendations made in OIG reports that are implemented by the Department in order to improve operations. (OIG)

**Percentage of statutory reports that are submitted to Congress within the required timeframes**

VA's Office of Congressional and Legislative Affairs monitors this percentage and verifies accuracy of data on a monthly basis. (Departmental Management)

**Percentage of successful prosecutions**

This measure represents those cases referred for prosecution for which a conviction was obtained. (OIG)

**Percentage of VA employees who are veterans**

This is the percentage of employees who are entitled to statutory types of preference in the Federal service based on certain active military service. (Departmental Management)

**Percent change in earnings from pre-application to post-program employment**

This performance measure is a Common Measure whose definition is under development with the Departments of Labor, Education, Health and Human Services, and Veterans Affairs and will go into effect in FY 2007. (VR&E)

**Percent Condition Index (owned buildings)**

This measure is calculated by comparing the cost of repair needs to plant replacement value. (Departmental Management)

**Percent of active duty personnel and veterans who could not have purchased a home without VA assistance**

This measure represents the comparison of median financial assets available to veterans at closing of a

guaranteed loan versus the amount necessary to obtain an FHA loan. (Loan Guaranty)

**Percent of admission notes by residents that have a note from attending physician within one day of admission: Medicine, Psychiatry, Surgery**

This measure represents the percent of attending physician notes that are entered within one day after admission notes are entered by a resident; this attests to the supervision of residents and ensures a higher level of quality of care. (Medical Care)

**Percent of applications for headstones and markers for the graves of veterans who are not buried in national cemeteries processed within 20 days**

This measures the timeliness of processing applications for headstones and markers -- using NCA's Automated Monument Application System -- for the graves of veterans who are not buried in national cemeteries. This percentage represents the number of headstones and markers ordered within 20 days of receipt of the application divided by the number of applications for headstones and markers received. (Burial)

**Percent of appointments for primary care scheduled within 30 days of desired date for veterans and service members returning from a combat zone**

This measure ensures veterans and service members returning from a combat zone have priority access to primary care appointments. (Medical Care)

**Percent of appointments for specialty health care services scheduled within 30 days of desired date for veterans and service members returning from a combat zone with an injury or illness**

This measure ensures veterans and service members returning from a combat zone with an injury or illness have priority access to specialty care appointments. (Medical Care)

**Percent of appointments scheduled within 30 days of desired appointment date**

This measure captures the percent of appointments where the wait time was less than or equal to 30 days from the date specified by the patient as his/her desired appointment date. (Medical Care)



**Percent of cases using alternate dispute resolution (ADR) techniques**

This measure represents the percent of contract dispute matters electing to use alternate dispute resolution (ADR) techniques. ADR techniques refer generally to several formal and informal processes for resolving disputes that do not entail courtroom litigation. (Departmental Management)

**Percent of compensation recipients who perceive that VA compensation redresses the effect of service-connected disability in diminishing the quality of life**

This measure represents the percent of veterans in receipt of compensation who believe that they are justly compensated for the disabilities they incurred in service. (Compensation)

**Percent of compensation recipients who were kept informed of the full range of available benefits**

This measure represents the national percentage of respondents to the C&P customer satisfaction survey who indicated that VA kept those in need of such information informed of the full range of VA benefits and services available. (Includes both persons applying for and receiving compensation.) (Compensation)

**Percent of DIC recipients above the poverty level**

This measure represents the percent of DIC recipients who are above the poverty level threshold. (Compensation)

**Percent of DIC recipients who are satisfied that VA recognized their sacrifice**

This measure represents the percent of DIC recipients who believe the DIC benefits they are receiving fairly compensates them for their sacrifice. (Compensation)

**Percent of Emergency Planners who have completed orientation**

This performance measure ensures that those in VA responsible for developing continuity of operations plans and guaranteeing VA will continue to provide essential functions understand their responsibilities for emergency preparedness planning and the directives governing such planning. (Departmental Management)

**Percent of funeral directors who respond that national cemeteries confirm the scheduling of the committal service within 2 hours**

This measure represents the percent of funeral directors who respond that the amount of time it typically takes to confirm the scheduling of an interment is less than two hours. (Burial)

**Percent of gravesites that have grades that are level and blend with adjacent grade levels**

This percentage represents the number of gravesites that are level and blend with adjacent grade levels divided by the number of gravesites assessed. (Burial)

**Percent of headstones and markers ordered by national cemeteries for which inscription data are accurate and complete**

This percentage represents the number of headstone and marker inscriptions ordered by national cemeteries for which inscription information is correctly and accurately recorded by cemetery personnel divided by the total number of inscriptions ordered. (Burial)

**Percent of headstones and markers that are undamaged and correctly inscribed**

This percentage represents the number of headstones and markers that are undamaged and correctly inscribed, divided by the number of headstones and markers ordered. (Burial)

**Percent of headstones and/or markers in national cemeteries that are at the proper height and alignment**

This percentage represents the number of headstones and markers in national cemeteries that are at the proper height and alignment divided by the total number assessed. (Burial)

**Percent of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations**

This percentage represents the number of headstones, markers, and niche covers that are clean and free of debris or objectionable accumulations divided by the total number assessed. (Burial)



**Percent of Montgomery GI Bill participants who successfully completed an education or training program**

This draft measure will determine the proportion of Montgomery GI Bill participants who accomplished their education or training program. (Education)

**Percent of newly elected/appointed state officials briefed within 60 days of taking office regarding VA programs and services**

This measure represents the percent of key state elected/appointed officials who are briefed within 60 days of their assuming office. (Departmental Management)

**Percent of outpatient encounters that have electronic progress notes signed within 2 days**

This measure represents the percent of all outpatient encounters that have progress notes entered into the electronic medical record within 2 days of the encounter. (Medical Care)

**Percent of participants employed first quarter after program exit**

This performance measure is a Common Measure under development with the Departments of Labor, Education, Health and Human Services, and Veterans Affairs and will go into effect in FY 2007. (VR&E)

**Percent of participants still employed three quarters after program exit**

This performance measure is a Common Measure under development with the Departments of Labor, Education, Health and Human Services, and Veterans Affairs and will go into effect in FY 2007. (VR&E)

**Percent of patients who report being seen within 20 minutes of scheduled appointments at VA health care facilities**

This measure represents the percent of patients who report in the Survey of Health Care Experiences of Patients that they were seen by the provider within 20 minutes or less of their scheduled appointment time. (Medical Care)

**Percent of pension recipients who believe that the processing of their claim reflects the courtesy, compassion, and respect due to a veteran**

This measure represents the national percentage of respondents to the C&P customer satisfaction survey who signified that the claims process was carried out in a courteous, compassionate, and respectful

manner. (Includes both persons applying for and receiving pension.) (Pension)

**Percent of pension recipients who said their claim determination was very or somewhat fair**

This measure represents the national percentage of respondents to the C&P customer satisfaction survey who indicated that VA's evaluation of their claim was "somewhat" or "very" fair. (Includes both persons applying for and receiving pension.) (Pension)

**Percent of pension recipients who were informed of the full range of available benefits**

This measure represents the national percentage of respondents to the C&P customer satisfaction survey who indicated that VA kept those in need of such information informed of the full range of VA benefits and services available. (Includes both persons applying for and receiving pension.) (Pension)

**Percent of respondents who would recommend the national cemetery to veteran families during their time of need**

This measure represents the percent of survey respondents who agree or strongly agree that they would recommend the national cemetery to veteran families during their time of need. (Burial)

**Percent of servicemembers covered by SGLI**

This is the percentage of active duty military servicemembers who are insured by the Servicemembers' Group Life Insurance (SGLI) program. (Insurance)

**Percent of space utilization as compared to overall space (owned and direct-leased)**

This measure is calculated by comparing owned and direct-leased square feet not needed to the owned and direct-leased square feet available. (Departmental Management)

**Percent of tort claims decided accurately at the administrative stage**

This measure represents, at the administrative level, the percent of veterans' tort claims decided accurately. The process aims to fairly compensate veterans who have been injured by substandard medical treatment. These veterans will not have to file law suits in federal court. Administrative settlement of meritorious claims will reduce the cost of handling tort claims against the government. (Departmental Management)



**Percent of Under Secretaries, Assistant Secretaries, and Other Key Officials who self-certify their teams “ready to deploy” to their COOP site**

The goal of this performance measure is to ensure that the highest levels of leadership within the Department know the requirements for maintaining continuity of operations and service to veterans and have plans in place and are ready to relocate to their alternate site if necessary.

(Departmental Management)

**Percent of VA beneficiaries receiving financial assistance for medical expenses**

This measure represents the percent of beneficiaries whose pension benefit is increased because unreimbursed medical expenses reported reduced their countable income for VA purposes. (Pension)

**Percent of veterans in receipt of compensation whose total income exceeds that of like-circumstanced veterans**

This measure represents the percent of service-connected disabled veterans in receipt of compensation whose available income and other cash and non-cash resources exceed the total income of similarly situated nonservice-connected veterans. (Compensation)

**Percent of veterans returning from a combat zone who respond “yes completely” to survey questions regarding how well they perceive that their VA provider listened to them and if they had trust and confidence in their VA provider**

The continual assessment of patient satisfaction tells VHA what patient expectations are and what dimensions of care concern veterans the most. This enables VHA to identify our strengths and to quickly address areas where patients are less satisfied. VHA continues to be a leader in achieving a high level of patient satisfaction. (Medical Care)

**Prevention Index II (Special Populations)**

The overall Prevention Index score is comprised of nine disease or health factors that measure how well VA follows nationally recognized primary prevention and early detection recommendations that significantly determine health outcomes. Indicators within the Index include: rate of immunizations for Influenza and Pneumococcal pneumonia; screening for tobacco consumption, alcohol abuse, breast cancer, cervical cancer, colorectal cancer, and

cholesterol levels; and prostate cancer education. The same overall index is then evaluated for those patients who meet the definition of a special population as a sub-group. (Medical Care)

**Productivity Index**

This efficiency measure determines the output generated by VBA FTE nationally and for each regional office. (Compensation and Pension)

**Progress towards development of a standard clinical practice for pressure ulcers**

Background: Clinical trials include in their construct, clear interim milestone achievements leading to the final phase or conclusion of the trial process. These milestones mark a level of achievement and provide the researchers an opportunity to assess the progress to that point in achieving the end goal and completion of the trial.

The cumulative number of milestones achieved for three clinical trials on pressure ulcers is expressed as a percentage of the total number of milestones. The long-term goal is to develop treatments or interventions that will prevent or lessen the duration and severity of pressure ulcers. (Medical Research)

**Progress towards development of one new treatment for post-traumatic stress disorder (PTSD)**

Background: Clinical trials include in their construct, clear interim milestone achievements leading to the final phase or conclusion of the trial process. These milestones mark a level of achievement and provide the researchers an opportunity to assess the progress to that point in achieving the end goal and completion of the trial.

This measure will track the cumulative number of milestones achieved as a percentage of the total number of milestones for four clinical trials on PTSD. The long-term goal is to develop at least one new effective treatment for PTSD and publish the results. (Medical Research)

**Rate of high veterans’ satisfaction ratings on services delivered**

This measure represents the percent of insurance customers who rate different aspects of insurance services in the highest two categories, based on a 5-point scale, using data from the insurance customer survey. (Insurance)



**Rate of low veterans' satisfaction ratings on services delivered**

This measure represents the percent of insurance customers who rate different aspects of insurance services in the lowest two categories, based on a 5-point scale, using data from the insurance customer survey. (Insurance)

**Rating-related pension actions – average days pending**

The measure is calculated by counting the number of days for all currently pending claims from the date each claim is received through the current reporting date. The total number of days is divided by the total number of pending claims. Pension Rating includes all pending claims in the following categories: EPs 180 and 120. (Pension)

**Ratio of non-mission dependent assets to total assets**

This measure is calculated by comparing the number of non-mission dependent assets to total assets. (Departmental Management)

**Ratio of operating costs per gross square foot**

This measure is calculated by dividing operating costs by owned and direct-leased square feet. Operating and maintenance costs are actual costs based on roads and grounds maintenance, utility plant operations, rent, energy, cleaning and janitorial services, and recurring maintenance and repairs. (Departmental Management)

**Ratio of SGLI premium rates charged per \$1,000 compared to the premium rates charged by other organization per \$1,000 for similar coverage**

This measure is calculated by comparing the premiums charged by other organizations for \$1,000 of similar coverage to the cost per \$1,000 of SGLI coverage. (Insurance)

**Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average enlisted service member**

This measure is calculated by dividing the maximum amount of available SGLI coverage by six times the salary for the average enlisted service member. The average enlisted service member's salary includes military housing and subsistence allowances. (Insurance)

**Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average officer**

This measure is calculated by dividing the maximum amount of available SGLI coverage by six times the salary for the average officer. The average officer's salary includes military housing and subsistence allowances. (Insurance)

**Ratio of the multiple of salary that SGLI covers versus the multiple of salary that private sector covers for the average service member**

This measure is calculated by dividing the maximum amount of available SGLI coverage by six times the salary for the average service member. The average service member's salary includes military housing and subsistence allowances. (Insurance)

**Ratio of VGLI premium rates charged per \$1,000 compared to the premium rates charged by other organizations per \$1,000 for similar coverage**

This measure is calculated by comparing premiums charged by other organizations for \$1,000 of similar coverage to the cost per \$1,000 of VGLI coverage. (Insurance)

**Serious Employment Handicap Rehabilitation Rate**

This measure represents the number of disabled veterans with a serious employment handicap who acquire and maintain suitable employment and leave VA's vocational rehabilitation program, divided by the total number of disabled veterans with a serious employment handicap leaving the program minus those individuals who benefited from but left the program and have been classified under one of three "maximum rehabilitation gain" categories: (1) the veteran accepted a position incompatible with disability limitations, (2) the veteran is employable but has informed VA that he/she is not interested in seeking employment, and (3) the veteran is not employed and not employable for medical or psychological reasons. (VR&E)

**Speed of entitlement decisions in average days**

This measure represents the average number of days from the time the application is received until the veteran is notified of the entitlement decision. (VR&E)



**Statistical quality index**

This is a quality index that reflects the number of correct Loan Guaranty actions, as determined by Statistical Quality Control reviews, expressed as a percentage of total actions reviewed. (Loan Guaranty)

**Study subject accrual rate for multi-site clinical trials**

The percentage of study sites that reach 100 percent of annual targets for patient recruitment is calculated to ensure that multi-site clinical trials are completed in a reasonable amount of time. Timely completion of studies will ensure that costs are contained and that clinical benefits are not postponed. (Medical Research)

**Telephone activities - abandoned call rate**

This measure represents the national percentage of call attempts for which the caller gets through, but hangs up before talking to a VA representative. (C&P, Education)

**Telephone activities - blocked call rate**

This measure represents the percentage of call attempts for which callers receive a busy signal because all circuits are in use. (C&P, Education, Insurance)

**Toll-free telephone blockage (busy signals) rate**

This measure represents the percentage of call attempts for which callers receive a busy signal because all circuits were in use for the insurance toll-free service number. (Insurance)

**Total annual value of joint VA/DoD procurement contracts for high-cost medical equipment**

This measure represents the dollar value of the amount of purchases made through joint procurement contracts with DoD for high-cost medical equipment. VA and DoD jointly negotiate procurement contracts to reduce costs through bulk purchasing. (Medical Care)

**Veterans satisfaction level**

This measure represents the percentage of veterans answering the Loan Guaranty customer satisfaction survey who were “very satisfied” or “somewhat satisfied” with the process of obtaining a VA home loan. (Loan Guaranty)



## Definitions of Financial and Other Terms

### Accounts payable

This term is defined as the money VA owes to vendors and other Federal entities for products and services purchased. This is treated as a liability on the balance sheet. (Financial)

### Accounts receivable

This term is defined as the amount of money that is owed to VA by a customer (including other Federal entities) for products and services provided on credit. This is treated as a current asset on the balance sheet and includes such items as amounts due from third-party insurers for veterans' health care and from individuals for compensation, pension, and readjustment benefit overpayments. (Financial)

### Allowance

This term is defined as the amounts included in the President's budget request or projections to cover possible additional proposals, such as statutory pay increases and contingencies for relatively uncontrollable programs and other requirements. As used by Congress in the concurrent resolutions on the budget, allowances represent a special functional classification designed to include amounts to cover possible requirements, such as civilian pay raises and contingencies. Allowances remain undistributed until they occur or become firm, then they are distributed to the appropriate functional classification(s). (Financial)

### Apportionment

This term is defined as a distribution made by the Office of Management and Budget of amounts available for obligation in an appropriation or fund account. Apportionments divide amounts available for obligation by specific time periods (usually quarters), activities, projects, objects, or a combination thereof. The amounts so apportioned limit the amount of obligations that may be incurred. (Financial)

### Appropriation

This term is defined as the specific amount of money authorized by Congress for approved work, programs, or individual projects. (Financial)

### Appropriation Authority

This term is defined as the authority granted by Congress for the agency to spend government funds. (Financial)

### Average daily census

The number is the average number of patients enrolled in the specified programs over the course of the year. Specified programs include Home and Community-Based Care programs (e.g., Home-Based Primary Care, Purchased Skilled Home Health Care, Spinal Cord Injury Home Health Care, Adult Day Health Care (VA and Contract), Home Hospice, Outpatient Respite, Community Residential Care, and Homemaker/Home Health Aide Services). (Medical Care)

### Balance sheet

This term is defined as a summary of all the assets the agency owns and the liabilities owed against those assets as of a point in time (the end of the fiscal year for VA is September 30). This statement always shows two consecutive fiscal year snapshots so the reader can compare the information. There is no "owners' equity" in a federal agency as there is in a non-government company. However, we instead report our "net position," which is the amount of unexpended appropriation authority. (Financial)

### Budget Authority

This term is defined as the authority provided by law to enter into obligations that will result in immediate or future outlays involving Federal Government funds, except that budget authority does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government. The basic forms of budget authority are appropriations, authority to borrow, and contract authority. Budget authority may be classified by the period of availability (1-year, multiple-year, no-year), by the timing of congressional action (current or permanent), or by the manner of determining the amount available (definite or indefinite). (Financial)

### Budgetary resources

Budgetary resources are forms of authority given to an agency allowing it to incur obligations. Budgetary resources include new budget authority, unobligated balances, direct spending authority, and obligation limitations. (Financial)



**CARES – Capital Asset Realignment for Enhanced Services**

CARES is the VA program designed to assess veteran health care needs in VHA Networks, identify service delivery options to meet those needs in the future, and guide the realignment and allocation of capital assets to support the delivery of health care services. (Medical Care)

**Chief Financial Officers Act of 1990**

This legislation was enacted to improve the financial management practices of the Federal government and to ensure the production of reliable and timely financial information for use in the management and evaluation of Federal programs. (Financial)

**Exchange Revenue**

Exchange revenues arise when a Federal entity provides goods and services to the public or to another government entity for a price. (Financial)

**Federal Credit Reform Act of 1990**

This legislation was enacted to improve the accounting for costs of federal credit programs. (Financial)

**Federal Financial Management Improvement Act (FFMIA)**

The FFMIA requires agencies to produce timely and reliable financial statements that demonstrate their compliance with Federal financial management systems requirements, Federal accounting standards, and the U.S. government standard general ledger. If an agency believes its systems are not FFMIA-compliant, it must develop a remediation plan to achieve compliance within 3 years. (Financial)

**Federal Information Security Management Act of 2002 (FISMA)**

The purposes of this act are to:

- Provide a comprehensive framework for ensuring the effectiveness of information security controls over information resources that support federal operations and assets.
- Recognize the highly networked nature of the current federal computing environment and provide effective governmentwide management and oversight of the related information security risks, including coordination of information security efforts throughout the civilian, national security, and law enforcement communities.

- Provide for development and maintenance of minimum controls required to protect federal information and information systems.
- Provide a mechanism for improved oversight of federal agency information security programs.
- Acknowledge that commercially developed information security products offer advanced, dynamic, robust, and effective information security solutions, reflecting market solutions for the protection of critical information infrastructures important to the national defense and economic security of the nation that are designed, built, and operated by the private sector.
- Recognize that the selection of specific technical hardware and software information security solutions should be left to individual agencies from among commercially developed products. (Information Security)

**Federal Information Systems Control Audit Manual (FISCAM)**

This manual describes the computer-related controls that auditors should consider when assessing the integrity, confidentiality, and availability of computerized data. It is a guide applied by GAO primarily in support of financial statement audits and is available for use by other government auditors. It is not an audit standard. (Information Security)

**Federal Managers' Financial Integrity Act (FMFIA) of 1982**

This legislation requires Federal agencies to establish processes for the evaluation and improvement of financial and internal control systems in order to ensure that management control objectives are being met. (Financial)

**Franchise Fund**

VA's fund is comprised of six enterprise centers that competitively sell common administrative services and products throughout the Federal Government. The funds are deposited into the Franchise Fund. The Centers' operations are funded solely on a fee-for-service basis. Full cost recovery ensures they are self-sustaining. (Departmental Management)

**Fund Balance with the Treasury**

This term is defined as the aggregate amount of funds in VA's accounts with the Department of the Treasury for which we are authorized to make expenditures and pay liabilities. This account includes clearing account balances and the dollar



equivalent of foreign currency account balances. (Financial)

**Government Management Reform Act of 1994**

This legislation was enacted to provide more effective and efficient executive branch performance in reporting financial information to Congress and committees of Congress. (Financial)

**Heritage Assets**

Heritage Assets are unique and are generally expected to be preserved indefinitely. Heritage assets may have historical or natural significance; be of cultural, educational, or artistic importance; or have significant architectural characteristics. (Financial)

**Intragovernmental assets**

These assets arise from transactions among Federal entities. These assets are claims of the reporting entity against other Federal entities. (Financial)

**Intragovernmental liabilities**

These liabilities are claims against the reporting entity by other Federal entities. (Financial)

**Inventory**

An inventory is a tangible personal property that is (i) held for sale, including raw materials and work in process, (ii) in the process of production for sale, or (iii) to be consumed in the production of goods for sale or in the provision of services for a fee. (Financial)

**Management (or internal) controls**

This term is defined as safeguards (organization, policies, and procedures) used by agencies to reasonably ensure that (i) programs achieve their intended results; (ii) resources are used consistent with agency mission; (iii) programs and resources are protected from waste, fraud, and mismanagement; (iv) laws and regulations are followed; and (v) reliable and timely information is obtained, maintained, reported, and used for decision making. (Financial)

**Material weakness**

This term is defined as a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the

normal course of performing their assigned functions. (Financial)

**Memorial Service Network**

NCA's field structure is geographically organized into five Memorial Service Networks (MSNs). The national cemeteries in each MSN are supervised by the MSN Director and staff. The MSN offices are located in Philadelphia, Pennsylvania; Atlanta, Georgia; Indianapolis, Indiana; Denver, Colorado; and Oakland, California. The MSN Directors and staff provide direction, operational oversight, and engineering assistance to the cemeteries located in their geographic areas. (Burial)

**National Institute of Standards and Technology (NIST) and its Computer Security Division**

NIST is a non-regulatory federal agency within the U.S. Commerce Department's Technology Administration. NIST's mission is to promote U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that enhance economic security and improve our quality of life. The Computer Security Division is one of eight divisions within NIST's Information Technology Laboratory. The mission of the Computer Security Division is to improve information systems security. (Information Security)

**Net cost of operations**

Net cost of operations is the gross cost incurred by VA less any exchange revenue earned from its activities. The gross cost of a program consists of the full cost of the outputs produced by that program plus any non-production costs that can be assigned to the program. (Financial)

**Net position**

Net position comprises the portion of VA's appropriations represented by undelivered orders and unobligated balances (unexpended appropriations) and the net results of the reporting entity's operations since inception, plus the cumulative amount of prior period adjustments (cumulative results of operations). (Financial)

**Net program cost**

Net program cost is the difference between a program's gross cost and its related exchange revenues. If a program does not earn any exchange revenue, there is no netting and the term used might be total program cost. (Financial)



### **Notes to the Consolidated Financial Statements**

The notes provide additional disclosures that are necessary to make the financial statements more informative and not misleading. The notes are an integral part of the financial statements. (Financial)

### **Obligations**

Obligations represent the amount of orders placed, contracts awarded, services received, and other transactions occurring during a given period that would require payments during the same or future period. (Financial)

### **OMB Circular No. A-123**

The Office of Management and Budget (OMB) issued Circular No. A-123 to provide guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on management controls. (Financial)

### **OMB Circular No. A-127**

The Office of Management and Budget (OMB) issued Circular No. A-127 to prescribe policies and standards for executive departments and agencies to follow in developing, operating, evaluating, and reporting on financial management systems. (Financial)

### **OMB Circular No. A-130, Appendix III**

The Office of Management and Budget (OMB) issued Circular No. A-130, Appendix III to establish a minimum set of controls to be included in Federal automated information security programs; assign Federal agency responsibilities for the security of automated information; and link agency automated information security programs and agency management control systems established in accordance with OMB Circular No. A-123. (Information Security)

### **Outlay**

Outlay is the amount of checks, disbursement of cash, or electronic transfer of funds made to liquidate a Federal obligation. Outlays also occur when interest on the Treasury debt held by the public accrues and when the Government issues bonds, notes, debentures, monetary credits, or other cash-equivalent instruments in order to liquidate obligations. (Financial)

### **Program evaluation**

This term is defined as an assessment, through objective measurement and systematic analysis, of the manner and extent to which Federal programs achieve intended outcomes. (Departmental Management)

### **Prompt Payment Act**

The Prompt Payment Final Rule (formerly OMB Circular No. A-125, "Prompt Payment") requires executive departments and agencies to pay commercial obligations within certain time periods and to pay interest penalties when payments are late. (Financial)

### **Property, Plant, and Equipment**

Property, plant, and equipment consist of tangible assets, including land, that have estimated useful lives of 2 years or more, not intended for sale in the ordinary course of operations, and have been acquired or constructed with the intention of being used, or being available for use, by the reporting entity. (Financial)

### **PTSD – Post-Traumatic Stress Disorder**

PTSD is an anxiety disorder that can occur following the experience or witnessing of life-threatening events, such as military combat, natural disasters, terrorist incidents, serious accidents, or violent personal assaults such as rape. People who suffer from PTSD often relive the experience through nightmares and flashbacks, have difficulty sleeping, and feel detached or estranged. These symptoms can be severe enough and last long enough to significantly impair the person's daily life. Common PTSD stressors in veterans include war zone stress (e.g., combat and exposure to mass casualty situations), the crash of a military aircraft, or sexual assault. VA is committed to providing an integrated, comprehensive, and cost-effective continuum of care for veterans with PTSD. (Medical Care)

### **Reportable Conditions**

This term is defined as matters coming to the auditor's attention that, in the auditor's judgment, should be communicated because they represent significant deficiencies in the design or operation of internal control that could adversely affect the organization's ability to properly record, process, and summarize transactions and comply with applicable laws and regulations. (Financial)



### **Research and Development**

Research and development investments are expenses included in the calculation of net costs to support the search for new or refined knowledge and ideas and for the application or use of such knowledge and ideas for the development of new and improved products and processes, with the expectation of maintaining or increasing national economic productivity capacity or yielding other future benefits. (Financial)

### **State Veterans Cemetery**

State veterans cemeteries, which complement VA's system of national cemeteries, provide burial options for eligible veterans and their family members. These cemeteries may be established by the States with the assistance of VA's State Cemetery Grants Program (SCGP). The SCGP provides grants to states of up to 100 percent of the cost of establishing, expanding, or improving state veterans cemeteries. (Burial)

### **Statement of Budgetary Resources**

This term is defined as a financial statement that provides assurance that the amounts obligated or spent did not exceed the available budget authority, obligations and outlays were for the purposes intended in the appropriations and authorizing legislation, other legal requirements pertaining to the account have been met, and the amounts are properly classified and accurately reported. (Financial)

### **Statement of Changes in Net Position**

This term is defined as a financial statement that provides the manner in which VA's net costs were financed and the resulting effect on the Department's net position. (Financial)

### **Statement of Financing**

This term is defined as a financial statement that explains how budgetary resources obligated during the period relate to the net cost of operations. It also provides information necessary to understand how the budgetary resources finance the cost of operations and affect the assets and liabilities of the Department. (Financial)

### **Statement of Net Costs**

This term is defined as a financial statement that provides information to help the reader understand the net costs of providing specific programs and activities, and the composition of and changes in these costs. (Financial)

### **Statement of Written Assurance**

A statement of written assurance is required by the Federal Managers' Financial Integrity Act. Each year, the head of each executive agency must prepare a statement that the agency's systems of internal accounting and administrative control fully comply with the requirements of the law, or that they do not comply. In the latter case, the head of the agency must provide a report that identifies (a) the material weaknesses in the agency's system of internal accounting and administrative controls and (b) the plans and schedules for correcting any such weaknesses. (Financial)

### **Status of Budgetary Resources**

This term is defined as the obligations incurred, the unobligated balances at the end of the period that remain available, and unobligated balances at the end of the period that are unavailable except to adjust or liquidate prior year obligations. (Financial)

### **Stewardship Land**

This term is defined as land not acquired for or in connection with items of general property, plant, and equipment. (Financial)

### **Stewardship Property, Plant, and Equipment (PP&E)**

This term is defined as assets whose physical properties resemble those of general PP&E that are traditionally capitalized in financial statements. However, due to the nature of these assets, (1) valuation would be difficult and (2) matching costs with specific periods would not be meaningful. Stewardship PP&E consists of heritage assets, national defense PP&E, and Stewardship Land. (Financial)

### **Telehealth**

This term is defined as the use of electronic communications and information technology to provide and support health care when distance separates the participants. It includes health care practitioners interacting with patients, and patients interacting with other patients. (Medical Care)

### **Telemedicine**

This term is defined as the provision of care by a licensed independent health care provider who directs, diagnoses, or provides clinical treatment via electronic communications and information



technology when distance separates the provider and the patient. (Medical Care)

**Unobligated Balances**

This term is defined as balances of budgetary resources that have not yet been obligated. (Financial)

**VA Domiciliary**

A VA domiciliary provides comprehensive health and social services in a VA facility for eligible veterans who are ambulatory and do not require the level of care provided in nursing homes. (Medical Care)

**VA Hospital**

A VA hospital is an institution that is owned, staffed, and operated by VA and whose primary function is to provide inpatient services. Note: Each division of an integrated medical center is counted as a separate hospital. (Medical Care)

**VA National Cemetery**

A VA national cemetery provides gravesites for the interment of deceased veterans and their eligible family members. VA's 123 national cemeteries are national shrines that are important sites for patriotic and commemorative events.

**VA Regional Office**

A VA regional office is a VBA office located in each state that receives and processes claims for VA benefits. (VBA)

**Veterans Integrated Service Network (VISN)**

VA's 21 VISNs are integrated networks of health care facilities that provide coordinated services to veterans to facilitate continuity through all phases of health care and to maximize the use of resources. (Medical Care)



## Abbreviations and Acronyms

**ACSI**

American Customer Satisfaction Index

**AFGE**

American Federation of Government Employees

**ALS**

Amyotrophic Lateral Sclerosis

**AMC**

Appeals Management Center

**BDD**

Benefits Delivery at Discharge

**BDN**

Benefits Delivery Network

**BHIE**

Bi-Directional Health Information Exchange

**BPA**

Blanket Purchase Agreement

**BVA**

Board of Veterans' Appeals

**C&A**

Certification and Accreditation

**C&P**

Compensation and Pension

**CAMS**

Capital Asset Management System

**CAP**

Combined Assessment Program

**CARES**

Capital Asset Realignment for Enhanced Services

**CBOC**

Community-based Outpatient Clinic

**CFS**

Consolidated Financial Statements

**CHAMPVA**

Civilian Health and Medical Program of the Department of Veterans Affairs

**CIO**

Chief Information Officer

**COOP**

Continuity of Operations Plan

**COTS**

Commercial Off-the-Shelf

**CPEP**

Compensation and Pension Examination Program

**CSRS**

Civil Service Retirement System

**DIC**

Dependency and Indemnity Compensation

**DOOR**

Distribution of Operational Resources

**EA**

Enterprise Architecture

**E-GOV**

Electronic Government

**EVM**

Earned Value Management

**EVR**

Eligibility Verification Reports

**EWL**

Electronic Wait List



**F&FE**

Fiduciary and Field Examination

**FASAB**

Federal Accounting Standards Advisory Board

**FASB**

Financial Accounting Standards Board

**FATS**

Foreclosure avoidance through servicing

**FECA**

Federal Employees' Compensation Act

**FERS**

Federal Employees Retirement System

**FFMIA**

Federal Financial Management Improvement Act

**FHIE**

Federal Health Information Exchange

**FISMA**

Federal Information Security Management Act

**FLITE**

Financial and Logistics Integrated Technology Enterprise

**FMS**

Financial Management System

**FRPC**

Federal Real Property Council

**FSC**

Financial Services Center

**FTE**

Full-time Equivalent

**GAO**

Government Accountability Office

**GPRA**

Government Performance and Results Act

**HAC**

Health Administration Center

**HIPAA**

Health Information Portability and Accountability Act

**HRPP**

Human Research Protection Program

**IHS**

Indian Health Service

**IPIA**

Improper Payments Information Act of 2002

**IVM**

Income Verification Match

**JCAHO**

Joint Commission on Accreditation of Healthcare Organizations

**JFMIP**

Joint Financial Management Improvement Program

**LGY**

Loan Guaranty

**LTC**

Long-Term Care

**MCCF**

Medical Care Collections Fund

**MSN**

Memorial Service Network

**NAGE**

National Association of Government Employees

**NCA**

National Cemetery Administration



**NDMS**

National Disaster Medical System

**NRP**

National Response Plan

**OA&MM**

Office of Acquisition and Materiel Management

**OAI**

Organizational Assessment and Improvement

**OGC**

Office of General Counsel

**OIF/OEF**

Operation Iraqi Freedom/Operation Enduring Freedom

**OLCS**

On Line Certification System

**OWCP**

Office of Workers' Compensation Program

**P&F**

Program and Financing

**PAID**

Personnel and Accounting Integrated Data

**PAR**

Performance and Accountability Report

**PART**

Program Assessment Rating Tool

**PMA**

President's Management Agenda

**PP&E**

Property, Plant & Equipment

**PPA**

Prompt Payment Act

**PTSD**

Post-Traumatic Stress Disorder

**RVSR**

Rating Veterans Service Representative

**SAH**

Specially Adapted Housing

**SCI**

Spinal Cord Injury

**SFFAS**

Statement of Federal Financial Accounting Standards

**SGLI**

Servicemembers' Group Life Insurance

**SMC**

Strategic Management Council

**SSA**

Social Security Administration

**STAR**

Systematic Technical Accuracy Review

**TBI**

Traumatic Brain Injury

**TOP**

Treasury Offset Program

**TSGLI**

Traumatic Injury Protection

**VAMC**

VA Medical Center

**VARO**

VA Regional Office

**VBA**

Veterans Benefits Administration

**VETSNET**

Veterans Services Network



**VGLI**

Veterans' Group Life Insurance

**VHA**

Veterans Health Administration

**VISN**

Veterans Integrated Service Network

**VistA**

Veterans Health Information Systems and  
Technology Architecture

**VMLI**

Veterans' Mortgage Life Insurance

**VR&E**

Vocational Rehabilitation and Employment

**VSR**

Veterans Service Representative



## KEY REPORT OFFICIALS

**ROBERT J. HENKE**  
Assistant Secretary for  
Management, CFO

**RITA A. REED**  
Principal Deputy Assistant  
Secretary for Management

**GEORGE J. OPFER**  
Inspector General

**EDWARD J. MURRAY**  
Deputy Assistant Secretary  
for Finance, Deputy CFO

**DANIEL A. TUCKER**  
Deputy Assistant Secretary  
for Budget

**KENNETH R. SARDEGNA**  
Acting Assistant Inspector  
General for Auditing

**ROMANO MASCETTI, III**  
Associate Deputy Assistant  
Secretary for Financial Policy

**MARK RUSSELL**  
Executive Assistant  
Office of Budget

**SUE SCHWENDIMAN**  
Financial Statements – Audit  
Office of Inspector General

**JAMES G. BRADLEY**  
Financial Statements –  
Preparation

**RICHARD SASSOON**  
Performance Analysis  
Service, Director

**CHERYL PECKENPAUGH**  
Senior Management Analyst,  
Performance Analysis Service

**W. PAUL KEARNS**  
Veterans Health  
Administration, Acting CFO

**JIMMY A. NORRIS**  
Veterans Benefits  
Administration, CFO

**RONALD WALTERS**  
National Cemetery  
Administration, CFO

**LYNNETTE NILAN, RN, EDD.**  
Veterans Health  
Administration,  
Performance Measurement

**MARK BOLOGNA**  
Veterans Benefits  
Administration,  
Performance Analysis  
and Integrity

**LYNN HOWELL**  
National Cemetery  
Administration,  
Policy and Planning



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**Department of Veterans Affairs**  
**Office of Management**

**810 Vermont Avenue, NW**  
**Washington, DC 20420**

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