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)*	G	G	⇧
Competitive Sourcing *(g-wide)*	R	R	⇔
Financial Performance *(g-wide)*	R	G	⇔
E-Government *(g-wide)*	R	Y	⇔
Budget and Performance Integration *(g-wide)*	R	Y	⇔
Real Property	G	G	⇧
VA/DoD Coordination	Y	Y	⇔
Research and Development	-- not rated --		
Improper Payments	G	G	⇧
Faith-Based and Community Initiative	Y	G	⇔
Credit Management	R	G	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.

HUMAN CAPITAL

Open Items at the Beginning of FY 2006	FY 2006 Actions and Progress
• **Performance appraisal plans adhere to merit system principles, etc.** - Plans are in place for more than 60 percent of agency staff - Test of beta site is completed	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. • 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. • 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.
• **Identify Skill gaps** - Achieve significant reduction in mission critical skill gaps	• VA focused on closing competency gaps in its nursing, leadership, IT, and HR professional groups. • 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. • Using online Blackboard technology for the first time, VA delivered first-line supervisory training.
• **Develop hiring timelines** - Demonstrate that VA is on track to meet hiring timeline goals	• VA hired General Schedule-level staff in fewer than 45 days for four consecutive quarters. • 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. • VA conducted a "hiring makeover" to analyze the entire hiring process and identify areas of improvement. VA also agreed to implement the *USAStaffing* HR system to modernize recruitment processing.
• **Implement an accountability system** - Provide an annual report on operational status of HR programs	• 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. • 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.

COMPETITIVE SOURCING

Open Items at the Beginning of FY 2006	FY 2006 Actions and Progress
• **Secure an approved competition plan** • **Begin standard competitions** • **Begin standard and streamlined competitions** • **Streamlined competitions completed in 90 days or less** • **Announced standard & streamlined competitions cancelled** • **Savings**	• 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. 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.
Other VA-specific activities being undertaken to support this PMA	• 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.

FINANCIAL PERFORMANCE

Open Items at the Beginning of FY 2006	FY 2006 Actions and Progress
• **Clean audit opinion**	• VA received an unqualified opinion on its FY 2006 Consolidated Financial Statements from the auditors, continuing the success first achieved in 1999.
• **Meets reporting deadlines**	• VA met all of its required annual and quarterly reporting deadlines.
• **Use financial information to drive results in key areas**	• 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. • 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.
• **Eliminate material non-compliance with laws or regulations**	• Conformance with this requirement is contingent upon remediation of the existing audit-related material weaknesses identified for completion in the 2009-2010 timeframe.
• **Eliminate FMFIA material weaknesses**	• VA completed action on its only remaining FMFIA material weakness, Internal Control Weaknesses in the C&P Payment Process.
• **Achieve Compliance with FFMIA**	• 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. • 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.

FINANCIAL PERFORMANCE, *continued*

Open Items at the Beginning of FY 2006	FY 2006 Actions and Progress
• **Eliminate material or auditor-reported internal control weaknesses**	• 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. • 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. • 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.

E-GOV

• **Create Enterprise Architecture (EA) systems** - Has 3 completed or in use or at least 3 in results	• VA's EA V4.1, delivered in February 2006, was awarded a Capability Maturity Model score of 3.6 out of 5.0. • VA received an overall EA assessment rating of "Green" for 2006. • 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.
• **Develop acceptable business cases for major systems** - Acceptable business cases developed for more than 50% of major systems	• VA submitted revisions to FY 2007 Exhibits 300 based on passback guidance. • VA addressed concerns pertaining to IT investments on OMB's Management Watch List. • VA submitted the FY 2008 Exhibit 53 to OMB.

E-GOV, *continued*

Open Items at the Beginning of FY 2006	FY 2006 Actions and Progress
• **Develop and adhere to Cost/Schedule/Performance for major IT systems** - Overruns/shortfalls for less than 30% of projects - Installation of an Earned Value Management System (EVMS) that shows overruns/shortfalls less than 10% of projects	• VA implemented the new IT Systems Account appropriation enacted by Congress in 2006. • VA published guidance to improve program and project performance through Earned Value Management (EVM) and operational analysis. • VA established baselines for 85 percent of programs and 60 percent for EVM reporting.
• **Establish security of operational IT systems** - IG verifies effectiveness of security of all operational IT systems	• All of VA's operational IT systems have been certified and accredited. • Reaccreditation work continued for systems with expiring accreditation. • VA submitted the FY 2006 Federal Information Security Management Act (FISMA) fourth quarter status report.
• **Implement E-Gov**	• VA continues to meet interim milestones and target completion dates that support E-Gov and Lines of Business alignment and implementation plans.

BUDGET AND PERFORMANCE INTEGRATION

• **Link performance to personnel appraisal plans** - Plans in place for over 60 percent of agency	• VA successfully completed negotiations with AFGE to include all bargaining unit employees under VA's 5-tier performance appraisal system. • Together with non-bargaining unit employees, all VA employees are now covered by VA's 5-tier system
• **Demonstrate improved results and use of performance information**	• 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.
• **Show cost of achieving performance goals** - Marginal cost reported - Full cost reported	• 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.
• **Develop at least one efficiency measure per program**	• VA has at least one efficiency measure in place for each program. • VA also submitted its Efficiency Report deliverable to OMB in August.
• **Use PART ratings** - Improvements used to justify request - Less than 10 percent Results Not Demonstrated for more than 2 years in a row	• VA completed PART reviews on three programs (Insurance, Pension, and Medical R&D) for inclusion in the FY 2007 budget. None received a "Results Not Demonstrated" rating. • The review for the Vocational Rehabilitation and Employment Program was completed but the rating has not yet been issued.

REAL PROPERTY

Open Items at the Beginning of FY 2006	FY 2006 Actions and Progress
• Continue to identify assets for prioritized investment and unneeded assets suitable for disposition	• Earned a "green" status indicator for the President's Management Agenda Real Property Initiative. • Outleased 5.1 million square feet of underutilized space (includes enhanced-use leases). • 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. • Updated systems to track and report additional Federal Real Property Council (FRPC) inventory disposal elements.
• Make the necessary enhancements to Capital Asset Management System (CAMS)	• VA made the necessary enhancements to the Capital Asset Management System to capture FY 2006 FRPC data reporting requirements, including disposal data.
• 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	• Formulated a directive that requires VA's Administrations to follow a prescribed order of disposal modes for eligible assets. • Developed a list of assets – validated to CARES decisions – slated for disposal in 2006, 2007, and 2008.

• 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	• VA leadership was briefed quarterly on each FRPC Tier 1 performance metric (mission dependency, utilization, condition index, and costs). Information included the:
	  ○ Reports on locations with performance exceeding a 10% threshold compared to VA's strategic targets.
	  ○ Explanations or action plans to address mission dependency and utilization issues.

• Construct asset level data, consistent with approved waivers, and report to the FRPP by December 15, 2005	• VA fully complied with FRPC requirements to track and report constructed-asset level data consistent with approved waivers.

• **Real Property Management** - Provide evidence that real property management is consistent with agency strategic plan, Asset Management Plan, and performance measures	• VA's Capital Asset Realignment for Enhanced Services (CARES) process provides a **20-year blueprint** for the critical **modernization** and **realignment** of VA's health care system.
	• VA completed Stage II CARES studies on all but 20 sites for unneeded property. Stage II will determine the following:
	  ▪ Health care needs for veterans
	  ▪ VA capital needs
	  ▪ Use of land and buildings for non-VA use.
	• VA fully complied with FRPC requirements to track and report asset inventory and Tier 1 performance measures at the constructed-asset level.
	• VA awarded a contract to the National Institutes of Building Sciences to develop physical security standards based on VA physical security strategies.

REAL PROPERTY, *continued*	
Open Items at the Beginning of FY 2006	**FY 2006 Actions and Progress**
• **Update Asset Management Plan -** **-** Include methodology for capturing data, -Use of available data for decision-making, - Planned future program modifications, enhancements, etc. - Include greater granularity to capture actions that lead to measurable results. -Provide evidence that the plan being implemented will achieve improved real property management by 1st quarter 2006	• VA updated its Asset Management Plan; it is a companion document to the 5-year capital plan and describes: ▪ VA's capital budget ▪ VA's capital asset management philosophy ▪ VA's capital portfolio goals ▪ Actions taken to improve the formulation and management of its portfolio ▪ VA's sustainment model ▪ The valuation mechanism used at VA ▪ The human capital strategies employed, including the policies developed to govern asset management at VA. • 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.
VA/DoD COORDINATION	
• **Establish Interoperable Electronic Health Record Databases** **-** Certify Data Repository - Begin Bi-Directional Health Information Exchange (BHIE) - Develop joint program management to reach and maintain full real-time BHIE - All BHIE elements are operational	• 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. • Begin BHIE: In 2005, VA and DoD achieved the successful bidirectional exchange of viewable electronic health data using the BHIE. • 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. • 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. • VA and DoD also achieved bidirectional exchange of computable outpatient pharmacy and allergy data in a live production environment. • 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.

VA/DoD COORDINATION, *continued*

Open Items at the Beginning of FY 2006	FY 2006 Actions and Progress
• **Use DoD Defense Enrollment/Eligibility Reporting System (DEERS) Data for "One VA" Registration and Enrollment** - Complete data validation and standardization requirements - Identify business and data requirements –Complete full prototype of real-time access to DoD's DEERS and DIMHRS history	• VA and DoD continue to increase data sharing and streamline data feeds for DEERS. • 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. • 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.

• **Establish pilot sharing sites (Natl. Defense Authorization Act)** - Develop a status report on the pilot - Develop recommendations to improve sharing	• 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.
	• The pilot project covers the following areas and sites:
	  o *Budget and Financial Management*
	    ▪ VA Pacific Islands Health Care System (HCS) – Tripler Army Medical Center (AMC)
	    ▪ Alaska VA HCS – Elmendorf AFB, 3rd Med Group
	  o *Coordinated Staffing and Assignment*
	    ▪ Augusta VA HCS – Eisenhower AMC
	    ▪ Hampton VA Med Center – Langley AFB, 1st Med Group
	  o *Medical Information and Information Technology*
	    ▪ Puget Sound VA HCS – Madigan AMC
	    ▪ El Paso VA HCS – William Beaumont AMC
	    ▪ South Texas VA HCS, Wilford Hall AFMC, and Brook AMC

• **Develop a Graduate Medical Education (GME) Pilot Program** - Perform an interim evaluation of outcomes, benefits, and lessons learned	• 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.

• **Increase non-GME Training and Education Sharing** - Develop a plan to increase joint non-GME training and education	• The Health Executive Council approved a joint non-GME training plan in March 2006. VA and DoD will implement this plan in three phases:
	
	  ○ <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.
	  ○ <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.
	  ○ <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.
	
	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.

VA/DoD COORDINATION, *continued*

Open Items at the Beginning of FY 2006	FY 2006 Actions and Progress
• **Joint Purchasing of non-drug medical supplies and equipment** **-** Develop a quarterly monitoring and tracking system	• 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. • 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.

R&D INVESTMENT CRITERIA

This PMA item is under review by OMB.

ELIMINATING IMPROPER PAYMENTS

• **Risk Assessment**	• An OMB-approved plan is in place for measuring improper payments on an annual basis; VA has also met milestones established in the plan.
• **Measurement plan for risk susceptible programs in place and OMB-approved**	• VA completed consolidation of improper payment and recovery auditing data for all risk-susceptible programs for inclusion in the PAR.
• **Meets reporting requirements**	• 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.
• **Corrective action plan**	• VA will continue implementation of corrective action plans for risk-susceptible programs in 2007.
• **Reduction Targets**	• VA established a corrective action plan with OMB-approved reduction targets for all risk-susceptible programs. • 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.
• **Recovery Targets**	• VA established a corrective action plan with OMB-approved recovery targets for all risk-susceptible programs. • VA met or exceeded the recovery targets for this reporting period. • 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.

FAITH-BASED AND COMMUNITY INITIATIVES

Open Items at the Beginning of FY 2006	FY 2006 Actions and Progress
• **Data Collection** **-** Demonstrate that data collected are accurate, collected on a timely basis - Demonstrate progress towards expansion of data collection efforts	VA accomplished the following: • Met all data collection requirements. • Submitted to the White House Office of Faith-Based and Community Initiatives (WHOFBCI) all required data collection forms and reports on time. • Provided the WHOFBCI three quarterly stories of lives transformed. • 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.
• **Outcome-based evaluations** **-** Provide regular progress reports	• 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. • Developed quarterly evaluations for implemented pilots and submitted these to WHOFBCI. • 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.

IMPROVED CREDIT MANAGEMENT

• **Define target borrower segments**	• OMB indicated that VA has met this criteria; no action is necessary.
• **Establish or verify sound lending policies and procedures**	• Loss Recovery: VA submitted to OMB an overview of property disposal procedures and the program's foreclosure and claim payment process. • Transaction Approval: VA submitted to OMB the pertinent documents on existing underwriting and Automated Underwriting System (AUS) policies and practices.
• **Establish or verify sound collateral valuation process**	• 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.
• **Maintain effective management information reporting**	• 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.
• **Control costs**	• VA began work to award a contract to develop unit-costing capability.
• **Comply with Debt Collection Improvement Act**	• VA began discussions on this issue with OMB.
• **Customer Satisfaction**	• **In 2007,** VA will begin work on FY 2006 Lender, Veteran and Specially Adapted Housing customer satisfaction surveys.