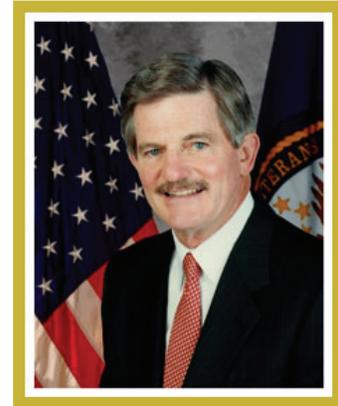




November 15, 2006

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



I am pleased to submit the *Department of Veterans Affairs (VA) FY 2006 Annual Performance and Accountability Report*. The report documents the Department’s progress towards meeting its performance goals. Our goals are aimed at providing America’s veterans with the best in benefits and health care by making VA a model of excellence. Each day, as our troops continue the fight against terrorism and strive to bring freedom and democracy to the people of Afghanistan and Iraq, we are reminded once again of the incredible sacrifices our men and women in uniform make in defense of freedom.

In 2006 with nearly \$80 billion in obligations and almost 220,000 employees, VA accomplished a great deal on behalf of America’s veterans and their families. To help assess our progress during 2006, VA established 150 performance measures, 23 of which were identified by VA’s senior leadership as critical to the success of the Department. Our major accomplishments are summarized below by major business line.

### **Medical Services: *Delivering High-Quality Health Care***

The number of unique patients using VA’s health care system has risen dramatically in recent years, increasing from 3.8 million in 2000 to 5.5 million in 2006. Our commitment to delivering high-quality health care to America’s veterans remains our top priority. In 2006 VA achieved the following key results in the health care area:

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



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

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



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

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

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

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

VA honors the service and sacrifices of America’s veterans through the construction and maintenance of national cemeteries as national shrines. In 2006, VA maintained nearly 2.8 million gravesites at 156 properties, including 123 national cemeteries and 33 other cemeterial installations. To this end, the Department accomplished the following:

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

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

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

For the eighth consecutive year, VA obtained an unqualified audit opinion on our financial statements. We are extremely proud of this continued accomplishment. VA remains committed to aggressively pursuing improvements in our business processes and remediating our material weaknesses and reportable conditions. We have made significant strides in improving our financial systems and operations, such as development of a financial data warehouse for our major systems and automation of the preparation of our financial statements, toward our goal of “getting to green” on the President’s Management Agenda. Proper stewardship and accountability over the resources entrusted to us by the American people to care for our Nation’s veterans and their families demands nothing less.



**Data Quality: *Assuring Completeness and Reliability***

The financial and performance data presented in this report are complete and reliable. Throughout the year, our senior managers assess the efficiency and effectiveness of their organizations by analyzing financial and performance data. Management relies on these data to identify material inadequacies in the financial and program performance areas and to identify corrective tasks needed to resolve them. My signed certification on internal controls may be found on page 81 in the Management Controls, Systems, and Compliance with Laws and Regulations section.

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

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

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

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

R. James Nicholson  
Secretary of Veterans Affairs