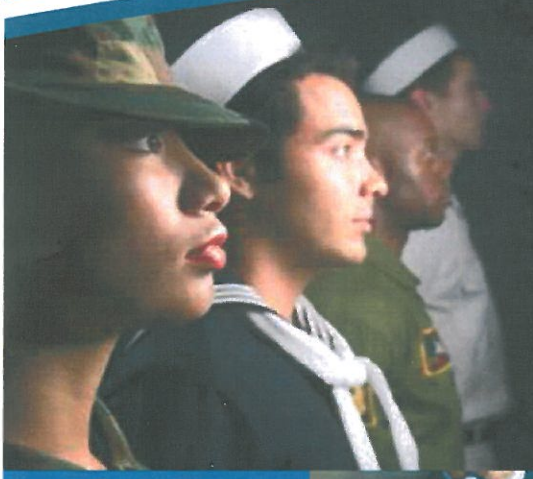
VA

U.S. Department of Veterans Affairs



I CAN THINK OF NO HIGHER RESPONSIBILITY THAN ENSURING THAT THE MEN AND WOMEN WHO HAVE SERVED OUR NATION IN UNIFORM ARE TREATED WITH THE CARE AND RESPECT THAT THEY HAVE EARNED.

ERIC K. SHINSEKI, SECRETARY OF VETERANS AFFAIRS

2013 Summary of Performance & Financial Information

Honoring All Who Have Served

To the American People,

I am pleased to provide you with the *Department of Veterans Affairs (VA) 2013 Summary of Performance and Financial Information.* This is a short "user-friendly" summary of our accomplishments in improving the timeliness, accessibility, and quality of health care and benefits service delivery for our Veterans. Further details on information in this report may be found in VA's 2013 Performance and Accountability Report.

We are transforming VA into a 21st century organization focused on increasing Veterans' access to VA health care and services, eliminating the backlog in disability claims in 2015, and ending the rescue phase of Veteran homelessness in 2015, fulfilling our Nation's enduring commitment to Veterans.

This past year, VA has made progress on all three major initiatives. We provided more than 44,000 homeless Veterans with permanent housing through our ongoing collaborative partnership with the Department of Housing and Urban Development. The number of unsheltered Veterans has declined by nearly 24 percent since 2010 as we move toward the goal of ending the rescue phase of Veteran homelessness in 2015. We processed more than 1 million disability claims for the 4th year in a row in our commitment to eliminate the claims processing backlog in 2015. At the same time, we increased the national accuracy rate for compensation and pension disability claims to 90 percent. VA's provision of telehealth-based clinical services has grown by 24 percent, increasing access to care for rural Veteran patients. Veterans continue to increase their use of eBenefits to access VA information and services with over 2.8 million Veterans using the tool. We also continued to increase access to burial benefits through funding new State and Tribal Veterans cemeteries.

We hold ourselves to high standards of performance. The Nation and its Veterans expect it of us. Our goals, objectives, strategies, and programs, and the links between them, have never been clearer. Employee performance is evaluated carefully against the Department's standards.

We have also received our 15th consecutive unqualified (clean) audit opinion on our consolidated financial statements. As stated in my "Statement of Assurance," VA has assessed the reliability and completeness of financial data and actions the Department is taking to resolve its one material weakness. We will continue to improve the quality of our programs and service delivery, optimize our efficiency, and meet the expectations of Veterans, their families, and our survivors.

Every VA employee is an advocate for Veterans. We are all committed to providing Veterans, their families, and our survivors with the very best in health care and services. The Nation has depended on Veterans in times of danger; Veterans can depend on VA.

Sincerely,

Eric K. Shinseki

THE DEPARTMENT OF VETERANS AFFAIRS

The Department of Veterans Affairs (VA), established as an independent agency under the President by Executive Order 5398 on July 21, 1930, was elevated to Cabinet level on March 15, 1989 (Public Law No. 100-527). The laws relating to Veterans benefits are revised, codified, and enacted as Title 38, United States Code, 'Veterans' Benefits.'

VA serves America's Veterans and is their principal advocate to ensure that they receive medical care, benefits, social support, and lasting memorials. The Department promotes the health, welfare, and dignity of all Veterans in recognition of their service to this Nation.

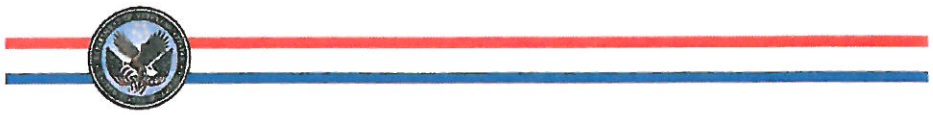
Mission

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

VA is a customer service organization for our Nation's Veterans and their families. Veterans are individuals who have served in one of the seven uniformed services and meet the length of service and character of discharge requirements prescribed by law. This includes the Army, Navy, Marine Corps, Air Force, Coast Guard, Public Health Service, and Commissioned Officer Corps of the National Oceanic and Atmospheric Administration, as well as eligible members of the Reserve and National Guard components, World War II Merchant Mariners, and certain members of the Philippine Armed Forces. VA also provides benefits and services to eligible survivors, spouses, dependents, and parents of Veterans, as well as caregivers of certain disabled Veterans.

Servicemembers in an active status may also be eligible for certain VA benefits and services, such as Servicemembers' Group Life Insurance, Traumatic Injury Protection, the Post-9/11 GI-Bill, and the VA home loan program.



Programs

VA operates the largest integrated health care delivery system in America. Here, we provide a broad range of primary care, specialized care, and related medical and social support services. VA is also the Nation's largest integrated provider of health care education and training for physician residents and other health care trainees. VA advances medical research and development in areas that most directly address the diseases and conditions that affect Veterans and eligible beneficiaries.

VA administers compensation benefits, pension benefits, fiduciary services, education benefits, vocational rehabilitation and employment services, transition services, and home loan and life insurance programs.

VA operates the largest national cemetery system honoring Veterans and eligible beneficiaries and their families with final resting places in national shrines, and with lasting tributes that commemorate their service and sacrifice to our Nation.

VA provides contingency support for the Department of Defense (DoD) and Department of Health and Human Services (HHS) during times of war or national emergency.

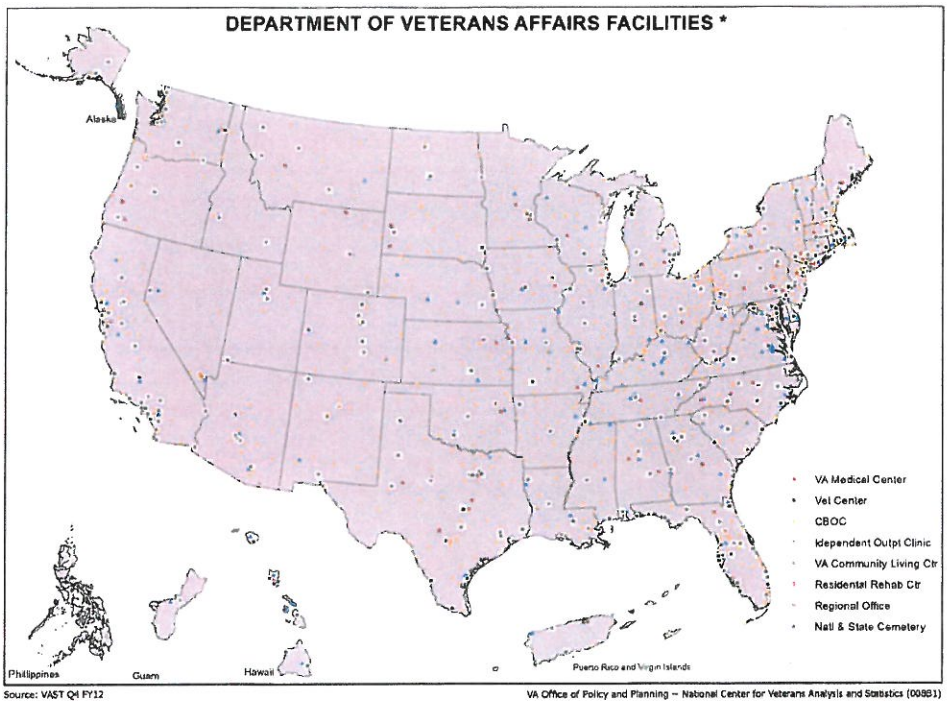
Organization

VA is comprised of a Central Office (VACO), which is located in Washington, DC, and field facilities throughout the Nation, as well as the U.S. territories and the Philippines. Programs are administered by VA's three major line organizations: Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), and National Cemetery Administration (NCA). VA is the second largest Federal department, with a workforce of over 327,000 employees.[1]

[1] About VA. *Department of Veterans Affairs.* 14 Mar. 2013. http://www.va.gov/about_va/vahistory.asp

Services and benefits are provided through a nationwide network of 151 Medical Centers, 300 Vet Centers, ~~827~~820 Community-based Outpatient Clinics, 135 Community Living Centers, 6 Independent Outpatient Clinics, 103 Residential Rehabilitation Centers, 139 Integrated Disability Evaluation System (IDES) sites, 131 National and 90 State or Tribal Cemeteries, 56 Regional Offices, 6 Fiduciary Hubs, 3 Pension Management Centers, 1 Insurance Center, 84 VetSuccess on Campus sites[2], 169 Outbased benefits services offices, 4 Regional Processing Offices, and 9 loan guaranty centers. Figure 1 depicts the geographical locations of select VA facilities by primary service as of September 30, 2012.[3]

Figure 1.



[2] Department of Veterans Affairs, Office of Public Affairs, News Release April 10, 2013.
[3] National Center for Veterans Affairs Statistics (NCVAS). *Department of Veterans Affairs Statistics at a Glance.* Washington, D.C.: 2012. http://www.va.gov/about_va/vahistory.asp.

VA FISCAL YEAR (FY) 2014-2020 STRATEGIC GOALS

VA will continue to build on past accomplishments and drive further improvements in quality, customer service, preparedness, and internal management systems as described in our FY 2011-2015 strategic goals. VA's FY 2014-2020 strategic goals and strategic objectives shift the focus from improvements within a service or benefit delivery program, to coordination and integration across programs and organizations. The strategic goals and strategic objectives measure performance by the ultimate outcome for Veterans, and put Veterans in control of how, when, and where they wish to be served.

The FY 2014-2020 strategic goals are statements of what VA wants to achieve to advance our mission and address challenges and opportunities. Each strategic goal is then broken down into a set of strategic objectives to express more specifically how we will achieve the strategic goal. Each strategic objective is further defined by a suite of performance goals that establish the level of performance to be achieved.

Strategic Goal 1: Empower Veterans to Improve Their Well-being

The ultimate measure of VA's success is the Veteran's success after leaving military service. We intend to measure Veteran success in terms relevant to individual Veteran outcomes from VA benefits and services such as decreasing Veteran unemployment, decreasing home foreclosures, decreasing homelessness, reducing processing times for disability compensation claims, increasing preventive care and healthy lifestyle changes, and increasing access to and utilization of virtual care modalities. Strategic Goal 1 outlines the work that VA will do to directly improve the lives of Veterans, Servicemembers, their families, and their survivors.

Strategic Goal 2: Enhance and Develop Trusted Partnerships

No single office, organization, or agency owns the expertise and resources to deliver all of the benefits, services, and resources necessary to meet the needs and expectations of every Veteran. Strategic Goal 2 describes what VA will do to improve coordination and integration within and between VA and its external partners.

Strategic Goal 3: Manage and Improve VA Operations to Deliver Seamless and Integrated Support

Internal improvements are a continuous effort. Strategic Goal 3 represents VA's highest priority management objectives: developing our workforce and effectively and efficiently managing our infrastructure and processes.

AGENCY PRIORITY GOALS

VA has identified three Agency Priority Goals (APG), which represent the Department's highest priorities. Each of the three APGs is focused on improving direct service delivery to Veterans and eligible beneficiaries and requires extensive collaboration across VA organizations and with non-VA partners. In addition, each APG will result in short-term and high impact improvement in VA performance. Refer to http://www.performance.gov/ for additional information.

Homelessness

Problem Being Addressed

- In 2012, homeless population estimates noted that approximately 62,619 Veterans were homeless in the United States on a single night.
- Single, male Veterans are disproportionally represented among the homeless population. Based on the most recent data available, at any given time, approximately 14 percent of the homeless adult populationare Veterans. Veterans comprise roughly 9.6 percent of the total adult population of the United States.

2013 Actions and Progress

- During 2013, 146,557 Veterans were served by VA Health Care for Homeless Veterans outreach initiatives, an increase of approximately 23 percent from 2012.
- In partnership with the Housing and Urban Development (HUD), a total of 45,153 Veterans had permanent housing through HUD – VA Supportive Housing (HUD-VASH) program as of September 30, 2013. These Veterans were also provided with dedicated case managers and access to high-quality VA health care.
- In 2013, the total number of Veterans who obtained housing in HUD-VASH was 14,484, while over 28,000 additional Veterans obtained housing with assistance from our other homeless programs during that same time period.
- Investments in effective strategies like rapid re-housing and permanent supportive housing, along with unprecedented collaboration between council agencies, have yielded substantial reductions in Veterans homelessness.

Access

Problem Being Addressed

- Improved awareness of VA services and benefits by Veterans, Servicemembers, and eligible beneficiaries.

2013 Actions and Progress

- Single sign-on technology has been deployed allowing seamless access between eBenefits, MyHeatheVet, TRICARE Online, VetSuccess, and VA for Vets.
- Sixteen consecutive quarterly releases since October 2009 have produced over 50 self-service features within the eBenefits portal.
- Servicemembers are now required to get an eBenefits account shortly after accession.
- Over 2.8 million registered eBenefits users since launch in October 2009.
- Used by Servicemembers and Veterans in over 25 countries.
- Over 27 million visits in 2013 and in September 2013 over 3.9 million visits
  Expanded access to survivors to view claims and payment information in spring 2013.

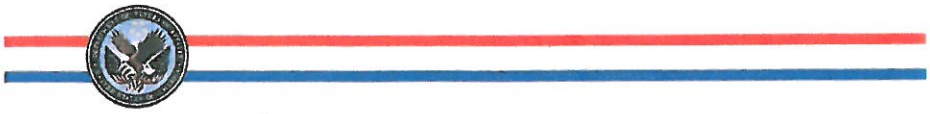
Backlog

Problem Being Addressed

- Reducing the length of time it takes to process compensation and pension rating-related claims is an integral part of VA's mission to serve Veterans by providing all possible benefits under the law to eligible claimants in a timely, accurate, and compassionate manner.
- VA seeks to eliminate the disability claims backlog in 2015 and ensure that no Veteran has to wait more than 125 days for a high-quality decision.

2013 Actions and Progress

- To achieve processing efficiencies that will enable VA to reduce the claims backlog and improve decision quality, VA is employing a synchronized and integrated transformation strategy that incorporates people, processes, and technology initiatives.



- VBA has implemented Veterans Benefits Management System (VBMS), a paperless IT claims processing system. At the end of 2013, over 250 million pieces of paper were scanned into digital format, resulting in 63 percent of all paper-based claims being made available for processing in VBMS. VBA began tracking issue-based quality in October 2012 as an enhancement to the Quality Review Team (QRT) initiative that is functioning in all Regional Offices. The QRT mission is to improve the accuracy of VBA rating decisions and ensure that Veterans receive the correct rating the first time. Reporting on both issue-based and claims-based quality allows for more effective training and case management when claims are reviewed and tracked by medical issue.
- The Board of Veterans Appeals has increased Video Teleconference hearings, which reduces travel expenditures and Veteran wait time for Board hearings.

PERFORMANCE SCORECARD - HIGHLIGHTS

Organization/Program/Measure	Past Fiscal Year Results				2013		Strategic Targets
	2009	2010	2011	2012 (Final)	Results	Targets	
Medical Services							
Prevention Index V	89%	91%	92%	94%	93%	93%	95%
Clinical Practice Guidelines Index IV	91%	92%	91%	94%	93%	92%	94%
Percent of established primary care appointments completed within 14 days of the desired date for the appointment	N/Av	N/Av	N/Av	N/Av	93%	establishing baseline	TBD
Percent of established specialty care appointments completed within 14 days of the desired date for the appointment	N/Av	N/Av	N/Av	N/Av	93%	establishing baseline	TBD
Percent of patients rating VA health care as 9 or 10 (on a scale from 0 to 10)							
Inpatient	63% (Baseline)	(1) 64%	64%	64%	65%	66%	75%
Outpatient	57% (Baseline)	55%	55%	55%	54%	58%	70%
Benefits Services							
Compensation and Pension Program							
BACKLOG: Percentage of disability compensation and pension claims pending inventory that is more than 125 days old	N/Av	36%	60%	66%	58%	40%	0%
National accuracy rate - compensation entitlement claims	84%	84%	84%	86%	89%	90%	98%
Education Program							
Average days to complete supplemental Education claims	13	16	12	17	10	14	14
Insurance Program							
Rate of high client satisfaction ratings on Insurance services delivered	96%	95%	95%	95%	93%	95%	95%
Burial Services							
Percent of graves in national cemeteries marked within 60 days of interment	95%	94%	93%	89%	95%	95%	95%
Percent of respondents who rate the quality of service provided by the national cemeteries as excellent	95%	95%	95%	96%	96%	98%	100%

Medical Services

PREVENTION INDEX V

Impact on Veterans

This measure is an indicator of how well VA promotes healthy lifestyle changes such as immunizations, hyperlipidemia, smoking cessation, and early screening for cancer. A higher score means that VA-treated Veterans are receiving prevention care and are taking the necessary steps to develop or maintain healthy lifestyles.

How is this Information Useful?

Monitoring and tracking the Prevention Index results helps VA medical staff with early identification of disease risk and intervention for risky behaviors. VA medical staff also does the following:

- Target education, immunization programs, and clinic access to prevent or limit potential disabilities resulting from these activities and/or diseases.
- Identify patients in need of prevention screening for cancer.
- Help identify cancers before the Veteran develops symptoms, and provide the opportunity for earlier intervention.

In addition, as a matter of policy and practice, VA targets all outpatients for its prevention measures with the goal of promoting and maintaining a healthy population.

CLINICAL PRACTICE GUIDELINES INDEX (CPGI) IV

Impact on Veterans

This measure is an indicator of how well VA performs regarding early identification and treatment of potentially disabling or deadly diseases such as acute myocardial infarction, inpatient congestive heart failure, hypertension, diabetes, and pneumonia. The index focuses primarily on the care provided to inpatients and is used to assess the quality of health care being delivered to its patients in accordance with industry standards.

How is this Information Useful?

Information is used by VA leadership to do the following:

- Identify and assess opportunities for early identification of acute and potentially disabling chronic diseases.
- Identify opportunities for managing entire chronic disease populations.
- Provide interventions based on clinical practice guidelines.

Overall, CPGI data enable VA to target patient and employee education, focus on disease management, and provide access to care to prevent or limit the effects of potentially disabling diseases. The goal of disease management is to improve the quality of life for Veterans.

PERCENT OF ESTABLISHED PRIMARY CARE APPOINTMENTS COMPLETED WITHIN 14 DAYS OF THE DESIRED DATE
PERCENT OF ESTABLISHED SPECIALTY CARE APPOINTMENTS COMPLETED WITHIN 14 DAYS OF THE DESIRED DATE

Impact on Veterans

Delivery of primary care is critical to preventive health care and timely disease identification and management. A visit to a primary health care provider is also a patient's point of entry for specialty care. As such, timely access to primary health care services is critical to providing high-quality care to Veterans.

VA tracks wait times for Veterans being seen in its 50 highest volume clinics with the goal of enhancing quality of care by ensuring service is delivered when the Veteran wants and needs to be seen.

In FY 2013, the Veterans Health Administration (VHA) scheduled approximately 90,518,782 appointments for those Veterans previously seen (established) in Primary and Specialty Care Clinics. Of these appointments, 93 percent were completed according to the identified criteria of 14 days. Further detail on access to Mental Health, Primary, and Specialty Care clinics can be reviewed in the complete Performance and Accountability Report.

How is this Information Useful?

Leadership uses this information to make assessments of clinic function and resource decisions. VA clinic leaders use the results to manage day-to-day clinic operation activities that improve patient access.

The results are compared across medical centers and clinics. One of the ways VA drives improvements is by identifying high performers and sharing their best practices with other facilities.

VA also uses the results to examine variability among medical centers and clinics. If a facility is performing poorly, VA takes action to improve performance.

After the results of a study sponsored by VHA became available in FY 2013, the measurement methods used for this measure changed. New methods were utilized and new baselines were established in FY 2013. For this reason, no target was set in FY 2013 and the data is not comparable to FY 2012.

PERCENT OF PATIENTS RATING VA HEALTH CARE AS 9 OR 10 ON A SCALE FROM 0 TO 10 (INPATIENT AND OUTPATIENT)

Impact on Veterans

Veterans who receive VA care are entitled to health care that includes emotional support, education, shared decision-making, safe environments, family involvement, respect, and management of pain and discomfort. The Veteran's level of overall satisfaction is impacted by the extent to which his or her needs are met. Satisfaction is therefore a key indicator of how well VA meets these expectations. These measures address how well these expectations are met in both the *inpatient* and the *outpatient* setting.

How is this Information Useful?

A key goal is providing Veterans with personalized, proactive, and patient-driven care. VA leadership uses results from this measure to optimize the design of services and products based on Veterans' needs, preferences, and perspectives. The results are compared across medical centers and clinics. One of the ways VA drives improvements is by identifying high performers and sharing their best practices with other facilities.

Specialized reports such as Attributable Effects identify "key drivers" of the Overall Rating of VA Healthcare. Staff uses these results to identify opportunities for changing and improving the personalized delivery model of care.

Causes of the Shortfall (for Outpatient metric)

Data for this metric is collected via mail-out/mail-back probability survey from all facilities where inpatient care is delivered. The mail-out volume of the FY 2013 survey was greatly reduced in FY 2013 to accommodate the Patient Centered Medical Home survey. This may have shifted focus from the Overall Rating of VA Healthcare result as measured by the Outpatient Survey of Healthcare Experiences of Patients.

Resolution Strategies

The VHA Office of Analytics and Business Intelligence will post Consumer Assessment of Healthcare Providers and Systems Quality Improvement guides, case studies, and other related material from Agency for Healthcare Research and Quality, National Committee for Quality Assurance, The Robert Wood Johnson Foundation, and other organizations. This material will help shed some light on what other organizations have done to improve patient experiences. VHA will continue to hold monthly field calls with appropriate staff to discuss various quality improvement strategies a explore characteristics of high and low performing facilities. VHA will continue to produce key driver reports, which identify survey questions on which facilities may want to focus attention in order to improve Overall Rating results.

VHA will continue to investigate external factors such as results from the All Employee Survey, Human Resources and Staffing ratios, and how they relate to patient experiences. Finally, VHA will continue to collaborate with internal and external researchers, and explore new methods of analysis, which may enhance our understanding of what influences patient experiences.

Benefit Services

Percent of Disability Compensation and Pension Pending Inventory that is More Than 125 Days Old

Impact on Veterans

VBA's goal is to process all compensation and pension rating claims within 125 days of receipt. This will ensure that all Veterans receive a timely decision on their claim. The VBA backlog of 66 percent at the end of FY 2012 decreased to 58 percent in FY 2013.

Causes of the Shortfall

Factors that have resulted in the submission of more disability claims, and hence contributed to the backlog, include VBA initiatives to increase access, and other conditions that increased demand for VBA to address unmet disability compensation needs.

Resolution Strategies

In FY 2013, VBA focused on completing 1- and 2-year old claims, thereby decreasing the inventory that is more than 125 days old from 72 to 59 percent. Continued processing of older compensation rating claims will achieve the 40 percent target for FY 2014 as well as our goal of having no rating claim over 125 days in FY 2015. The deployment of future Veterans Benefits Management System releases will result in increased efficiencies, resulting in a lower average number of days to complete and backlog.

National Accuracy Rate For Compensation Entitlement Claims

Impact on Veterans

Veterans are entitled to an accurate decision on their compensation claims. Monitoring accuracy helps ensure that VA provides the correct level of benefit to the Veteran. Over the past two fiscal years, VBA has seen a steady increase in the national accuracy rate for compensation claims. Increase in claims accuracy can lead to increased Veterans' satisfaction with their initial rating decisions.

How is this Information Useful?

VBA's leadership is committed to the continued increase of the national accuracy rate. Higher quality will ensure better, more efficient service to Veterans and contribute to VBA's goal of eliminating the claims backlog by FY 2015. Leadership and the quality assurance team use the national accuracy rate to track the national accuracy trend and error category trend at each individual station. The national accuracy rate helps the quality assurance staff determine if training or clarification of policy guidance is

needed to meet monthly quality goals. VBA anticipates the accuracy rate will continue to increase with the introduction of quality review teams in each regional office and the use of issue-based error analysis at the local and national level.

Average Days to Complete Supplemental Education Claims

Impact on Veterans

The timeliness of completing supplemental education claims improved from 17 days in FY 2012 to 10 days in FY 2013. Compared with FY 2012, Veterans waited on average 7 fewer days to receive their award notification and payment. The importance of making timely payments to Veterans for educational claims is critical to helping them meet their educational goals.

How is this Information Useful?

VA management uses performance results to pinpoint areas of performance weakness and then takes appropriate corrective actions. In FY 2013, such actions included aggressive monitoring of workload and judicious application of overtime production capacity. VA routinely reviews claims processing policies to streamline the entire claims process based on case reviews identifying duplication of efforts and redundant or unnecessary development. Additional enhanced functionalities continue to be added to the Long Term Solution to improve Post 9/11 GI Bill claims processing system. Education claims intake is cyclic with peaks at the beginning of the fall, spring, and summer. This data is used to determine when mandatory overtime may be needed to address the cyclical intake peaks.

Rate of High Client Satisfaction Ratings on Services Delivered (Insurance)

Impact on Veterans

VA's Insurance Program achieves high levels of client satisfaction by providing quality service and implementing and administering insurance programs that meet the needs of Veterans and their beneficiaries. Results over past years have consistently confirmed that Veterans' insurance needs are being met.

How is this Information Useful?

Leadership analyzes the results of the monthly client satisfaction surveys of 11 insurance services and addresses any problems identified. One question the surveys ask is, "What could we do better?" VA takes action on the survey results and the comments, including reviewing processes and implementing refresher training on customer service as needed.

Burial Services

Percent Of Graves In National Cemeteries marked Within 60 Days of Interment

Impact on Veterans

The amount of time it takes to mark the grave after an interment is extremely important to Veterans and their families. The headstone or marker is a lasting memorial that serves as a focal point not only for present-day survivors, but also for future generations. In addition, having a permanent headstone or marker often brings a sense of closure to the grieving process.

How is this Information Useful?

National Cemetery Administration (NCA) field and Central Office employees have online access to monthly and fiscal year-to-date tracking reports on the timeliness of marking graves in national cemeteries. Increasing the visibility of and access to this information reinforces the importance of marking graves in a timely manner. This information is also used to drive process improvements, such as the development of NCA's local inscription program. This program further improves NCA's ability to provide symbolic expressions of remembrance by improving the timeliness of the grave-marking process.

Percent Of Respondents who Rate the Quality Of Service provided By The National Cemeteries As Excellent

Impact on Veterans

Performance targets for cemetery service goals are set high consistent with expectations of the families of individuals who are interred and other visitors to the cemetery. High-quality, courteous, and responsive service to Veterans and their families is reflected in VA's FY 2013 satisfaction rating of 99 percent.

How is this Information Useful?

NCA's annual Survey of Satisfaction with National Cemeteries is the source of data for this key measure. The survey collects data from family members and funeral directors who have recently received services from a national cemetery.

These data are shared with VA Central Office, Memorial Service Networks, and national cemetery managers who use the data to improve the quality of service provided at national cemeteries.

To ensure that all visitors to national cemeteries receive excellent customer service, NCA has instituted several measures to address customer concerns. Survey data are annually reviewed and used to form action plans at national cemeteries. Best practices are identified and shared throughout the national cemetery system and incorporated into national cemetery employee training curriculum.

Letter from the Chief Financial Officer

December 2, 2013

The Department of Veterans Affairs (VA) is very pleased to have received its 15th consecutive unqualified ("clean") audit opinion on the Department's consolidated financial statements.

VA continually strives to strengthen its internal controls and improve business processes. These efforts have paid off; VA has gone from three material weaknesses in 2010 to one in 2013 and has gone from five significant deficiencies to none in 2013.

VA worked diligently in 2013 to remediate the Department's one remaining material weakness, "information technology (IT) security controls." Although the auditors found significant improvement, this material weakness will be carried forward into 2014. VA's success in 2013 reflects the dedication and hard work of staff throughout the Department. Congratulations to all who helped make 2013 a year of high achievement in VA financial management.

The Department is committed to meeting its four financial management goals: reducing operating costs, eliminating improper payments, strengthening internal controls, and enhancing data and analysis. Since 2010, VA has used these four goals to establish and drive its annual suite of management initiatives. VA continued work during 2013 on its remaining multi-year financial management initiatives.

VA's highest financial priority is to continue to reduce improper payments in order to comply with the Improper Payments Elimination and Recovery Act (IPERA). In 2013, the IPERA governing board, comprised of senior accountable officials and program managers throughout VA, focused on increasing its knowledge of improper payment root causes and on finding ways the Department could eliminate erroneous payments. As a direct result, improper payments were reduced by 50 percent.

In 2013 VA also completed a final rule mandating electronic invoicing for payments made by VA's Financial Services Center, helping to eliminate the errors and expense associated with traditional paper invoice submission and improving cost effectiveness, payment accuracy, and timeliness for both VA and vendors. Progress is continuing on the multi-year initiative to modernize Fee Basis payment capabilities.

VA continued to ensure that all American Recovery and Reinvestment Act (Recovery Act) transparency, reporting, and accountability goals were met. By September 30, 2013, VA had made outlays totaling over $1.8 billion (98 percent) of Recovery Act funds. For USAspending.gov, VA reported 100 percent of all required contract, grant, loan, and other assistance program spending, totaling $106.3 billion. Additionally, VA exceeded reduced spending targets established by the Office of Management and Budget (OMB), implementing Executive Order 13589, "Promoting Efficient Spending." The Executive Order, dated November 15, 2011, directs agencies to cut waste in spending and identify opportunities to promote efficient and effective spending in specific areas, including travel, printing, supplies and materials, employee IT devices, promotional items, and executive fleet inventories. Mandated reductions in spending for management support contracts were also included. VA developed and

executed a plan to reduce the costs associated with these activities and exceeded the required spending reduction by 24.6 percent. VA monitors spending monthly and reports the status to OMB quarterly.

VA's Franchise Fund is expected to receive its 16th successive unqualified audit opinion on its 2013 consolidated financial statements. In addition, the Supply Fund received an unqualified opinion in 2012 and anticipates another unqualified opinion in 2013.

VA is dedicated to ensuring the proper stewardship of resources entrusted to it by Congress and the American people. The Department of Veterans Affairs is proud of its many accomplishments, but knows that a lot of work remains.

We will continue to improve financial stewardship and set ambitious goals designed to enhance performance. We are dedicated to promoting sound business practices and improving accountability, with the ultimate goal of providing more and better services to our Nation's Veterans.

Helen Tierney

Condensed Consolidated Financial Statements

DEPARTMENT OF VETERANS AFFAIRS

CONDENSED CONSOLIDATED BALANCE SHEETS* (dollars in millions)

As of September 30,	2013	2012
ASSETS		
Fund Balance with Treasury	$ 39,048	$ 40,574
Investments and Other Assets - Intragovernmental	9,145	10,148
Public		
Accounts and Loans Receivable, net	4,187	3,785
General Property and Equipment, net	21,976	20,631
Other Assets	283	278
TOTAL ASSETS	**$ 74,639**	**$ 75,416**
LIABILITIES		
Intragovernmental Liabilities	$ 2,428	$ 2,537
Public		
Federal Employee and Veterans Benefits Liability	1,977,020	1,763,614
Insurance Liabilities	9,854	10,581
Other Liabilities	23,823	20,005
TOTAL LIABILITIES	**2,013,125**	**1,796,737**
NET POSITION	**(1,938,486)**	**(1,721,321)**
TOTAL LIABILITIES AND NET POSITION	**$ 74,639**	**$ 75,416**

CONDENSED CONSOLIDATED STATEMENTS OF NET COST* (dollars in millions)

As of September 30,	2013	2012
NET PROGRAM COSTS		
Veterans Health Administration	$ 56,550	$ 53,428
Veterans Benefits Administration	181,570	151,558
National Cemetery Administration	205	194
Indirect Administrative Program Costs	1,580	1,377
NET PROGRAM COSTS BY ADMINISTRATION BEFORE CHANGES IN VETERANS BENEFITS ACTUARIAL ASSUMPTIONS	**239,905**	**206,557**
COMPENSATION AND BURIAL	**114,100**	**149,300**
NET COST OF OPERATIONS	**$ 354,005**	**$ 355,857**

*For a full set of financial statements and footnotes, see Part III of the FY 2013 PAR at www.va.gov/budget/report

DEPARTMENT OF VETERANS AFFAIRS

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION*

(dollars in millions)

For the Years Ended September 30,	2013	2012
Cumulative Results of Operations		
Beginning Balance	$ (1,725,452)	$ (1,502,346)
Financing Sources, Primarily Appropriations Used	140,763	132,751
Net Cost of Operations	354,005	355,857
Net Change	**(213,242)**	**(223,106)**
Ending Balance – Cumulative Results	**$ (1,938,694)**	**$ (1,725,452)**
Unexpended Appropriations		
Beginning Balance	$ 4,131	$ 12,048
Appropriations Received	137,298	125,255
Appropriations Used and Other Changes	(141,221)	(133,172)
Total Unexpended Appropriations	**208**	**4,131**
Total Net Position	**$ (1,938,486)**	**$ (1,721,321)**

* For a full set of financial statements and footnotes, see Part III of the FY 2013 PAR at www.va.gov/budget/report

DEPARTMENT OF VETERANS AFFAIRS

CONDENSED COMBINED STATEMENTS OF BUDGETARY RESOURCES*
(dollars in millions)

for the Year Ended September 30, 2013	Budgetary	Non-Budgetary Credit Reform Financing Account
Budgetary Resources		
Unobligated Balance at the Beginning of the Period,	$ 15,917	$ 4,006
Net Increase in Budget Authority**	147,427	4,308
Total Budgetary Resources	**$ 163,344**	**$ 8,314**
Status of Budgetary Resources		
Obligations Incurred**	$ 152,443	$ 3,147
Unobligated Balance Available	6,984	-
Unobligated Balance Not Yet Available	3,917	5,167
Total Status of Budgetary Resources	**$ 163,344**	**$ 8,314**
Obligated Balance, end of year	**$ 25,550**	**$ 346**
Budget Authority, Net	**$ 139,415**	**$ (1)**
Agency Outlays, Net	**$ 138,657**	**$ (1,479)**
for the Year Ended September 30, 2012		
Budgetary Resources		
Unobligated Balance at the Beginning of the Period, Adjusted	$ 23,108	$ 3,430
Net Increase in Budget Authority**	132,439	3,610
Total Budgetary Resources	**$ 155,547**	**$ 7,040**
Status of Budgetary Resources		
Obligations Incurred**	$ 139,630	$ 3,034
Unobligated Balance Available	12,673	-
Unobligated Balance Not Yet Available	3,244	4,006
Total Status of Budgetary Resources	**$ 155,547**	**$ 7,040**
Obligated Balance, end of year	**$ 23,315**	**$ 310**
Budget Authority, Net	**$ 127,513**	**$ (673)**
Agency Outlays, Net	**$ 124,431**	**$ (1,737)**

* For a full set of financial statements and footnotes, see Part III of the FY 2013 PAR at www.va.gov/budget/report

** Recorded recoveries of prior year unpaid obligations for 2013 were $2,713 million. Estimated recoveries of prior year unpaid obligations (not recorded) range from $1,200 million-$2,300 million for 2012. The effect of recording the adjustments would be to increase "Recoveries of Prior Year Unpaid Obligations" and increase "Obligations Incurred".

Summary of Financial Statement Audit and Management Assurances

The following table provides a summary of audit-related or management-identified material weaknesses and the non-compliance with the Federal Financial Management Improvement Act and Federal financial management system requirements outlined in the 2013 Performance and Accountability Report. The title of each material weakness is consistent throughout this section and in the entire document. The material weakness and the associated remediation plan is the same as the audit-related material weakness.

During FY 2013, VA continued its remediation plans to correct the one material weakness identified in prior years for "Information Technology (IT) Security Controls." As of September 30, 2013, VA continues to report this material weakness. No new material weaknesses were found.

Summary of Financial Statement Audit

Audit Opinion	**Unqualified**				
Restatement	**No**				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
IT Security Controls	✓				✓
Total Material Weaknesses	**1**	**0**	**0**	**0**	**1**

Major Management Challenges Identified by OIG

The Department's Office of Inspector General (OIG), an independent entity, evaluates VA's programs and operations. The OIG submitted an update of the most serious management challenges facing VA. Please refer to pages II-79 – II-109 of the 2013 Performance and Accountability Report for more details.

VA is committed to addressing its major management challenges. Using OIG's perspective as a catalyst, we will take whatever steps are necessary to help improve services to our Nation's Veterans. We welcome and appreciate OIG's perspective on how the Department can improve its operations to better serve America's Veterans. The table below shows the estimated resolution timeframe to resolve each challenge.

Major Management Challenge		Estimated Resolution Timeframe (Fiscal Year)	PAR Page #
No.	**Description**		
OIG 1	**Health Care Delivery**		**II - 79**
1A	Quality of Care	2014	II – 79
1B	Access to Care	2014	II – 81
1C	Accountability of Prosthetic Supplies in VHA Medical Facilities	2014	II - 84
OIG 2	**Benefits Processing**		**II - 85**
2A	Improving the Quality of Claims Decisions	2015	II – 86
2B	VA Regional Office Operations	2015	II – 87
2C	Improving the Management of VBA's Fiduciary Program	2014	II – 88
OIG 3	**Financial Management**		**II – 89**
3A	Lack of Accountability and Control over Conference Costs	2014	II – 90
3B	Strengthen Financial Controls over the Beneficiary Travel Program	2014	II – 91
3C	Improve Compliance with the Improper Payments Elimination and Recovery Act, Reduce Improper Payments, and Weaknesses in non-VA Fee Care Program	2014	II – 93
OIG 4	**Procurement Practice**		**II – 94**
4A	VA Can Achieve Significant Procurement Savings	2014	II – 94
4B	Improve Oversight of Interagency Agreements	2014	II – 95
4C	Sound IT Procurement Practices	2014	II - 97

OIG 5	**Information Management**		**II – 98**
5A	Development of an Effective Information Security Program and System Security Controls	2014	II – 99
5B	Interconnections with University Affiliates	2014	II – 102
5C	Strategic Management of Office of Information Technology Human Capital	2014	II – 103
5D	Effective Oversight of Active IT Investment Programs and Projects	2014	II – 104

High-Risk Areas Identified by the Government Accountability Office

The Government Accountability Office (GAO) evaluates VA's programs and operations. In February 2013, GAO issued an update to its High-Risk Series (GAO-13-283). GAO identified four high-risk areas (specific to VA as well as Government-wide) that VA needs to address. Please refer to pages II-115 – II-122 of the 2013 Performance and Accountability Report for more details.

High-Risk Area		Estimated Resolution Timeframe (Fiscal Year)	PAR Page #
No.	Description		
GAO 1	**Improving and Modernizing Federal Disability Programs** ***High-Risk Series: An Update, GAO-13-283, February 2013.*** http://www.gao.gov/press/high_risk_additions_2013feb14.htm ***Military and Veterans Disability System: Pilot has Achieved Some Goals, but Further Planning and Monitoring Needed, GAO-11-69, December 6, 2010.*** http://www.gao.gov/products/GAO-11-69 ***Military and Veterans Disability System: Worldwide Deployment of Integrated System Warrants Careful Monitoring, GAO-11-633T, May 4, 2011.*** http://www.gao.gov/products/GAO-11-633T	2016	II – 115
GAO 2	**Strategic Human Capital Management: A Government-wide High-Risk Area** ***High-Risk Series: An Update, GAO-13-283, February 2013.*** http://www.gao.gov/press/high_risk_additions_2013feb14.htm	2015	II – 118

GAO 3	Managing Federal Real Property: A Government-wide High-Risk Area *High-Risk Series: An Update, GAO-13-283, February 2013.* http://www.gao.gov/press/high_risk_additions_2013feb14.htm *VA Real Property: Realignment Progressing, but Greater Transparency about Future Priorities is Needed, GAO-11-197, January 31, 2011.* http://www.gao.gov/products/GAO-11-197 *Federal Real Property: The Government Faces Challenges to Disposing of Unneeded Buildings, GAO-11-370T, February 10, 2011.* http://www.gao.gov/products/GAO-11-370T *VA Real Property: Realignment Progressing, but Greater Transparency about Future Priorities is Needed, GAO-11-521T, April 5, 2011.* *http://www.gao.gov/products/GAO-11-521T*	2014	II – 119
GAO 4	Protecting the Federal Government's Information Systems and the Nation's Cyber Critical Infrastructures *High-Risk Series: An Update, GAO-13-283, February 2013.* http://www.gao.gov/press/high_risk_additions_2013feb14.htm *Medical Devices: FDA Should Expand Its Consideration of Information Security for Certain Types of Devices, GAO-12-816, August 31, 2012.* *http://www.gao.gov/products/GAO-12-816* *Information Security: Weaknesses Continue Amid New Federal Efforts to Implement Requirements, GAO-12-137, October 3, 2011.* *http://www.gao.gov/products/GAO-12-137*	2014	II – 120

VA Internet Links

Veterans Health Administration

Providing Medical Care

VA operates the largest integrated 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.

Web: http://www1.va.gov/health/index.asp

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 potential loss of earning capacity due to a disability or disease incurred in or aggravated during active military service.

Web: www.vba.va.gov/bln/21/compensation/

Providing Pension Benefits

Pension benefits are monthly payments, specified by law, provided to Veterans with nonservice-connected disabilities, who served in a time of war.

Web: www.vba.va.gov/bln/21/pension/

Providing Fiduciary Services

Fiduciary services are provided to Veterans and beneficiaries, who because of injury, disease, infirmities of age, or because they are minor children, cannot manage their financial affairs.

Web: http://www.vba.va.gov/bln/21/Fiduciary/

Providing Educational Opportunities

VA's education programs provide eligible Veterans, Servicemembers, Reservists, Survivors, and dependents the opportunity to achieve their educational or vocational goals.

Web: www.gibill.va.gov

Delivering Vocational Rehabilitation and Employment Services

VA's Vocational Rehabilitation and Employment program provides vocational and employment services to Veterans, active-duty Servicemembers, and eligible dependents.

Web: http://www.vba.va.gov/bln/vre/index.htm

Promoting Home Ownership

VA's Loan Guaranty program helps eligible Veterans, active duty personnel, surviving spouses, and members of the Reserves and National Guard in purchasing homes.

Web: http://www.homeloans.va.gov

Meeting Insurance Needs

VA's Insurance program provides all Servicemembers and their families with universally available life insurance, which is automatically issued without underwriting.

Web: http://www.insurance.va.gov

National Cemetery Administration

Delivering Burial and Memorial Services to Veterans

VA honors Veterans and their families with final resting places in National shrine cemeteries and with lasting tributes that commemorate their service and sacrifice to our Nation.

Web: http://www.cem.va.gov