



## 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/ Servicemembers	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>
Servicemembers/ 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.

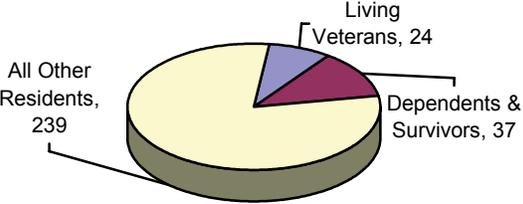
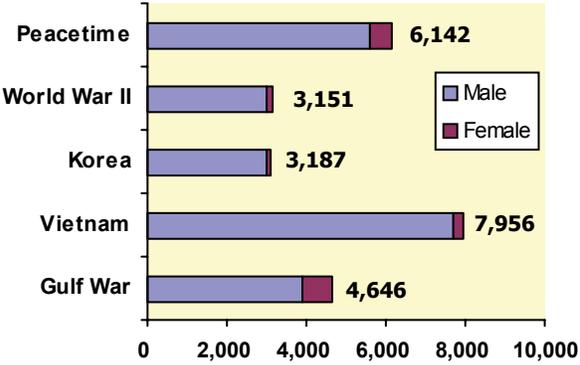
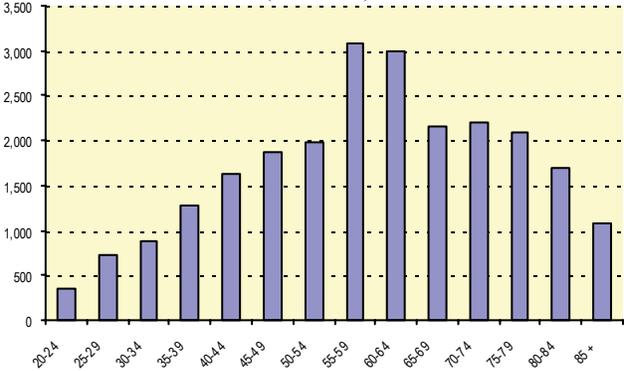
<sup>(2)</sup>FY 2005 figures are corrected.

<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.

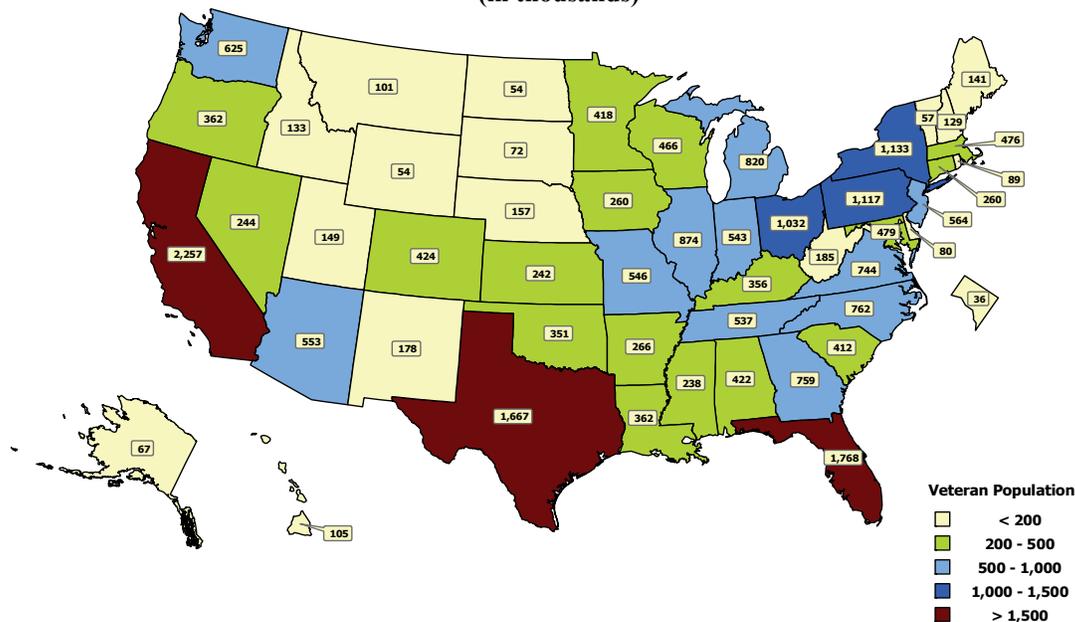
Data	Analysis																														
<p style="text-align: center;"><b>Veteran Population Compared to Total U.S. Population</b> (Millions)</p>  <table border="1"> <caption>Veteran Population Compared to Total U.S. Population (Millions)</caption> <tr><th>Category</th><th>Value</th></tr> <tr><td>All 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																														
Dependents & Survivors	37																														
<p style="text-align: center;"><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>~187</td><td>3,187</td></tr> <tr><td>Vietnam</td><td>~7,500</td><td>~456</td><td>7,956</td></tr> <tr><td>Gulf War</td><td>~4,000</td><td>~646</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	~187	3,187	Vietnam	~7,500	~456	7,956	Gulf War	~4,000	~646	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																												
World War II	~2,800	~300	3,151																												
Korea	~3,000	~187	3,187																												
Vietnam	~7,500	~456	7,956																												
Gulf War	~4,000	~646	4,646																												
<p style="text-align: center;"><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>~1,600</td></tr> <tr><td>45-49</td><td>~1,900</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	~1,600	45-49	~1,900	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	~1,600																														
45-49	~1,900																														
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**

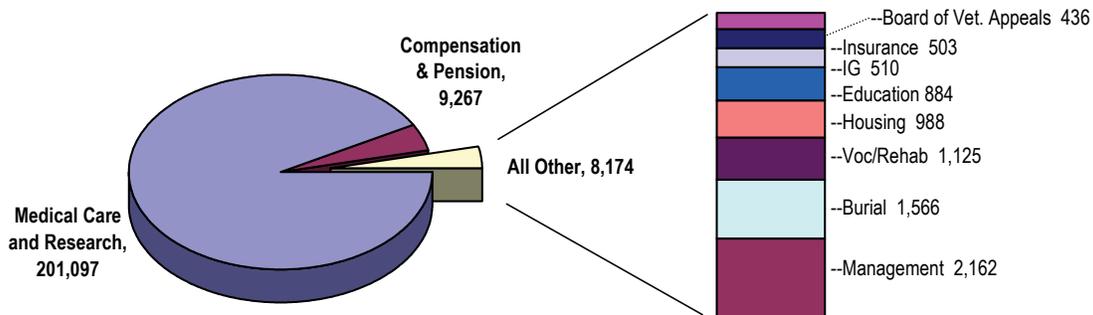
- Veterans in just three states – California, Florida, and Texas – comprised over 23 percent of the total number of veterans living in the United States.
- The three next largest states in terms of veteran population are New York, Pennsylvania, and Ohio.
- Together, these six states account for more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

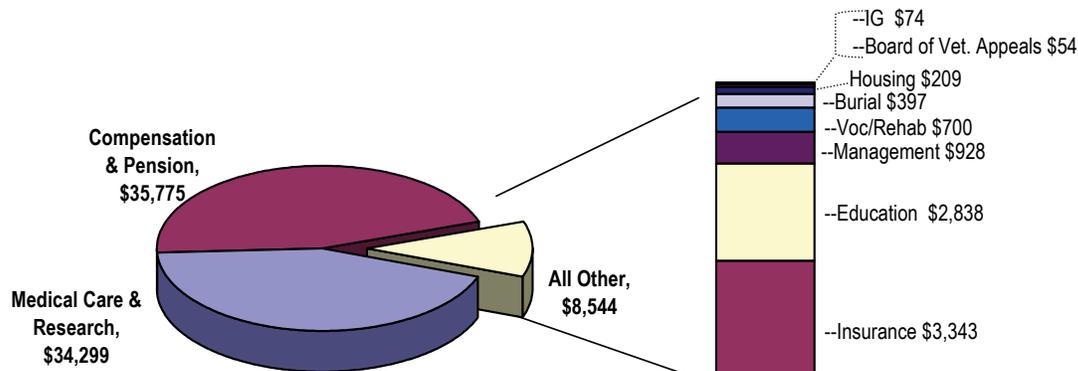


As shown above, more than 200,000 employees support VA's health care system, one of the largest in the world. Of the remaining employees, approximately 12,000 are involved with providing compensation and pension as well as other benefits to veterans and their families. More than 1,500 provide burial 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.

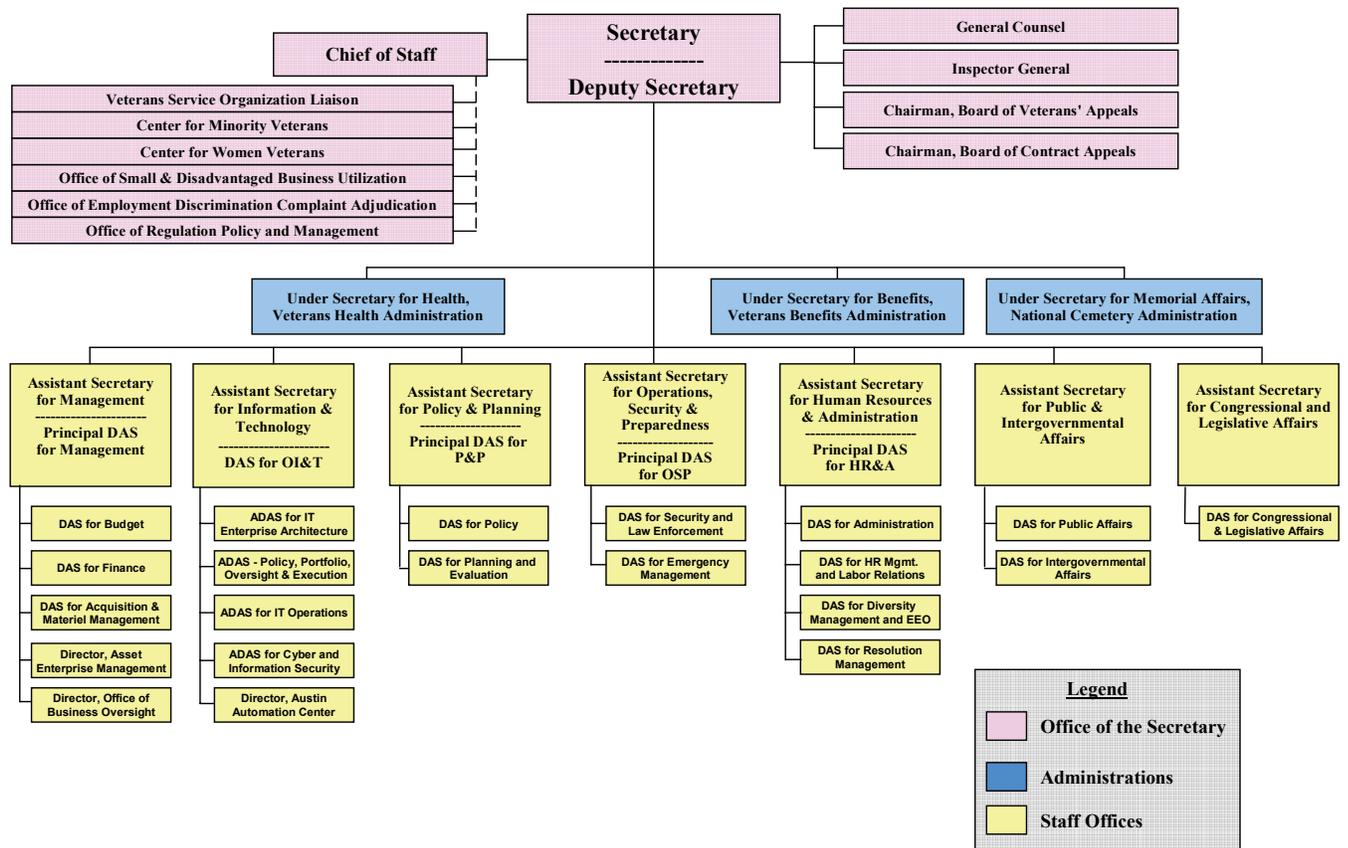
**FY 2006 Obligations**  
(\$ Millions)





## 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.

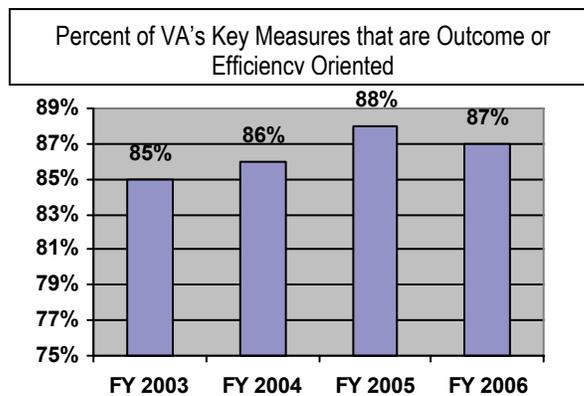
<i>Improvement</i>	<i>Benefit to VA's Stakeholders</i>
<i>Cost Per Measure Data</i>	Consistent with the President's Management Agenda, the Department is improving the integration of performance and budget information. As part of this effort, this year's PAR includes information on the cost of achieving 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.



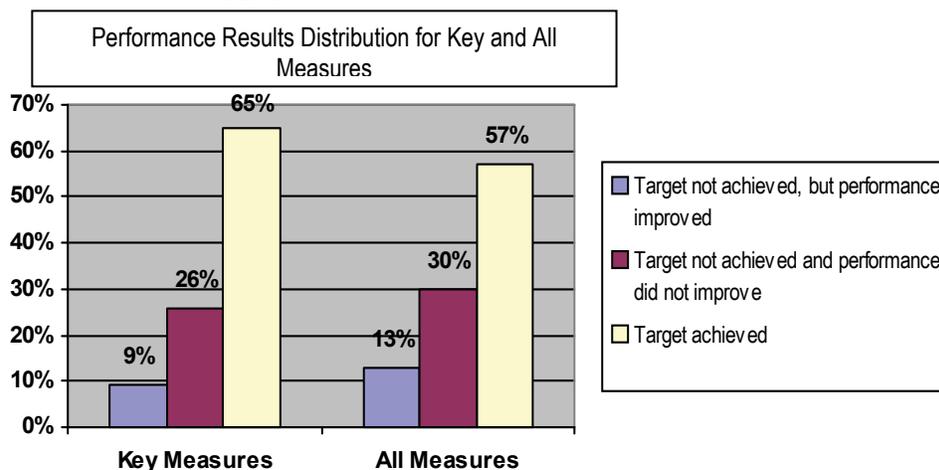
Improvement	Benefit to VA's Stakeholders
<b>Use of Performance Data</b>	For key and other important measures, we have added a short narrative describing how management uses performance data to make operational program improvements. For each measure, this information, coupled with performance trend data 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											
<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>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><i>FY 2005</i></td> <td><b>84%</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>86%</b></td> </tr> <tr> <td><i>FY 2002</i></td> <td><b>80%</b></td> </tr> </table>	<i>FY 2005</i>	<b>84%</b>	<i>FY 2004</i>	<b>87%</b>	<i>FY 2003</i>	<b>86%</b>	<i>FY 2002</i>	<b>80%</b>		
<i>FY 2005</i>	<b>84%</b>										
<i>FY 2004</i>	<b>87%</b>										
<i>FY 2003</i>	<b>86%</b>										
<i>FY 2002</i>	<b>80%</b>										
<b><u>Objective 1.3 – Suitable Employment and Special Support</u></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><i>FY 2005</i></td> <td><b>63%</b></td> </tr> <tr> <td><i>FY 2004</i></td> <td><b>62%</b></td> </tr> <tr> <td><i>FY 2003</i></td> <td><b>59%</b></td> </tr> <tr> <td><i>FY 2002</i></td> <td><b>62%</b></td> </tr> </table>	<i>FY 2005</i>	<b>63%</b>	<i>FY 2004</i>	<b>62%</b>	<i>FY 2003</i>	<b>59%</b>	<i>FY 2002</i>	<b>62%</b>	\$702	0.9%
<i>FY 2005</i>	<b>63%</b>										
<i>FY 2004</i>	<b>62%</b>										
<i>FY 2003</i>	<b>59%</b>										
<i>FY 2002</i>	<b>62%</b>										
<b><u>Objective 1.4 – Improved Standard of Living for Eligible Survivors</u></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><i>FY 2005</i></td> <td><b>124</b></td> </tr> <tr> <td><i>FY 2004</i></td> <td><b>125</b></td> </tr> <tr> <td><i>FY 2003</i></td> <td><b>153</b></td> </tr> <tr> <td><i>FY 2002</i></td> <td><b>172</b></td> </tr> </table>	<i>FY 2005</i>	<b>124</b>	<i>FY 2004</i>	<b>125</b>	<i>FY 2003</i>	<b>153</b>	<i>FY 2002</i>	<b>172</b>	\$404	0.5%
<i>FY 2005</i>	<b>124</b>										
<i>FY 2004</i>	<b>125</b>										
<i>FY 2003</i>	<b>153</b>										
<i>FY 2002</i>	<b>172</b>										



## STRATEGIC GOAL 2

### *Smooth Transition to Civilian Life*

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

#### Public Benefit

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

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

During the past year VA established 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

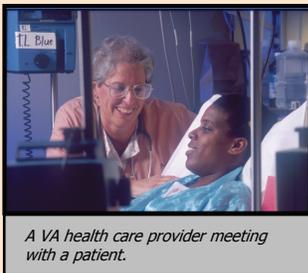
VA continues to set the national standard of excellence in quality and patient safety for the health care industry. Interactive technology strategies are being implemented to provide care in the least restrictive environments to allow patients and families maximum participation in disease management 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>		
<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>										
<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>FY 2005</td><td>93%</td></tr> <tr><td>FY 2004</td><td>93%</td></tr> <tr><td>FY 2003</td><td>89%</td></tr> <tr><td>FY 2002</td><td>86%</td></tr> </table>	FY 2005	93%	FY 2004	93%	FY 2003	89%	FY 2002	86%		
FY 2005	93%										
FY 2004	93%										
FY 2003	89%										
FY 2002	86%										
<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>FY 2005</td><td>77%</td></tr> <tr><td>FY 2004</td><td>74%</td></tr> <tr><td>FY 2003</td><td>74%</td></tr> <tr><td>FY 2002</td><td>70%</td></tr> </table>	FY 2005	77%	FY 2004	74%	FY 2003	74%	FY 2002	70%		
FY 2005	77%										
FY 2004	74%										
FY 2003	74%										
FY 2002	70%										
<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>FY 2005</td><td>77%</td></tr> <tr><td>FY 2004</td><td>72%</td></tr> <tr><td>FY 2003</td><td>73%</td></tr> <tr><td>FY 2002</td><td>71%</td></tr> </table>	FY 2005	77%	FY 2004	72%	FY 2003	73%	FY 2002	71%		
FY 2005	77%										
FY 2004	72%										
FY 2003	73%										
FY 2002	71%										
<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>FY 2005</td><td>27,469</td></tr> <tr><td>FY 2004</td><td>25,523</td></tr> <tr><td>FY 2003</td><td>24,413</td></tr> <tr><td>FY 2002</td><td>24,126</td></tr> </table>	FY 2005	27,469	FY 2004	25,523	FY 2003	24,413	FY 2002	24,126		
FY 2005	27,469										
FY 2004	25,523										
FY 2003	24,413										
FY 2002	24,126										



<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>										
<i>FY 2004</i>	<b>96%</b>										
<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>											
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.											
<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>FY 2005</td><td>100%</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	100%	FY 2004	N/A	FY 2003	N/A	FY 2002	N/A	\$11	<0.1%
FY 2005	100%										
FY 2004	N/A										
FY 2003	N/A										
FY 2002	N/A										
<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>FY 2005</td><td>85%</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	85%	FY 2004	N/A	FY 2003	N/A	FY 2002	N/A		
FY 2005	85%										
FY 2004	N/A										
FY 2003	N/A										
FY 2002	N/A										



<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 4.2 – 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"> <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"> <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"> <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										



Enabling Goal											
Applying Sound Business Principles											
Targets	Results (Current and 4-Year History)	Obligations (\$ in Millions)	% of Total VA Resources								
<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></li> </ul> <table border="1"> <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>	<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></li> </ul> <table border="1"> <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>	<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.  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.  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.</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.  VA has developed internal management performance and policy improvements and established a new VHA National Leadership Board subcommittee to enhance business operations.</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 (Natl. 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>	<p>VA accomplished the following:</p> <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)

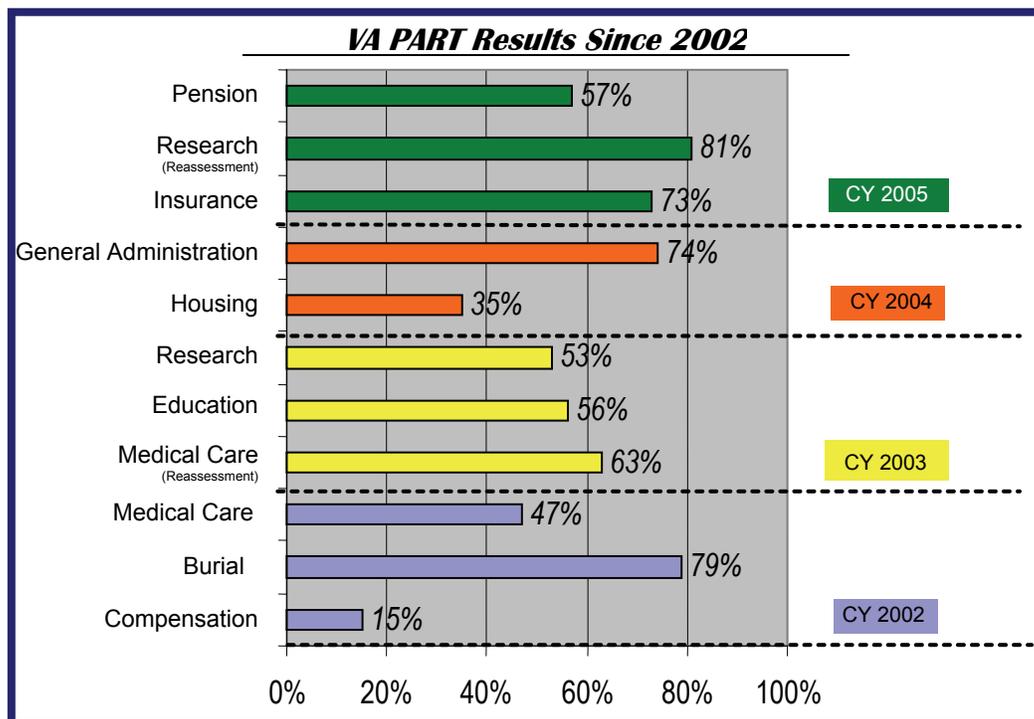
Starting in 2002, OMB began to evaluate all federal programs using a detailed questionnaire-driven methodology called the Program Assessment Rating Tool (PART). The PART contains 25 questions pertaining to a program’s design and purpose, strategic planning capability, quality of performance measurements,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

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&P) claims. Thus, the causes and resolution strategies described are applicable to more than one measure.

<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>	



<b>Enabling Goal</b> 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